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IN THE MATTER OF AN ARBITRATION
BETWEEN

LANCE ARMSTRONG and §
TAILWIND SPORTS, INC. §

Claimants, § ARBITRATION BEFORE THE
§ HONORABLE RICHARD
VS. § 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 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.

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23 ALSO PRESENT:

24 Ms. Mariela Evora

25 Mr. Chris Compton

Mr. John Bandy

Mr. Robert Hamman

Mr. Michael Ashenden

Ms. Lynn G. Bone

Mr. Russell E. Pryor

Ms. Marianne Ross

Mr. Kearney

Mr. Joe Longley

Mr. Bill Stapleton

Mr. Lawrence Temple

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<p style="text-align: right;">Page 751</p> <p>1 53 - CSE letter to Dear Colleague 837 2 82 - 9/21/04 Herman letter to Compton re: 823 Cause No. 04-9557 3 83 - 7-20-98 Toronto Star article 796 4 84 - 12/20/04 Hearing Transcript 900 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25</p>	<p style="text-align: right;">Page 753</p> <p>1 of Mr. Armstrong for any one of those four years were 2 stripped? 3 A. No. I made provision that if that was the 4 case, yes. 5 Q. Can you point to any other incentive contract 6 that SCA has ever entered into where that kind of 7 instruction was given to Mr. Bandy? 8 A. Yes. 9 Q. What? 10 A. Olympic sports. 11 Q. So what would be the -- well, strike that. 12 Has any Olympic medal or title ever been 13 stripped for anything other than doping? 14 A. Not -- well, yes. 15 Q. What? 16 A. Jim Thorpe was stripped of his medals for 17 playing professional ball. 18 Q. Well, but SCA didn't insure Jim Thorpe's 19 sponsor. 20 A. I don't think we did. 21 Q. Right. 22 A. I'll check into the archives. 23 ARBITRATOR CHERNICK: Do you want to 24 check your records on that, Mr. Hamman, before you 25 answer?</p>
<p style="text-align: right;">Page 752</p> <p>1 PROCEEDINGS 2 ARBITRATOR FAULKNER: Mr. Hamman, if 3 you'll come back to the witness stand. Please resume 4 your examination. 5 DIRECT EXAMINATION 6 BY MR. HERMAN: 7 Q. Mr. Hamman, you and I spoke about Claimants' 8 Exhibit 10. That's number -- 9 MR. HERMAN: That's slide 5, Russell. 10 Q. (BY MR. HERMAN) Now, SCA does more than -- 11 does athletic incentives in golf, cycling, skiing, 12 tennis? 13 A. Primarily golf and motor sports. 14 Q. Now, when you -- when you negotiate an 15 agreement, do you normally ask Mr. Bandy to prepare 16 the contract? 17 A. Frequently I do. 18 Q. Now, it's true, is it not, that you have 19 never instructed Mr. Bandy to prepare a golf incentive 20 contract which contains a provision that if titles are 21 stripped as a result of official action, then sponsor 22 agrees to refund any payments made? 23 A. I don't believe I have. 24 Q. All right. So as of -- as of January 9, 25 2001, you anticipated a remedy for SCA if the titles</p>	<p style="text-align: right;">Page 754</p> <p>1 Q. (BY MR. HERMAN) You're not still 2 investigating that claim, are you? 3 A. Well, come to think of it, we might. 4 Q. In any event, other than Mr. Thorpe, this is 5 the only one? 6 A. Well, I don't know. 7 Q. Well, other than Mr. Thorpe, you can't think 8 of any title being stripped for any reason other than 9 some performance enhancing substance; isn't that true? 10 A. I don't know. I mean, can I think of any off 11 the top of my head, no. 12 Q. All right. This document here, which is 13 Claimants' Exhibit 10, is there any other document 14 prepared by SCA which would more accurately reflect 15 the intention of SCA going into this deal prior to the 16 preparation of your contract? 17 A. I don't believe so. 18 Q. You're the one that -- the sole person who 19 negotiated this deal on behalf of SCA, correct? 20 A. Correct. 21 Q. And it's true, is it not, that you intended 22 for a refund of the money if the titles were stripped 23 from Mr. Armstrong as a result of official action, 24 correct? 25 A. Yes.</p>

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1 Q. And you know that that's the only way the
2 titles can be stripped; it has to be official action?
3 A. Titles are only stripped by official action,
4 to the best of my knowledge.
5 Q. So that if Mr. Armstrong were the official
6 winner, to ever change that status, it would take
7 official action? That's just a truism, is it not?
8 A. Correct.
9 Q. So it's true as of January 9, 2001 that you
10 made specific provision for precisely what you're now
11 alleging, didn't you?
12 A. I made instructions to make provisions for
13 that. It didn't appear in the contract.
14 Q. And you have done nothing at SCA to petition
15 the only -- to petition the official event governing
16 body to strip Mr. Armstrong of his title?
17 A. Correct.
18 Q. And as of January 9, 2001, you had clearly in
19 your mind precisely what you're now alleging, that is
20 some performance enhancing substance, didn't you?
21 A. Not exactly.
22 Q. Well, what other reason would there be for
23 stripping Mr. Armstrong's title?
24 A. In sports of that nature where performance
25 enhancing drugs are forbidden, there's a possibility

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1 that a winner's title will be stripped.
2 Q. Exactly. And the remedy for that, you wanted
3 to ensure by telling Mr. Bandy the remedy in the event
4 that his title was stripped, then Tailwind, who you
5 had the contract with, would have to give the money
6 back?
7 A. That was a remedy.
8 Q. Well, that's -- that's precisely what you
9 instructed Mr. Bandy on at the time the contract was
10 entered into?
11 A. That's correct.
12 Q. But you didn't pay the money, you didn't pay
13 the \$5 million, did you?
14 A. We paid the money into the Court.
15 Q. We will talk about that in a minute. You
16 didn't pay the money to the sponsor?
17 A. Correct.
18 Q. Tailwind can't refund the money to you from
19 the Court, can it?
20 A. I don't know.
21 Q. All right. Now, when we quit yesterday,
22 Mr. Hamman -- I'll change topics with you just a
23 little bit. As of the end of September 2004 --
24 A. Right.
25 Q. -- did you know enough to deny the claim?

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1 A. No.
2 Q. Well, why not?
3 A. We hadn't confirmed the Indiana hospital
4 room. We -- there was much evidence we hadn't yet
5 collected.
6 Q. Well, I thought you told me yesterday that
7 had you known on January 9, 2001 what you knew at the
8 end of September that you would have never entered the
9 deal.
10 A. Those are two different standards.
11 Q. Well, but what I just said was accurate?
12 A. Correct.
13 Q. Okay. Now, you've told -- you pled to this
14 panel that one of the reasons that you say you're
15 entitled to cancel or rescind this contract is because
16 if you had only known then what you know now that you
17 would have never done the deal, so consequently you're
18 entitled to rescind the contract; isn't that what
19 you've told the panel?
20 A. Correct.
21 Q. Well, if you knew enough at the -- actually
22 you knew enough at the beginning of September that you
23 wouldn't have done the deal.
24 A. Correct.
25 Q. So if the basis for your denial of this claim

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1 is that you didn't know certain information which had
2 you known you would have never done the deal, you knew
3 that as early as September 1st?
4 A. No.
5 Q. I thought you just told me if you had known
6 on January 9 what you knew on September 1st, you would
7 have never done the deal.
8 A. The standard for doing a deal and the
9 standard for denying a claim are different. Restate
10 the question so I'm sure that I understand it.
11 Q. Haven't you told the panel that Tailwind
12 didn't disclose certain information to you, that if
13 they had, if you had had any reason to even suspect,
14 that you would have never done this deal?
15 A. That's correct.
16 Q. So that as of September 1st, these matters
17 that you say Tailwind should have disclosed to you,
18 you knew enough of those matters on September 1st to
19 where you wouldn't have done the deal if you had it to
20 do over again?
21 A. We knew enough of some matters on
22 September 1st to know that we wouldn't have done the
23 deal based on those matters.
24 Q. Right. And that's my only point. If you had
25 known on January 9, 2001 what you knew on September 1,

<p style="text-align: right;">Page 759</p> <p>1 2004, you would have never done the deal on January 9; 2 isn't that what you're saying? That's true, isn't it? 3 A. If we had known certain facts at the time we 4 entered into the deal, we would not have done the 5 deal. 6 Q. And the facts that you knew on September 1 7 would have prevented you from doing the deal. I mean, 8 I think we have already agreed about that. 9 A. That's correct. 10 Q. Okay. So based upon your -- SCA's position 11 before this panel that one of the reasons they're 12 entitled to rescind this contract is because matters 13 weren't disclosed to them which would have prevented 14 SCA from doing the deal, at least -- you knew at least 15 enough of those matters to put you -- to give you 16 suspicion enough as of September 1? 17 A. Not necessarily. 18 Q. Well, didn't you just say that if you had 19 known on September -- on January 9 what you knew on 20 September 1, 2004 you wouldn't have done the deal? 21 A. The facts that we might have known that would 22 enable us not to do the deal were not necessarily the 23 same facts that had been represented by Mr. Armstrong. 24 Q. I don't know that I followed that, and I 25 don't want to be unduly repetitive and I apologize if</p>	<p style="text-align: right;">Page 761</p> <p>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?</p>
<p style="text-align: right;">Page 760</p> <p>1 I'm not understanding. If you'll indulge me, let me 2 just try to make this clear. 3 A. Okay. 4 Q. As of, let's say, September 1, 2004, you 5 suspected that there might be something up, correct? 6 A. Could you cite a fact that I could comment on 7 that I might be able to say I would or would not have 8 done the deal based on a given fact? 9 Q. Well, let's say -- let's say by September 1 10 you knew that Mr. Armstrong had trained from time to 11 time with Dr. Ferrari. 12 A. By September 1 we knew that he had trained 13 with Dr. Ferrari and that caused us concern, but we 14 also knew that there was a court case pending that we 15 didn't have the results of. 16 Q. Well, let me just -- let me just ask you 17 this, which I think we have resolved this, but if you 18 had known -- let's say that your state of mind, your 19 state of knowledge, everything, your state of 20 understanding, your state of belief on September 1, 21 2004 had been the same on January the 8th of 2001, 22 would you have done the deal or not? 23 A. I would not have. 24 Q. Did you, as of the first of September, deny 25 the claim?</p>	<p style="text-align: right;">Page 762</p> <p>1 A. We didn't deny it. 2 Q. You didn't rescind the contract? 3 A. We had been sued and the -- Tailwind had 4 totally refused to cooperate in any way, shape or form 5 with our investigation, and effectively the process 6 had been hijacked. 7 Q. Okay. So the answer to my question is no, 8 you didn't rescind the contract? 9 A. We did not rescind the contract. 10 Q. Did you petition the UCI or the Tour de 11 France? 12 A. We did not. 13 Q. And you haven't to this day, have you? 14 A. Correct. 15 Q. Once you became aware that CHUBB had paid and 16 that Lloyds had either paid or agreed to pay, did you 17 report Tailwind to the Department of Insurance for 18 perpetrating an insurance fraud? 19 A. We did not. 20 Q. You understand you're a -- 21 A. We didn't have an insurance contract in our 22 belief. 23 Q. Well, did you think CHUBB and Lloyds -- do 24 you think they're insurance companies? 25 A. Yes, I do.</p>

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1 Q. Well, you knew that -- you knew that Tailwind
 2 had made a claim and CHUBB and Lloyds had paid. Did
 3 you report them for fraud?
 4 A. We were in the process of an investigation
 5 and we did not report them.
 6 Q. Did you notify Prize Indemnity Limited that
 7 they had been defrauded on July 26th and repaid the
 8 \$1.2 million that you collected?
 9 A. We did not.
 10 Q. Now, let's talk a little bit about this
 11 deposit that you claim or apparently claim illustrates
 12 SCA's good faith. Turn to Exhibit 75, if you will.
 13 Exhibit 75 is your letter of September 2, 2004 where
 14 you demand the full cooperation of not just your
 15 insured but Lance Armstrong, USPS, Capital Sports
 16 Entertainment as well as any related or affiliated
 17 individuals or entities.
 18 So just along those lines I take it that
 19 any individual employed by any of those entities you
 20 believe had an obligation to provide information to
 21 you?
 22 A. We felt we were entitled to all pertinent
 23 information.
 24 Q. Well, when you say related or affiliated
 25 individuals, you would obviously be referring to all

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1 the employees of those entities, would you not?
 2 A. Only those with information.
 3 Q. Okay.
 4 A. We didn't know who they might be at the time.
 5 Q. All right. Now, if you turn over to the
 6 second page, you mentioned to me yesterday that it was
 7 your intention to complete this investigation and make
 8 a determination whether to pay or not by September 2.
 9 Do you recall that -- September 3, whenever you say
 10 the due date was?
 11 A. We hoped we would be able to.
 12 Q. And when did -- when did that objective
 13 appear unable to meet?
 14 A. We -- certainly by the time I wrote the
 15 letter it was clear we had not met our objective. I
 16 don't have a specific date in mind that -- but shortly
 17 before that it became clear that there would be no
 18 ability to communicate with even Mr. Walsh prior to
 19 the due date.
 20 Q. Well, can you tell me how long prior to the
 21 date you wrote this letter you came to the realization
 22 that you would not pay as of the due date?
 23 A. A few days. It seemed very unlikely.
 24 Q. Incidentally, prior to September 2, had you
 25 requested any documents or information from Tailwind?

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1 A. No.
 2 Q. So it would have been the 26th that you got
 3 the notice of claim from Tailwind through ESIX and you
 4 didn't request any documents or information for
 5 whatever it is, 35 days up until September 2nd?
 6 A. I don't believe we got the notice on the
 7 26th, but we got some -- we got some documents in
 8 August.
 9 Q. Well, you got a notice -- you got an e-mail?
 10 A. We were aware Mr. Armstrong had won the Tour
 11 de France.
 12 Q. You had gotten an e-mail from Kelly Price on
 13 the 26th, did you not?
 14 A. I don't recall. We --
 15 Q. Well, you don't dispute it anyway?
 16 A. I don't dispute it.
 17 Q. Okay. So you didn't ask for any documents
 18 for -- until September 2.
 19 Now, you deposited \$5 million into a
 20 JPMorgan custodial account on September 3, right?
 21 A. Or shortly thereafter, approximately
 22 September 3.
 23 Q. And you said this account -- the account
 24 shall remain in place for a reasonable period of time
 25 which shall not be less than 90 days except upon the

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1 earlier resolution of this matter. That's what -- I
 2 read that correctly, did I not?
 3 A. I assumed it would take that long to
 4 investigate the matter.
 5 Q. Okay. So as of September 2, unless the
 6 matter was resolved, it was your promise to leave that
 7 money on deposit for 90 days, fair?
 8 A. Yes.
 9 Q. Then you got -- SCA received correspondence
 10 from me on September 7 demanding payment. I don't
 11 know exactly what that --
 12 A. Well, I thought your letter was
 13 September 8th, but...
 14 Q. Well, it could have been.
 15 A. But whatever what date.
 16 Q. Yeah, September 8, Exhibit 92.
 17 A. Okay.
 18 Q. Now, as of September 8, 2004, had you changed
 19 your mind about having to pay the money and then if he
 20 was stripped of his title to be entitled to it?
 21 A. We certainly felt that as of any date if he
 22 were stripped of his title, we would be either not
 23 obligated to pay or entitled to a refund of any money
 24 paid.
 25 Q. Well, those are two pretty different things,

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1 don't you agree? In the one case you pay the claim
 2 pursuant to the contract, which obligates you to pay
 3 if he's the official winner, and in the second
 4 instance you don't pay. I would say those were two
 5 substantially different approaches, wouldn't you?
 6 A. They're certainly different, but functionally
 7 they're very similar during an investigation.
 8 Q. On September the 10th your company was
 9 notified that the claim needed to be made, otherwise
 10 arbitration was going to be instituted on the 13th;
 11 isn't that true?
 12 A. Well --
 13 Q. I'm not referring you to the letter.
 14 A. Well --
 15 Q. Do you know whether that's true or not?
 16 A. There was something to the effect -- was it
 17 on your letter of September 8th -- such arbitration
 18 will be instituted on Monday, September 13th.
 19 Q. All right. So you were notified on the 8th
 20 that you all knew Mr. Armstrong was the official
 21 winner, you knew that that triggered your liability
 22 and that you needed to pay the money or arbitration
 23 would be instituted as provided under the contract,
 24 correct?
 25 A. We knew that you had made demand to institute

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1 arbitration on the 13th of September. We certainly
 2 felt that that would be totally impractical and that
 3 we had not done very -- had not been able to
 4 accomplish very much in our investigation at that
 5 point.
 6 Q. So when you -- when you and others at SCA
 7 claim that you got sued by Tailwind, you're referring,
 8 I presume, to Exhibit 98?
 9 A. Correct.
 10 Q. And given the focus of your investigation, I
 11 take it that as of September 8th when you got my
 12 letter you had not been able to accomplish the
 13 confirmation of the allegations contained in LA
 14 Confidential?
 15 A. That's correct.
 16 Q. It was going to take you longer to do that,
 17 correct?
 18 A. That's correct.
 19 Q. Now, in the insurance contract it simply says
 20 that disputes will be resolved under the Texas
 21 Arbitration Act in Dallas, Texas, does it not?
 22 A. Correct.
 23 Q. It doesn't say how many arbitrators?
 24 A. Correct.
 25 Q. It doesn't say how they're to be selected?

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1 A. Correct.
 2 Q. And on September the 14th, 2004, a petition
 3 was filed in -- in the 298th District Court of Dallas,
 4 Texas to request the Court to appoint arbitrators?
 5 A. Correct.
 6 Q. Thereafter, did SCA object to leaving the
 7 \$5 million on deposit?
 8 A. We objected to placing it in the registry of
 9 the court, I believe, but we did not object to leaving
 10 it on deposit.
 11 Q. Is that right? Is that right? Is that your
 12 position?
 13 A. I believe that was the case, that we didn't
 14 object to leaving it.
 15 ARBITRATOR CHERNICK: I'm sorry, I didn't
 16 hear that.
 17 A. I believe we did not object to leaving the
 18 money at JPMorgan, and I -- I'm not even sure if we
 19 objected to moving it to the registry of the court.
 20 Q. (BY MR. HERMAN) Look at Exhibit 105.
 21 A. Okay.
 22 Q. Do you see that?
 23 A. Yes.
 24 Q. You know that Tailwind asked the Court to
 25 prohibit SCA from moving or spending the \$5 million

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1 account and asked for a temporary injunction in that
 2 regard. You don't remember that?
 3 A. I -- I recall that they wanted to gain
 4 control over the money.
 5 Q. Is that what your -- is that what you think
 6 happened?
 7 A. They wanted -- I believe so.
 8 Q. Well, it's true, is it not, that Tailwind
 9 sought the -- sought -- had to seek an injunction in
 10 order to preserve the money in the JPMorgan account;
 11 that's precisely what Tailwind asked, was it not?
 12 A. We had -- not exactly.
 13 Q. Okay. What's -- just tell me what your best
 14 understanding of what it was that Tailwind asked the
 15 Court to do by virtue of this injunction.
 16 A. My understanding is we had agreed to keep the
 17 money up for at least 90 days and that that wasn't
 18 good enough for Tailwind.
 19 Q. So you think Tailwind wanted to have it left
 20 up for more than 90 days?
 21 A. I think they wanted to tie the money up.
 22 Q. What do you mean tie the money up?
 23 A. It ended up being placed in the registry of
 24 the court and that was satisfactory to Tailwind.
 25 Q. Well, you know, Mr. Hamman, that Tailwind had

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1 to file a request for temporary injunction so that SCA
 2 wouldn't take the money out of the account and spend
 3 it or do whatever they wanted to do with it?
 4 A. I don't believe there's any evidence that
 5 they had to.
 6 Q. Pardon me?
 7 A. We had agreed to put the money up for at
 8 least 90 days.
 9 Q. Well, it's true, is it not, that when
 10 Tailwind asked the -- asked SCA to leave the money in
 11 the JPMorgan account they refused, SCA refused?
 12 A. I don't recall that. We had indicated that
 13 we were going to leave it there for 90 days, so I
 14 don't see that that's consistent with refusing to keep
 15 the money in the account.
 16 Q. Did Mr. Compton tell you that he told Judge
 17 Canales in open court that they didn't -- that SCA
 18 didn't have to put the money up in the first place and
 19 they ought to be entitled to take it if they want to,
 20 before he took the wrapper out of the trash can?
 21 MR. TILLOTSON: Well --
 22 MR. HERMAN: I'm sorry, I'll withdraw
 23 that.
 24 MR. TILLOTSON: Thank you.
 25 MR. HERMAN: Okay.

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1 Q. (BY MR. HERMAN) Do you know whether
 2 Mr. Compton represented that to Judge Canales or not?
 3 A. I -- I don't recall seeing that statement,
 4 but I don't know.
 5 Q. Well, look at Exhibit 106, if you would.
 6 A. Okay.
 7 Q. 106 is entitled SCA Promotions, Inc.'s;
 8 Response and Objection to Plaintiff's Request for
 9 Temporary Injunction, correct?
 10 A. Correct.
 11 Q. On the first page of that SCA tells the Court
 12 despite pleading an ordinary claim, Plaintiffs seek an
 13 extraordinary writ of this court, injunctive relief
 14 requiring Defendant to maintain the full amount of the
 15 disputed claim to be held in the registry of the
 16 court, and then throughout the 14-page pleading
 17 demonstrated why SCA ought to not have to do that.
 18 A. We had committed to leaving the money in the
 19 JPMorgan account for at least 90 days.
 20 Q. But in answer to my question, on October
 21 the 18th, which is approximately 45 days after your
 22 letter, you're objecting vigorously to leaving the
 23 money in the registry of the court at all, aren't you?
 24 A. Yes.
 25 Q. Now, look at page 6 of Exhibit 106. SCA

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1 tells the Court -- at the bottom paragraph there --
 2 that Exhibit A to the agreement, which I believe you
 3 have described as the meat and potatoes of the
 4 agreement, reiterates the point stating SCA Promotions
 5 agrees to reimburse sponsor for the full amount of any
 6 performance awards scheduled hereunder. And
 7 thereafter SCA specifically admits that it has an
 8 obligation to reimburse Tailwind if Tailwind became
 9 obligated to pay the performance incentives.
 10 ARBITRATOR LYON: What is that exhibit,
 11 please?
 12 MR. HERMAN: That's 106.
 13 THE WITNESS: 106, sir.
 14 Q. (BY MR. HERMAN) Isn't that right?
 15 A. We were objecting to paying the money into
 16 the registry of the court, that is correct.
 17 Q. But isn't what I just told you or asked you
 18 correct, that is, you -- SCA specifically tells Judge
 19 Canales that it has an obligation to reimburse
 20 Tailwind if Tailwind becomes obligated to pay the
 21 professional incentives?
 22 A. It carves out certain provisions of the
 23 contract to illustrate that obligations could arise
 24 under the contract.
 25 Q. Okay.

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1 A. We were not -- I don't believe that the
 2 purpose of the -- this particular thing was to
 3 adjudicate the contract at that point.
 4 Q. Well, you wouldn't tell Judge Canales
 5 something that wasn't true, would you?
 6 A. We were citing the contract with respect to
 7 dealing with the -- the requirement to put money in
 8 the registry of the court.
 9 Q. Well, would your interpretation of the
 10 contract be different if you were talking about
 11 putting money in the registry of the court as opposed
 12 to having to pay the money to your insured? Would you
 13 change your interpretation somewhere?
 14 A. I don't think that, again, this is even the
 15 same issue. The issue was simply should we put the
 16 money in the registry of the court. We were not
 17 attempting to adjudicate the contract at that point.
 18 Q. At the time this pleading was filed, October
 19 18th, the money was already in the registry of the
 20 court, wasn't it?
 21 A. I don't know if it was in there or -- I
 22 guess -- I don't know the date that it was transferred
 23 from JPMorgan to the registry of the court.
 24 Q. Well, if you'll look at Exhibit 105, you will
 25 see that there was an agreement to put it in the

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1 registry of the court pending our request that you all
2 retain the money in our temporary injunction. Do you
3 see that, October 4?
4 A. We don't dispute that we did not want the
5 money in the registry of the court.
6 Q. Okay. Well, in answer to my question,
7 though, the money had been in the registry of the
8 court for two weeks prior to the time SCA told Judge
9 Canales everything that's set forth in Exhibit 106;
10 that's true, isn't it?
11 A. I believe we were objecting to the order. At
12 that point I don't know if there had even been an
13 order. We maybe voluntarily put it in pending the --
14 Q. Pending your request to take control of the
15 money?
16 A. Pending the request to put the money in an
17 account with JPMorgan.
18 Q. All right. If you would turn to Exhibit 106
19 again, please, if you would look at page 5 at the
20 bottom -- well, the middle.
21 A. Exhibit 106, page 5?
22 Q. Yes, sir. I'm sorry.
23 A. Okay.
24 Q. Do you have it there, page 5?
25 A. Yes.

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1 Q. Now, item B there in bold, SCA repeatedly
2 takes the position that contract 31122 is not an
3 insurance contract, correct?
4 A. Correct.
5 Q. And at the bottom of the page there you
6 represent to Judge Canales and to Tailwind that this
7 is not insurance?
8 A. Correct.
9 Q. You represented that you were not in the
10 business of insurance?
11 A. That's correct.
12 Q. You've repeatedly represented that, have you
13 not?
14 A. Yes.
15 Q. To Tailwind and others?
16 A. Yes.
17 Q. Do you represent that today?
18 A. We do not feel we are in the business of
19 insurance.
20 Q. Do you have -- or did you represent to -- to
21 Judge Canales and to Tailwind that it was only
22 Tailwind that had any rights, duties or obligations
23 under this contract 31122?
24 A. I don't believe that we represented that we
25 might not have any obligations under the contract.

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1 Q. No, no. I mean that only SCA -- SCA
2 contracted only with Tailwind and as to SCA, only
3 Tailwind had rights, duties and obligations under that
4 agreement?
5 A. Where are you --
6 Q. No, I'm asking you if that's --
7 A. Well, I don't know.
8 Q. Okay. Now, turn to Claimants' Exhibit 38,
9 please, sir. You have made a claim in this case that
10 the publication of Exhibit 38 disparaged SCA. That
11 constitutes business disparagement or defamation or
12 some such, correct?
13 A. That's correct.
14 Q. Let's go through Exhibit 38 for a -- for a
15 moment.
16 A. Okay.
17 Q. Is there anything in the -- well, strike
18 that.
19 Let me look. I can't -- it's a little
20 bit difficult to read. Is there anything in
21 paragraph 1, which you say harmed SCA?
22 A. No.
23 Q. Is there anything in paragraph 2 that is
24 either untrue or harmed SCA?
25 A. No.

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1 Q. Is there anything in paragraph 3 that harmed
2 SCA?
3 A. Harmed or was untrue?
4 Q. Well, I'm going to ask you the second
5 question in a minute.
6 A. Paragraph 3, yes.
7 Q. Okay. What was it in paragraph 3 that harmed
8 SCA?
9 A. The categorization and the tone of the
10 statement of the investigation was phrased in such a
11 way as to impugn SCA's integrity.
12 Q. Are you talking about the last sentence of
13 paragraph 3?
14 A. The investigation, in quotes, the general
15 tenor.
16 Q. Was there anything in that sentence that's
17 untrue?
18 A. The implication is that we were not entitled
19 to an investigation.
20 Q. Getting back to my question, is there
21 anything in that sentence that's untrue?
22 A. No.
23 Q. Now, as I understand --
24 A. Well, in that sentence?
25 Q. In the last sentence.

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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

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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

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1 that.
2 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 ARBITRATOR FAULKNER: That starts out
24 what?
25 Q. (BY MR. HERMAN) That says I confirm that

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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

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1 look at to evaluate whether SCA was responsible under
2 its contract?
3 A. We weren't sure.
4 Q. Well, what were you looking for?
5 A. Again, we weren't sure.
6 Q. So you were fishing?
7 A. We were fishing in that area.
8 Q. Right. But you -- so you had nothing in mind
9 specifically, correct?
10 A. We would look to see if there had been any
11 representations.
12 Q. Why would representations of someone else
13 make any difference in the enforcement of your
14 contract?
15 A. The issue involved is did Mr. Armstrong cheat
16 to win, and we weren't sure what other companies may
17 have found out or looked at, and frankly, we were
18 investigating a claim. There were serious allegations
19 and we didn't know where relevant information might
20 exist.
21 Q. There would be nothing in someone else's
22 contract that would tell you whether you owed the
23 claim or not, would there?
24 A. It might indicate whether or not they had
25 done an investigation. It might indicate if something

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1 existed that for one reason or another they determined
2 to pay a claim, and that might help us conclude to
3 either pay or deny the claim.
4 Q. Well, by that time, of course, you had
5 already retained Mr. Galloway for the purpose of
6 digging up as much dirt as possible?
7 A. We retained him for the purpose of assisting
8 us in investigating the claim.
9 Q. Is there anything that you requested of
10 Mr. Galloway to recover that would not be dirt in the
11 pejorative phrase that -- in the pejorative sense that
12 I'm using? Can you point to anything that you asked
13 Mr. Galloway to find that would confirm coverage and
14 your obligation to pay?
15 A. It would -- well, let me look at his letter.
16 What exhibit is it?
17 Q. 69.
18 A. Exhibit 69. The absence certainly in the
19 medical records.
20 Q. Would that be on the second page?
21 A. It might well have indicated that there was
22 no -- that doctors hadn't questioned him about the
23 drugs. The absence of information that -- any of the
24 information and the absence of information supporting
25 the allegations made in Mr. Walsh's book would tend to

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1 indicate that perhaps we should pay, but generally --
2 Q. So the absence of any record in
3 Mr. Armstrong's medical records would have been
4 persuasive that you should pay, then; is that what
5 you're saying?
6 A. No, I'm saying it would be an indication. We
7 were investigating a claim.
8 Q. Okay. Tell me what else is in there that
9 would be good news for Tailwind in the -- in getting
10 their money.
11 A. We knew that it was Tailwind's position that
12 there was nothing amiss. And the question is, was
13 there a problem in the case, and Mr. Galloway was
14 hired to find out if there was a problem.
15 Q. He was hired to further your objective of
16 confirming the allegations in David Walsh's book;
17 isn't that true?
18 A. He was hired to identify if there were -- he
19 was hired to gather evidence that would --
20 Q. Confirm?
21 A. If he was able to locate the evidence, that
22 would confirm --
23 Q. Mr. Walsh's allegations?
24 A. -- the allegations.
25 Q. All right. Let's continue. If you would

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1 turn back to Exhibit 38. Look at the last paragraph.
2 Do you know whether the SCA web site represented that
3 the concept behind the performance coverage is simple:
4 Offer a professional athlete a cash bonus for an
5 outstanding performance. When the athlete meets the
6 stated mark, SCA funds the bonus in full and promptly.
7 A. I'm sure that was on the web site.
8 Q. But you didn't pay the bonus either in full,
9 in part or promptly, did you?
10 A. We did not pay it to Tailwind.
11 Q. Now, if you would look at --
12 MR. TILLOTSON: Mr. Herman, if you're
13 going to move to another exhibit, let's take a short
14 rest room break.
15 MR. HERMAN: Oh, sure, sure, sure. I'm
16 on the last ten minutes, then I'll be through.
17 ARBITRATOR LYON: You said yesterday
18 about 30 minutes.
19 MR. HERMAN: I know. I know.
20 THE COURT: We will take a ten-minute
21 break now, Jeff, and then we'll resume.
22 (Recess 10:08 a.m. to 10:22 a.m.)
23 ARBITRATOR FAULKNER: Mr. Hamman, you're
24 still under oath. Please proceed.
25 Q. (BY MR. HERMAN) I don't know precisely what

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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 1
 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

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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

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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?

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1 A. Correct.
 2 Q. To the contrary, you're advising the public
 3 that it's not insurance?
 4 A. Correct.
 5 Q. And you've continued to do that since this
 6 panel ruled on December the 2nd?
 7 A. Correct.
 8 Q. And you don't have any intention of changing
 9 it either, do you?
 10 MR. TILLOTSON: I'm going to object to
 11 this line of questioning to the panel. I don't see
 12 how a claim can be based off this panel's ruling in
 13 this proceeding. So I object that this is irrelevant
 14 and not material to his claims.
 15 ARBITRATOR FAULKNER: Any response?
 16 MR. HERMAN: The issue here in a bad
 17 faith case, Your Honor, is the knowing and intentional
 18 conduct having insisted that they be subject to the
 19 jurisdiction of this panel and their conduct, having
 20 received the ruling from the panel on precisely the
 21 same contract terms, is relevant to determine whether
 22 or not their conduct has been knowingly and
 23 intentionally misleading not only to Tailwind but the
 24 public.
 25 MR. TILLOTSON: If I just may briefly

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1 reply. I don't see how they can base a bad faith
2 claim off of conduct that's happened over the last two
3 weeks, specifically when this panel's order said that
4 its ruling applied to this case and this case only.
5 It is no precedential value. So then to claim that
6 there's evidence of bad faith and my clients had to
7 change their form contracts over the last three weeks
8 in light of this panel's ruling to me is either not
9 evidence of bad faith or certainly can't form the
10 basis of any claim they have in this proceeding.
11 ARBITRATOR CHERNICK: It effectively
12 denies the respondent the right to seek whatever court
13 review they're entitled to with respect to preliminary
14 and final rulings in this proceeding.
15 MR. TILLOTSON: Certainly there's the
16 possibility of appeal of any order of this panel or
17 other litigation that would deal with that particular
18 insurance issue.
19 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.
23 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

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1 specific purpose. It means exactly what it says. If
2 you want to ask him about past practice, please have
3 at it.
4 And I note also that your exhibit up
5 there, I think, has a 2001 date, so our ruling was
6 only about two weeks ago.
7 MR. HERMAN: Right.
8 ARBITRATOR FAULKNER: Please proceed.
9 MR. HERMAN: Thank you.
10 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?
13 A. It was sometime after we had talked to the
14 Andreus and had received the English translation of
15 the Italian. Probably December sometime. Probably at
16 the time -- by the time Mike Lynn had --
17 ARBITRATOR FAULKNER: Could you speak up,
18 Mr. Hamman. I can't hear you.
19 A. At the time Mike Lynn had communicated that
20 we had determined to deny the claim.
21 Q. (BY MR. HERMAN) That's December 2004?
22 A. That would have been -- yeah, December 2004.
23 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

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1 to deny the claim?
2 A. I don't know.
3 Q. Can you point to anything, any notification
4 to Tailwind of alleged misrepresentations prior to the
5 time you guys filed your pleadings in this case?
6 A. I would have to review many documents.
7 Q. So you don't know of any, but there may be
8 some; is that what you're saying?
9 A. I believe that Mike Lynn's statements in
10 December constituted a denial.
11 Q. And what were those statements?
12 A. I don't have them in front of me.
13 Q. Were those statements that Mr. Tillotson
14 referred to yesterday in court in Dallas?
15 A. I believe so.
16 Q. So that after your decision was final as of
17 December 10, much like Mr. Tillotson's recent
18 argument, nothing that came to -- nothing that came to
19 mind or to your knowledge after December 10, 2004
20 contributed to your decision to deny the claim which
21 was final as of December 10, 2004, correct?
22 A. We received additional information which
23 reinforced my position. Effectively, we believed then
24 and believe now that the -- the arbitration process
25 preempted anything we did, that effectively the

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1 arbitrators -- the arbitration was in charge and that
2 we were dealing with that rather than tabling it.
3 Q. So did you think because the arbitration
4 clause had been invoked that you were prohibited from
5 paying the claim?
6 A. We were not prohibited from paying the claim.
7 Q. My question is this, your decision to deny
8 the claim was final on December 10; that's exactly
9 what you just said, was it not?
10 A. I didn't say December 10. I said sometime in
11 December. It believe it was later in December.
12 Q. Of 2004?
13 A. We certainly could have obtained evidence
14 that would have convinced us to pay the claim post
15 December 2000.
16 Q. But my question, and I think you've answered
17 it fairly, you said that the definitive decision not
18 to pay the claim was made in December 2004; isn't that
19 true?
20 A. We believed -- partially. We believed that
21 there was sufficient basis as of December 2004 to deny
22 the claim.
23 Q. Is that -- I asked you when your decision was
24 made to deny the claim and you said whenever -- at
25 about the time Mr. Lynn said you were going to deny

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1 it; is that right or not?
 2 A. We believed that Mr. Lynn's statements
 3 constituted a denial of the claim.
 4 Q. All right. So that those statements have
 5 never been retracted by SCA or disavowed in any way,
 6 have they?
 7 A. Not to my knowledge.
 8 Q. All right. So that as of whatever date it
 9 was that Mr. Lynn stood up in court and said that you
 10 all were going to deny the claim, SCA has never taken
 11 a contrary position since that date?
 12 A. I don't believe we have.
 13 Q. And those comments, as I understood
 14 Mr. Tillotson yesterday, were designed to give notice,
 15 formal notice, to Tailwind that you were not going to
 16 pay the claim. Do you agree or disagree with
 17 Mr. Tillotson's comment?
 18 A. I don't really know whether to agree or
 19 disagree. I had not reviewed them.
 20 Q. Well, assume with me that Mr. Tillotson stood
 21 up and told this panel yesterday that the unequivocal
 22 notice of denial of the claim was made by Mr. Lynn in
 23 open court on December -- whatever December --
 24 whatever date in December 2004.
 25 A. Well --

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1 Q. Do you agree or disagree with that?
 2 A. I would agree with that.
 3 Q. And whatever information that you had or SCA
 4 based that decision on was within its possession and
 5 knowledge as of whatever date Mr. Lynn stood up and
 6 denied the claim; isn't that true?
 7 A. We had what we believed was sufficient
 8 information to deny the claim as of that date.
 9 Q. So the answer is yes?
 10 A. Yes.
 11 Q. Thank you. I'll pass the witness.
 12 ARBITRATOR FAULKNER: Okay.
 13 Mr. Tillotson.
 14 CROSS EXAMINATION
 15 BY MR. TILLOTSON:
 16 Q. Okay, Mr. Hamman, I want to begin by passing
 17 out a news article which is not part of our exhibits,
 18 but we'll mark as Exhibit 83, if I could.
 19 MR. HERMAN: Exhibit what?
 20 MR. TILLOTSON: 83.
 21 ARBITRATOR FAULKNER: Have you given it
 22 to opposing counsel?
 23 MR. TILLOTSON: I'm doing it right now.
 24 Exhibit 83. And our exhibits that we are going to use
 25 are with these that are blue.

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1 Q. (BY MR. TILLOTSON) And, Mr. Hamman, you have
 2 a set right there. Let me provide you with this.
 3 Now, Exhibit -- Respondent's Exhibit 83 is a
 4 newspaper article from July 20th, 1998 from the
 5 Toronto Star newspapers. And I'm going to begin by
 6 having you acknowledge the obvious. I take it you
 7 probably don't read on a regular basis, if ever, the
 8 Toronto Star newspapers.
 9 A. Certainly not on a regular basis. I've been
 10 to Toronto from time to time.
 11 Q. Okay.
 12 MS. BLUE: Do you have another copy for
 13 this side of the table?
 14 MR. TILLOTSON: I don't, but I'll allow
 15 you to use mine.
 16 MS. BLUE: Thank you.
 17 Q. (BY MR. TILLOTSON) Now, the purpose of this
 18 newspaper article is not to prove you read it, but to
 19 really more look at some of the contents in it to
 20 address your testimony to the panel on a couple of
 21 issues. This article is from 1998 and discusses the
 22 Festina scandal. Do you have knowledge as to what the
 23 Festina scandal is?
 24 A. Yes, sir.
 25 Q. Were you aware of the concept or the general

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1 notice of the Festina scandal prior to the time you
 2 entered into a contract with Tailwind? Had you heard
 3 of it?
 4 A. Sure.
 5 Q. What is it -- if you can put us back in time
 6 in the 2001 time period -- what is it you knew or
 7 understood the Festina scandal in cycling was about or
 8 meant?
 9 A. The Festina scandal was related to -- well,
 10 it was triggered by Willy Vogt with a -- I believe it
 11 was a Volkswagen full of performance enhancing drugs
 12 as he crossed the border from Belgium into France and
 13 he had a very substantial amount of drugs in his
 14 possession at that time, and that started the -- the
 15 process.
 16 Q. Prior to you entering into the contract with
 17 Tailwind, were you generally aware that there existed
 18 a problem, an issue, a concern with the use of
 19 performance enhancing drugs and professional cycling?
 20 A. Yes.
 21 Q. Now, if you'll see in there -- let me direct
 22 your attention, there is a quote from Mr. Gorski. Do
 23 you see that?
 24 A. Right.
 25 Q. Do you know who Mr. Gorski is?

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1 A. Yes.
 2 Q. And do you know who Mr. Gorski was in the
 3 2001 time period, what his role was?
 4 A. He was the -- at the time we entered into the
 5 contract he was the operational head of Disson Furst,
 6 or we believed he was.
 7 Q. Now, the article under his quote says that
 8 Mr. Gorski insisted the team is clean. Do you see
 9 that?
 10 A. Correct.
 11 Q. Now, what does it mean to you? Do you have
 12 any understanding when someone in the sport says that
 13 a rider or team is clean?
 14 A. It means they don't take performance
 15 enhancing drugs.
 16 Q. Did you have that understanding, that is,
 17 when someone says they're clean, back before you
 18 entered into this Tailwind contract?
 19 A. Yes.
 20 Q. Now, I believe we've established, and I won't
 21 go over that, that SCA entered into a contract with
 22 Tailwind in the first part of 2001; is that right?
 23 A. Yes.
 24 Q. And that's the contingent contract we have
 25 seen and been litigating in this case?

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1 A. Correct.
 2 Q. Was it important to you when SCA entered into
 3 that contract with Tailwind that Mr. Armstrong was a
 4 clean rider?
 5 A. Yes.
 6 Q. Why?
 7 A. Because if he was cheating, he would have --
 8 we wouldn't be able to quantify the risk. He would
 9 have an unfair advantage over riders who were not
 10 doping, and we certainly had no means or knowledge or
 11 any basis whatsoever to evaluate whose drugs are
 12 better. We simply wouldn't have gotten involved.
 13 Q. Now, let's go back to the 2001 time period
 14 before you entered into the contract. What was your
 15 state of mind regarding Mr. Armstrong being a clean
 16 rider when you entered into this contract?
 17 A. We believed he was clean.
 18 Q. You say we, but would you agree --
 19 A. We being SCA. I believed he was clean.
 20 Q. Because it was -- from SCA's perspective it
 21 was ultimately up to you, was it not?
 22 A. Certainly.
 23 Q. All right. Now, how -- you've told us what
 24 your state of mind was and what your beliefs were. My
 25 question is how is it that you developed that state of

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1 mind? How is it you believed Mr. Armstrong was a
 2 clean rider?
 3 A. Every article that I read regarding
 4 Mr. Armstrong's achievements where the issue of drugs
 5 was mentioned, there was invariably a statement
 6 attributed to Mr. Armstrong to the effect that he did
 7 not use drugs, had no tolerance for it and was
 8 generally in a position of condemning the use of
 9 drugs.
 10 Now, with respect to your state of mind
 11 when you entered into the contract, did it matter if
 12 Mr. Armstrong had used drugs, say, in the past, '92,
 13 '93, '89 as a junior, when you entered into this
 14 contract?
 15 A. If he knowingly used drugs in the past, we
 16 certainly would have felt it's much more likely that
 17 he would use drugs in the future, and that all his
 18 statements were incorrect, so basically we wouldn't
 19 have touched the deal.
 20 Q. Okay. Now, you know and are aware of the
 21 training routines used by Mr. Armstrong. You've heard
 22 of that, haven't you?
 23 A. Well, we are now.
 24 Q. And you know and you don't disagree that he
 25 doesn't belong to the ranks of being a great athlete,

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1 do you?
 2 A. We -- that sort of statement has been made.
 3 Q. So why would it matter to you when entering
 4 into a contract with Tailwind in 2001, knowing
 5 Mr. Armstrong's ability as an athlete, why would it
 6 matter to you whether he had ever used a performance
 7 enhancing drug, six, eight, nine years before then?
 8 A. If somebody uses -- if somebody cheats, they
 9 tend to continue cheating, and that's in virtually
 10 every sport.
 11 Q. Now, if you had known in 2001 before entering
 12 this contract that Mr. Armstrong during the course of
 13 his career at some point had not been a clean rider,
 14 would you have entered into this contract?
 15 A. No.
 16 Q. Let's talk about the due diligence you
 17 actually did prior to entering into this contract if
 18 we could and I want to direct your attention to --
 19 before we move on to my exhibits, Claimants'
 20 Exhibit 5. And if you'll get that in front of you.
 21 Now, we have gone over this, but just to
 22 orient everyone this Claimants' Exhibit 5 is an e-mail
 23 sent by you with your analysis of the pricing and the
 24 odds of the Tailwind contract; is that fair?
 25 A. Correct.

<p style="text-align: right;">Page 803</p> <p>1 Q. And the people at the top that it's to, 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</p>	<p style="text-align: right;">Page 805</p> <p>1 reason to believe, strong belief that allegations 2 regarding Mr. Armstrong and the use of drugs were 3 true, would your analysis as you give it here today 4 and your willingness to enter the contract vary or 5 change? 6 A. We would not have done the deal, because we 7 would have believed there was a strong probability 8 that he would cheat and use the PEDs going forward. 9 Q. Now, this goes to Mr. Lorenzo, this meaning 10 this e-mail, and Mr. Lorenzo on behalf of Swiss Re 11 agreed to accept some risk; is that right? 12 A. Yes, a lot of risk. 13 Q. Did you talk with Mr. Lorenzo about 14 Mr. Armstrong and performance enhancing drugs and the 15 possibility of performance enhancing drugs? 16 A. Did not. 17 Q. Why not? 18 A. Didn't believe he used them. 19 Q. Now, once you had agreed to accept the 20 arrangement and take the risk, is that when the 21 contract was prepared for Tailwind? 22 A. The contract was prepared when we got 23 concurrence from Mr. Lorenzo that he would take a 24 substantial percentage of the risk. 25 Q. It has been argued in court pleadings and in</p>
<p style="text-align: right;">Page 804</p> <p>1 have gone through this in terms of what you assess the 2 probability at in your markup. I don't see anything 3 in here about Mr. Armstrong being a clean rider or any 4 discussion of performance enhancing drugs whatsoever. 5 Why is there no mention or discussion of that in this 6 e-mail? 7 A. If we were aware of any issues regarding 8 performance enhancing drugs, we would have 9 communicated them to Frank Lorenzo. 10 Q. Well, if I ask you to change your analysis 11 here and assume for a moment that there was a good 12 likelihood that Mr. Armstrong at some point in his 13 career had used performance enhancing drugs, could you 14 vary or alter your odds here to come up with a price 15 acceptable to you to do the deal? 16 A. Yeah, 100 percent. 17 Q. Why do you say that? 18 A. Because -- no, I'm saying we could charge 100 19 percent of the prize value and be sure that we were 20 covered. 21 Q. Well, let me ask about -- 22 A. I mean, it's -- the fact is we could not 23 quantify any acceptable price. 24 Q. Okay. Now, my question was if you knew he 25 had used performance enhancing drugs. What if you had</p>	<p style="text-align: right;">Page 806</p> <p>1 openings by Mr. Herman that the reason you entered 2 into this deal was because Mr. Lorenzo on behalf of 3 Swiss Re agreed to accept a substantial portion of the 4 risk; is that true? 5 A. We couldn't have done it without Mr. 6 Lorenzo's agreement. But on all our dealings with 7 Swiss Re or any of our risk takers, one, we normally 8 retain risk for our own account. Secondly, we 9 communicate anything adverse, we know about the -- we 10 give them whatever information we have at our 11 disposal. 12 Q. Well, is it true that you didn't care about 13 Mr. Armstrong's possible use of performance enhancing 14 drugs when he entered into this contract because Swiss 15 Re was taking all the risk and hence you didn't need 16 to worry? Is that true? Is that what happened? 17 A. No. 18 Q. Why do you say that? Why not? 19 A. First, we have to protect our risk takers. 20 Secondly, if they have adverse results, it affects our 21 costs going forward, it affects their viability as a 22 market, and in general we have to be -- we have to 23 treat their money as if it's our own. 24 Q. Now, I want you to stay with me in the 25 Claimants' Exhibits, and if you'll turn to Exhibit 10,</p>

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1 which is an e-mail that you prepared, and this is an
2 e-mail from you to Mr. Bandy and Mr. Overton regarding
3 the Tailwind contract; is that right?
4 A. Right.
5 Q. Dated January 9th, 2001; am I right on that?
6 A. Correct.
7 Q. So a couple of days after you've sent your
8 odds analysis, which was January 3rd to Mr. Lorenzo?
9 A. Yes.
10 Q. All right. Now, you've been questioned here
11 that regarding the last portions of this e-mail, one,
12 which is subject to rules and official results as
13 certified by official event governing body. Do you
14 see that?
15 A. Correct.
16 Q. What do you mean there?
17 A. I mean that Mr. Armstrong would have to
18 comply with the rules of the event, and that his --
19 you know, it would be part and parcel that he would
20 have to comply with the rules of the event.
21 Q. Now, is compliance with the rules of the
22 event, in this case the Tour de France, is it your
23 understanding that that is part of your contract with
24 Tailwind?
25 A. Yes.

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1 Q. Is, in your mind, there any way that Tailwind
2 can owe money to Mr. Armstrong if Mr. Armstrong has
3 not complied with the rules of the Tour de France?
4 A. No.
5 Q. I want to focus now on the next sentence,
6 which is if titles are stripped as a result of
7 official action, then sponsor agrees to refund any
8 payments made. Do you see that?
9 A. Correct.
10 Q. Now, first, tell us what you meant when you
11 wrote that. What is it you were trying to accomplish?
12 A. We knew that there was drug testing that took
13 place and -- primarily drug testing that took place,
14 and if for some reason we were wrong about
15 Mr. Armstrong and there was official action, we felt
16 we would be entitled to get our money.
17 Q. Now, you are aware, obviously, that
18 Mr. Armstrong remains the official winner of the 2004
19 Tour de France?
20 A. Correct.
21 Q. You were asked questions earlier in the
22 proceedings by Mr. Herman in a somewhat, I think,
23 accusatory way as to why haven't you gone to the UCI,
24 WADA or USADA and pled your case there? Do you
25 remember those questions?

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1 A. Correct.
2 Q. Is there a reason since you've gathered the
3 evidence that you have in this case that you haven't
4 put it in a box and marched over to the UCI, WADA or
5 USADA organizations?
6 A. I don't think we can. I don't think we are
7 permitted to disclose our evidence outside this
8 proceeding.
9 Q. Why do you say that? What is prohibiting you
10 from going to WADA or USADA and presenting the
11 evidence you have gathered?
12 A. Isn't -- well, I believe this is -- these
13 proceedings are under a confidentiality order.
14 Q. Are you prepared to present that evidence to
15 USADA, WADA or UCI if permitted?
16 A. Yes.
17 Q. Now, I want you to turn, if you will, to
18 Claimants' Exhibit 17, which is the contract in this
19 case. It's blank, but it's a little more readable. I
20 want to focus your attention on paragraph 6.
21 A. Correct.
22 Q. If the actual conditions of the promotion
23 differ in any way from those represented by sponsor to
24 SCA, this contract is null and void. Do you see that?
25 A. Correct.

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1 Q. Okay. First, do you have an understanding as
2 to what that provision means?
3 A. It means that there is a representation as to
4 what type of event we are covering and what the rules
5 of the event are, and certainly the intent, if not the
6 actual wording, was that if the event differs from
7 what it's supposed to be, then we should have no
8 liability under the contract.
9 Q. Now, it has been argued in this case that the
10 word promotion, that the actual conditions of the
11 promotion refers to the contract between Tailwind and
12 Mr. Armstrong, which is tab 1 in your book. Are you
13 aware of that particular article?
14 A. Yes.
15 Q. Is that your understanding of this provision
16 that what it is referring to is the contract between
17 Tailwind and Mr. Armstrong; that's what can't be
18 different?
19 A. No.
20 Q. Why do you say that?
21 A. Because the trigger event is the outcome of
22 the Tour de France, and the bonuses are contingent on
23 the outcome of the Tour de France, otherwise you could
24 have some real absurd results.
25 Q. Okay. Now, you enter into the contract in

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1 2001 and there are published reports in 2001 that
2 Mr. Armstrong was having a training relationship with
3 Dr. Michele Ferrari. My question is, were you aware
4 in 2001 of the existence and disclosure of that fact?
5 A. No.
6 Q. So did you know who Michele Ferrari was in
7 2001, as best you can recall?
8 A. No.
9 Q. Mr. Armstrong wins the 2002 Tour de France
10 and a bonus payment was paid to Tailwind by SCA?
11 A. Correct.
12 Q. Why did SCA pay that bonus?
13 A. We saw no reason to contest the -- the claim.
14 Q. Were you aware of any allegations of drug use
15 by Mr. Armstrong in connection with the 2002 Tour de
16 France that gave you concern or put you on suspicion
17 regarding your company's liability?
18 A. No.
19 Q. 2003 Mr. Armstrong wins the Tour de France
20 and payment is made?
21 A. Correct.
22 Q. Were you aware of any allegations, evidence
23 or suspicions that put you on notice or alert in
24 connection with your company's liability for the 2003
25 Tour de France?

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1 A. No.
2 Q. Now, 2004 we know SCA did not pay; is that
3 right?
4 A. We did not pay. We paid it to the Court,
5 but --
6 Q. What was different in 2004? What happened?
7 A. We saw very serious allegations regarding
8 Mr. Armstrong's conduct.
9 Q. How was it you first saw those allegations?
10 A. Information that contained excerpts from the
11 book LA Confidential.
12 Q. Was this before the Tour de France?
13 A. Yes.
14 Q. Were you looking for a reason to deny the
15 claim if Mr. Armstrong won during that time period?
16 A. We felt that we needed to investigate the
17 allegations in the book to see if they were true.
18 Q. Now, I'll have you put that set of exhibits
19 aside, and if you'll pick up the blue set, we are
20 going to talk about some additional exhibits in our
21 set.
22 You hear about the book. What steps do
23 you undertake? How do you go about getting the book?
24 A. We contact the authors.
25 Q. You say we --

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1 A. Well, we had ordered a copy of the French
2 edition of the book and John Bandy was then trans --
3 reviewing the book and translating what he deemed to
4 be key points in the book. And at the same time we
5 were making attempts to contact the authors of the
6 book.
7 Q. Did you ultimately get a completely
8 translated version of the book?
9 A. Correct.
10 Q. Who did you get that from or how?
11 A. That came from David Walsh.
12 Q. Were you -- so you were able to make contact
13 with the author, David Walsh?
14 A. By early -- well, September 12th, perhaps.
15 Q. Okay. So between June when you heard about
16 the book and early September, had you been able to
17 contact the author, Mr. Walsh, regarding the
18 allegations in the book?
19 A. No.
20 Q. If you'll look at Exhibit 25.
21 A. That's Mr. -- okay.
22 ARBITRATOR CHERNICK: This is
23 Respondents' 25.
24 MR. TILLOTSON: Yes, I'm sorry,
25 Respondents' Exhibit 25.

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1 Q. (BY MR. TILLOTSON) Can you identify for us
2 if this is the translated version of the book LA
3 Confidential that you were ultimately able to obtain?
4 A. Yes, I believe that's it.
5 Q. Before we look at anything specific in the
6 book, I want to ask you a more general question. How
7 is it that the book changed your attitude regarding
8 your contractual obligations with Tailwind?
9 A. There were a number of very serious
10 allegations in the book. One was the allegation of
11 race fixing in 1993, which at that point that we felt
12 we -- there was no way we could ever do business with
13 anybody who had ever fixed the outcome of an event.
14 Q. First, just, if you will, generally tell us
15 what allegations you're referring to.
16 A. Okay. The allegation made by Stephen Swart
17 that he had been paid to not contest the outcome of a
18 race in West Virginia, which was part of a three-part
19 series of races.
20 Q. Now, why would it matter for purposes of your
21 contract in 2001 that Mr. Armstrong, who had already
22 won two Tour de Frances, that he had been involved and
23 there were allegations that he had somehow fixed a
24 race eight years previously? Why would that even
25 conceivably matter to you in terms of entering into

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1 this contract?
 2 A. We believed he would do it again if given an
 3 opportunity.
 4 Q. Had you known in 2001 of the allegations
 5 regarding Mr. Armstrong made by Mr. Swart in the book
 6 regarding race fixing, would you have entered into a
 7 contractual relationship with Tailwind based on
 8 Mr. Armstrong?
 9 A. No.
 10 Q. Well, since we are on the issue of race
 11 fixing, what did you do to determine, assess, or
 12 investigate the allegations regarding race fixing made
 13 in the book?
 14 A. We attempted to contact Mr. Swart prior to
 15 contacting Mr. Walsh and we -- he would not speak to
 16 us. Ultimately after talking to Mr. Walsh, he
 17 arranged to -- we convinced Mr. Swart to speak to us,
 18 and I traveled to New Zealand to interview Mr. Swart
 19 myself to attempt to assess his credibility and to get
 20 a statement from him, if I felt that he was credible
 21 to the effect of the events in 1993 or pertaining to
 22 events.
 23 Q. Were you able to obtain a statement from
 24 Mr. Swart regarding the allegations in the book?
 25 A. Regarding the race fixing and other

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1 allegations attributed to Mr. Swart.
 2 Q. Did he confirm the allegations made in the
 3 book in your mind?
 4 A. Yes.
 5 Q. And has that statement been produced in this
 6 litigation that you obtained from Mr. Swart?
 7 A. I believe it has.
 8 Q. Now, let's take the book as a whole. If the
 9 allegations in the book are true, what did that mean
 10 to you in 2004, as you understood it?
 11 A. It meant that we had been defrauded in 2000
 12 by entering into the contract. It meant that 2001, '2
 13 '3 and '4 were all -- we had entered into a contract
 14 that there is no way we would have entered into had we
 15 been aware of the information contained in the book.
 16 Q. Now, let me ask you the reverse. What if you
 17 had traveled to New Zealand and Mr. Swart had told you
 18 he had been terribly misquoted and that there was no
 19 truth to what was written in Mr. Walsh's book and the
 20 allegations in the book you found out either were not
 21 true or you couldn't support or establish, were you
 22 prepared to pay this claim?
 23 A. That would have virtually clinched it on
 24 that.
 25 Q. It has been alleged in this case -- I

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1 wouldn't say alleged, I would say strenuously stated,
 2 Mr. Hamman, that you used David Walsh's book as a
 3 pretext for simply not paying Mr. Armstrong's claim or
 4 Tailwind's claim because you didn't want to fork over
 5 the \$5 million yourself; is that true?
 6 A. No.
 7 Q. Were there any allegations in the book, as
 8 you investigated, that you found out to be untrue?
 9 A. No.
 10 Q. Now, let's talk timing. You get the book,
 11 it's translated and you begin trying to confirm the
 12 allegations of the book. When was the process of
 13 confirming what was said in the book begun?
 14 A. Oh, probably about September -- well, as soon
 15 as we contacted Mr. Walsh, within a few days
 16 thereafter we met with him in Detroit and he arranged
 17 for a meeting with us and Greg LeMond at that point,
 18 Greg and Kathy LeMond.
 19 Q. Now, I want to turn your attention, if you
 20 will, to the page of the book that's marked SCA 1384.
 21 A. SCA 1384?
 22 Q. Yes. And you'll know it because at the top
 23 it will say Indiana hospital.
 24 A. 1384? What page -- I'm sorry, what page?
 25 Q. 1384.

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1 A. Okay, I've got.
 2 Q. Titled Indiana hospital.
 3 A. Oh, 1384, okay. I'll find it.
 4 Q. This is the portion of the book that recounts
 5 the incident that allegedly took place in the Indiana
 6 hospital; would you agree with me?
 7 A. Correct.
 8 Q. And you were obviously aware of this once you
 9 had read either the book or excerpts of the book?
 10 A. Correct.
 11 Q. I'm going to let this --
 12 MR. TILLOTSON: Come on in.
 13 MR. BREEN: Come on around, Mr. Kearney.
 14 This is one of our experts. We would ask to have him
 15 sit right back over here in the corner if it's okay
 16 with the panel.
 17 ARBITRATOR FAULKNER: That's fine. You
 18 can proceed.
 19 MR. TILLOTSON: Thank you.
 20 MR. BREEN: Sorry for the interruption.
 21 MR. TILLOTSON: That's no problem.
 22 Q. (BY MR. TILLOTSON) As I read this page, and
 23 we are obviously going to put on evidence and talk
 24 about this, but as I read this page in the book, it is
 25 alleged that Mr. Armstrong disclosed to doctors his

<p style="text-align: right;">Page 819</p> <p>1 prior use of performance enhancing drugs. But as I 2 read it, the witnesses who are alleged to be there, no 3 one actually confirms it and says yes. 4 A. That's correct. 5 Q. Now, based upon just this information alone, 6 what we are looking at in the book, did you feel that 7 was enough to deny the claim? 8 A. No. 9 Q. And was that true with the other allegations 10 in the book, the book alone allowed you or gave you 11 reason to deny the claim? 12 A. No. It gave us reason to investigate. 13 Q. Now, let's talk about the investigation. 14 Let's tie it to a specific incident here with respect 15 to the Indiana hospital room. How did you go about 16 trying to confirm if the somewhat blockbuster 17 allegations in these two pages were true? What is it 18 you did? 19 A. We attempted to contact witnesses. 20 Q. Well, let's be specific here. For example, 21 this refers to people in the room, such as Frankie and 22 Betsy Andreu. Did you attempt to contact them as part 23 of your investigation? 24 A. Yes, we did. 25 Q. Were you successful?</p>	<p style="text-align: right;">Page 821</p> <p>1 A. Correct. 2 Q. That puts payment from my calculation at 3 September 3rd, 2004. 4 A. Yes. 5 Q. Now, September 3rd, 2004 is coming up. What 6 decision did you make regarding what to do about the 7 claim prior to the payment date? 8 A. Well, we felt that we had to investigate. We 9 had yet to talk to Mr. Walsh. We had -- we wanted to 10 eliminate concern about our ability to pay, and we 11 notified -- we felt we should notify Tailwind that we 12 were going to investigate the claim. 13 Q. Now, if you'll turn to what's been marked as 14 Respondents' Exhibit 26, the next page, this is a 15 September 2nd, 2004 letter from you to Mr. Stapleton. 16 Do you see that? 17 A. Yes. 18 Q. What was the purpose of this letter? Why did 19 you send it? 20 A. To tell him that we were going to investigate 21 the claim, and that we needed information to 22 facilitate the investigation of the claim from 23 Tailwind and/or Lance Armstrong, the related 24 entities -- entities that might well have information 25 material.</p>
<p style="text-align: right;">Page 820</p> <p>1 A. Yes. 2 Q. Did they confirm, deny or not comment on the 3 allegations contained in these two pages? 4 A. They were confirmed. 5 Q. What role did that play in your investigation 6 or analysis regarding whether or not the claim should 7 be paid or denied? 8 A. We believed that this gave strong evidence 9 that Mr. Armstrong had doped and we were very aware of 10 his statements that he had never doped, and at that 11 point we certainly did not believe any statements he 12 would make that he wouldn't dope. 13 Q. When did SCA speak to Betsy and Frankie 14 Andreu and in your mind confirm the allegations 15 contained in these two pages? 16 A. Sometime mid December 2004. 17 Q. Was that a significant fact in your mind, the 18 confirmation by the Andreus of the Indiana hospital 19 incident? 20 A. Correct. 21 Q. Now -- 22 A. Yes. 23 Q. -- under the contract, my reading of the 24 contract is that the claim is due to be paid, if owed, 25 within 30 business days.</p>	<p style="text-align: right;">Page 822</p> <p>1 Q. Prior to sending this letter and in 2 connection with getting the book and starting to 3 understand the allegations in that July, August 2004 4 time period, were you aware of what Tailwind's 5 position was regarding the truth or validity of the 6 allegations made in Mr. Walsh's book? 7 A. Well, certainly their statements had always 8 been that there was no drug use of any sort, there was 9 no tolerance of drug use, that Mr. Armstrong had been 10 tested extensively and he had never tested positive, 11 that -- you know, there were just total -- all the 12 communications were that Mr. Armstrong did not use 13 performance enhancing drugs. 14 Q. Now, in this letter on page 2, the top 15 paragraph, you say this letter is not intended by SCA 16 to avoid its obligations under the SCA contract 31122. 17 Do you see that? 18 A. Right. 19 Q. Was that true? 20 A. Yes. 21 Q. What assurances can you offer this panel that 22 this letter and the book was not a pretext for SCA 23 simply to create a reason to deny the claim? 24 A. Well, we did, in fact, initiate an 25 investigation. We put up the \$5 million. Our claims</p>

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1 paying record, I think, is outstanding by virtually
2 any standard, and we wanted to notify Tailwind that we
3 simply had to investigate.
4 Q. Now, was \$5 million actually deposited into a
5 JPMorgan custodial account?
6 A. That's correct.
7 Q. And was notification given to Tailwind that
8 the funds had, in fact, been deposited?
9 A. I believe it was.
10 Q. All right. Now, in response to your letter
11 here regarding investigation, that you were going to
12 do an investigation, what was the response of
13 Tailwind?
14 A. Essentially they -- well, they said that we
15 had -- we were not entitled to investigate, we had no
16 basis for an investigation, and they were going to --
17 they threatened a public relations campaign, which
18 they followed through on.
19 Q. Let me ask you to take a look at what we have
20 marked as Exhibit 82.
21 A. Okay, got it.
22 Q. If you'll take a look at 82, is this a letter
23 received back by SCA from Mr. Herman?
24 A. Yes.
25 Q. Now, I take it that the response from

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1 Tailwind regarding your actions and requests on
2 September 2nd was pretty quick and pretty fierce?
3 A. Yes.
4 Q. And was a -- a lawsuit filed on or about
5 September 13th by Tailwind?
6 A. Yes.
7 Q. Was Mr. Armstrong a party to that lawsuit as
8 well?
9 A. Yes.
10 Q. Now, this letter coming, say, eight days
11 later, I want to direct your attention to the third
12 paragraph which says demand is hereby made upon SCA,
13 its agents, employees, consultants and representatives
14 to immediately cease and desist from any further
15 communication with anyone relating to Mr. Armstrong
16 and alleged impermissible performance enhancing
17 chemicals, drugs, procedures or other conduct. Do you
18 see that?
19 A. Yes.
20 Q. Did Mr. Herman and Tailwind take the position
21 that you shouldn't talk to anyone regarding the
22 allegations you were investigating?
23 A. Yes.
24 Q. Did you receive any information from Tailwind
25 regarding any of the allegations in Mr. Walsh's book?

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1 A. No.
2 Q. Now, we are at the end of September, let's
3 say, in our time line here of September 28th,
4 September 30th. You testified yesterday and I think
5 this morning that if you had known what you knew at
6 the end of this time period, September 2004, you
7 wouldn't have entered into the contract?
8 A. Correct.
9 Q. Do you generally recall that?
10 A. Yes.
11 Q. First, does that mean that you are testifying
12 that you knew and were prepared to deny the claim at
13 that same time?
14 A. No.
15 Q. Okay. Explain to us how you can say that you
16 knew enough not to enter into the contract but not
17 enough to deny the claim.
18 A. The standards are totally different for claim
19 denial and entering into a contract simply because
20 there are many contracts that you will not enter into
21 for a variety of reasons. That certainly would not be
22 sufficient basis to deny a claim if you were in a
23 contract.
24 Q. Even though Mr. Herman and Tailwind said
25 don't talk to anyone, did SCA proceed with its

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1 investigation?
2 A. We did.
3 Q. Were you involved in that investigation?
4 A. Yes.
5 Q. Can you tell us some of the people you
6 personally talked to in connection with the
7 investigation?
8 A. Well, over the course of time I talked to
9 David Walsh, I talked to Greg and Kathy LeMond, I
10 talked to Betsy and Frankie Andreu, I talked to
11 Jonathan Potters, I talked to Pierre Ballester, I
12 talked to Stephen Swart, of course. I talked to a
13 number of people. I don't recall them all.
14 Q. Now, you've previously testified in response
15 to Mr. Herman's questions as to when you decided that
16 you had enough information to make the denial and not
17 pay the claim.
18 A. Correct.
19 Q. But you were -- and I won't replot that
20 ground, but you were questioned by Mr. Herman as to
21 whether or not prior to then you ever told Tailwind
22 what the issue or problem was.
23 I want to direct your attention, if you
24 will, and turn to the next exhibit, exhibit -- or not
25 the next exhibit, but back to the binder of

<p style="text-align: right;">Page 827</p> <p>1 Exhibit 27. 2 A. Exhibit 27? 3 Q. Yes, sir. Okay. Is this a letter from 4 Mr. Compton to Mr. Temple, September 7th, 2004? 5 A. Yes. 6 Q. And at this point in time Mr. Temple was a 7 lawyer representing Tailwind? 8 A. Yes. 9 Q. And Mr. Compton works in-house for you? 10 A. Yes. 11 Q. And was authorized to send out this letter? 12 A. Yes. 13 Q. And you knew about its contents and were okay 14 with that? 15 A. Yes. 16 Q. Now, I want to direct your attention to the 17 second paragraph, which says, second, your letter 18 suggests that unless the Tour de France expressly 19 revokes Armstrong's title, SCA's obligation to pay 5 20 million in the present year if Lance Armstrong wins 21 the Tour de France in 2001 through 2004 would be 22 unmodified by findings that he employed forbidden 23 performance enhancing substances or processes. If 24 that is your assertion, we respectfully disagree. Do 25 you see that?</p>	<p style="text-align: right;">Page 829</p> <p>1 A. Tab 106. 2 Q. Okay. The money is in a custodial account, 3 and at some point in time did the parties agree to 4 deposit that money in the registry of the court? 5 A. We agreed to deposit it in the registry of 6 the court, yes. 7 Q. And was it, in fact, deposited in the 8 registry of the state district court? 9 A. Yes. 10 Q. Is it still there today? 11 A. Yes. 12 Q. Now, was, as you recall, Tailwind satisfied 13 with the depositing of the funds into the registry of 14 the court? Is that all they wanted from your company 15 during this time? 16 A. No, they wanted financial disclosures. They 17 wanted -- they wanted financial disclosures at that 18 point. 19 Q. Well, had you petitioned the court during 20 this time period to get your money back and go spend 21 it, the \$5 million? 22 A. No. 23 Q. What is it Tailwind alleged about your 24 company during this time period? 25 A. They alleged that -- I guess they alleged we</p>
<p style="text-align: right;">Page 828</p> <p>1 A. Yes. 2 Q. And was that accurate, did SCA disagree with 3 that position? 4 A. Yes. 5 Q. The next statement, my question is is that an 6 accurate statement of your belief at that time 7 communicated to Tailwind -- 8 A. Yes. 9 Q. -- which says further, it is our view that 10 proof of the use of banned substances or processes 11 might entitle us to recover any prior amounts paid to 12 Disson Furst, Tailwind or Lance Armstrong under the 13 contract with Tailwind? 14 A. Yes. 15 Q. Now, based upon that position communicated to 16 Tailwind on September 7th, 2004, is this what you were 17 investigating in an effort to determine during this 18 time period? 19 A. We were -- yes. 20 Q. Now, we've had some questions about the 21 lawsuit that was filed and I'm going to direct your 22 attention to that, if I could, and it is in the big 23 binder 106, tab 106. 24 A. In their binder? 25 Q. Yes.</p>	<p style="text-align: right;">Page 830</p> <p>1 didn't have the ability to pay, notwithstanding. 2 Q. As you recall, was that the subject of the 3 temporary injunction, whether or not additional 4 financial information could be obtained from your 5 company with respect to the \$5 million already on 6 deposit? 7 A. I believe it was. 8 Q. Did SCA oppose that request? 9 A. Yes. 10 Q. Now, in connection with the -- the 11 investigation and the arbitration, the investigation 12 that SCA was doing, how did that interplay with the 13 litigation once it was filed? We have got this 14 ongoing investigation, you've got litigation now being 15 filed. How did that process come together? 16 A. Well, we are dealing with the litigation and 17 we are dealing with the investigation pretty much at 18 the same time, or certainly it was a lot of overlap, 19 but we were continuing to investigate the veracity of 20 the allegations. 21 Q. Now, in connection with the litigation, did 22 additional evidence come to SCA's attention -- 23 A. Yes. 24 Q. -- regarding Mr. Armstrong's use of 25 performance enhancing drugs?</p>

Pages 827 to 830

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1 A. Yes.
 2 Q. Can you sort of identify for us what some of
 3 that evidence was?
 4 A. Well, certainly the evidence of his positive
 5 test results in the 1999 Tour that were reported in
 6 L'Equipe is one very strong piece of information. The
 7 information regarding sanctions against Dr. Ferrari
 8 over and above the -- or actually the sanctions were
 9 prior to the conviction.
 10 Q. Let me stop you there so I can understand
 11 what you're saying. Dr. Ferrari was convicted of
 12 sporting fraud in Italy in October 2004?
 13 A. I believe that's -- I think it's
 14 September 30th, but it may have been October, early
 15 October.
 16 Q. Did that fact play a role in your ultimate
 17 decision to deny the claim?
 18 A. Yes.
 19 Q. Now, in addition to that conviction, which
 20 took place in October 2004, did you learn something
 21 else about Dr. Ferrari that played a role in your
 22 continued refusal to pay this claim?
 23 A. Yes.
 24 Q. What is that?
 25 A. We learned that he had been sanctioned by the

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1 Italian National Olympic Committee and by another
 2 Italian body, and the sanctions were that he was not
 3 to do business with any -- he was forbidden from doing
 4 business with any athletes involved with either the
 5 UCI or with the Olympics.
 6 MR. HERMAN: Did you ask him what date
 7 that was?
 8 MR. TILLOTSON: Yes, I'm getting ready
 9 to.
 10 Q. (BY MR. TILLOTSON) First of all, when did
 11 that banning or action take place, as you understand?
 12 A. The Italian Olympic Committee banning took
 13 place in late 2001. The disciplinary hearing took
 14 place in 2002.
 15 Q. And when did you learn that information, even
 16 though it took place in '01 and '02?
 17 A. Late 2004 or early 2005, late 2004 probably.
 18 Q. How did you come about that information?
 19 A. It was supplied to us by Zander Donati.
 20 Q. Who is whom?
 21 A. He's one of the persons that we contacted as
 22 a result of the book.
 23 Q. Did you have any inkling regarding the
 24 sanctions against Dr. Ferrari that took place in '01
 25 and '02 prior to learning it in the course of this

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1 litigation?
 2 A. No.
 3 Q. Had you completed your list of other acquired
 4 evidence? I interrupted you on that before.
 5 A. Well, these were the two items. We also
 6 found evidence that Dr. Ferrari was substantially more
 7 involved with Mr. Armstrong than he stated.
 8 ARBITRATOR CHERNICK: He in that sentence
 9 is Armstrong?
 10 A. That Armstrong had stated.
 11 Q. (BY MR. TILLOTSON) Now, based upon the
 12 evidence you gathered, what conclusion did you
 13 ultimately reach, Mr. Hamman?
 14 A. That we were not liable under the contract.
 15 Q. Why?
 16 A. Because we believed Mr. Armstrong had used
 17 performance enhancing drugs and had cheated in the
 18 event and that we had entered into the contract based
 19 on false public representations by Mr. Armstrong.
 20 Q. Was there anything about Mr. Walsh's book
 21 regarding allegations of drug use by Mr. Armstrong
 22 that you were able to determine through your
 23 investigation was not well founded or not true?
 24 A. No.
 25 Q. Now, I want to turn to a couple of other

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1 subjects that were raised in the course of your
 2 examination by Mr. Herman, one is the role of PIL,
 3 Prize Indemnity Limited, in all of this. And to kind
 4 of refresh everyone's memory regarding what's going
 5 on, I'm going to ask you to turn in the blue binder to
 6 our exhibit, Respondents' Exhibit 21.
 7 A. Okay.
 8 Q. This is a chart I did in connection with your
 9 direct examination at the insurance related hearing,
 10 that I did on a board and later transcribed with the
 11 approval -- the exacting approval of Mr. Breen that
 12 turned into Exhibit 21.
 13 A. Okay.
 14 Q. And I want to just make sure we know who PIL
 15 is and what role they play. Can you describe first
 16 who PIL is? What are they?
 17 A. PIL is a Bermuda licensed insurer.
 18 Q. And is there some commonality of owners
 19 between PIL and SCA?
 20 A. Yes, there is some overlapping ownership.
 21 Q. You're involved in both?
 22 A. Yes.
 23 Q. You're a director of both?
 24 A. Yes.
 25 Q. Mr. Floerchinger, who's the CFO at SCA, he's

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1 a director?
 2 A. Correct.
 3 Q. Okay. Now, what role did PIL play in
 4 connection with the \$5 million of liability or risk
 5 that you took on in this contract?
 6 A. In late 2004 we entered into an agreement
 7 with PIL that we would buy \$5 million worth of
 8 coverage from them at a cost of 105 percent of
 9 whatever it cost them to reinsure the obligation,
 10 subject to a minimum of \$1 million.
 11 Q. You said late 2004 and I think you meant some
 12 other date when PIL became involved.
 13 A. PIL's first involvement was involved with
 14 AIG.
 15 Q. Okay.
 16 A. The -- I was -- PIL was a -- an insurer --
 17 well, it was a reinsurer of Swiss Re or AIG of the
 18 initial contract and the initial liabilities.
 19 Q. Okay. Now, some argument has been made that
 20 because PIL paid a claim or paid SCA money that SCA
 21 either didn't pay that money to Tailwind or kept the
 22 funds. What happened to the money, first, that PIL
 23 paid to SCA?
 24 A. This was the five million that we paid a
 25 million to PIL for the reinsurance so that effectively

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1 we bought insurance which washed out the million by --
 2 there was a million, two collectible under the
 3 contract and we paid them 200,000. So we had
 4 previously paid them a million for the commitment to
 5 cover at 105 percent of the cost of reinsurance and
 6 subsequently we paid them 200,000 for a million, two
 7 coverage in the event Mr. Armstrong won the Tour de
 8 France.
 9 Q. Did you control the claims process? The
 10 decision by PIL to pay SCA the money, was that you?
 11 A. Yes.
 12 Q. Why not have PIL deny the claim since SCA
 13 later denied the claim?
 14 A. In practice, this was a recovery of the
 15 million dollars we had paid them under the -- with the
 16 thought that if they were able to reinsure the
 17 obligation, that the \$5 million would be obtained by
 18 PIL so that effectively PIL had no risk under the
 19 contract and was out no money on the series of
 20 transactions.
 21 ARBITRATOR CHERNICK: Can I try to
 22 understand what was just said?
 23 MR. TILLOTSON: Sure. Yes.
 24 ARBITRATOR CHERNICK: You paid PIL a
 25 million dollars to get -- to reinsure five million?

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1 THE WITNESS: No, we paid them a million
 2 dollars as a minimum deposit premium with a formula of
 3 105 percent of whatever the cost of them laying off
 4 the entire risk was.
 5 ARBITRATOR CHERNICK: And they were
 6 unable to do that?
 7 THE WITNESS: And they were unable to --
 8 actually, there was an option in there that if they
 9 were able to arrange for reinsurance to lay off the
 10 five million, our cost would be 105 percent.
 11 ARBITRATOR CHERNICK: So you later paid
 12 them 200,000 for a million, two in order to wash out
 13 the million and get it back into SCA?
 14 THE WITNESS: In order to wash out.
 15 ARBITRATOR CHERNICK: And that just
 16 became part of the five million you had deposited?
 17 THE WITNESS: That became part of the
 18 five million.
 19 Q. (BY MR. TILLOTSON) The person responsible
 20 for making those decisions was you?
 21 A. Well, yes.
 22 Q. I want you to turn, if you will now, to
 23 Respondents' Exhibit 53, which is the advertisement
 24 run by CSE and Mr. Stapleton.
 25 A. Yes.

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1 Q. Okay. First, can you tell us what magazine
 2 or journal this ad ran in?
 3 A. SportsBusiness journal published by Street &
 4 Smith.
 5 Q. SportsBusiness journal published by Street &
 6 Smith. What kind of publication is that?
 7 A. It's directed at companies that are involved
 8 in the sports business, is in the sponsorship, the
 9 general commercial aspects of sport.
 10 Q. Would you be comfortable characterizing this
 11 as a trade journal or trade publication in your trade?
 12 A. Yes.
 13 Q. Do your competitors, to your knowledge,
 14 advertise or -- are aware of this publication, this
 15 magazine?
 16 A. Yes.
 17 Q. Has SCA ever advertised in this publication?
 18 A. Yes.
 19 Q. Do you believe that your potential clients
 20 and actual clients or customers have access and read
 21 this magazine?
 22 A. Yes.
 23 Q. Now, are there portions of the ad that you
 24 understand or believe at this time period are untrue?
 25 A. Yes.

<p style="text-align: right;">Page 839</p> <p>1 Q. Have you identified those in connection with 2 your questions from Mr. Herman? 3 A. Yes. 4 Q. One of them I think you identified is in the 5 third paragraph? 6 A. Correct. 7 Q. Which says that CHUBB and Lloyds promptly 8 sent payment along with congratulations, whereas you 9 sent a letter saying you were going to investigate? 10 A. Correct. 11 Q. First, why is that untrue? 12 A. Well, CHUBB -- Lloyds had not paid. Second, 13 the characterization of the investigation we believe 14 was very misleading and designed to cast us in a bad 15 light. 16 Q. How were you damaged by the statements in 17 this paragraph, as a business? 18 A. It was used by our competitors as a 19 competitive tool. They sent it to prospective 20 customers on at least -- well, on some occasions. We 21 don't know how many. 22 Q. Well, do you have personal knowledge as to 23 whether SCA lost business because of that tactic 24 employed by -- 25 A. We believe we did.</p>	<p style="text-align: right;">Page 841</p> <p>1 false regarding what was said in this ad about drug 2 test results being provided to you by Tailwind? 3 A. The drug test results were never provided to 4 us by Tailwind. 5 Q. The statement there from Christian Varin from 6 the UCI, do you see that? 7 A. Yes. 8 Q. Were you provided with that statement by 9 Tailwind? 10 A. Yes. 11 Q. Were you provided with the underlying test 12 results referenced in that statement? 13 A. No. 14 Q. Had you asked for them? 15 A. Yes. 16 Q. The laboratory that's listed there 17 Chatenay -- is that Malabry? 18 A. Yes. 19 Q. Do you know if that's the same laboratory 20 that later performed the tests that were revealed by 21 L'Equipe from the 1999 Tour de France urine samples? 22 A. Yes. 23 Q. So the lab being referenced here is the same 24 lab that did the work later on? 25 A. Yes.</p>
<p style="text-align: right;">Page 840</p> <p>1 Q. Are you aware of any specific deals that were 2 lost by SCA because of that? 3 A. No. 4 Q. So how is it you can tell the panel you 5 believe you lost business? 6 A. Well, our business in the area was down 7 and -- you never get a statement from a prospective 8 customer that they didn't do business with you for a 9 reason of this nature. They just don't. So their -- 10 you don't -- they don't confirm that's why, or it 11 would be extremely rare that a prospective customer 12 would confirm that that was the reason that they 13 failed to do business with us. 14 Q. Has SCA demanded a retraction from 15 Mr. Stapleton and/or Capital Sports for the statements 16 made? 17 A. We felt a retraction would be of no value 18 whatsoever, but we did demand -- I believe we demanded 19 a retraction in our filing in North Carolina. 20 Q. Has this statement ever been retracted or 21 corrected by publication? 22 A. I don't believe so. 23 Q. Now, I want to direct your attention to the 24 bottom portion of it which says the truth of the 25 matter is on August 16th, 2004. What is it that's</p>	<p style="text-align: right;">Page 842</p> <p>1 Q. The bottom paragraph which you were asked 2 about by Mr. Herman which begins with, unfortunately, 3 it appears that SCA is changing the rules when it is 4 time to fulfill its obligation, was that true? 5 A. No. 6 Q. It takes something from your web site that 7 says, if an athlete hits their mark, you pay? 8 A. That's correct. 9 Q. Had Mr. Armstrong hit the mark in your mind? 10 A. No. 11 Q. Why not? 12 A. Because we had serious concerns about the 13 manner in which he had hit the mark. 14 Q. Why is it at this time period, and this ad 15 was run in October of 2004, and to this date here, 16 January 2006, why has SCA not paid Tailwind the five 17 million bucks? 18 A. We don't believe we owe the money. 19 Q. Have you in your mind developed sufficient 20 evidence to allow you to conclude that Mr. Armstrong 21 used performance enhancing drugs? 22 A. Yes. 23 Q. And are you prepared to present that evidence 24 here in this hearing? 25 A. Yes.</p>

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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 ARBITRATOR CHERNICK: I'm sorry, could I
10 jut 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: It'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.

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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.

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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
14 2001, '2, '3, or '4 races.
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

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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

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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?

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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

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1 as the award.
 2 Now, what is -- what do you say is
 3 uncertain about SCA's responsibility to indemnify or
 4 insure Tailwind's liability?
 5 A. Let's suppose that Tailwind's contract called
 6 for a bonus of a million dollars in the event that he
 7 could get up in the morning and ride his bicycle a
 8 mile.
 9 Q. Okay.
 10 A. We would presume that would not be covered.
 11 We thought we were dealing with a trigger event of the
 12 Tour de France and that it was subject to the rules of
 13 the Tour de France.
 14 Q. Well, the best evidence of what it was
 15 subject to would be reflected in the Tailwind contract
 16 with Mr. Armstrong which you insured, wouldn't it?
 17 A. It was represented to us that we were dealing
 18 with performance bonuses in the contract and that the
 19 performance bonuses were subject to the outcome of the
 20 Tour de France and to Mr. Armstrong's compliance with
 21 the rules of the Tour de France.
 22 Q. Who represented that to you?
 23 A. Kelly Price.
 24 Q. Did you ask to see the contract?
 25 A. No.

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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

<p style="text-align: right;">Page 851</p> <p>1 winners declared at the site and presumably that's the 2 Amaury Sports Organization's appointed officials. 3 Q. Have you ever requested, incidentally, that 4 Tailwind waive the confidentiality provision so that 5 you could take all of this stuff over to UCI? 6 A. We, as a matter of fact, objected to the 7 confidentiality provision at the onset of the 8 arbitration. 9 Q. No, I'm asking you, have you ever requested 10 so that -- you have told Mr. Tillotson that the reason 11 we haven't gone to the UCI was because we had the 12 confidentiality provision. Have you ever asked for 13 that to be waived so you could go pitch your case to 14 somebody that could do something about it? 15 A. Given that Tailwind demanded the 16 confidentiality agreement and issued us demand letters 17 that we not contact anybody or investigate the claim 18 in any manner, that didn't seem to be very likely to 19 occur. 20 Q. So the answer is no, you haven't? 21 A. The answer is no. 22 Q. All right. And, you know, you're on the 23 record, you're free to go to the UCI and take every 24 single bit of paper over there that you want to. 25 A. Are we free to go to USADA or WADA?</p>	<p style="text-align: right;">Page 853</p> <p>1 A. Tailwind was the contracting party. 2 Q. That's the only contracting party? 3 A. Correct. 4 Q. Okay. Now, secondly, in your -- in this 5 second paragraph, Mr. Compton repudiates the idea that 6 unless Mr. Armstrong was stripped of his title, that 7 you all owe the money. Did that -- that represented a 8 change in position from the date you signed this -- 9 the contract with Tailwind, didn't it? 10 A. Not entirely. 11 Q. Well, its contrary to your e-mail of 12 January 9, 2001, isn't it? 13 A. You mean the e-mail? 14 Q. The e-mail that says if he's stripped of his 15 title you have to pay the money back. 16 A. If he is stripped of the title, we would 17 certainly believe we were entitled to the money back, 18 yes. 19 Q. I understand that. But Mr. Compton in this 20 letter repudiates the idea that you're obligated to 21 pay the money, and that if he is stripped of his 22 title, you have to give the money back. 23 A. If he is stripped of his title subsequent to 24 us paying the money, we would believe we are entitled 25 to get the money back. If, on the other hand, he</p>
<p style="text-align: right;">Page 852</p> <p>1 Q. You're free to go to the governing body of 2 the event just as you anticipated in your e-mail of 3 January 9th. 4 A. Are we free to go to -- 5 Q. Well, I'm not going to get into -- 6 MR. TILLOTSON: I'm going to object. 7 Make an offer to me and we will accept it. So I don't 8 know -- 9 ARBITRATOR FAULKNER: Let me interject. 10 Gentlemen, if you make such an offer, please put it in 11 writing and copy the panel in so we can see exactly 12 what you've agreed to. Thank you. 13 Proceed. 14 Q. (BY MR. HERMAN) Now, if you would look at 15 Respondents' Exhibit 27 that you talked to 16 Mr. Tillotson about. 17 A. That's the check? 18 Q. No, no, no, no, it's the Respondents' 19 Exhibit 27. 20 A. I'm sorry. Yes. 21 Q. All right. First of all, one part you didn't 22 talk about was SCA's insistence in the first paragraph 23 that its only relation -- contractual relationship was 24 with Tailwind. That's -- that position of SCA hasn't 25 changed, has it?</p>	<p style="text-align: right;">Page 854</p> <p>1 cheated to win the event, we don't necessarily see 2 that we are obligated to pay. 3 Q. Okay. So as of September 7, you had no 4 information regarding the 2001, 2002, 2003 or 2004 5 Tour de France, did you? 6 A. No. 7 Q. And when I took your deposition, didn't you 8 tell me the only information that you had that related 9 to any one of those four races was what Mike Anderson 10 had told you? 11 A. I may have. I believe we actually had more 12 information. We certainly had the LeMonds' statement 13 at that point. 14 Q. Mr. Hamman, with respect -- well, strike 15 that. 16 And you didn't talk to Mike Anderson 17 until long after Mr. Lynn stood up in court in 18 December of 2004 and denied the claim, did you? 19 A. That's correct. Well, yes. I'm not sure 20 when we exactly talked with Mike Anderson, but I think 21 it was later than that. 22 Q. Well, so you had made the decision to deny 23 the claim before you had even talked to Mr. Anderson? 24 A. We believed that we had a strong basis for 25 denying the claim.</p>

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1 Q. Mr. Hamman, please, do you -- I mean, did you
 2 or did you not deny the claim as Mr. Tillotson has
 3 represented to the panel that you denied it in court
 4 in December of 2004; is that true or untrue?
 5 A. That's true.
 6 Q. Okay. Now, look at the second paragraph of
 7 this -- of Respondents' Exhibit 27. Do you assert --
 8 any place in that second paragraph, do you assert that
 9 Tailwind made any representation or misrepresentation
 10 to you?
 11 A. In that paragraph?
 12 Q. Right.
 13 A. No.
 14 Q. Can you point to any information, whether
 15 it's oral or written or whatever, where SCA ever
 16 informed Tailwind of the basis upon which they told
 17 this panel that SCA denied claim, that is, on the
 18 basis that Tailwind misrepresented something to them?
 19 A. I don't know.
 20 Q. Well, you can't point to any oral or written
 21 notification to Tailwind that SCA's position was, hey,
 22 Tailwind, you misrepresented things to us, so we don't
 23 have to pay?
 24 A. I believe that was in our pleadings. I
 25 believe that it was in Mike Lynn's statement.

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1 ARBITRATOR LYON: Is that statement in
 2 your exhibits? You said yesterday that you had a
 3 transcript of it to provide.
 4 MR. TILLOTSON: Yes, I did bring copies.
 5 It was not in my original one, I apologize.
 6 MR. HERMAN: Do you have a copy of that
 7 for us?
 8 MR. TILLOTSON: I have -- well, I might.
 9 I can get it for you.
 10 MR. HERMAN: We will get it after lunch,
 11 that's fine. I don't need it right now.
 12 MR. TILLOTSON: I did plan on providing
 13 it. I planned on holding onto it until Mr. Compton
 14 was at the hearing as opposed to Mr. Hamman who
 15 wasn't, so that was my thinking. I'll be happy to
 16 provide it.
 17 Q. (BY MR. HERMAN) When you say your pleadings,
 18 you're talking about the pleadings in this
 19 arbitration?
 20 A. Correct.
 21 Q. Which were filed on April the 4th of 2005?
 22 A. I will accept that statement.
 23 Q. Now, you said that you had initiated this
 24 investigation sometime in August?
 25 A. We had initiated some investigation, yes.

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1 Q. In August of 2004, isn't that what you told
 2 the panel?
 3 A. Correct.
 4 Q. Well, did you not consider employing
 5 Mr. Galloway in anticipation of the litigation on July
 6 the 27th as initiating the investigation?
 7 A. He hadn't taken any steps. I mean, we
 8 certainly attempted to make contact with Mr. Walsh,
 9 but we hadn't really attempted to confirm any of the
 10 statements at that point. We hadn't talked to any
 11 witnesses. We hadn't -- okay, we had -- if employing
 12 Mr. Galloway -- or actually we asked for a proposal
 13 and said this was going to be the scope of the
 14 investigation, but we hadn't entered into an agreement
 15 at that point.
 16 Q. You didn't -- did you notify Tailwind that
 17 you had employed Mr. Galloway to investigate it and
 18 the rest of the -- and anyone else that might be
 19 remotely associated with Mr. Armstrong?
 20 A. We did not.
 21 Q. Why?
 22 A. Because we did not know if we were going to
 23 have sufficient basis to investigate the claim. We
 24 had not talked to Mr. Walsh, we were trying to gather
 25 what information we could so that we would be able to

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1 deal by September 3rd and at that point either pay the
 2 claim or indicate that we were going to need to
 3 investigate it. We certainly did not want to cause
 4 ill will if the determination was made not to
 5 investigate the claim and simply to pay it.
 6 Q. Have you ever had a claim this large where
 7 SCA had not laid it off somewhere?
 8 A. This large?
 9 Q. Yes.
 10 A. No.
 11 Q. How large was the Ameritech claim?
 12 A. Their initial lawsuit was for perhaps \$3
 13 million.
 14 Q. And that was another claim you refused to pay
 15 at SCA, right?
 16 A. That's correct.
 17 Q. And that was another instance where, through
 18 an oversight, you hadn't bought insurance and hadn't
 19 laid it off, correct?
 20 A. That's correct.
 21 Q. And you didn't -- you didn't pay that claim
 22 either, did you?
 23 A. That's correct.
 24 Q. And that money would have to come out of
 25 SCA's money?

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1 A. That's correct.
 2 Q. Now, you said that there -- you told
 3 Mr. Tillotson there were different criteria for
 4 denying a claim and refusing, you know, to enter into
 5 a contract, correct?
 6 A. We don't really refuse to enter into a
 7 contract, you simply don't offer to enter into the
 8 contract.
 9 Q. Okay. Well, when you came upon information
 10 that would have prevented you -- I mean, or kept you
 11 from issuing this insurance contract had you known
 12 about it, did you feel you had sufficient information
 13 to rescind the contract?
 14 A. Not necessarily, no. The information that
 15 would have caused you to not enter into a contract is
 16 of a lesser standard than the information that you
 17 would require to seek rescission of the contract.
 18 Q. Well, you're complaining, aren't you, that
 19 Tailwind didn't tell you things that they should have
 20 told you?
 21 A. Yes.
 22 Q. Now, did you have any -- you had no
 23 relationship with Tailwind prior to January 9 of 2001,
 24 did you?
 25 A. No.

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1 Q. You didn't know who Tailwind was before that,
 2 did you?
 3 A. Well, Disson Furst, but we did not.
 4 Q. And you're not taking the position here that
 5 Mr. Gorksi's statement to the Toronto paper in 1998
 6 was intended to deceive SCA into issuing the specific
 7 insurance contract we're talking about here, are you?
 8 A. We are taking the position that Mr. Gorksi's
 9 and Mr. Armstrong's statements were intended to
 10 influence potential contracting parties that
 11 Mr. Armstrong was clean, he had not doped and did not
 12 tolerate anybody who would dope, and that he would be
 13 crazy to dope in view of his medical history.
 14 Q. Can you find an insurance executive anywhere
 15 in the world that would enter into a 9.5 indemnity
 16 contract based upon what -- a comment in the paper
 17 from three years before by an unrelated party?
 18 A. You will not enter into a contract --
 19 assurances that somebody is clean contributes to the
 20 decision to enter into the contract.
 21 Q. Well --
 22 A. Put another way, if we thought he wasn't, we
 23 would not have done the deal.
 24 Q. You would agree that the people at Tailwind
 25 had no idea who or what SCA was perhaps until even

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1 after the contract was negotiated between you and
 2 Mr. Lorenzo?
 3 A. I -- I have no knowledge that -- whether they
 4 knew anything about us or not.
 5 Q. You're not asserting here that the comments
 6 or if there were any, that you were even aware of any
 7 comment by Tailwind prior to January 9, 2001?
 8 A. We certainly were aware of Mr. Armstrong's
 9 comments.
 10 Q. But you didn't even know who Tailwind was, so
 11 you wouldn't have known whether they made a comment or
 12 not?
 13 A. That's correct. Though we might --
 14 Q. And secondly, you're certainly not asserting
 15 that Tailwind's comments, whatever they were, not even
 16 knowing who SCA was or what it was, were intended to
 17 influence your decision to indemnify nine and a half
 18 million dollars worth of liability?
 19 A. I'm asserting that Tailwind and
 20 Mr. Armstrong's comments were designed to allay
 21 concerns of potential contracting parties.
 22 Q. Whether they be -- but you're not saying
 23 insurance necessarily, you're just saying anybody that
 24 might decide at some point to do business with them,
 25 that issue would be of significance to them; isn't

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1 that what you're saying?
 2 A. It was part of the propaganda campaign.
 3 Q. Well, the answer to my question is it
 4 wouldn't make any difference if you were in insurance
 5 or bicycles or sunglasses or mutual funds or whatever?
 6 A. It wouldn't matter.
 7 Q. So the specific kind of transaction that we
 8 are talking about here, insurance, you're not
 9 confining their intent to this specific kind of
 10 transaction, correct?
 11 A. I don't think it was aimed at -- I certainly
 12 don't think they knew of us at the time for most -- it
 13 was not aimed specifically at SCA. I'm not asserting
 14 that.
 15 Q. Or insurance companies for that matter?
 16 A. That may have been part of it, because they
 17 certainly bought substantial amounts of contractual
 18 bonus coverage over the years from multiple different
 19 entities.
 20 Q. All right. My only point, Mr. Hamman, is
 21 that in, for example, this newspaper article from
 22 1998, you're not asserting that that -- those comments
 23 were made for the purpose of -- specifically of
 24 influencing insurance companies to cover bonuses, that
 25 it was designed for everyone?

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1 A. It was designed for contracting parties.
 2 Q. Insurance companies and everybody else?
 3 A. Insurance companies, sponsors, others.
 4 Q. Okay. Now --
 5 MR. HERMAN: Would you put up slide 19?
 6 Q. (BY MR. HERMAN) Incidentally, before I get
 7 to this, Mr. Hamman, you would agree that the -- this
 8 so-called 1999 test research project actually came out
 9 in August of 2005, that is, the L'Equipe article?
 10 A. Yes.
 11 Q. That would have been at least eight, probably
 12 nine months after you-all denied the claim?
 13 A. That's right.
 14 Q. Now, as I understand it, you filed suit
 15 against Capital Sports Entertainment in North
 16 Carolina; is that right?
 17 A. That's correct.
 18 Q. And who else, Mr. Stapleton?
 19 A. Mr. Stapleton.
 20 Q. And based upon the same claims you're making
 21 in this proceeding about this advertisement?
 22 A. Different parties.
 23 Q. You can't point to a single contract that was
 24 lost as a result of that advertisement, can you?
 25 A. We know that we quoted on numerous contracts

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1 that we didn't get. Now, we know that the ad had been
 2 used as a competitive tool, so a customer -- a
 3 prospective -- no prospective customer has advised us
 4 that we lost their business because of that ad.
 5 Q. And do you have -- have you engaged anybody,
 6 an accountant or otherwise, to calculate what you
 7 claim your losses were from that or directly
 8 proximately caused by this ad?
 9 A. There is a great deal of difficulty measuring
 10 the losses.
 11 Q. Now, you talk about this -- about the Willy
 12 Vogt business being so widely publicized?
 13 A. Correct.
 14 Q. Well, are you saying that the French
 15 investigation of the United States Postal team in 2000
 16 was not widely publicized?
 17 A. I wasn't aware.
 18 Q. As widely publicized?
 19 A. I wasn't aware of it.
 20 Q. Do you read the Dallas Morning News?
 21 A. Occasionally.
 22 Q. Do you read the New York Times?
 23 A. Much less frequently.
 24 Q. Do you read Texas Monthly?
 25 A. Seldom.

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1 Q. Do you watch CBS ever?
 2 A. Football games.
 3 Q. CNN?
 4 A. I watch a moderate amount of media. I read
 5 newspapers from time to time.
 6 Q. And you know a French masseuse's name
 7 intimately, but you can't remember that the -- that
 8 there was wide -- an investigation of the U.S. Postal
 9 Service team by the French in 2000?
 10 A. I wasn't aware of it at the time.
 11 Q. Well, had you known about the investigation
 12 of the U.S. Postal Service team and the allegations
 13 that were being made against it a mere month before
 14 you issued this insurance contract, would you have
 15 done the deal?
 16 A. No.
 17 MR. HERMAN: I pass the witness.
 18 MR. TILLOTSON: I just have one area real
 19 quick. I think we can finish briefly and then --
 20 ARBITRATOR FAULKNER: Okay. Great. Why
 21 don't you wrap up, then.
 22 RE-CROSS EXAMINATION
 23 BY MR. TILLOTSON:
 24 Q. Mr. Hamman, you were asked about the
 25 Ameritech matter, and I think it was suggested that

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1 you go around denying large claims that you can't get
 2 subsequent insurance for.
 3 First, can you tell us what the Ameritech
 4 dispute was about just generally?
 5 A. We entered into a contract where prepaid
 6 phone cards were to be distributed to purchasers of
 7 certain Ameritech services. The offer was to be made
 8 to existing Ameritech customers. The offer was to be
 9 communicated by direct mail to these customers and
 10 there was to be some television and radio advertising
 11 of the offer.
 12 Q. What was SCA's role? What risk are you
 13 assuming in connection with the offer?
 14 A. We were given a quantifiable mailing list,
 15 which I believe was about six million Ameritech
 16 customers that were to receive the offer, and I -- to
 17 the best of my recollection, they had about 12 million
 18 customers and the offer was to be made to the six
 19 million by direct mail and there would be some media
 20 support for the offer.
 21 Q. Okay. But what does SCA do with respect to
 22 the offer as people accept the cards? What risk was
 23 SCA assuming?
 24 A. We were accepting the risk for the
 25 distribution of cards at a specific value in

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1 conjunction with the offer.
 2 Q. Okay. And what happened or what was wrong?
 3 A. First, Ameritech, as it developed, conducted
 4 an outbound telemarketing campaign to sign up
 5 customers for the offer. Second, when somebody called
 6 in requesting a transfer of service or ordering new
 7 phone service who would presumably be unaware of the
 8 offer, the offer was made to them. So the offer was
 9 to be restricted as to who it was to and how it was to
 10 be communicated, and we based our appraisal of the
 11 response rate based, you know, on the number of
 12 prospective customers who would receive the offer.
 13 Q. Was there litigation over this dispute?
 14 A. There was.
 15 Q. Before or in connection with the litigation,
 16 did SCA put the money up that was allegedly owed?
 17 A. We became aware that we would have a
 18 difference of opinion as to how much money, if any, we
 19 owed Ameritech, and we met with them in December of,
 20 I'm going to think, 1998 to discuss the situation. At
 21 that point we were aware we had not covered our
 22 liability under the contract and we agreed with
 23 Ameritech that \$700,000 or somewhere in the high 600s
 24 to 700, I think it was 700, but I'm not completely
 25 sure of that, was the maximum amount that they would

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1 contend that we owed them and we agreed to put that in
 2 an escrow account with then Bank One, and they in turn
 3 agreed that if the claim was not settled by March 1 of
 4 the following year that we could remove the money from
 5 escrow.
 6 Q. Was the result litigated to conclusion?
 7 A. The result was litigated to conclusion.
 8 Q. And what was the ultimate litigated result?
 9 A. The ultimate litigated result was that we
 10 were to receive \$183,000 in attorney's fees as a
 11 result of the litigation and that they were to receive
 12 9,000 in damages. They appealed. The attorney's fee
 13 award and the reward was canceled. The attorney's fee
 14 award was canceled on appeal and the 9,000 actual
 15 damages remained in place, but at that point Ameritech
 16 communicated, unsolicited, to us that they were
 17 willing to walk away from the entire thing. So I
 18 think that they had serious doubts about it, were
 19 just -- well, they -- they didn't -- we executed a
 20 mutual release and paid them nothing.
 21 MR. TILLOTSON: Thank you. Nothing
 22 further.
 23 RE-DIRECT EXAMINATION
 24 BY MR. HERMAN:
 25 Q. Let me just ask you a couple of questions.

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1 You're the decision maker at SCA, the ultimate
 2 decision maker?
 3 A. In cases that it rises to me, I make the
 4 decision.
 5 Q. Well, in this case, in this Tailwind case?
 6 A. Yes.
 7 Q. And you recall at the end of the insurance
 8 hearing I asked you would you do anything differently
 9 and your answer was no that if you had it to do all
 10 over again, you would do the same thing, right?
 11 A. Well, I -- I would like to know what --
 12 Q. Well, I'll just ask you the question.
 13 A. Okay.
 14 Q. If you had to -- if you had it to do over
 15 again, your handling of this claim, you wouldn't do
 16 anything differently, would you?
 17 A. No.
 18 Q. And you're not going to pay the money?
 19 A. It is not in our hands at this point.
 20 Q. Well, I mean, you have no intention of
 21 voluntarily paying the money?
 22 A. No.
 23 Q. You're not going to pay the money unless
 24 you're ordered to by the tribunal?
 25 A. That's correct.

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1 Q. And in all likelihood, even if they order you
 2 to, you're going to try to find a way around that,
 3 too?
 4 MR. TILLOTSON: I object to that.
 5 ARBITRATOR FAULKNER: Sustained. Next
 6 question.
 7 MR. HERMAN: I pass the witness.
 8 ARBITRATOR FAULKNER: We are going to
 9 take a break for lunch right now. Mr. Hamman, you're
 10 probably going to get to come back where you are
 11 because I know that some of the panel members have
 12 questions for you. So we'll break for an hour for
 13 lunch. It's 12:30. We'll resume at 1:30.
 14 (Recess 12:28 to 1:31 p.m.)
 15 ARBITRATOR FAULKNER: We're going on the
 16 record. Please proceed with your questions.
 17 ARBITRATOR LYON: Mr. Hamman, have you
 18 ever -- the amount of money that Lance Armstrong and
 19 Tailwind was set to win if he won the Tour de France
 20 in 2001 through 2004 was how much money total?
 21 THE WITNESS: Nine and a half million
 22 dollars.
 23 ARBITRATOR LYON: Nine and a half. Just
 24 from your company or from all of them?
 25 THE WITNESS: From our company.

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1 ARBITRATOR LYON: From your company. And
 2 it's just interesting to me that those little -- those
 3 few numbers up there, is that basically what y'all do
 4 when y'all bet that kind of money? I mean, that's
 5 what you're doing, you're betting 9.5 million bucks on
 6 some probabilities on a sport that you have professed
 7 you don't know much about. I'm just asking, do y'all
 8 do that all the time?
 9 THE WITNESS: We have had risks as large
 10 as 250 million present value.
 11 ARBITRATOR LYON: Really? And do you do
 12 it based on just those kind of -- one sheet of paper
 13 with somebody figuring odds?
 14 THE WITNESS: Well, depending on the
 15 nature of it, but it could be as simple as an odds
 16 calculation in some situations.
 17 ARBITRATOR LYON: Really? Let me ask
 18 you, for 2001 through 2004 do you have any tests done
 19 by anybody that show that Lance Armstrong used any
 20 performance enhancing drugs?
 21 THE WITNESS: I don't believe there are
 22 any tests.
 23 ARBITRATOR LYON: Is there any physical
 24 evidence for 2001 through 2004 that Lance Armstrong
 25 used any performance enhancing drugs?

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1 THE WITNESS: Not to my knowledge.
 2 ARBITRATOR LYON: Okay. What is, in your
 3 opinion, what performance enhancing drug do you allege
 4 that he took from 2001 through 2004?
 5 THE WITNESS: We don't know.
 6 ARBITRATOR LYON: Okay. Thank you.
 7 ARBITRATOR FAULKNER: Mr. Chernick, any
 8 questions?
 9 ARBITRATOR CHERNICK: No questions.
 10 ARBITRATOR FAULKNER: I have a couple,
 11 Mr. Hamman. You have alluded numerous times during
 12 your testimony to the reasons why you would not have
 13 undertaken the risk had you known of certain alleged
 14 activities by participants in the Tailwind team or
 15 Mr. Armstrong. You've been in the insurance industry,
 16 what, 30, 40 years now?
 17 THE WITNESS: I have been in the -- in
 18 various phases of the insurance industry.
 19 ARBITRATOR FAULKNER: Are you familiar
 20 with the concept of moral hazard?
 21 THE WITNESS: Yes.
 22 ARBITRATOR FAULKNER: Are you indicating
 23 to this panel that the issues that you have been
 24 addressing would fall within the general concept of
 25 moral hazard?

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1 THE WITNESS: Yes.
 2 ARBITRATOR FAULKNER: Okay. What
 3 specifically, if anything, did you do in the
 4 underwriting phase to attempt to address these
 5 concerns about moral hazard?
 6 THE WITNESS: Well, the sporting events
 7 in general, the presumption is that we were dealing
 8 with an individual that has less risk of moral hazard
 9 and that the event itself had means of preventing the
 10 moral hazards from taking place. For instance, to
 11 cite an example, boxing is a sport we will not touch.
 12 ARBITRATOR FAULKNER: Any others that
 13 immediately come to mind?
 14 THE WITNESS: Jai-Alai.
 15 ARBITRATOR FAULKNER: Fair comment.
 16 Anything else you wish to add?
 17 THE WITNESS: Sports in areas where we
 18 think any sport conducted in that environment would
 19 be -- would have inherent additional risks.
 20 MR. TILLOTSON: Were there any
 21 discussions between you on behalf of SCA or anyone
 22 else on behalf of SCA, to your knowledge, with either
 23 CHUBB or Swiss Re regarding any potential for moral
 24 hazard in the underwriting of this risk?
 25 THE WITNESS: We weren't involved with

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1 CHUBB, and with respect to Swiss Re we do not address
 2 the moral hazard.
 3 ARBITRATOR FAULKNER: Okay. Thank you
 4 very much. Any other questions?
 5 ARBITRATOR CHERNICK: No questions.
 6 ARBITRATOR FAULKNER: Thank you, sir. I
 7 believe you may step down.
 8 Mr. Herman, please call your next
 9 witness.
 10 MR. HERMAN: Mr. Compton, please.
 11 CHRISTOPHER COMPTON,
 12 having been first duly sworn, testified as follows:
 13 ARBITRATOR FAULKNER: Thank you. Please
 14 proceed.
 15 DIRECT EXAMINATION
 16 BY MR. HERMAN:
 17 Q. Your name, please, sir.
 18 A. Dane Christopher Compton.
 19 Q. You're employed by SCA as an in-house
 20 attorney?
 21 A. Yes.
 22 Q. You are the person who was principally
 23 responsible for the conduct of the investigation
 24 involving the claim that we are litigating now?
 25 A. Project manager.

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1 Q. Does that mean that you were manager of the
 2 investigation project?
 3 A. Yes.
 4 Q. And as the investigator for SCA you testified
 5 in your deposition, did you not, that as the
 6 investigator you took the position that what you
 7 needed to prove was that Armstrong either doped during
 8 the contract or before the contract, because either
 9 way you think you win?
 10 A. Once discovery began that's certainly the
 11 position.
 12 Q. And when I asked you what the state of the
 13 investigation was as of June 17th, 2004, which was
 14 over a month before the conclusion of the Tour de
 15 France and two weeks before it started, when I asked
 16 you while it's true as of June 17, 2004, you all were
 17 already cooking up ways to avoid paying if, in fact,
 18 Armstrong won, you answered, if you mean catching your
 19 cheating client, yes, we were looking at catching your
 20 cheating client; isn't that true?
 21 A. I believe what I said by that was that if
 22 your client had cheated, that we were entitled not to
 23 be paid.
 24 Q. Now --
 25 MR. TILLOTSON: Tim, I'm sorry, just in

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1 the future, if you would give me page and line.
 2 MR. HERMAN: Sure.
 3 ARBITRATOR FAULKNER: We would appreciate
 4 it all.
 5 THE WITNESS: I'd also like a copy. And
 6 in general, any document Mr. Herman wants me to
 7 comment on I'm going to try and remember to stop and
 8 ask for, because I have problems with the
 9 characterizations, so can we stop now?
 10 ARBITRATOR FAULKNER: We will note that.
 11 If you can provide page and line, please provide it to
 12 all of us, because I'm going to put it in my notes as
 13 well.
 14 MR. HERMAN: All right, sir, it's
 15 page 117, lines 15 through 19.
 16 ARBITRATOR LYON: Do you want a copy of
 17 your deposition?
 18 THE WITNESS: Yes, I do.
 19 MR. HERMAN: Yes, it might be a good idea
 20 for you to have a copy.
 21 ARBITRATOR FAULKNER: I thought you had
 22 one in the documents up there. If you'll please get a
 23 copy of your own deposition, it will be helpful.
 24 MS. EVORA: I have one.
 25 ARBITRATOR FAULKNER: Ms. Evora may have

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1 one.
 2 THE WITNESS: Okay. What's the line and
 3 page reference, please?
 4 MR. TILLOTSON: Page 117 --
 5 MR. HERMAN: Yeah, let's do this orderly.
 6 Let me just call --
 7 MR. TILLOTSON: I'm sorry. I didn't mean
 8 to interrupt. Go ahead.
 9 Q. (BY MR. HERMAN) Let me just go to page 117,
 10 line 15, and I'll just ask you the question and you
 11 can answer it.
 12 Well, it's true as of June 17th, 2004 you all
 13 were already cooking up ways to avoid paying if, in
 14 fact, Armstrong won, weren't you? Your answer?
 15 A. I would refer you to page 117, line 24. By
 16 June 17th, I couldn't have had my mind made up.
 17 Q. What was your answer to my question was what
 18 I asked.
 19 A. If you mean catching your client, yes, we
 20 were looking at catching your cheating client.
 21 Q. You left out cheating in the first one?
 22 A. I apologize, I just read it too quickly.
 23 ARBITRATOR FAULKNER: Gentlemen, so that
 24 we can keep this orderly, please, you ask the
 25 question, you answer the question, and then your

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1 attorney will do whatever else he needs to do to bring
 2 you back however he thinks he needs to if he thinks he
 3 needs to, but just answer his question so that we can
 4 keep this very clear. Proceed with your next
 5 question, Counsel.
 6 MR. TILLOTSON: Mr. Chairman, I'm going
 7 to avoid optional completeness when reading stuff,
 8 then. I'll just do that when I question him so we're
 9 allowed to move along.
 10 ARBITRATOR FAULKNER: Great. Thank you.
 11 MR. TILLOTSON: Normally I would try to
 12 read a bunch of portions, but I will just do it when I
 13 question him.
 14 ARBITRATOR FAULKNER: That's fine.
 15 Proceed, please.
 16 Q. (BY MR. HERMAN) On page 133. By way of
 17 background, Mr. Compton, to be fair about it, you had
 18 taken the position as a lawyer that SCA didn't have
 19 any obligation to pay Tailwind until Tailwind actually
 20 paid Armstrong, and it was in that line of questioning
 21 that I asked the question. I said, well, as the,
 22 quote, investigator, closed quote, have you taken that
 23 position? And your answer on line 11 of page 133 is
 24 what?
 25 A. As the investigator, I've taken the position

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1 that what I need to do is prove that the man either
 2 doped during the contract or before the contract,
 3 because we won't if I do that.
 4 Q. My next question on line 15: And that's
 5 precisely what you've done here, that's precisely what
 6 you've undertaken to do since you began your
 7 investigation; isn't that true? And your answer?
 8 A. The word proved was too strong. Verify is a
 9 better word.
 10 Q. Okay. Now, let me move to the SCA contract
 11 for a moment. If you'll look at Claimants'
 12 Exhibit 17, it's the easiest -- it's the easiest
 13 agreement -- the easiest copy to deal with.
 14 MR. HERMAN: Would you put up slide 1,
 15 Russell, please.
 16 Q. (BY MR. HERMAN) You're a lawyer, correct?
 17 A. Yes.
 18 Q. You didn't have anything to do with the
 19 preparation of the contingent fee contract form, I
 20 take it?
 21 A. No.
 22 Q. Up there -- well, on page 1 of Exhibit 17,
 23 you may refer to whichever one you wish, the type of
 24 promotion is described as the cyclist incentive bonus
 25 program, correct?

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1 A. Correct.
 2 Q. Now, is it your position that promotion means
 3 cyclist incentive bonus program or something else in
 4 this agreement?
 5 A. Something else.
 6 Q. What else?
 7 A. The Tour de France.
 8 Q. Look at paragraph 3. See that at the very
 9 last line of paragraph 3 it says that SCA is
 10 indemnified by Sponsor's implementation or conduct of
 11 PGA cyclist incentive program. And then I asked you
 12 at your deposition did Tailwind have anything to do
 13 with the conduct or implementation of the Tour de
 14 France, and you agreed with me, I believe, that
 15 Tailwind did not have anything to do with that.
 16 A. No.
 17 Q. You did not agree with me?
 18 A. No.
 19 Q. Okay. Tell me -- tell me what your position
 20 is with respect to Tailwind's responsibility for the
 21 conduct or implementation of the Tour de France.
 22 A. Any time you have an organization that has
 23 several teams, or let's say there's 20 teams entering
 24 and one team has won six or seven times,
 25 intracompetition there's going to be suggestions for

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1 rules, changes. For instance, I believe they froze
 2 bicycle specifications at one time. All of those
 3 issues are going to be input from all of the teams,
 4 and certainly a team as influential as one that had a
 5 consecutive winner on it is going to have input into
 6 the implementation and the conduct of the Tour de
 7 France.
 8 Q. Well, let me put that a different way. Does
 9 Tailwind have any responsibility as the governing body
 10 of the Tour de France?
 11 A. No.
 12 Q. Do you remember me asking you why a PGA
 13 cyclist incentive bonus program was in this contract?
 14 A. I don't recall if I remember you asking that.
 15 Q. Well --
 16 A. I'm sure you did.
 17 Q. All right. Okay. That's fair.
 18 A. It's a mistake.
 19 Q. Well, SCA prepared this contract?
 20 A. SCA, I believe a salesperson at SCA prepared
 21 the contract, yes.
 22 Q. Well, were they authorized to act for SCA?
 23 A. I would believe so.
 24 Q. Well, you're not taking the position that
 25 whatever SCA's obligations are, they're incorporated

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1 into this contract?
 2 A. That question has a lot -- would you ask the
 3 question again, please?
 4 Q. You're not taking the position that whatever
 5 SCA's contractual obligations are to Tailwind are not
 6 incorporated in this contract, are you?
 7 A. I don't believe so.
 8 Q. Okay. Well, I believe you took the -- you
 9 told me that that language in this contract was a big
 10 mistake on the part of SCA.
 11 A. Well, I believe I said it was a patent error,
 12 because obviously this is not a PGA incentive bonus
 13 program and that language convinced me that no lawyer
 14 had reviewed this contract.
 15 Q. All right. Look at page 88 of your
 16 deposition, line 20. Are you there?
 17 A. Yes.
 18 Q. Okay. I asked you why does paragraph 3 refer
 19 to the implementation or conduct of the cyclist
 20 incentive PGA -- of the PGA cyclist incentive bonus
 21 program. And your answer?
 22 A. Well, Mr. Herman, you just said to me that I
 23 believe -- you said to me, and we can read your
 24 question, that that was a -- the biggest mistake by
 25 SCA or something.

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1 Q. Please read your answer.
 2 A. My answer says we make mistakes, guys, but
 3 that big a mistake we wouldn't -- we wouldn't have put
 4 PGA, you know, incentive in this contract.
 5 Q. Well, you also said that's the single biggest
 6 clue that no lawyer ever looked at this because
 7 obviously this language is from a PGA incentive clause
 8 contract.
 9 A. Yes.
 10 Q. And never got rewritten. And you said we
 11 make mistakes, guys, but that big a mistake we
 12 wouldn't --
 13 A. Make.
 14 Q. But you did. But you did make that big a
 15 mistake.
 16 A. We means lawyers, Mr. Herman. That's the
 17 last thing in the last sentence.
 18 Q. Oh, okay. So when you said we, you weren't
 19 referring to SCA?
 20 A. No.
 21 Q. Now, you were put in charge of this
 22 investigation project, but you had never, ever worked
 23 on an incentive contract since you've been with the
 24 company?
 25 A. I believe I had done a couple of world record

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1 contracts, which would be similar to incentive
 2 contracts, but by and large, no.
 3 Q. Well, I mean, you don't dispute the fact that
 4 you told me you had never worked on an incentive
 5 contract before?
 6 A. I believe what I said was identical or very
 7 similar to what I just said.
 8 Q. Okay. This is the first time in the history
 9 of SCA as far as you're aware that SCA has taken the
 10 position that promotion doesn't mean what it says up
 11 there, but means the event that's described on the
 12 second page?
 13 A. I would not agree with that.
 14 Q. Okay. Did you tell me that?
 15 A. Well, this says type of promotion, cyclist
 16 incentive bonus. To my mind that's different than
 17 saying promotion.
 18 Q. Okay. But my question was whether or not
 19 this was the first time SCA has taken the position
 20 that promotion in the contract means something
 21 different from the type of promotion that's described
 22 up there.
 23 A. SCA has had an incredibly few number of cases
 24 go to litigation, and so when you say take a position,
 25 I'm a little confused. Could you clarify for me --

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1 I'm not trying to split hairs. I'm trying to
 2 understand what you're saying. Have we ever litigated
 3 that line in the contract, absolutely not, to my
 4 knowledge, since 1998.
 5 Q. All right. So what you're saying is that
 6 this is the first time it's come up?
 7 A. Yes, I think that would be a much fairer --
 8 Q. Okay. That's fair enough.
 9 If Tailwind has nothing to do with the
 10 implementation and conduct of the Tour de France,
 11 other than entering a team, perhaps participating with
 12 all the other teams in consulting roles, why would SCA
 13 ask Tailwind to indemnify it from any claims that
 14 result from Tailwind's implementation or conduct of
 15 the Tour de France?
 16 A. Because if they didn't implement or conduct
 17 and we found out about it later, we would want that
 18 indemnification.
 19 Q. Is that why that's in there?
 20 A. I actually think that that is a sentence that
 21 is not overly artfully drafted and that it doesn't --
 22 well, it's very difficult. SCA is not a party to or
 23 involved in the conduct of promotion and sponsor shall
 24 indemnify SCA for any claims initiated as a result of
 25 sponsor's implementation or conduct with the

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1 promotion.
 2 So to the extent I have any knowledge
 3 about what it means, it would mean that if the sponsor
 4 implemented or conducted the promotion, okay, that we
 5 would be indemnified as a result of any claims
 6 initiated from that conduct or implementation.
 7 Q. Are you in possession of any information or
 8 do you take the position that Tailwind conducts the
 9 Tour de France?
 10 A. I do not take the position that Tailwind is
 11 responsible for the conduct of the Tour de France.
 12 Q. Now, where is the only incentive bonus for a
 13 cyclist mentioned other than on the second page of
 14 this agreement?
 15 A. Well, it's mentioned on the first page.
 16 Q. Okay. Any other agreement that you know of
 17 where it's mentioned?
 18 A. Mr. Herman, with all due respect, I'm trying
 19 to answer your question. Could you try it again?
 20 First you asked me where is it other than on the
 21 second page while you're looking at it on the first
 22 page, and I know you're not trying to intentionally
 23 mislead me, but it's a confusing question. We are all
 24 looking at it.
 25 Q. Well, I just asked you another question, what

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1 other agreement is the cyclist incentive bonus program
 2 contained in?
 3 A. This particular -- this is the entire, to my
 4 understanding, the entire representation and the best
 5 representation of our obligations for this program, if
 6 that's what you're asking.
 7 Q. No, that's not what I'm asking. The
 8 contract -- your contract 31122 refers to a cyclist
 9 incentive bonus program. Where would one find the
 10 conditions of the cyclist incentive bonus program?
 11 A. In a few places on the first page, on the
 12 second page and within the underlying rules
 13 underneath, in this case, the Tour de France.
 14 Q. So you think that the Tour de France rules
 15 specify what incentive bonuses are due and how they're
 16 to be paid and on what conditions?
 17 A. No.
 18 Q. Okay. Where would you find that?
 19 A. The incentive bonuses and what would be due
 20 under what -- the incentive bonuses that would be due
 21 are found in -- I think it's paragraph 2.b.
 22 Q. Okay.
 23 A. It's paragraph 3.
 24 Q. Paragraph 3?
 25 MR. HERMAN: Would you turn to just the

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1 second page of Exhibit 17, Russell?
 2 MR. TILLOTSON: Excuse me. It would be
 3 paragraph 3 of Exhibit A.
 4 MR. HERMAN: So the schedule of -- can
 5 you blow that up?
 6 Q. (BY MR. HERMAN) Schedule of reimbursible
 7 performance awards found in paragraph 3 of Exhibit A,
 8 what's been called the meat and potatoes of your
 9 agreement, and how do you know that those awards were
 10 even payable by Tailwind to Mr. Armstrong?
 11 A. We accept the, you know, evidence of the
 12 media surrounding the victory of the event as proof of
 13 the victory.
 14 Q. But how do you know that Tailwind would even
 15 owe the money to Mr. Armstrong?
 16 A. We cannot exist in a world where when you
 17 come to us and say we want you to take an obligation
 18 and we have an underlying obligation and we say to
 19 you, well, before we take this obligation, you have to
 20 show us the underlying contract, because never will we
 21 be successful. No one will show us their knickers,
 22 Mr. Herman. They won't show us the underlying
 23 contracts. It's not how the industry works. You
 24 would have to check with Lloyds and you would have to
 25 check with CHUBB, but I would say to you that it's

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1 likely that they didn't ask for the underlying
 2 contract either.
 3 Q. Okay. So I suppose when you asked for the
 4 contract between Tailwind and Armstrong they refused?
 5 A. Mr. Herman, I just said we didn't ask for it.
 6 Q. Did you ever ask for it?
 7 A. Me personally, no.
 8 Q. Did SCA ever ask for it?
 9 A. I believe that, yes, SCA asked for it in an
 10 e-mail of June 17th.
 11 Q. June 17th of 2004?
 12 A. Yes.
 13 Q. Three and a half years into the contract,
 14 correct?
 15 A. I believe so, yes.
 16 Q. Now --
 17 A. Just a second. December 2001 -- no -- yes.
 18 Yes, okay. Three and a half years.
 19 Q. Are we square?
 20 A. Yes.
 21 Q. Now, look at page 97 of your deposition,
 22 actually the bottom of page 96 and starting at
 23 page 97.
 24 A. Okay.
 25 Q. We were talking about this issue of the type

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1 of promotion, cyclist incentive bonus program. Do you
 2 recall that?
 3 A. Yes.
 4 Q. We have to answer out loud.
 5 A. Sorry.
 6 Q. And then I asked you whether paragraph 3
 7 meant something different than paragraph 7, which
 8 talks about the conduct of the promotion. Do you
 9 remember that?
 10 A. And now we are referring to the contract
 11 again.
 12 Q. Yes, the SCA contract.
 13 A. And we are referring to the first page.
 14 Q. Correct.
 15 A. Okay.
 16 Q. Why is it that you take the position that the
 17 language of PGA cyclist incentive bonus program is on
 18 its very patent face obviously not supposed to be in a
 19 contract about the Tour de France?
 20 A. Well, I believe type of promotion, cyclist
 21 incentive bonus program, what's going on in my -- I
 22 would be speculating, because I wasn't in the company
 23 in the early years when the incentive clauses first
 24 came into being, but it looks to me like when
 25 incentive clauses came to be a product line in SCA

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1 that they strapped them on to existing promotional
 2 contracts and that as a result some inaccuracies and
 3 some illogical things happened, and I wouldn't be able
 4 to really say much more.
 5 Q. Well, you did take the opportunity to say
 6 that it's wrong, it shouldn't be there. What should
 7 be there in its place you don't know, correct?
 8 A. I think it should be type of contract now
 9 that, you know, I've had time to reflect on it.
 10 Q. Okay. So is it your position or is it SCA's
 11 position that if one were to interpret promotion in
 12 the contract as meaning the cyclist incentive bonus
 13 program that that would be an unreasonable
 14 interpretation?
 15 A. If who were to interpret it?
 16 Q. If a reasonable person were to --
 17 A. I can't imagine thinking that anything other
 18 than the victories in the Tour de France is what the
 19 contract is about, so to the extent that anybody
 20 thought any differently than that, yes, I would think
 21 that was unreasonable.
 22 Q. Okay. And I think we have agreed that the
 23 terms and conditions under which Tailwind would become
 24 liable for incentive bonuses would be found in the
 25 agreement between Tailwind and Armstrong, true?

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1 A. If what you said was that a condition under
 2 which Tailwind would be liable to Armstrong would be
 3 under that condition, I believe that to be true.
 4 Q. And that's the agreement that you weren't
 5 even aware of until I took your deposition; isn't that
 6 right?
 7 A. Aware of? Of course I was aware. I was
 8 under the assumption that there was an underlying
 9 contract.
 10 Q. Well, don't -- that's -- that's not
 11 accurately put. You hadn't reviewed --
 12 A. Yes, I had, Mr. Herman.
 13 Q. But you thought it was an agreement between
 14 Capital Sports --
 15 A. Well --
 16 Q. -- and Mr. Gorksi, didn't you?
 17 A. -- if in the middle of the deposition I
 18 appeared confused, I'm not surprised and I'm not the
 19 first. And the document has multiple signature pages,
 20 they had an addendum and is on one sort of letterhead
 21 and this and that, yes.
 22 Q. Well, the only reason that I bring that up,
 23 Mr. Compton, is that after having conducted this
 24 investigation, which you claim to be ongoing for a
 25 year and a half, do you find it odd that you weren't

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1 intimately familiar with the risk that the company
 2 insured?
 3 A. Well, for instance, I believe that there are
 4 some small variances between our contract and their
 5 contract. For instance, ours refer to victories in
 6 the Tour de France tour years and the underlying
 7 contract refers to number of victories which could
 8 come into play if the 1999 L'Equipe tests were used to
 9 strip them. Then there would not be mirrored
 10 liabilities. I'm also familiar with some obscure
 11 language that talks about in the event the insurance
 12 doesn't become collectible.
 13 So while I was trying to oversee an
 14 investigation, I did not, you know, spend hours
 15 reviewing the underlying obligation. I didn't write
 16 this contract. I'm not our promotion man, Mr. Bandy
 17 is, and I didn't view that as what the task was. The
 18 task was to determine whether or not the contract had
 19 been materially changed.
 20 Q. All right. I asked you about this promotion
 21 language and whether it was SCA's intention that the
 22 language referred to Tailwind's conduct of the Tour de
 23 France and you, I believe, agreed that it did not,
 24 correct?
 25 A. Okay.

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1 Q. I mean, do you agree with me now? Whether
 2 you agreed with me then --
 3 A. Obviously I've made my point about what part
 4 I believe they play in the conduct and the
 5 implementation. Having reserved that and having said
 6 that, I agree with you.
 7 Q. Well, when we are talking about paragraphs 6
 8 and 7 of the agreement --
 9 A. Yes.
 10 Q. -- you said, did you not -- if you look at
 11 page 100 of your deposition, it might be easier to
 12 follow along. You remember I asked you questions
 13 about paragraphs 6 and 7 and just substituting the
 14 Tour de France for the word promotion so that we could
 15 incorporate your interpretation. Do you recall that?
 16 A. I believe so.
 17 Q. Okay. And you said you can do it however you
 18 want on page 19 -- I mean, line 19 of page 100, but
 19 what this language is about is that if you get three
 20 basketball shots under your contract and you let them
 21 take five, SCA is not responsible for the lawsuit that
 22 comes out of the extra shots; is that right?
 23 A. Correct.
 24 Q. And I said okay. And then you said that's
 25 what the language means, and then I say that's because

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1 the sponsor is in control of the promotion, correct?
 2 And your answer was?
 3 A. Which means this language doesn't belong in
 4 this contract, which is what I've been trying to say.
 5 Q. And my question was, but it is in the
 6 contract, isn't it? And your answer?
 7 A. It is. I don't know why. I don't think it
 8 was looked at by a lawyer before it went out.
 9 Q. So with respect to this language in the
 10 sprinkling of promotion, the PGA and so forth, even
 11 you don't know what should be in there and you're a
 12 lawyer for the defendant or the respondent, correct?
 13 A. I don't agree with that. If I took the time
 14 to write an incentive contract, I could certainly
 15 accomplish the task.
 16 Q. If you took the time to write an incentive
 17 contract, it wouldn't look like this one, would it?
 18 A. It would have, as a direct result of this
 19 case, some changes.
 20 Q. What would you change?
 21 MR. TILLOTSON: Well, I would object as
 22 beyond the scope of relevant evidence for this
 23 proceeding. I seem to remember a rule about
 24 subsequent remedial procedures. I don't see how
 25 saying how would you redraft this contract in light of

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1 this lawsuit will provide relevant evidence to this
 2 panel for deciding to this particular case.
 3 ARBITRATOR FAULKNER: What's your basis,
 4 Mr. Herman?
 5 MR. HERMAN: Your Honor, the witness has
 6 taken the position that much of this language that's
 7 critical -- I don't think it's critical, but
 8 apparently the issue is on the table about the
 9 interpretation of the contract. They've advanced an
 10 interpretation which we believe that the panel
 11 couldn't adopt anyway, but for this witness to
 12 identify that language which shouldn't be in here is,
 13 I think, critical to the panel's understanding that
 14 this contract at best is ambiguous. And what's wrong
 15 with it and how confusing it would be using their
 16 interpretation, I think, is helpful for the panel to
 17 understand.
 18 THE WITNESS: May I comment?
 19 ARBITRATOR FAULKNER: No. That's an easy
 20 one.
 21 Sustain the objection. Find another
 22 topic, please.
 23 Q. (BY MR. HERMAN) It's true, is it not,
 24 Mr. Compton, you cannot identify a single
 25 representation or statement by Tailwind which predated

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1 January 9, 2001?
 2 A. I believe that you were present while we read
 3 an article from the Toronto Sun that was prior to that
 4 date.
 5 Q. Can you identify any statement by Tailwind of
 6 which SCA had knowledge prior to September --
 7 January 9, 2001?
 8 A. I believe in the Mitchelitch deposition
 9 there's some discussion of there having been some
 10 issue of doping discussed, otherwise I cannot. And I
 11 believe that our conversations were never with
 12 Tailwind, they were with ESIX, Tailwind's agent.
 13 Q. Well, I'm giving you the opportunity to tell
 14 me what representations were made by ESIX to Tailwind
 15 that you know of prior to January 9, 2001 -- I mean to
 16 SCA, I'm sorry.
 17 A. Try again, please.
 18 Q. Well, what representations were made by ESIX
 19 on behalf of Tailwind to SCA prior to January 9?
 20 A. Other than the deposition of Mr. Mitchelitch
 21 and Kelly Price and what might be contained therein, I
 22 would know of none.
 23 Q. You would know of none?
 24 A. No.
 25 Q. When is the first time that you know of that

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1 any alleged misrepresentations by Tailwind that were
 2 relied upon by SCA were made known to Tailwind?
 3 A. Well, certainly Mr. Lynn's comments in open
 4 court, certainly my letters of approximately the month
 5 of September contain the word misrepresentations. And
 6 certainly, you know, no matter what you say, when you
 7 left court on December 20th, I believe that Mr. Lynn
 8 had made it clear to you that he believed that the
 9 improprieties by Lance Armstrong in the 2002 --
 10 2004 Tour de France and earlier relieved us of our
 11 obligation under the contract.
 12 Q. So are you saying that Mr. Lynn in some
 13 out-of-court statement to me outlined the
 14 representations which you now rely upon as
 15 misrepresentations relieving you from your obligations
 16 and enabling you to rescind the contract?
 17 A. No, those comments were made in open court,
 18 Mr. Herman.
 19 Q. I've asked for that about four or five times.
 20 MR. TILLOTSON: This is the copy of the
 21 transcript I referred to.
 22 THE WITNESS: May I get some water while
 23 everybody is looking at that?
 24 ARBITRATOR FAULKNER: Yes, go ahead and
 25 get some water. That's always the least comfortable

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1 seat in the house.
 2 MR. TILLOTSON: Can we --
 3 MR. HERMAN: Your Honor, could I have
 4 about five minutes just to -- we have been talking
 5 about this and -- so I can read it.
 6 MR. TILLOTSON: That's fair.
 7 ARBITRATOR FAULKNER: Sure. Why don't we
 8 take, like, a ten minute -- this is what, some 60
 9 pages? We will give you, like, 15 minutes to read it.
 10 MR. HERMAN: Okay. Thank you, Your
 11 Honor.
 12 MR. TILLOTSON: Can we mark this as our
 13 next exhibit just so we have a number?
 14 ARBITRATOR FAULKNER: What is your next
 15 number?
 16 MS. EVORA: 84.
 17 ARBITRATOR FAULKNER: I think you already
 18 referred to it as Exhibit 84.
 19 (Recess 2:10 to 2:25 p.m.)
 20 ARBITRATOR FAULKNER: If you'll please
 21 resume the witness seat. Gentlemen, let's go back on
 22 the record. Mr. Herman, please proceed.
 23 MR. TILLOTSON: Let the record just
 24 reflect that we marked the transcript from hearings in
 25 a state court proceeding from December 20th, 2004 as

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1 Respondents' Exhibit 84. We obtained that transcript
 2 and will vouch for its authenticity from the court
 3 reporter.
 4 MR. HERMAN: I'll stipulate it.
 5 ARBITRATOR FAULKNER: You'll stipulate to
 6 it? Then it's admitted as Exhibit 84. Please
 7 proceed.
 8 Q. (BY MR. HERMAN) Mr. Compton, are you
 9 familiar with the contents of Respondents' Exhibit 84?
 10 A. I read it during the break.
 11 Q. Okay. So you wouldn't be in a position to
 12 point out where it was in there that you claim that
 13 Mr. Lynn denied the claim?
 14 A. Well, what I was pointed to was page 9.
 15 Q. By Mr. Tillotson?
 16 A. Yes, but I was present during the hearing and
 17 I do recall this conversation.
 18 Q. Well, on page 10, if you look at line 17
 19 through 20, that's Mr. Lynn speaking, he says we have
 20 not gotten to the point where we can make these
 21 allegations we wish to make and resolve them in a
 22 manner that is legally justifiable because of
 23 Mr. Armstrong and his lawyers. Do you see that?
 24 A. Yes.
 25 Q. Well, had you -- had you decided to deny the

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1 claim or not?
 2 A. I believe that the language shows in its
 3 entirety here that the overall statement, it is clear
 4 to everyone in that courtroom that -- that due to
 5 improprieties that we were in a position that we were
 6 going to deny the claim, yes.
 7 Q. Well, looking at page 9, as you have
 8 suggested that we do, if you'll look at page -- I
 9 mean, at line 21, Mr. Lynn says, circumstantially show
 10 that a lot of what occurred in the race of 2004 was
 11 not according to the rules of the Tour de France.
 12 That was the basis, correct?
 13 A. I believe that all of this paragraph,
 14 beginning with line 2 of page 9 continuing to
 15 somewhere -- approximately line 25 of page 10, in its
 16 entirety makes it clear to you and the world that we
 17 are not going to be paying your claim due to
 18 improprieties relating to Mr. Armstrong's use of
 19 performance enhancing drugs.
 20 Q. But there's no mention in here of any
 21 misrepresentation by Tailwind, is there?
 22 A. Well, it's our position that the man cheated,
 23 so we don't have to pay.
 24 Q. Well, when you decided to file your pleadings
 25 in this case in April of 2005, your defenses were that

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1 you -- that Tailwind misrepresented to you and
 2 fraudulently induced you, but you don't make a single
 3 notation of any statement, representation, direct or
 4 indirect, that you claim you relied upon in
 5 Exhibit 84, do you?
 6 A. I don't believe that we make any specific
 7 statements.
 8 Q. The first time any of the alleged
 9 misrepresentations upon which you now rely as a
 10 defense to your obligations under 31122 were first
 11 made known to Tailwind on April the 4th of 2005,
 12 weren't they?
 13 A. Well, I guess if you were on Mars, you would
 14 have been confused about whether or not we were going
 15 to pay based on misrepresentations.
 16 Q. Well, I can assure you that I was right here
 17 on, you know, on Mother Earth, but how would I have
 18 known the specific misrepresentations that you were
 19 relying upon? Can you point to any document that lays
 20 out the four misrepresentations which you have told
 21 this panel that were critical to SCA when it entered
 22 this agreement? Can you point out any document that
 23 outlined those, that informed Tailwind that those were
 24 the misrepresentations?
 25 A. I believe you're characterizing the statute

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1 as requiring us to lay out specific misrepresentations
 2 and I think the language of the statute doesn't
 3 require that.
 4 Q. Well, I guess in answer to the question I
 5 asked it would be no, you can't point to any document,
 6 other than your pleading of April the 4th of 2005?
 7 A. I have -- as you're asking about specific
 8 misrepresentations, I agree with you. However, my
 9 letters in the month of September use the word
 10 misrepresentations. So if you were confused, I
 11 apologize.
 12 Q. Well, you're obviously referring to
 13 something. Could you refer me to it?
 14 A. Well, I'm not referring to the exact place,
 15 but if you look at our letters in September --
 16 Q. What exhibit number is that? That would be
 17 helpful.
 18 A. I'm not looking at it at the moment,
 19 Mr. Herman. I mean, I'm looking at one of them.
 20 Q. Well, let's --
 21 A. Let me just say that there are letters of
 22 approximately September 2, 7, 21 and 23, some of those
 23 letters you're going to find my writing or
 24 Mr. Hamman's writing are going to have the words
 25 misrepresentation.

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1 Q. Okay.
 2 A. There's a letter of September 10.
 3 MR. TILLOTSON: If you'll identify, if
 4 you'll refer to exhibits, please.
 5 THE WITNESS: Well, I've got to find it
 6 first.
 7 ARBITRATOR FAULKNER: Slow down a little
 8 bit. We don't take notes as quickly as our shorthand
 9 reporter does.
 10 THE WITNESS: Okay.
 11 ARBITRATOR FAULKNER: Thanks.
 12 Q. (BY MR. HERMAN) Well, yeah, I have no
 13 dispute that your letters contain the word
 14 representations, but can you tell me when it was,
 15 other than April 4, 2005, that you told Tailwind that
 16 you were denying the claim because they misrepresented
 17 something?
 18 A. I believe that the letters which I would need
 19 to take time to review, several letters, make it clear
 20 that we are examining misrepresentations as a possible
 21 defense.
 22 Q. True. So when was it that you identified
 23 which misrepresentations you were claiming as a
 24 defense? You can't point to anything other than the
 25 pleading of April 4, 2005, can you?

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1 A. And my letter.
 2 Q. Okay. Can you identify specifically what
 3 misrepresentations you claim?
 4 A. I stated that I cannot identify specific
 5 misrepresentations but that I don't believe the
 6 statute requires it.
 7 Q. Okay. And all I'm trying to do -- I'm not
 8 trying to argue with you, all I'm trying to do is see
 9 if you agree that the first time the actual
 10 misrepresentations upon which you rely for a defense
 11 were first identified to Tailwind on April the 4th?
 12 A. Did you use the word specific in your
 13 question?
 14 Q. Yes.
 15 A. As I sit here today, without having time to
 16 review all my correspondence, I would agree with that.
 17 Q. Now, do you have -- you've got the Claimants'
 18 Exhibits there in front of you, do you not?
 19 A. I think so.
 20 Q. Well, turn to Claimants' Exhibit 1 for a
 21 moment.
 22 MR. TILLOTSON: This is in the large
 23 black binder next to you. Those are Claimants'
 24 Exhibits.
 25 THE WITNESS: Okay.

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1 Q. (BY MR. HERMAN) Which is the Tailwind
 2 contract. Do you agree that it is Tail -- I think
 3 you've already agreed that it's Tailwind's liability
 4 under that contract which was insured by SCA?
 5 A. I do not agree that SCA has issued an
 6 insurance contract; however, I recognize that for the
 7 purposes of this hearing, this contract 31122 has been
 8 deemed to be an insurance contract.
 9 Q. Okay.
 10 A. Having said that once, I will hope that I --
 11 I respect the panel's ruling and I don't repeat
 12 myself. I just don't want to be confused and be
 13 quoted as having admitted that we issue an insurance
 14 contract.
 15 Q. We can agree about indemnified?
 16 A. Yes.
 17 Q. So is the answer to my question yes, that is
 18 the risk that you indemnified?
 19 A. The risk that we indemnified, and the best
 20 evidence of the risk that we indemnified is contract
 21 31122.
 22 Q. Is Tailwind's liability under Claimants'
 23 Exhibit 1 the risk that you indemnified?
 24 A. Yes, I believe so.
 25 Q. Now, I asked you in this conduct of your

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1 investigation if you did a coverage analysis, correct?
2 A. Yes.
3 Q. Do you remember that? And we talked about
4 that and I -- and I asked you what your -- what did
5 you think when you read the substantive provision that
6 SCA was indemnifying Tailwind's liability and I think
7 you answered -- if you want to turn to page 128,
8 line 21 through 25. In conducting this analysis, on
9 line 25 what did you answer?
10 A. Okay. First of all, I completely don't
11 understand this question. Could you try it again? I
12 can read you what I said on line 25. I thought we
13 needed proof of Tailwind's liability.
14 Q. Okay.
15 A. If that's the question, then that's the
16 answer.
17 Q. Well, I -- to be fair about it, to be
18 complete about it, I asked you did you review and
19 analyze the contract that governed your obligations in
20 this case. You said, well, it's two pages. I don't
21 know to what extent you can review and analyze it, but
22 I certainly read it. Then I asked you did you read
23 the substantive provision about indemnifying
24 Tailwind's liability, and you answered I thought we
25 needed proof of Tailwind's liability, correct?

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1 A. Yes. Now, as we sit here today and I'm
2 having these questions from you, I'm confused whether
3 you are referring to 31122 or the October 10th, 2000
4 Capital Sports Entertainment contract. Which are we
5 talking about?
6 Q. Well, we are not talking -- we are talking
7 right now about your answer indicating that you needed
8 proof of Tailwind's liability.
9 A. I will stick by that, that, yes, I believe we
10 needed proof of Tailwind's liability.
11 Q. Have you gotten proof of Tailwind's
12 liability?
13 A. I believe so.
14 Q. All right. So why didn't your investigation
15 end there?
16 A. Because it had materially been -- the
17 contract had been materially breached under
18 paragraph 6.
19 Q. The SCA contract?
20 A. Yes.
21 Q. Despite Tailwind having liability?
22 A. If what you're arguing is that Lance
23 Armstrong's cheating is irrelevant to our having to
24 pay, then I suggest that if you admit he cheated,
25 we'll have a different conversation.

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1 Q. Why was the existence of Tailwind's liability
2 so important for you to determine when you read the
3 insuring provision in the SCA contract, why was it
4 that you went to look and see if -- to see if Tailwind
5 was liable?
6 A. Because if the indemnitee has no liability,
7 then the indemnitor has no liability. So it is a
8 condition precedent to the possibility of the
9 indemnitee being liable -- I've got it backwards -- to
10 the indemnitor being liable that the indemnitee have
11 liability. So it would be the absolute first step,
12 because if the indemnitee had no liability, then the
13 indemnitor's liability is extinguished. That is the
14 essence of a contract of indemnification.
15 Q. The converse of that's true, isn't it?
16 A. You're going to have to ask me a question.
17 Q. Well, if the indemnitee is liable, the
18 indemnitor is liable?
19 A. If the indemnitee is liable and our contract
20 under 31122 has been complied with and the contract
21 hasn't been materially changed, yes, among other
22 terms, that term especially, then we are liable.
23 Q. So if the indemnitee is not liable, you're
24 not liable; but if the indemnitee is liable, you're
25 still not liable?

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1 A. Our contract is very clear, paragraph 6 of
2 page 1. It says if the conditions differ in any
3 material manner, all right, and we haven't given
4 written approval, then the contract is null and void.
5 So to whatever extent we are talking of the liability
6 of an indemnitee and an indemnitor, it doesn't erase
7 paragraph 6.
8 Q. That's the same paragraph 6 that you say
9 should apply only in case of shooting basketballs
10 where the sponsor doesn't comply with a promotion he's
11 conducting?
12 A. No, Mr. Herman, that's paragraph 7 that I was
13 talking about.
14 Q. Even though promotion is used in both
15 paragraphs, it means different things?
16 A. Paragraph -- no. Paragraph 6 makes complete
17 sense when read in light of the overall contract.
18 Paragraph 7 is not as clear.
19 Q. Let me ask you this. You left out part of
20 paragraph 6 in your answer. What conditions of the
21 Tour de France -- well, strike that.
22 Point to one representation by Tailwind
23 that had anything to do with the conduct or
24 implementation of the Tour de France.
25 A. I don't know the date, but it's a 1999

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1 Toronto Sun article where Mr. Gorski talks about he
 2 has an absolute clear intent.
 3 Q. You didn't even know about that statement
 4 when you wrote this -- when you issued this contract,
 5 did you?
 6 A. We were certainly aware of the fact that they
 7 were proclaiming that the Tour de France had
 8 rededicated itself to the tour of rejuvenation, okay.
 9 Q. Okay. Hold on. Hold on.
 10 A. I don't know -- let me rephrase it. I wasn't
 11 involved in negotiating the contract. I didn't write
 12 the contract. To ask me what SCA was aware of at that
 13 time is a futile exercise.
 14 Q. Well, in connection with your investigation,
 15 which I understand you take the position it is ongoing
 16 as we speak, correct?
 17 A. Can't stop people from contacting me.
 18 Q. Is that what you meant when you said the
 19 investigation is ongoing?
 20 A. That's part of what I meant.
 21 Q. Any statement by Tailwind about anything was
 22 unknown to anyone at SCA as of January of 2001? I
 23 mean, we have agreed about that, haven't we?
 24 A. I don't know how you can ask me a question.
 25 Any statement about anything of Tailwind was unknown

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1 to anyone in 2001 at SCA. It has 70 employees in
 2 Dallas and employees in other places. I can't answer
 3 that question.
 4 Q. So why is it, then, if you can't answer that
 5 question you're in charge of the investigation that
 6 you, as a lawyer at SCA, would authorize the
 7 representation to this panel that Tailwind made the
 8 four representations that are laid out in your -- in
 9 your pleadings? How could you do that?
 10 A. I think you're overstating my authority. We
 11 hire outside litigators; they wrote the pleadings.
 12 Some of the pleadings we had a chance to review and
 13 comment on, not all of them. And if you think I'm in
 14 charge of the pleadings, then you're over -- you've
 15 got me on a pedestal that I'm not on.
 16 Q. When did you come across the Toronto
 17 newspaper article, before or after the claim was made
 18 in this case?
 19 A. Myself? How could I have come across it
 20 before -- before or after the claim was made in this
 21 case? After.
 22 Q. Well, it would have been hard for you to rely
 23 upon it if you hadn't come across it before, right?
 24 It would be hard for SCA to rely upon that article if
 25 they had no knowledge of the article.

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1 A. Let me say -- we hired a personal public
 2 relations firm that we had do media searches, okay.
 3 They gave us a binder full of media searches. I would
 4 assume that that document, okay, contained this and
 5 that I read it at that time. When exactly all that
 6 occurred, before or after the claim was made, I don't
 7 believe I would have been aware of this before the
 8 claim was made.
 9 Q. Okay.
 10 A. It makes no sense to me.
 11 Q. Where is that binder?
 12 A. It's part of -- it's -- it's in my -- the
 13 binder itself is in my office.
 14 Q. In connection with your, quote, underwriting
 15 of this claim and evaluation of the risk, you didn't
 16 review all of the media, you didn't hire a public
 17 relations firm to give you all of the information that
 18 you got after the claim was made?
 19 A. Mr. Herman, I didn't have anything to do with
 20 underwriting of the contract.
 21 Q. I'm using the generic you, SCA.
 22 A. Well, if --
 23 MR. TILLOTSON: I'm sorry. I have to
 24 interpose an objection. The witness has on numerous
 25 occasions stated his lack of foundation to answer

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1 certain questions for 2001. So I would object as lack
 2 of foundation. The witness is being asked to
 3 speculate after repeatedly saying he wasn't involved
 4 in that.
 5 ARBITRATOR FAULKNER: Any response,
 6 Mr. Herman, and then --
 7 MR. HERMAN: Let me just ask a series of
 8 different questions to lay the foundation.
 9 ARBITRATOR FAULKNER: Actually, and if
 10 you would indicate instead of you SCA, it might be
 11 very helpful.
 12 MR. HERMAN: All right, I'll do that.
 13 ARBITRATOR FAULKNER: Thank you.
 14 Q. (BY MR. HERMAN) As the investigator or
 15 program manager or director or whatever you refer to
 16 yourself as as it relates to this case, did you in
 17 connection with your evaluation and analysis of the
 18 claim go back, review the files that relate to this
 19 particular contract?
 20 A. There is only one file, but I did review it.
 21 Q. Okay. And I suppose it had within it all of
 22 the Tailwind statements upon which you now say you
 23 relied when you entered into the contract?
 24 A. I'm not sure what you were asking me. There
 25 were no statements in there.

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1 Q. Was there an application in there?
 2 A. At the time we didn't think we were an
 3 insurance company. We've never asked for an
 4 application from anyone. No, there was no
 5 application.
 6 Q. Was there a questionnaire?
 7 A. No.
 8 Q. Was there any copy of the Tailwind/Armstrong
 9 contract that you got ahold of before June the 17th of
 10 2004?
 11 A. I believe you asked me that and I've answered
 12 no.
 13 Q. All right. So that's it, that's all that was
 14 in the contract file?
 15 A. The contract file is probably less than half
 16 an inch, quarter of an inch thick, what I would be --
 17 the original contract.
 18 Q. Okay. Now, did you go back in your -- in
 19 your capacity as -- as the investigator and question
 20 Mr. Hamman about representations that he may have
 21 relied upon?
 22 A. Yes.
 23 Q. And did he answer anything differently than
 24 he answered me in his deposition?
 25 A. No.

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1 Q. And when I asked you in your deposition -- I
 2 mean, I think you candidly admitted you know of no
 3 representations ever made by Tailwind about anything,
 4 that is, you didn't know about it as of the date of
 5 the claim?
 6 A. Correct.
 7 Q. And you've gathered all of these --
 8 A. Well, let me amend that. No specific
 9 representations.
 10 Q. Okay.
 11 A. Certainly Mr. Stapleton is viewed as a
 12 defender of Mr. Armstrong and certainly Mr. Stapleton
 13 has made numerous statements defending Mr. Armstrong's
 14 position of not ever having used performance enhancing
 15 substances.
 16 Q. Do you know if Mr. Stapleton had any
 17 relationship or capacity with Tailwind at the time you
 18 all entered this contract?
 19 A. Despite our discovery requests to figure out
 20 how all the companies relate, we are confused as to
 21 how they relate. However, it looks to me like Capital
 22 Sports Entertainment fired Gorski and replaced Gorski
 23 with Mr. Stapleton. So I trust that between
 24 Mr. Weisel and Mr. Armstrong and Mr. Stapleton and
 25 Mr. Gorski that there are some supervisory

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1 relationships.
 2 Q. So the answer to my question is you don't
 3 know?
 4 A. Correct.
 5 Q. Okay. Fair enough. Do you -- are you
 6 familiar with Generally Accepted Accounting
 7 Principles, I mean, the concept of that, GAAP?
 8 A. I've certainly heard the word GAAP, yes.
 9 Q. And do you know whether or not, for example,
 10 Ernst & Young has -- well, you've been informed that
 11 Ernst & Young has required Tailwind to book this \$5
 12 million as a loss?
 13 A. Correct.
 14 Q. Is that adequate proof of their liability to
 15 you?
 16 A. No.
 17 Q. Let me -- let's go back to that period
 18 immediately following the conclusion of the Tour de
 19 France of 2004. If you would turn to page -- I mean
 20 to Claimants' Exhibit 69.
 21 ARBITRATOR FAULKNER: Would you repeat
 22 that number, please?
 23 MR. HERMAN: Claimants' Exhibit 69.
 24 ARBITRATOR FAULKNER: Thank you.
 25 Q. (BY MR. HERMAN) The brains of my operation

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1 here has pointed out something to me, so I need to
 2 follow up on that.
 3 When was this public relations firm hired
 4 to collect all these articles and so forth?
 5 A. Sometime in September.
 6 Q. Of 2004?
 7 A. I think so.
 8 Q. Okay. Who was it?
 9 A. Jackson Harrell.
 10 Q. And did this binder of all these articles and
 11 so forth, you utilized that in your investigation of
 12 the claim and in your preparation of defense for the
 13 claim?
 14 A. I reviewed it.
 15 Q. Okay. Did you produce it?
 16 A. I believe it's in documents given, but I'm
 17 not certain. There -- did I -- look, when you asked
 18 me if I produced it, I'm answering incorrectly. I
 19 produced nothing. My lawyers produced it.
 20 MR. TILLOTSON: Mr. Herman, I believe it
 21 was produced and we have identified it through Bates
 22 numbers.
 23 MR. HERMAN: Okay. If you wouldn't mind
 24 doing that later on, I'd appreciate it.
 25 Q. (BY MR. HERMAN) But let me ask you this,

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1 what happened to the -- when we asked you to produce
 2 the e-mails, let's say, that had to do with your claim
 3 investigation and adjustment, you didn't produce a
 4 single e-mail.
 5 A. Mr. Herman, those are my litigators. They
 6 did the litigation production. I'm not a litigator.
 7 I didn't do the litigation review.
 8 Q. So is the answer yes or no that --
 9 A. The answer is I don't know what was produced
 10 to you.
 11 Q. Okay. But you took eight to ten boxes down
 12 to your lawyer's office, correct?
 13 A. No. I don't want to play games with you.
 14 There were eight to ten boxes of documents produced at
 15 my lawyer's office. I didn't take them anywhere.
 16 Q. I didn't mean that you necessarily and
 17 physically. You might have had somebody take them
 18 down there, but again -- okay. My fault. SCA dumped
 19 or printed out eight to ten boxes of documents that
 20 had to do with this claim and investigation; isn't
 21 that true?
 22 A. No.
 23 Q. Okay. Where did the eight to ten boxes come
 24 from?
 25 A. Pinnacle.

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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

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1 I don't know what was produced.
 2 Q. Well, certainly there were e-mails that
 3 related to your investigation of this claim and
 4 e-mails that related to your contact with alleged
 5 witnesses and so forth?
 6 A. Yes.
 7 Q. And I guess it's your position you don't know
 8 whether those were provided or not?
 9 A. No, it's my position that you're telling me
 10 they weren't, so I'll trust you and believe they
 11 weren't.
 12 Q. What were your -- what instructions did you
 13 give Jackson Harrell with respect to the accumulation
 14 of these articles?
 15 A. Jackson Harrell hired a PR consultant who did
 16 a search for us and later on we realized we could just
 17 about do the same searches through Lexis and Nexis.
 18 Q. All right. Now, after the -- well, will you
 19 take my word for this at least that the Tour de France
 20 concluded on July 25th, 2004?
 21 A. If that's the day -- yes. I -- actually it's
 22 the 24th, but that's okay.
 23 Q. I'm trying to build trust here.
 24 MR. TILLOTSON: Can you provide us some
 25 documentation, please?

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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?

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1 A. Probably on the day before. The letter got
 2 drafted, went back and forth by e-mail, had some
 3 revisions, maybe Mr. Bandy saw it, maybe Mr. Bandy
 4 didn't see, maybe Mr. Hamman saw it, maybe he didn't
 5 see it.
 6 Q. So you went out and hired a lawyer the day
 7 after the Tour de France?
 8 A. Mr. Herman, I know lawyers all over the
 9 country. I don't have to go out and hire lawyers. If
 10 I want something done, I send an e-mail and it gets
 11 done.
 12 Q. I've got to confess, that's better than
 13 people treat me, but --
 14 A. You need the big checks.
 15 ARBITRATOR CHERNICK: Could we pause for
 16 two minutes so I can have a conference with my
 17 colleagues here?
 18 MR. HERMAN: Sure.
 19 (Recess 2:57 p.m. to 3:09 p.m.)
 20 ARBITRATOR FAULKNER: Okay, Mr. Compton,
 21 you're still under oath. Please proceed.
 22 MR. HERMAN: Thank you.
 23 Q. (BY MR. HERMAN) I believe we were talking
 24 about Exhibit 69 when we took a break there,
 25 Mr. Thompson.

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1 A. Had I concluded my answer?
 2 Q. I'll be happy for the question and answer to
 3 be read back. I don't recall. If I had a pending
 4 question, I'll withdraw it because I couldn't possibly
 5 read it anyway.
 6 MR. TILLOTSON: Why don't we just start
 7 again.
 8 ARBITRATOR FAULKNER: Just go ahead and
 9 start over.
 10 Q. (BY MR. HERMAN) With respect to the various
 11 categories of information that you were requesting
 12 Mr. Galloway to recover, where did you -- where did
 13 you come up with what to ask for?
 14 A. Well, I began by trying to determine what
 15 relevant information would help us make a
 16 determination as to whether the claim was valid or
 17 not.
 18 Q. Well, did you have in mind recovering
 19 information or evidence relating to Mr. Walsh's
 20 allegations?
 21 A. Among other things, certainly, yes.
 22 Q. And can you tell me -- I believe you were
 23 here yesterday when I was questioning Mr. Hamman, but
 24 can you tell me what you relied upon contractwise that
 25 you thought entitled you to a complete medical history

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1 of Lance Armstrong from the time he was 18 years old?
 2 A. Allegations of doping at -- from a young age.
 3 Q. Was there anything in the contract that
 4 either required the provision of that document -- of
 5 those documents or authorized the provision of those
 6 documents?
 7 A. No.
 8 Q. What about the request for all information
 9 relating to syringes, inhalers, et cetera of any
 10 person associated with the United States Postal
 11 Service team, Tailwind, Disson Furst or ESIX
 12 Entertainment and Sports, what gave you the notion
 13 that you were entitled to that information?
 14 A. Knowledge of Mr. de Vriese's forged affidavit
 15 regarding the fact that he claimed Activogen for use
 16 as his diabetic -- diabetes.
 17 THE REPORTER: I'm sorry, I didn't
 18 understand.
 19 MR. TILLOTSON: Repeat your answer,
 20 please.
 21 A. Knowledge of Mr. de Vriese's forged affidavit
 22 that the Activogen found in one of the Tours de France
 23 was for use as a diabetic.
 24 Q. (BY MR. HERMAN) So you knew that Mr. de
 25 Vriese had forged an affidavit as of July 27th, 2004?

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1 A. It's in the book.
 2 Q. Okay. SCA has no contract with Mr. de
 3 Vriese, correct?
 4 A. No.
 5 Q. SCA has no contract with USPS?
 6 A. No.
 7 Q. SCA has no contract with ESIX Entertainment
 8 and Sports?
 9 A. To the extent that they were the agent of
 10 Tailwind and we have a contract with Tailwind,
 11 otherwise, no.
 12 Q. And SCA has no contract with Mr. Armstrong?
 13 A. To the extent Mr. Armstrong is an employee of
 14 Tailwind, yes; otherwise, no.
 15 Q. Where did you find the names or how did you
 16 arrive at the names of the individuals that you wanted
 17 Mr. Galloway to contact and interview?
 18 A. Well, I see that I have Philippe Gaumont's
 19 name wrong, so I'm wondering where I got that. Those
 20 are all names connected with cycling, American Cycle,
 21 the Tour de France. I see Tyler Hamilton on here.
 22 Tyler Hamilton is an accused -- there was an
 23 incident -- let's see, July 27th. No. So these are
 24 the most logical names I can think of that would have
 25 relevant information as to whether or not

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1 Mr. Armstrong had, in fact, used performance enhancing
 2 substances. How I came up with them, I mean they all
 3 look like a fairly logical collection of names here.
 4 Q. You requested Mr. Galloway to contact and
 5 interview these people, correct?
 6 A. Yes.
 7 Q. As of July 27, 2004 was it -- is it your
 8 testimony that you were attempting to comply with the
 9 September 3 date for payment?
 10 A. Yes, we were trying to determine whether or
 11 not the claim was valid.
 12 Q. But my question was, and I don't mean to
 13 knock you off track here, but Mr. Hamman --
 14 A. Was I in a hurry? Yes.
 15 Q. Pardon?
 16 A. Was I in a hurry? Yes. The September 3rd
 17 date was fast approaching.
 18 Q. Well, is it your testimony -- or do you agree
 19 with Mr. Hamman that you all were consciously
 20 attempting to comply with the September 3 payment
 21 date?
 22 A. I agree with that.
 23 Q. So it was your belief that Mr. Galloway would
 24 be able to do -- collect all of this information and
 25 interview people in England, Ireland, Italy, the

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1 United States, France, Italy again, U.S. and you would
 2 be able to get all of that put to bed by September 3,
 3 in one month?
 4 A. Certainly we weren't going to get all of that
 5 done. I was trying to give Mr. Galloway an outline of
 6 the proposed engagement and request a response back
 7 from him. This is like a request for proposal and
 8 he's going to give me back an outline of the cost.
 9 And these are -- this is what I think is relevant to
 10 determine whether or not Mr. Armstrong doped.
 11 Q. When you say that you expect the
 12 investigation to be time consuming, what did you have
 13 in mind?
 14 A. That doing all the things that you just said
 15 were alluded to not being very easy to get done in a
 16 month, it would take a lot of time. There might have
 17 to be delegations to other people. There might have
 18 to be more than one person working on it. He would
 19 have -- McLarens Young would have offices all over the
 20 world.
 21 Q. When was it that you determined that you
 22 would not be able to meet the September 3 payment
 23 date?
 24 A. I think what we determined was that we needed
 25 more time. Just like you said, this was an enormously

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1 complex matter. It couldn't be done between
 2 September 27th and September 3rd, and so we posted the
 3 money and told them that we would -- requested their
 4 cooperation, asked them for documents and told them we
 5 were going to need more time.
 6 Q. Well, really the question was when was it
 7 that you determined that you were going to need more
 8 time?
 9 A. Sometime in that period. I would say a few
 10 days before September 3rd, I don't know exactly when.
 11 Q. So what was it that you felt was -- you came
 12 to the conclusion on September whatever, August 31 or
 13 whatever, more or less, that could not be completed by
 14 September 3?
 15 A. Well, this was a slow start, because this guy
 16 never did anything.
 17 Q. Okay. So he hadn't --
 18 A. So we were -- we were trying to check on the
 19 credibility of Ballester and Walsh. We were trying to
 20 check on the credibility of Emma O'Reilly. We were
 21 trying to check on the credibility of Greg LeMond. We
 22 were trying to check on the credibility of William
 23 Stapleton. We were trying to check on the credibility
 24 of Lance Armstrong.
 25 Q. Okay. So whatever it was, it was a

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1 conglomeration of things that wouldn't let you
 2 complete your work by September 3rd, correct?
 3 A. Yes.
 4 Q. The first request that you ever made of
 5 Tailwind for any documents was September 2nd, correct?
 6 A. Yes.
 7 Q. And despite the absence of a request for
 8 documents, you were provided on August the 16th with a
 9 statement from the head of the anti-doping unit of the
 10 UCI that Mr. Armstrong had been not only urine tested
 11 but blood tested on numerous occasions during the 2004
 12 Tour de France and was -- every test was negative?
 13 A. Actually, I think the document that we
 14 received was an attempt to comply with the request
 15 that we made through ESIX.
 16 Q. Through ESIX?
 17 A. Uh-huh.
 18 Q. Okay. Okay, well, fair enough. And you made
 19 a request to Tailwind for that confirmation and you
 20 were provided it on August the 16th, correct?
 21 A. First of all, SCA made the request and what
 22 we were provided was not test results.
 23 Q. Okay.
 24 A. And further, Mr. Varin -- it appears that the
 25 August 16th e-mail, which I would suggest to everyone

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1 would be to our benefit if we would all look at while
2 we are discussing it, the August 16th e-mail appears
3 to be something cut and pasted into a Kelly Price
4 e-mail, and I would suggest to you that we have the
5 right to see the rest of the e-mail that was cut and
6 pasted into Ms. Price's e-mail and I would suggest to
7 you that it might have just been forwarded to us, but
8 it was cut and pasted. So it did not come to us from
9 the UCI, although I have no reason to doubt that it
10 was provided by Mr. Varin to Ms. Price.
11 Q. Well, did you take any issue with Ms. Price
12 about the cut-and-paste nature of the e-mail when you
13 received it on August 16th?
14 A. We are back to the you and SCA.
15 Q. Okay, SCA, I'm sorry. Did SCA take any --
16 take issue with that?
17 A. I don't know if Mr. Hamman had any further
18 conversations with Ms. Price or not. I certainly
19 said, hey, this isn't test results.
20 Q. Well, to the extent that the results of a
21 test would either be positive or negative, you all
22 were informed that all of the tests -- all of the
23 tests resulted in a negative finding; would you agree
24 with that?
25 A. I would agree that that statement says that

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1 Mr. Armstrong has, I believe -- I really -- I think it
2 would benefit us all if we would look at the document
3 while we are talking and I don't know the exhibit
4 number. So I believe -- you know, it's of interest to
5 me that we get it right and that we talk about it in
6 terms of what was said.
7 Q. All right. That's fair enough.
8 Look at plaintiff -- I mean Claimants'
9 Exhibit 80. Is that the e-mail to which you refer?
10 A. No, I don't believe so.
11 Q. Well, that's from Bob Hamman to you on
12 August 16th?
13 A. No. Oh, that's from Bob Hamman to me on
14 August 16th. I'm looking -- I'm looking for the
15 e-mail that you quote in the CSC advertisement. I
16 don't see the statement that -- maybe it is here and I
17 just read it. I wasn't expecting it in block form.
18 Here is a copy of the response from the UCI office.
19 Q. You don't need to read it out loud, read it
20 to yourself and satisfy yourself that it's the same
21 quote that's in the Street & Smith article.
22 A. Okay. I do believe that that is the quote
23 that was put in the Street & Smith article.
24 Q. And I guess really what I would like to
25 inquire about is if, first of all, you took issue with

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1 the form in which the information was provided to you
2 by Ms. Price to whom you made your request.
3 A. If I took issue is a little strong. It's
4 certainly clear to me that there's a classification of
5 results between positive and negative called
6 unclassifiable that demonstrate that illicit
7 substances are in urine, are in blood and that I would
8 be interested in blood values. That certainly
9 occurred to me.
10 Q. That occurred to you on August the 16th?
11 A. Yes. Well, it might have occurred to me on
12 August the 17th or the 18th, but it occurred to me.
13 Q. Well, by this time, of course, you and
14 Mr. Bandy in June were exchanging articles about --
15 about blood, blood doping, et cetera when you first
16 started to avoid your obligations; isn't that true?
17 A. We never started to avoid our obligations.
18 Q. Okay.
19 A. So, no, it's not true.
20 Q. Okay. But --
21 A. And furthermore I don't know that we were
22 exchanging articles on blood doping in June, but the
23 months are blurred.
24 Q. Before the Tour de France even started; is
25 that true?

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1 A. It would have been after the book came out
2 and I'm a little confused as to when the book came
3 out.
4 Q. Okay.
5 A. I wouldn't mind if we got that date straight.
6 Q. Well, let's finish this just for a moment if
7 you don't mind. Are you taking the position now that
8 the information from the UCI anti-doping manager
9 provided to you by Kelly Price on August the 16th is
10 not authentic information; I mean that it wasn't
11 really from the UCI?
12 A. Am I taking the position now that it wasn't
13 really from the UCI, that information? No.
14 Q. Okay. And did you take that position in
15 August of 2004, that this was fishy, that this
16 wasn't --
17 A. No, we certainly wondered about it, but, no,
18 we didn't -- you know, we didn't think that somebody
19 had fraudulently typed Christian Varin, Manager
20 Antidopage/Antidoping Manager Union Cycliste
21 Internationale at the bottom of some e-mail and sent
22 it to us.
23 Q. Did you inform Tailwind that you were
24 undertaking this investigation through McLarens?
25 A. No.

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1 Q. When you said you had a lawyer on the 26th of
 2 July of 2004, did you hire a lawyer?
 3 A. We had -- it was a lawyer that we had already
 4 used. He would have already -- this would have been a
 5 new matter.
 6 Q. Okay. So a lawyer that you had already used
 7 you engaged to assist you on this Tailwind matter on
 8 July the 26th, fair enough?
 9 A. I engaged him to assist me in drafting this
 10 letter, fair enough.
 11 Q. Well, the letter was in the Tailwind matter?
 12 A. Yeah, at the time we think we are a business
 13 contract, we don't think we're an insurance company.
 14 We think that there may or may not be litigation, we
 15 might pay, we might not. We're advised by our outside
 16 counsel that we want it right. It's anticipation to
 17 litigate on top of it.
 18 Q. Okay.
 19 A. I mean, that's fair enough.
 20 Q. Now, when did -- well, strike that.
 21 There was a call from Kelly Price on
 22 the 26th to SCA where SCA acknowledged receipt of the
 23 claim that's at issue in this case.
 24 A. If you say so. Perhaps I was present at some
 25 deposition where that was said and acknowledged, but

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1 the call didn't come to me.
 2 Q. Okay. So when was the next time that SCA
 3 communicated with the broker, Kelly Price, or with the
 4 insured, Tailwind, with respect to the claim that had
 5 been made on July 26th?
 6 A. Okay. There are two questions there and as
 7 to the first one, I don't know.
 8 Q. The first one by Kelly Price?
 9 A. Yes.
 10 Q. The second one --
 11 A. The second one, which I get a little confused
 12 and forget the first part of the question by the time
 13 I'm realizing there are two questions, I think it was
 14 when did we contact Tailwind.
 15 Q. Sure.
 16 A. And I believe the answer to that is
 17 September 2nd.
 18 Q. Do you know of any response that SCA made
 19 regarding the claim to any inquiries from ESIX or from
 20 Kelly Price during the month of August 2004?
 21 A. Other than might be attached to depositions
 22 of Mitchelitch and Price, no. Unfortunately I think
 23 they're all duplicated, but I'm not sure.
 24 Q. Well, SCA was contacted numerous times
 25 between August 1 and September 1, 2004 without any

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1 response; isn't that true?
 2 A. Chris Compton wasn't, and I don't believe SCA
 3 was, and numerous is a word subject to interpretation,
 4 so I'm not sure I can answer the question.
 5 Q. All right. You all had done a lot of
 6 business with ESIX?
 7 A. I found that out as a result of this
 8 litigation, yes.
 9 Q. I keep saying you. SCA had done a lot of
 10 business with ESIX over the years, had they not?
 11 A. Yes, I certainly didn't think you meant me
 12 personally.
 13 Q. Okay. And it's true that Kelly Price had
 14 some 25 years in the business?
 15 A. I think that was stated in her deposition
 16 because you're asking me that, but I don't recall,
 17 but, yes, she's experienced.
 18 Q. And Mr. Mitchelitch is an experienced broker,
 19 is he not?
 20 A. Experienced enough to -- yes, yes, yes.
 21 Q. Well, he's experienced enough -- both of them
 22 were experienced enough in dealing with SCA to --
 23 well, strike that.
 24 They were both experienced enough in the
 25 contingency insurance area to at least have somewhat

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1 respectable opinions about the standards of conduct?
 2 A. Yes, they thought SCA was not an insurance
 3 company and, B, had a reputation in the industry for
 4 paying promptly.
 5 MR. HERMAN: Would you put up slide 15,
 6 Russell. This is Claimants' Exhibit 39, if you want
 7 to turn to it.
 8 MR. TILLOTSON: Exhibit what, I'm sorry?
 9 MR. HERMAN: It's Claimants' Exhibit 39.
 10 Q. (BY MR. HERMAN) Kelly Price as of -- I wish
 11 I could say I could read that date, but it looks like
 12 September 8th or something, characterizes SCA's
 13 position as ludicrous. Did you have any conversation
 14 or did anyone at SCA have any conversation with
 15 Ms. Price about -- about that opinion?
 16 A. I'm sure it's here in Exhibit 39, but I don't
 17 see the language that's there. I would like to see --
 18 I think I'm looking at Claimants' Exhibit 39 and also
 19 labeled -- see, this says Exhibit 17 and that says
 20 Exhibit H, so I'm not sure I'm looking at the right
 21 thing. I had no conversation with Kelly Price ever.
 22 Q. Okay. Well, I mean, I could have missed --
 23 A. You might have one -- I've been impressed by
 24 your memorization of the exhibits.
 25 Q. Oh, I'm sorry. I did give you the wrong

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1 number there.
2 A. Okay.
3 Q. But as long as you're on Exhibit 39, let's
4 talk about that one.
5 A. Well, I would like to go back to your
6 previous question and review the exhibit you asked me
7 there.
8 Q. Okay. All right, that's fair enough. As
9 soon as I can lay my mitts on it.
10 ARBITRATOR FAULKNER: What exhibit will
11 we be dealing with?
12 MR. HERMAN: That's exactly what I'm
13 trying to --
14 THE WITNESS: It says H, but we don't
15 know what --
16 Q. (BY MR. HERMAN) I'm sorry, that was my
17 mistake. Well, I'll tell you what --
18 MR. TILLOTSON: 32.
19 ARBITRATOR FAULKNER: Is that your 32?
20 MR. TILLOTSON: Their 32, Claimant's 32.
21 MR. HERMAN: Claimant's 32. Okay, I
22 apologize, Mr. Chairman.
23 ARBITRATOR FAULKNER: No problem.
24 Q. (BY MR. HERMAN) Okay, Exhibit 32.
25 A. Yes.

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1 Q. That's dated -- an e-mail dated September 9,
2 2004, correct?
3 A. Correct.
4 Q. And that's from Kelly Price, I think, as we
5 talked about. And, of course, Kelly Price explains
6 what collecting from Lloyds is like in the first
7 paragraph, that is collecting from the various
8 syndicates and so forth, then characterizes SCA's
9 conduct as ludicrous.
10 A. Correct.
11 Q. And she was in the insurance business for 25
12 years, right?
13 A. I answered that once, yes.
14 Q. And she had handled many contracts with SCA?
15 A. And I believe she -- either she or
16 Mr. Mitchelitch said we had an excellent record for
17 paying promptly in one of these e-mails.
18 Q. Okay. Now, let's go to slide 16, which is an
19 e-mail from September 10 from Mr. Mitchelitch, and I'm
20 hoping that I can -- is this 29? Yes. I keep getting
21 mixed up between the first hearing and the second
22 hearing.
23 Okay. I'm going to come back to that,
24 but anyway --
25 ARBITRATOR FAULKNER: It's 31 at the

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1 bottom, Claimants' Exhibit 31.
2 Q. (BY MR. HERMAN) Would you agree that -- and
3 I think it's this e-mail that you're talking about
4 where SCA had a solid track record, and would you
5 agree that it was unprecedented to cut the broker out
6 of the loop on a claim like this?
7 A. I wouldn't have an opinion.
8 Q. One way or the other?
9 A. I don't -- I don't process claim payment. I
10 don't know how we pay them.
11 Q. Okay. Fair enough.
12 Now, do you recall that -- I think
13 Mr. Hamman and I talked about it this morning. In my
14 letter of September 8, 2004 I informed you that the --
15 that arbitration would be instituted on the 13th if
16 you all didn't pay. Do you recall that?
17 A. I believe that that conversation took place
18 this morning between you and Mr. Hamman, yes. I would
19 like to look at the letter if we are going to talk
20 about it, but, yes, I remember that conversation.
21 Q. All right. Well, I don't necessarily want to
22 go through all of that again, but Tailwind did
23 initiate a proceeding in district court in Dallas
24 asking that an arbitrator or arbitrators be appointed
25 by Judge Canales. Do you recall that?

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1 A. Yes.
2 Q. And you were involved -- first of all, I
3 think Haynes and Boone represented you all?
4 A. Correct.
5 Q. And then Mr. Tillotson's firm. But you were
6 involved, you were at all the hearings if there were
7 any and so forth, were you not?
8 A. Correct. I believe I was at every hearing.
9 Q. Do you take the position that SCA never
10 disputed or never sought recovery of the \$5 million
11 that was on deposit?
12 A. Here is my recollection. You're moving to
13 force the judge to rule to put the money into the
14 district court registry. It becomes apparent to me
15 during the hearing that the judge is a friend -- well,
16 is -- is leaning towards ruling in your direction,
17 whereupon I foresee that you're going to put out yet
18 another media press release pounding us for having
19 been ordered by the Court to place the money into the
20 registry of the court. So I agree on behalf of SCA,
21 after a telephone call to Mr. Hamman, to post the
22 money into the registry of the court, and the judge
23 never had to make the order.
24 However, something I saw this morning got
25 me a little confused, because I saw documents that

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1 said agreed order, but I don't believe that -- I
2 believe it was by agreement of the parties that the
3 money was paid, was posted.
4 Q. And for how long did you agree to post it?
5 A. Well, funny thing about that money going into
6 the court registry. Once you agree to put it in the
7 court registry, you don't have a lot of say about when
8 it comes out. The Court does that.
9 Q. Do you recall agreeing only to leave it there
10 until we can have a temporary injunction hearing?
11 A. I think that you're saying agreeing to that
12 would mean that the judge said, okay, I only want to
13 keep this until the temporary injunction hearing, do
14 you agree to that? I think that I'm representing a
15 client that \$5 million is about to disappear into the
16 registry of the court, it's going to be hard to get
17 back out, and that I'm fighting to carve out whatever
18 chance we could have to have some flexibility with
19 money. I mean, any two normal business people in the
20 world would have gotten together and put the \$5
21 million somewhere that it could make more than 1.4
22 percent interest, but Tailwind and SCA weren't ready
23 to do that so the money sits earning 1.4 percent
24 interest. So, yes, I was concerned that \$5 million
25 would remain on deposit in the registry of the court

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1 earning 1.4 percent interest for an interminable
2 amount of time, as a business person
3 Q. Well, you --
4 A. There was no evidence we were going to flee
5 the state. There weren't employees talking of our,
6 you know, things, we were still in business, the money
7 is out of our operation.
8 Q. But you objected to Tailwind's request that
9 SCA leave it at JPMorgan, didn't you?
10 A. Me? Say that again, because I don't recall
11 that as you said it.
12 Q. SCA objected to Tailwind's request that the
13 money stay at JPMorgan?
14 A. I have no recollection of that.
15 Q. All right.
16 MR. HERMAN: May I approach, Your Honor?
17 ARBITRATOR CHERNICK: Yes, you may. You
18 may approach Mr. Faulkner with the request to approach
19 the witness.
20 ARBITRATOR FAULKNER: Do we have copies
21 of that already?
22 MR. HERMAN: No, we don't, Your Honor.
23 And that's --
24 ARBITRATOR FAULKNER: 112 and 113.
25 MR. HERMAN: I'm so used to making three

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1 copies of stuff in trial that I've got one copy for
2 you all and then one copy for Mr. Tillotson. We will
3 provide --
4 ARBITRATOR FAULKNER: Yeah, just provide
5 us supplemental copies later on, please.
6 Have you shown it to your opposing
7 counsel? Thanks.
8 MR. HERMAN: I may have to look over your
9 shoulder, because I only have one copy. Why don't you
10 take a look at that.
11 MR. TILLOTSON: You can borrow mine. I'm
12 familiar with the documents.
13 (Discussion held off the record.)
14 Q. (BY MR. HERMAN) Did you have an opportunity
15 to review Exhibit 111?
16 A. cursorily, yes.
17 Q. Pardon me?
18 A. Briefly, yes.
19 ARBITRATOR FAULKNER: How is it --
20 MR. HERMAN: It's styled Defendant's
21 Objections to Plaintiff's First Request for Documents.
22 Q. (BY MR. HERMAN) And you filed with the Court
23 pleadings that say that Plaintiffs Tailwind are not
24 entitled to the extraordinary relief they seek of a
25 temporary injunction to enjoin SCA from its \$5 million

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1 JPMorgan custodial account, correct?
2 A. Yes.
3 Q. All right. And then when -- there were a
4 flurry of events and so forth, but let me hand you
5 Exhibit 113, which is entitled Plaintiffs' Motion for
6 Continuance which has a Rule 11 agreement attached,
7 Exhibit A. Do you recall that?
8 A. Vaguely, yes.
9 Q. All right. And the agreement was D, should
10 the temporary injunction be granted, such funds shall
11 remain in the registry of the court until the final
12 judgment of the arbitration, right? I read that
13 correctly?
14 A. Yeah. I want to look at the two sentences
15 together, please.
16 Q. Okay.
17 A. Okay. The first sentence says we are trying
18 to leave the money in our JPMorgan custodial account
19 and the second sentence says should the temporary
20 injunction be granted, such funds shall remain in the
21 registry of the court until the final judgment of the
22 arbitration.
23 Q. Turn the page. What does E say?
24 A. E says should such temporary injunction be
25 denied, such funds will be released to SCA

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1 Productions, Incorporated. However, this is the sort
 2 of thing that drives Mr. Hamman crazy, because
 3 Mr. Hamman's intent at all times had been -- his
 4 intent was to leave the money posted for no less than
 5 90 days.
 6 Q. Well, irrespective of what Mr. Hamman's
 7 intent was, the point is that Tailwind had to file an
 8 injunction to prevent SCA from having access to the
 9 money, and you vigorously opposed that injunction
 10 knowing that if it were denied, the money would be
 11 released to SCA; isn't that true?
 12 A. You have mischaracterized your question. The
 13 first part of your question is not what happened. We
 14 did not -- we were going to leave the money in the
 15 JPMorgan custodial account.
 16 Q. Well, why would you have taken the position
 17 that Tailwind was unjustified in attempting to prevent
 18 you all from accessing the money in the JPMorgan
 19 account then?
 20 A. That's not what we were doing. We were
 21 trying to prevent you from getting financial records
 22 that we thought you had no right to and prevent the
 23 money from going from the JPMorgan account into the
 24 registry of the court. That's what we were trying to
 25 do.

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1 Q. Well, actually what you said was that the
 2 financial records would be produced in the
 3 arbitration, didn't you?
 4 A. I believe that to the extent the financial
 5 records are relevant to the issue of whether
 6 Mr. Armstrong doped or not that they would be produced
 7 in the arbitration. We are a privately held company.
 8 Privately held companies guard their records.
 9 Q. You don't -- you wouldn't dispute the fact
 10 that -- or the proposition that SCA never responded to
 11 inquiries from either ESIX or Tailwind during the
 12 month of August about the status of this claim or its
 13 handling?
 14 A. I believe that that's untrue. I believe that
 15 Bob Hamman told them that we were looking into it.
 16 MR. HERMAN: Would you mark these as 114.
 17 I do have three copies of that. I haven't asked for
 18 permission to approach -- I don't need permission to
 19 approach Mr. Tillotson, but may I have permission to
 20 approach the witness?
 21 ARBITRATOR FAULKNER: Granted.
 22 Q. (BY MR. HERMAN) I'm just showing you what
 23 has been marked as Exhibit 114, and have you ever
 24 seen those e-mails before?
 25 A. Well, I have to read them first.

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1 Q. Okay. Take your time.
 2 A. Okay. I see these --
 3 MR. TILLOTSON: Before you answer, let
 4 me --
 5 (Off-the-record discussion between
 6 Mr. Tillotson and Mr. Herman)
 7 Q. (BY MR. HERMAN) You don't dispute that those
 8 e-mails were exchanged as between ESIX and SCA, do
 9 you?
 10 A. No.
 11 Q. Did you have something you wanted to point
 12 out?
 13 A. No.
 14 Q. Okay.
 15 MR. HERMAN: Your Honor, I offer
 16 Exhibits 112, 113 and 114.
 17 MR. TILLOTSON: No objection.
 18 ARBITRATOR FAULKNER: No objection?
 19 ARBITRATOR CHERNICK: Can I just verify
 20 that 112 is a document entitled Plaintiffs' Response
 21 to Defendants' Objections to First Request for
 22 Production of Documents and Motion to Compel
 23 Production?
 24 MR. HERMAN: That's true.
 25 MR. TILLOTSON: That's 112.

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1 ARBITRATOR CHERNICK: And 113 is
 2 Plaintiffs' Motion for Continuance with attachments.
 3 MR. HERMAN: With the attached agreement.
 4 It was just attached -- the agreement was attached to
 5 the pleading and that's why it's --
 6 ARBITRATOR FAULKNER: They will be
 7 admitted and we will ask you to provide us with enough
 8 copies for all of the members of the tribunal.
 9 MR. HERMAN: Certainly.
 10 Q. (BY MR. HERMAN) Did -- do you have any idea
 11 why SCA didn't respond?
 12 A. I've already answered that I believed he had
 13 told them by telephone he was looking into it.
 14 Q. Okay. Did you go to Detroit to meet with
 15 Mr. Walsh in September?
 16 A. No.
 17 Q. Was that Mr. Bandy and Mr. Hamman?
 18 A. Yes.
 19 Q. Would you look at Claimants' Exhibit 71, the
 20 bottom paragraph.
 21 A. Yes.
 22 Q. Do you know Thibeault de Montbrial?
 23 A. I do.
 24 Q. As far as you know, was this the first
 25 knowledge of his existence you had, that is, that he

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1 was the attorney for the French publisher of David
2 Walsh?
3 A. That's certainly a reasonable statement.
4 Q. Okay. Next page, top paragraph.
5 ARBITRATOR LYON: My copy doesn't have
6 who wrote it.
7 THE WITNESS: I would offer that John
8 Bandy wrote this.
9 MR. HERMAN: I think the testimony is
10 that John Bandy wrote it, but it doesn't have an
11 author's name on it.
12 ARBITRATOR CHERNICK: You mean translated
13 from French to English?
14 MR. HERMAN: No, this is a recount of his
15 visit with David Walsh.
16 ARBITRATOR CHERNICK: Oh, okay, you're
17 looking at something different.
18 MR. TILLOTSON: It's an internal memo
19 prepared by John Bandy from SCA Promotions.
20 ARBITRATOR CHERNICK: Understood now.
21 Q. (BY MR. HERMAN) Mr. Montbrial supposedly has
22 excellent contacts with the French police who seem to
23 be hot to get LA. Is that Lance Armstrong?
24 A. I believe so.
25 Q. Now, down in the next paragraph -- I mean,

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1 not the next paragraph, two paragraphs down, see the
2 one that starts with Betsy and Frankie?
3 A. Uh-huh.
4 Q. Frankie and Betsy are the home run. Now, as
5 of -- that's a pejorative term that means essentially
6 knocking it out of the park, right?
7 A. Yes.
8 Q. And --
9 A. Pejorative?
10 Q. Well --
11 A. I don't agree that it's a pejorative term.
12 Q. Okay. Okay. My vocabulary is not as big as
13 I think it is, I guess, but anyway -- but in any
14 event --
15 ARBITRATOR CHERNICK: Do you want a
16 ruling on that, Mr. Herman?
17 MR. HERMAN: Please don't, at least not
18 on the record.
19 MR. TILLOTSON: You can just do the
20 CliffsNote version.
21 MR. HERMAN: Exactly.
22 Q. (BY MR. HERMAN) Anyway, Frankie and Betsy
23 are the home run, home run for SCA?
24 A. Mr. Bandy wrote this, but I'll take a wild
25 chance at an answer and say to you that he believed

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1 that Frankie and Betsy Andreu proved -- helped prove
2 the case that Lance Armstrong doped.
3 Q. And that's what you meant by the home run as
4 of September -- that's what SCA means by the home run
5 as of September 20, that is, we ain't going to have to
6 pay, Frankie and Betsy are the home run?
7 A. You'll have to ask Mr. Bandy for a further
8 definition of that, but I believe this means that
9 Frankie and Betsy Andreu verified the allegations that
10 had been stated attributed to them in the Walsh book.
11 Q. And hitting the home run would have been a
12 major success for SCA, wouldn't it?
13 A. Yes.
14 Q. The next page, please. Under Emma, Walsh
15 says she is prepared to testify. Testify where?
16 A. Here at this hearing.
17 Q. So you were already planning on that as of
18 September 20?
19 A. We were wondering if she would testify if
20 there came the need for a hearing; pretty normal
21 ordinary business course inquiry.
22 Q. Under miscellaneous, Walsh also says Swart is
23 prepared to testify, correct? So you were rustling
24 witnesses as of September 20, 2004?
25 A. Mr. Herman --

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1 MR. TILLOTSON: I object as
2 argumentative.
3 ARBITRATOR FAULKNER: Let him make the
4 objection, and a response.
5 MR. HERMAN: I'll rephrase the question.
6 ARBITRATOR FAULKNER: Thank you.
7 Proceed.
8 Q. (BY MR. HERMAN) So you all were soliciting
9 witnesses in an attempt to confirm the allegations in
10 Mr. Walsh's book as of September 20?
11 A. Or deny.
12 Q. Pardon me?
13 A. Or deny the allegations.
14 Q. Do you think it would have been a home run if
15 Frankie and Betsy Andreu -- is that what Mr. -- is
16 that how you took that, Frankie and Betsy Andreu --
17 because Frankie Andreu did deny -- would you consider
18 that would be a home run?
19 A. I'm confused as to what Mr. Andreu denied,
20 Mr. Herman.
21 Q. Well, if -- just hypothetically, if you
22 contacted Frankie and Betsy Andreu and they did not
23 confirm the allegations in the book, would that be a
24 home run?
25 A. Like when I contacted Mr. Gorski I put in my

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1 interview that he said Lance Armstrong didn't use
 2 performance enhancing drugs, no, that is not a home
 3 run.
 4 Q. So it wouldn't be a home run --
 5 A. No.
 6 Q. -- if they didn't confirm the allegation?
 7 A. We seem to be stuck on the sentence about the
 8 home run. I've admitted that a home run would be
 9 something good for SCA, but you're returning to it so
 10 I'm at a loss to what further you want from me.
 11 Q. Well, all I'm saying is would talking to
 12 Betsy and Frankie Andreu be a home run, or if they
 13 confirmed allegations of David Walsh it would be a
 14 home run, which one is it?
 15 A. It would be -- if talking to Betsy and
 16 Frankie, who have told us things other than writing
 17 the book since then, I doubt they had told us at that
 18 time. What that sentence says is nothing that Betsy
 19 and Frankie Andreu said led us to believe that
 20 Mr. Armstrong was anything other than a doping cheat.
 21 Q. What about Mr. --
 22 MR. HERMAN: Well, on -- turn to -- I
 23 think it's page 4 or page 3 of the -- of this exhibit,
 24 Russell, please. The next page, I'm sorry. The
 25 second paragraph. It's the right paragraph -- no,

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1 it's the next page after that. I'm sorry, the second
 2 paragraph, last sentence.
 3 Q. (BY MR. HERMAN) Julien de Vriese?
 4 A. Yes.
 5 Q. He's probably worth contacting though he
 6 should be last due to the strong possibility that he
 7 will notify Lance Armstrong.
 8 So this investigation as you've referred
 9 to it was to be undertaken without the knowledge of
 10 the insured or Mr. Armstrong?
 11 A. Well, I think it's worth saying on one -- at
 12 least one more time that at the time we were doing
 13 this we had no idea that we were an insurance company.
 14 And second of all, no matter what it says here, I've
 15 been trying to get ahold of Julien de Vriese since the
 16 beginning of this investigation and as late as this
 17 morning. I want to hear what he has to say. At some
 18 point you said he was coming
 19 Q. Well, when we submitted our deposition on
 20 written questions, did you submit any questions to
 21 Mr. de Vriese?
 22 A. I don't believe that we submitted any
 23 questions to Mr. de Vriese. We were going to wait and
 24 see what came back from your submission. I have
 25 questions for Mr. De Vriese.

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1 Q. All right. Now, if you will turn to
 2 Exhibit 73, just take these in sort of exhibit order,
 3 although they may not be chronologically in order.
 4 This is a letter to Mr. Tillotson where
 5 you enclose certain contracts and you say; they could
 6 be useful in the deposition of Stapleton and I point
 7 out that Stapleton may not be aware we possess the '99
 8 contract because we obtained it gratuitously from the
 9 files of Global Specialty Risk. What do you mean
 10 gratuitously?
 11 A. Well, I'm a little amazed that a letter that
 12 I wrote to my outside litigator has been produced, but
 13 I will -- that constitutes waiver that the letter
 14 can't be withdrawn? This is a letter from me to my
 15 counsel?
 16 MR. TILLOTSON: Well, it's in evidence.
 17 We don't agree to any waiver, but it is enclosing a
 18 document. You can answer the question and we will
 19 police -- hold on. We will police the question and
 20 assert privilege if necessary.
 21 ARBITRATOR FAULKNER: Mr. Compton, your
 22 lawyer will object for you. And I know it's an
 23 unusual position for a lawyer to be on the witness
 24 stand, but wait until he objects, if he does. We will
 25 hear from the other side, then we'll rule on it. So

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1 that will make it a little bit easier, and I
 2 understand your concern.
 3 THE WITNESS: Well, my problem is I don't
 4 want to --
 5 ARBITRATOR LYON: Let's just take about a
 6 five- or ten-minute break here, okay.
 7 ARBITRATOR FAULKNER: Okay. We will take
 8 a five-minute break. Why don't you gentlemen chat
 9 and --
 10 MR. HERMAN: Your Honor, before, let me
 11 just say something on the record here.
 12 ARBITRATOR FAULKNER: Yes, sir.
 13 MR. HERMAN: That we will not -- Tailwind
 14 will not take the position that discussion of this
 15 document would waive any other privilege to which -- I
 16 mean, we won't rely on this as a waiver of privilege
 17 of anything else, okay. So just to be fair about it,
 18 if it was an inadvertent disclosure, I'm happy -- if
 19 Mr. Tillotson wants it back, I'll be happy to give it
 20 back. I don't want to -- it was produced and I --
 21 MR. TILLOTSON: We would request it back.
 22 It contains the Global Specialty Risk contract. That
 23 was made an exhibit in the insurance hearing, if I
 24 recall, and offered into evidence at that time.
 25 MR. HERMAN: Well, I'm happy to give it

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1 back.

2 ARBITRATOR LYON: Was the letter offered

3 into evidence at that time?

4 MR. TILLOTSON: No, just the underlying

5 disclosure. And I believe in the course of business

6 of -- we didn't exchange exhibits until the Saturday

7 before the hearing.

8 ARBITRATOR FAULKNER: Why don't you two

9 chat while we take a break. You guys just take care

10 of sorting that out so we don't have any issues of

11 privilege.

12 We are on a five-minute break.

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

14 MR. TILLOTSON: First, we have -- we have

15 requested back copies of exhibit -- Claimants'

16 Exhibit 73 on a claim of inadvertent production.

17 Mr. Herman has graciously agreed to give it back and

18 move on from the questioning of this witness and we

19 appreciate that cooperation.

20 Second, we have a witness, Mr. Swart, who

21 we brought -- we haven't brought, he's come from

22 Australia, but he would like to hightail it back. So

23 at some point during tomorrow's proceedings the

24 parties are going to go -- some parties are going to

25 go depose him so we can preserve his testimony and

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1 then play it later for the panel. And Mr. Herman has

2 a particular order. He doesn't want to interpose a

3 particular witness and I'm willing to respect that,

4 but we do need to preserve this witness's testimony.

5 MR. HERMAN: We have agreed to do just a

6 video and then play it during his case.

7 MR. TILLOTSON: And then if the panel has

8 questions for Mr. Swart, which will be the only thing

9 that we would be giving up by not having him here,

10 then we can arrange to have those questions in some

11 way answered either by phone if that comes up or some

12 other accommodation.

13 MR. HERMAN: That's fine.

14 MR. TILLOTSON: So to the other side, be

15 prepared tomorrow whatever time to depose Mr. Swart.

16 MR. HERMAN: We probably would like to do

17 it right after lunch if that's okay with you.

18 MR. TILLOTSON: I'll check with his

19 schedule and see what time I think that is.

20 ARBITRATOR FAULKNER: Are you all going

21 to take a break so that we won't have to be with you?

22 MR. HERMAN: We are going to continue the

23 hearing. We will be --

24 ARBITRATOR FAULKNER: Okay. That's what

25 I wanted to make sure of.

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1 MR. TILLOTSON: We will try not to lose

2 any time because of it.

3 MR. HERMAN: We'll have a lawyer go

4 depose him so we won't hold up the hearing at all.

5 ARBITRATOR FAULKNER: Okay. That's all

6 I'm concerned with.

7 Before we go too far afield, gentlemen,

8 let's get to two things that we need to have addressed

9 while -- we're going to ask you all again, please

10 reduce to writing and provide to the tribunal a copy

11 of whatever, if any, agreement you fellows reach

12 regarding waiving confidentiality.

13 Secondly, please reduce to writing and

14 provide to the tribunal a copy of whatever agreement

15 or stipulation you all reach regarding Mr. Anderson's

16 testimony as though under an enforceable subpoena and

17 just please provide that to us so that before we rule

18 on your motions in limine that we have those things in

19 our hands, okay?

20 MR. HERMAN: Certainly.

21 ARBITRATOR FAULKNER: All right. Thank

22 you very much.

23 MR. HERMAN: I think I owe you some

24 deposition excerpts.

25 ARBITRATOR FAULKNER: Yes, you do. And

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1 also make sure that all members of the panel have the

2 black binder with all of y'all's exhibits so that

3 everyone has a set when we sit down and do our

4 deliberations.

5 ARBITRATOR CHERNICK: He's the only one

6 that does not.

7 ARBITRATOR FAULKNER: So apparently you

8 only need one.

9 MR. HERMAN: All right.

10 ARBITRATOR FAULKNER: Okay. Please

11 proceed then.

12 Q. (BY MR. HERMAN) Mr. Compton, would you turn

13 to Exhibit 101, Claimants' Exhibit 101, please. Did

14 you prepare Exhibit 101?

15 A. I believe I did.

16 Q. Why is this not on SCA letterhead?

17 A. I think everything that -- that we produced

18 to you -- I could be wrong -- is a copy of an

19 electronic copy coming out of our database and the

20 letterhead was on the original. This is an unsigned

21 copy, and so the answer is it's not on letterhead

22 because it's the electronic copy.

23 Q. When you wrote this letter on August

24 the 17th, 2004, you were aware that it would take 20

25 business days for a response, right?

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1 A. I was aware. You know, it's sort of funny,
 2 before you go to a web site to get a copy of them, the
 3 FOIA request, and I think I got the information that
 4 they had the right to take up to 20 days to respond.
 5 Q. That would have been -- I'm sorry?
 6 A. I believe the government has the right to
 7 take up to 20 days to respond.
 8 Q. That 20 business days would take you up
 9 essentially to the middle of September, correct?
 10 A. September 7th or 8th.
 11 Q. 20 business days would be four weeks.
 12 A. Okay, I apologize. I forgot business days.
 13 Q. So it would be more or less September 15th?
 14 A. That sentence was there because I knew they
 15 had the right to do it and I was trying to make sure
 16 they did it within that time. I certainly wanted it
 17 faster than that.
 18 Q. Well, I mean, I know the federal government
 19 is not notorious for beating their allowed time frames
 20 obviously.
 21 ARBITRATOR CHERNICK: Only in cashing our
 22 IRS checks.
 23 Q. (BY MR. HERMAN) In any event, 20 business
 24 days would be more or less the middle of September; we
 25 can agree about that, I guess?

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1 A. Yes.
 2 Q. You requested documents related to
 3 Mr. Stapleton individually. And why was that?
 4 A. Because I believed that William Stapleton was
 5 Mr. Armstrong's agent and I believed that there might
 6 be relevant information in such documents.
 7 Q. All right. Did I understand your earlier
 8 testimony to be that as of August the 17th that you
 9 were still working towards getting this done by
 10 September 3rd?
 11 A. Yes.
 12 Q. August 17th was the day after you received
 13 the verification from UCI that -- indirectly or
 14 through Ms. Price that your request as to testing done
 15 during the 2004 tour, those results were all negative.
 16 Were these connected in any way, that is --
 17 A. I have no idea if they were connected in any
 18 way. I can't possibly remember what I was thinking
 19 after that -- I got one thing before I did the other.
 20 Q. You were in charge of the -- well, you were
 21 program director of the investigation by that time, I
 22 take it?
 23 A. Project manager.
 24 Q. Project manager, sorry.
 25 By that time; is that right?

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1 A. Yes.
 2 Q. Now, look at --
 3 A. I think so. You have to understand,
 4 Mr. Hamman doesn't pass out titles and, you know,
 5 project manager is a description I've used to describe
 6 what I believe I did looking backwards.
 7 Q. We earlier saw the memo prepared by Mr. Bandy
 8 about the meeting with David Walsh on September 20,
 9 2004. Do you recall that?
 10 A. Yes.
 11 Q. And do you recall his description of
 12 Montbrial as representing the French publisher and who
 13 was a guy who had an in with the French police who
 14 were out to get Lance Armstrong; do you remember that?
 15 A. I believe the phrase is well connected.
 16 Q. Okay. And in connection with the proceeding
 17 before Judge Canales seeking the appointment of
 18 arbitrators, after you found out that Mr. Montbrial
 19 was representing a party adverse to Mr. Armstrong in
 20 the French litigation and was tied in with the French
 21 police who were out to get Mr. Armstrong, you
 22 appointed Mr. Montbrial as your arbitrator in this
 23 very case, didn't you?
 24 A. On advice of counsel or in consultation with
 25 counsel and without a completely firm understanding of

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1 what a party arbitrator exactly is and exactly isn't,
 2 it was clear to me that the court of arbitration in
 3 sport uses experienced doping people. I was looking
 4 for the most knowledgeable person in the world
 5 regarding doping and the Tour de France. I had in
 6 Mr. Montbrial a person who had represented people in
 7 Festina. He remains to this moment the most qualified
 8 individual in the world to sit on this panel.
 9 ARBITRATOR CHERNICK: Present company
 10 excluded, of course.
 11 MR. TILLOTSON: So stipulated. If you
 12 would listen to the question and answer it, it would
 13 be most appreciative.
 14 Q. (BY MR. HERMAN) Judge Canales didn't share
 15 that view, did he?
 16 MR. TILLOTSON: I will interpose an
 17 objection. We appointed an arbitrator. He was
 18 stricken by Judge Canales. I would object on the
 19 basis of relevance as to how that can constitute bad
 20 faith and denial of the claim since those events
 21 occurred after the client has testified they made a
 22 decision to deny the claim. That hearing was on
 23 December 20th and I don't see how that can be evidence
 24 of bad faith on our claim, the appointment of an
 25 arbitrator. So I would object on the grounds of

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1 relevance. We don't dispute the facts as to who was
 2 appointed and what Judge Canales ruled with respect to
 3 that arbitrator and I would object that going through
 4 this is irrelevant.
 5 MR. HERMAN: Let me -- I beg to differ
 6 with Mr. Tillotson, and I don't know if he was
 7 employed at the time. Mr. Montbrial was appointed, I
 8 believe, on November 1st of 2004, which was almost two
 9 months before Mr. Lynn took the position that the
 10 respondent is now saying constituted a denial of the
 11 claim. The appointment by the contracting party, SCA,
 12 of a man as an arbitrator who, even as a party
 13 arbitrator, had a clear and definable conflict of
 14 interest, the inability to be impartial and who was
 15 representing a party adverse to Mr. Armstrong at the
 16 very time he was appointed is relevant in determining
 17 whether or not SCA exercised good faith in the
 18 investigation and adjustment of this claim. And it is
 19 true Mr. Montbrial was stricken as a result of the
 20 December 20 hearing, but he -- but the conduct of SCA
 21 at issue had occurred almost two months prior to that.
 22 (Discussion among the arbitrators.)
 23 ARBITRATOR FAULKNER: Go back on the
 24 record. The objection is overruled.
 25 Please proceed with your next question.

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1 MR. HERMAN: Thank you, Your Honor.
 2 Just for the record, Exhibit 108 is an
 3 accurate copy of the order striking Mr. Montbrial, is
 4 it not? I'll represent to you it is just to save us
 5 all some time if you're prepared to agree.
 6 MR. TILLOTSON: We don't disagree. That
 7 is the order.
 8 MR. HERMAN: Okay.
 9 ARBITRATOR FAULKNER: Taken as
 10 stipulated, it will be admitted.
 11 Q. (BY MR. HERMAN) Turn to Exhibit 67, please,
 12 Claimants' Exhibit 67.
 13 A. No, I understand where Claimants' Exhibit 67
 14 is.
 15 Q. This is a memo from you to LTP, I take it
 16 that's Lynn Tinker -- Lynn Tillotson & Pinker --
 17 A. LTP.
 18 Q. -- and la Martiniere, what is that?
 19 A. That is an internal distribution list within
 20 SCA which consists of a couple of officers, Bob
 21 Hamman, John Bandy, Jeff Dorough, myself.
 22 Q. That's la Martiniere?
 23 A. Yes.
 24 Q. La Martiniere is the publisher, French
 25 publisher of Mr. Walsh's book?

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1 A. Yeah, I think Mr. Hamman's assistant believed
 2 that it was something that the people on the list
 3 would recognize that the rest of the people in the
 4 company, if they happened to stumble upon, wouldn't
 5 recognize.
 6 Q. So la Martiniere is a little team at SCA, I
 7 mean, made up of you and Bandy and Hamman?
 8 A. It's the people that we believed were
 9 entitled to protection of attorney-client privilege
 10 and would be necessarily kept up to date and informed
 11 about the matter.
 12 Q. So was this provided to Mr. Montbrial or not?
 13 A. I doubt this memo was provided to
 14 Mr. Montbrial. Usually if it's provided to
 15 Mr. Montbrial, it says Thibeault de Montbrial.
 16 Q. What about the memo under this one, the next
 17 one regarding Mr. Gorksi?
 18 A. Same.
 19 Q. Here's a question I had. You interviewed a
 20 lot of people in connection with your investigation of
 21 this claim, didn't you?
 22 A. I would certainly agree that I interviewed
 23 many people.
 24 Q. And you made memos of those interviews?
 25 A. Got tired at the end. Didn't do as much.

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1 Q. The end being obviously after September 7,
 2 2005?
 3 A. No, I still made some memos, I just, you
 4 know, I --
 5 Q. When did you get tired, let me put it that
 6 way?
 7 A. I don't know. I know that I probably
 8 produced a few more memos. I would -- I would be
 9 speculating, but in my own mind I think I produced
 10 more memos early on.
 11 Q. And these two memos that are marked as
 12 Exhibit 67 are the only memos of witness interviews
 13 made during your investigation which have been
 14 provided to Tailwind; isn't that true?
 15 A. We are back at the issue that I don't know
 16 what was provided to you.
 17 Q. Okay. You don't know of any other witness
 18 interviews that were provided to us?
 19 A. I'm willing to take your representation that
 20 they were -- as a reasonable basis for believing that
 21 they were the only two provided to you.
 22 Q. Well, I'll make it easy. If I represent to
 23 you that these are the only two witness --
 24 A. I would have no reason --
 25 Q. -- notations that related to your claim,

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1 investigation, adjustment, program manager, whatever,
2 you wouldn't be in a position to disagree with that?
3 A. No.
4 Q. Now, Mr. Bandy interviewed quite a few
5 people, too, did he not?
6 A. You know, you would be best off to ask
7 Mr. Bandy, but he certainly interviewed French
8 speaking witnesses.
9 Q. Well, he interviewed multiple witnesses?
10 A. Yes.
11 Q. And he made memoranda of those interviews,
12 too, did he not?
13 A. Most of the time I believe he did, yes.
14 Q. And those went out to the la Martiniere
15 distribution list?
16 A. John is a little more conservative lawyer
17 than I am. More of his memos would have gone to
18 myself, Dorough and Hamman and him only.
19 Q. Mr. Dorough is another lawyer there at SCA?
20 A. At the time the proceeding began he was
21 finishing his third year at SMU. He has since passed
22 the bar. At the time he was a law clerk, now he's a
23 lawyer.
24 Q. Turn to Exhibit 70, Claimants' Exhibit 70.
25 As I understood, it might have been Mr. Tillotson

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1 yesterday said that you kept -- or you had
2 Mr. Armstrong under surveillance to see if he met up
3 with Mr. -- Dr. Ferrari in 2002. Was that an accurate
4 statement?
5 A. Yes.
6 Q. And what was necessary in connection with
7 that surveillance? If you'd go down to the second to
8 last paragraph, impossible. Do you see that?
9 A. Uh-huh.
10 Q. Well, I was talking to Russell, but I'm going
11 to ask you that, too.
12 So your private investigators were
13 retained to take photos of the interior of rooms that
14 were occupied by members of the Discovery team; isn't
15 that right?
16 A. No.
17 Q. What interiors -- what rooms were they
18 attempting to photograph?
19 A. I have no idea what -- why we would want to
20 take photographs of the interiors of the rooms. I
21 don't understand how that would help us determine
22 whether or not Lance Armstrong had used drugs.
23 Q. They were -- these people -- this is a report
24 from your private investigator in France, is it not?
25 A. Yes.

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1 Q. But this is not all of it, is it?
2 A. Good question. The original report was given
3 to Thibeault de Montbrial in Paris and it was
4 translated by Mr. Bandy and I believe this represents
5 substantially all of the translation that I have
6 reviewed, but I would be certain that the report was
7 slightly more formal and that there was cover language
8 or a cover page or something besides John's very fast
9 translation of perhaps what he thought were the
10 important parts.
11 Q. At least in the United States it's against
12 the law to go in somebody's residence, whether it's a
13 permanent or a transitory, don't you agree?
14 A. I would categorically state that we don't
15 wish at any time, never asked for anyone to do
16 anything close to illegal and that at all times people
17 working under our direction and control were asked to
18 conduct themselves in a professional and appropriate
19 manner.
20 Q. Is that -- is that true for these guys?
21 A. You're asking me something I don't have close
22 to the ability to answer, because I don't know what
23 the laws in France are.
24 Q. Well, do you think it's appropriate to go in
25 someone's room without their permission?

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1 A. No.
2 Q. And Mr. Montbrial is employed by SCA or at
3 least retained by SCA to represent SCA in France, is
4 he not?
5 A. He's SCA's French counsel in this matter.
6 Q. And when Montbrial hired these private eyes
7 and -- you don't know what he told them, I guess?
8 A. No, my French is not near good enough.
9 Q. Well, whatever he told them to do, he was
10 doing as an authorized agent of SCA; wouldn't you
11 agree?
12 A. Unless he exceeded the scopes of the laws or
13 the canons or ethics related to attorneys practicing
14 law in France, in which case that would not be under
15 our direction or scope, because we wouldn't ask for
16 anyone to do either one of those things.
17 Q. Well, did you limit his authority in any way?
18 A. Limit his authority in any way? We hired
19 counsel. We expect all counsel that we hire to
20 represent themselves in the fashion that Mr. Tillotson
21 does and conduct themselves in that manner and if we
22 find out they're not, we will replace them.
23 Q. Well, that's a pretty high standard there
24 just right off the bat, but seriously, you told --
25 A. Seriously, we hire expensive lawyers, we pay

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1 them on seven days' notice and we expect a
 2 professional and honest performance.
 3 Q. What did you tell Mr. Montbrial to do?
 4 A. I told Mr. Montbrial that we had received
 5 some information that we believed indicated that
 6 Mr. Armstrong might be either receiving drugs on his
 7 rest days or might be visiting with -- it may have
 8 been that I got the information from Montbrial, I
 9 don't know, and we agreed that we should engage
 10 private investigators for a very limited time to watch
 11 the hotel where Mr. Armstrong was staying.
 12 Q. And you have no idea why the private eyes
 13 were apologetic about being unable to get into the
 14 rooms?
 15 A. I would suggest to you that there are nuances
 16 and differences in the language that neither you nor I
 17 can account for and that who knows exactly why they
 18 were apologetic. Where is it again? Because I don't
 19 see them being apologetic here, but I'm -- it says
 20 impossible to take photos of the interiors of the
 21 rooms and you're describing that as apologetic and I'm
 22 thinking maybe there's something else somewhere that
 23 makes it apologetic.
 24 Q. Well, do you have any idea why they would
 25 note that it was impossible to take photos of the

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1 interiors of the rooms unless they had been asked to
 2 take photos of the interiors of the rooms?
 3 A. Well, I could wildly speculate that they had
 4 had other clients from other countries with different
 5 laws who had expected them to be able to do so and
 6 they were informing us that they couldn't.
 7 Q. All right. Is it -- well, let me ask you
 8 this. There is beneath the notation that Sheryl Crow
 9 arrived in the afternoon --
 10 A. I guess that won't happen again.
 11 Q. I'm sorry?
 12 A. Nothing.
 13 MR. BREEN: What did he say?
 14 Q. (BY MR. HERMAN) What did you say?
 15 A. Nothing at all. I apologize.
 16 MR. TILLOTSON: I object to whatever it
 17 was as nonresponsive.
 18 MR. HERMAN: Oh, okay.
 19 Q. (BY MR. HERMAN) Look at the -- look at that
 20 below Sheryl Crow arrived in the afternoon, do you see
 21 that 16 hours -- no, no, down roughly -- there you go,
 22 right there.
 23 Now, it looks to me like there are --
 24 there's an indication that at 4:00 p.m. there was a --
 25 something happened at the airport and somebody took

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1 photos and so forth. Do you know where the
 2 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
 8 you if you know where the translation is. I don't
 9 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
 12 looking at this what the translation was, if any?
 13 A. I suggest that Mr. Bandy's judgment was that
 14 that was unimportant and has never been translated,
 15 but I'm not sure.
 16 Q. Incidentally, when you asked Mr. Bandy to
 17 translate certain portions of LA Confidential, how did
 18 you decide which portions to translate?
 19 A. First of all, Mr. Bandy and I are lateral, so
 20 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
 23 believe Mr. Bandy would tell you that he attempted to
 24 read the relevant portions.
 25 Q. Well, what he translated was the most

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1 scurrilous portions of the book and that's all; isn't
 2 that true?
 3 A. Again, at the time we were doing this, we
 4 were looking at it as a business contract. We were
 5 attempting to determine whether or not Mr. Armstrong
 6 had used performance enhancing drugs, and it's a
 7 192-page monograph, monolith, and we were working on a
 8 short period of time and what Mr. -- and I'm sure that
 9 Mr. Bandy, if he came across something that exculpated
 10 Mr. Armstrong, out of his duty to Mr. Hamman he would
 11 have translated it so that Mr. Hamman wouldn't make an
 12 improper judgment.
 13 Q. Well, the proof would be in reviewing what
 14 Mr. Bandy's translation was, I guess, right?
 15 A. I guess so.
 16 Q. All right. Now, turn to exhibit --
 17 ARBITRATOR FAULKNER: Mr. Herman, before
 18 you go too far, will you all be providing us any copy
 19 translated by someone else other than Mr. Bandy of any
 20 of those sections you deem relevant? I can't read all
 21 of it. My Cajun French is not that good, but I can
 22 read a lot of it.
 23 MR. HERMAN: You mean of this here?
 24 ARBITRATOR FAULKNER: Yes.
 25 MR. HERMAN: Well, I hadn't planned on

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1 it, but I certainly can --
 2 ARBITRATOR CHERNICK: Well, the question
 3 is whether there's any issue about anything that's in
 4 something other than English or translated from
 5 French.
 6 MR. HERMAN: No, the import of my
 7 question was that there's obviously -- it looked like
 8 there were more pages to this and I was just inquiring
 9 about that last section because it was the only one
 10 that wasn't translated.
 11 ARBITRATOR FAULKNER: Okay. So you're
 12 not making any other issue of it, so we don't need a
 13 translation.
 14 MR. HERMAN: No, no, not beyond the, you
 15 know, going in the rooms.
 16 MR. TILLOTSON: If it please the panel,
 17 we are not aware of a second page. Mr. Bandy will
 18 testify so he can clarify.
 19 MR. HERMAN: I'm not saying there is. It
 20 just looked like there would be. That's what I was
 21 asking.
 22 MR. TILLOTSON: Nor are we aware that
 23 there's any dispute over the translation.
 24 MR. HERMAN: No, there's no dispute over
 25 the translation.

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1 ARBITRATOR FAULKNER: Fine. Thank you.
 2 MR. TILLOTSON: Thank you.
 3 MR. HERMAN: Yeah, except for the
 4 pictures. If there are any photos, I would like to
 5 have those, if there were photos attached, which
 6 apparently there were. But we can take that up
 7 afterward.
 8 MR. TILLOTSON: Thank you.
 9 Q. (BY MR. HERMAN) Do you propose to bring
 10 anyone to testify here that Mr. Armstrong had any
 11 contact with Dr. Ferrari at the 2005 Tour de France?
 12 A. No.
 13 Q. Now, let's turn to Exhibit 68, please. You
 14 attended the hearing on December 20th that you all
 15 have made reference to here?
 16 A. Yes.
 17 Q. And Mr. Armstrong attended that hearing as
 18 well, did he not?
 19 A. Yes.
 20 Q. And Ms. Crow?
 21 A. We are past -- I know she attended one
 22 hearing and we are past my recollection of which
 23 hearing it was.
 24 Q. Well, Exhibit 68 is a letter from you to
 25 Catherine Long at Orchid Cellmark. Tell us what

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1 Orchid Cellmark is.
 2 A. A DNA testing facility.
 3 Q. And in the first paragraph of this letter you
 4 state that this acknowledges receipt by Orchid
 5 Cellmark apparently of the following material, one
 6 trash can liner containing a piece of chewing gum.
 7 Whose chewing gum?
 8 A. Lance Armstrong's.
 9 Q. How did you find it?
 10 A. Well, I found it in the trash can that I
 11 believe was in front of the bench in Judge Canales's
 12 courtroom on February 17th.
 13 Q. Was there another hearing on February 17th?
 14 A. I suspect that if you check the court records
 15 that there was.
 16 Q. So you would have taken it from Judge
 17 Canales's courtroom?
 18 A. I took an abandoned piece of gum from the
 19 trash liner and the trash liner without touching it
 20 from the courtroom.
 21 Q. So the answer to my question is yes?
 22 A. Yes.
 23 Q. Did you ask Judge Canales if that would be
 24 all right?
 25 A. He wasn't present. No.

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1 Q. And did you get the consent of anyone?
 2 A. It had been abandoned. I needed no one's
 3 consent.
 4 Q. So the answer is no, you got no one's
 5 consent?
 6 A. Correct.
 7 Q. Now, this is February 17th, 2005, you've
 8 denied the claim three months previous to that -- two
 9 months previous, correct?
 10 A. Well, you know, if it's important to you to
 11 nail down a date that the claim was denied by, so I
 12 guess you're referring to December 20th.
 13 Q. Exactly.
 14 A. Okay.
 15 Q. So the claim had -- you had already denied
 16 the claim and it had been denied for two months?
 17 A. You know, once the litigation started and the
 18 panel's order was in place, all this merges.
 19 Q. Is that what you think?
 20 A. It certainly blurs in my mind.
 21 Q. Well, so you're not content with the
 22 resolution of this matter to be determined on what you
 23 knew and the basis for the denial of the claim when
 24 you made it on December 20th?
 25 A. This is an enormously complex investigation

<p style="text-align: right;">Page 983</p> <p>1 that was consistently obstructed by the conduct of 2 Mr. Armstrong and his representatives, and, yes, I 3 would maintain to you that that was insufficient time 4 for a normal course for an investigation of this 5 complexity taking place on this many continents to 6 have been complete. 7 Q. Well, why did you deny the claim on the 20th, 8 then, if your investigation hadn't been completed? 9 A. Well, we denied the claim on the 20th by our 10 statements in open court that we made -- that we said 11 what we said. Now, once we denied the claim, that 12 doesn't prohibit us from taking further actions to 13 look to see if we might even change our mind. For 14 example, if the DNA test was matched against the 2000 15 samples, it might cause us to change our minds. 16 Q. Matched against what 2000 samples? 17 A. The frozen ones that you have referred to 18 that they have. 19 MR. HERMAN: I'll pass the witness. 20 ARBITRATOR FAULKNER: It's about ten 21 minutes of. Any questions from Mr. Chernick, Senator 22 Chernick? 23 ARBITRATOR LYON: Are you going to 24 question the witness? 25 MR. TILLOTSON: Well, I will use the last</p>	<p style="text-align: right;">Page 985</p> <p>1 enhancing drugs from 2001 to 2004? 2 THE WITNESS: We have no test results. 3 ARBITRATOR LYON: Do you have any 4 evidence in the form of written statements or oral 5 statements from anybody that he took any performance 6 enhancing drugs from 2001 to 2004? 7 THE WITNESS: Yes. 8 ARBITRATOR LYON: Who? 9 THE WITNESS: We have Mr. -- one of the 10 exhibits. So we have Mr. LeMond's statement in August 11 of 2001. We have Mr. Anderson's statement. 12 ARBITRATOR LYON: Let me rephrase it 13 then. Do you have any evidence from individuals that 14 saw him take any drugs from 2001 to 2004? 15 THE WITNESS: No, we have only the 16 admissions. 17 ARBITRATOR LYON: And that is a statement 18 from Greg LeMond, the telephone call that 19 Mr. Armstrong made to him? 20 THE WITNESS: And the statement that 21 Mr. Armstrong made to Mr. Anderson. 22 ARBITRATOR LYON: Anderson. 23 THE WITNESS: There may be more. If I 24 could find the exhibits to my -- it's the piece of 25 paper that you guys -- I've got notes on the</p>
<p style="text-align: right;">Page 984</p> <p>1 ten minutes to question him on just these last two 2 documents so we can move off this witness and start 3 tomorrow or I'll stop and start again tomorrow. 4 ARBITRATOR FAULKNER: What is more 5 convenient for you, the best of the flow of your 6 examination? 7 MR. TILLOTSON: Well, I would like to 8 start in general and just present him -- I'm not going 9 to be particularly long with Mr. Compton, maybe 20 or 10 30 minutes, so I would address -- he just finished on 11 this, I plan on asking Mr. Compton questions on this 12 and I'll address that now, or I will just pick up 13 tomorrow. I'll be done within 30 to 45 minutes 14 tomorrow, so I'm not sure we are saving much time by 15 going right now. 16 MR. HERMAN: I don't have any objection 17 to you starting tomorrow if that's what you want. 18 ARBITRATOR LYON: Well, I just have one 19 or two. 20 ARBITRATOR FAULKNER: Sure. Objections 21 or questions? 22 ARBITRATOR LYON: Questions. 23 ARBITRATOR FAULKNER: Okay. Proceed. 24 ARBITRATOR LYON: Do you have any tests 25 that show that Lance Armstrong took any performance</p>	<p style="text-align: right;">Page 986</p> <p>1 subject -- 2 ARBITRATOR LYON: Okay. 3 THE WITNESS: -- that have been entered 4 as an exhibit, so I would like to look at it. 5 ARBITRATOR LYON: Correct me if I'm 6 wrong, but that conversation between LeMond and 7 Mr. Armstrong, did that occur in 2000? 8 THE WITNESS: August of 2001, after the 9 conclusion of the 2001 Tour de France. 10 ARBITRATOR LYON: Okay. All right. I 11 don't have any other questions. 12 THE WITNESS: No, I would like to 13 complete the answer to my question. 14 MR. TILLOTSON: If you'll turn to our 15 Exhibit 31. 16 ARBITRATOR LYON: Well, if you want to 17 look at it overnight -- 18 MR. TILLOTSON: Yeah, I apologize, 19 Senator. He -- in anticipation of questions like that 20 from Mr. Herman he attempted to compile notes 21 regarding his investigation so he could quickly refer 22 to that. That's what he's referring to. 23 ARBITRATOR LYON: What page is that, what 24 document? 25 MR. TILLOTSON: It would be the</p>

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1 Respondents' Exhibit 31.
2 Chris, if you'll look at it, I can ask
3 you this question tomorrow if there's anything you
4 wish to add, if that's okay.
5 ARBITRATOR FAULKNER: That's fine.
6 MR. TILLOTSON: Thank you.
7 ARBITRATOR FAULKNER: Is that it?
8 MR. TILLOTSON: That's it.
9 ARBITRATOR FAULKNER: Okay. We will
10 resume at 9:00 in the morning.
11 (Proceedings adjourned at 4:55 p.m.)
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1 STATE OF TEXAS)
2 COUNTY OF DALLAS)
3
4 I, Nancy P. Blankenship, Certified Shorthand
5 Reporter, in and for the State of Texas, certify that
6 the foregoing proceedings were reported
7 stenographically by me at the time and place
8 indicated.
9 Given under my hand on this the 26th day of
10 January, 2006.
11
12
13
14
15

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