



September 2, 2004

CONFIDENTIAL FOR THE
CEO OF TAILWIND SPORTS
VIA OVERNIGHT MAIL ONLY

Mr. William Stapleton, III
CEO Tailwind Sports
98 Sai Jacinto #430
Austin, TX 78701

Re: SCA Contract #31122

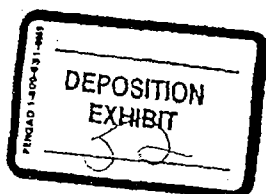
Mr. Stapleton,

I am writing to you in connection with SCA Contract #31122 between SCA and Tailwind Sports, as the successor in interest to Disson Furst Partners. SCA's knowledge of published allegations regarding Lance Armstrong require SCA to conduct an extensive investigation regarding your claims under SCA Contract #31122.

In order to satisfactorily investigate the situation in a timely fashion, we require the full cooperation of at least Lance Armstrong, Tailwind Sports, US Postal Service, Disson Furst, Capital Sports Entertainment, as well as any related or affiliated individuals or entities. This request includes any predecessor or successor entities to those listed in the previous sentence.

Our initial requirements for cooperation and information include access to Armstrong's drug testing records and attendant procedures, his complete medical history (including identity of treating physicians and medical facilities), records of past bonus awards (quotes, placements, and/or receipts), as well as all contracts entered into between any individuals or entities related in any manner to the subject of this investigation. This is intended to encompass, without limitation:

- Execution of valid medical authorizations/releases by Armstrong, to facilitate SCA's access to medical records and test results.
- No less than all contracts of any kind between and among any of the individuals and entities cited in the second paragraph.



CONFIDENTIAL

SCA 000061

Capital Sports Entertainment

Page 2 of 2

9/2/2004

This letter is not intended by SCA to avoid its obligations under SCA Contract #31122. Accordingly, because our investigation will exceed the contractually allocated 30 business days for reimbursement, we will deposit five million dollars into a J.P. Morgan custodial account on September 3, 2004, or as soon as practicable thereafter. The account shall remain in place for a reasonable period of time, which shall be not less than ninety days except upon the earlier resolution of this matter.

If you believe a face-to-face meeting would help to expedite the process and prevent any misunderstandings regarding the subject of this letter, I am available to meet with you subject to our mutual location and scheduling convenience. Please note that I will be physically unavailable from September 6 through September 18 due to travel commitments. However, as I will regularly check my voice mail while away, I ask that you leave any messages regarding the foregoing on my private voicemail at 214-860-3701.

Very truly yours,



Robert D. Hamman
President/CEO SCA Promotions Inc.

CONFIDENTIAL

SCA 000062

TEMPLE & TEMPLE
ATTORNEYS-AT-LAW
SUITE 1510
400 WEST 15TH STREET
AUSTIN, TEXAS 78701

LARRY TEMPLE
J. LAWRENCE TEMPLE

PHONE: 512/471-4467
FAX: 512/471-4478

September 3, 2004

Via Facsimile - (214) 860-3723
And Certified Mail - 7004 1160 0007 3145 2522
Return Receipt Requested

Mr. Robert D. Hamman
President/CEO
SCA Promotions, Inc.
8300 Douglas Avenue
6th Floor
Dallas, Texas 75225

Re: Lance Armstrong; SCA Contract #31122

Dear Mr. Hamman:

I am general counsel for Capital Sports & Entertainment, Inc. ("CSE"), the company that represents Lance Armstrong. This letter is in response to your September 2, 2004 letter to Bill Stapleton.

CSE expects SCA Promotions, Inc. to pay the \$5,000,000.00 which it is legally obligated to pay Lance Armstrong. SCA has no justification for withholding the payment. The insurance policy in question requires SCA to pay \$5,000,000.00 if Lance Armstrong wins the Tour de France in 2001-04, and Mr. Armstrong accomplished that feat. There are not other requirements that Mr. Armstrong must satisfy for the bonus to be earned.

CSE and Tailwind Sports Corp. have cooperated with your company in providing the information you previously requested. However, the items you requested in your letter are completely irrelevant to the issue of whether Mr. Armstrong has earned his bonus. SCA is not entitled to Mr. Armstrong's medical records nor is it entitled to the contracts between the various parties you requested. The only pertinent fact is that Mr. Armstrong satisfied the conditions in SCA Contract #31122. There is absolutely no indication that the governing body of the Tour de France is even considering questioning the validity of Mr. Armstrong's victories.

CSE, Tailwind Sports Corp., and Mr. Armstrong expect that SCA will pay the \$5,000,000.00 it owes by the end of the business day on Wednesday, September 8, 2004.

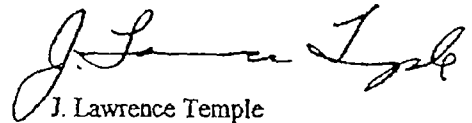
SCA 000042

If that has not occurred, not only will we consider all our legal alternatives, but we are fully prepared to consider public relations alternatives, including releasing a press release on SCA's refusal to pay the amount it owes. We have no desire to take any legal or public relation actions, but after cooperating with SCA since Mr. Armstrong's Tour de France victory in July, we believe it is imperative that Mr. Armstrong receives the bonus to which he is entitled.

Although we are about to begin a holiday weekend, I will remain available to discuss this matter with you. I can be reached on my mobile number, which is (512) 423-6345.

I look forward to SCA's cooperation in this matter.

Yours very truly,



J. Lawrence Temple

SCA 000043



September 7, 2004

J. Lawrence Temple, Esq.
Temple & Temple
Suite 1510
400 West 15th Street
Austin, Texas 78701

Dear Mr. Temple,

I am confused by your September 3, 2004, letter to CEO President/ CEO Robert Hamman. First, it appears to presume a direct contractual relationship between SCA Promotions Inc. ("SCA") and Lance Armstrong. This would be news to us as such a relationship appears nowhere on the face of the documents in our possession. Consistent therewith, your letter demands immediate payment of \$5 million to Lance Armstrong. SCA Contract #31122 (Contract) memorializes obligations between SCA and Disson Furst Partners ("Disson Furst") and we were previously informed that Tailwinds Sports Corp. ("Tailwinds") is the successor-in-interest to Disson Furst with respect to any and all obligations under the Contract. Please provide written confirmation if it is your assertion that Lance Armstrong is replacing Disson Furst/Tailwinds as the contracting party under the Contract subject to any and all obligations and defenses related thereto.

Second, your letter suggests that unless the Tour de France expressly revokes Armstrong's title, SCA's obligation to pay \$5 million in the present year "if Lance Armstrong wins the Tour de France in 2001-04" would be unmodified by findings that he employed forbidden performance enhancing substances or processes. If that is your assertion, we respectfully disagree. Further, it is our view that proof of the use of banned substances or processes might entitle us to recover any prior amounts paid to Disson Furst/Tailwinds, or Lance Armstrong, under the Contract.

For the avoidance of any misunderstanding, we consider it our right and obligation to any third parties who may have participated in the underwriting of this risk to thoroughly investigate the facts and circumstances related to Disson Furst/Tailwinds/Lance Armstrong's claim for payment under the Contract. The purpose is to ensure that the terms of the Contract have been complied with in good faith and fair dealing and to be assured that any and all material representations made at the time of contract formation, and upon which we relied, were true and materially complete. Before we release any of the money that has been deposited in the

SCA 000063

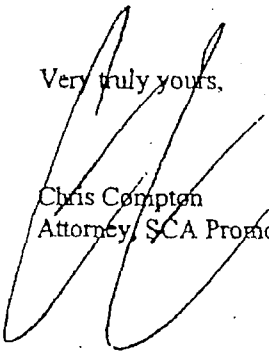
Letter to J. Lawrence Temple
Page 2 of 2
September 7, 2004

custodial account set aside for this purpose, as described in my previous letter to Mr. Stapleton. We will necessarily have to complete our investigation. We hereby restate our demand for the cooperation of the relevant parties.

It is our belief that Lance Armstrong would be well served by a quiet, confidential, but thorough investigation that puts to bed the rumors and innuendo laden commentary that has arisen over the past several months with respect to his current and past performance in cycling. This is our intent. If you prefer that the investigation not be confidential, but be illuminated by the spotlight of publicity, we will defer to your choice. For example, you did reference your potential use of "public relations alternatives" in your putative dispute with SCA. It appeared from your letter that this would be intended as punitive strategy. If so, we would caution you to ensure that: 1) it is not defamatory; and 2) it serves your own client's best interests. As you well know, public relations strategies, like brush fires, can take on a life of their own and do not always follow the intended path.

Please advise me at your earliest convenience as to how you wish to proceed with this matter. As discussed this morning by phone, we await confirmation of the scheduling of a face-to-face meeting.

Very truly yours,



Chris Compton
Attorney, SCA Promotions Inc.

SCA 000064



SCA PROMOTIONS, INC.
8300 Douglas Ave., Suite 625
Dallas, Texas 75225
Phone: 214-860-3700
Fax: 214-860-3740

FAX COVER SHEET

DATE: September 7, 2004
To: J. Lawrence Temple
FAX: 512 477 4478
FROM: Chris Compton
REFERENCE:
NUMBER OF PAGES: 3
COMMENTS:

We are expecting confirmation from you of a Friday or Tuesday meeting in Dallas.

Attached find: 1) a letter in response to your letter of September 3, 2004, and 2) proof of the deposit of \$5m with JP Morgan.

A handwritten signature in black ink, appearing to be 'C. Compton', written over the bottom right portion of the page.

SCA 000065

*** TX REPORT ***

TRANSMISSION OK

TX/RI NO	1761	
CONNECTION TEL		915124774478
SUBADDRESS		
CONNECTION ID		
ST. TIME	09/07 16:36	
USAGE T	01'43	
PGS. SENT	5	
RESULT	OK	



SCA PROMOTIONS, INC.
8300 Douglas Ave., Suite 625
Dallas, Texas 75225
Phone: 214-860-3700
Fax: 214-860-3740

FAX COVER SHEET

DATE: September 7, 2004
To: J. Lawrence Temple
FAX: 512 477 4478
FROM: Chris Compton
REFERENCE:
NUMBER OF PAGES: 3
COMMENTS:

SCA 000066

FROM

(TUE) 9. 7. 04 15:51:ST. 50/NO 4851892655 P 1



Amy C. Perkins
Vice President

September 7, 2004

(Via Facsimile 214-860-3740)

Mr. Tom Floerchinger
SCA Promotions, Inc.
8300 Douglas
Suite 625
Dallas, Texas 75225

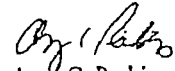
RE: SCA PROMOTIONS, INC INCENTIVE CONTRACT CUSTODY
GP #10209473

Dear Tom:

Please be advised that J. P. Morgan Trust Company, National Association in its capacity as Custodian for the above referenced Custody Agreement hereby confirms that funds on deposit total \$5,000,000. Attached is a copy of the Trust holdings report for this account.

If you have any questions, please feel free to contact me.

Sincerely,


Amy C. Perkins

enc

J.P. Morgan Trust Company, N.A. Institutional Trust Services • 2200 Ross Avenue, 6th Floor, Dallas, TX 76102

Telephone: 214 965 2106 • Facsimile: 214 965 2082

amy.c.perkins@jpmorgan.com

SCA 000067

Herman Howry & Breen
LLP

1900 Pearl Street
Austin, Texas 78705-5408
(512) 474-7300
(512) 474-8557 Fax

Timothy J. Herman

Direct Dial: (512) 474-9483
E-MAIL: therman@hermanhowry.com

September 8, 2004

Via Fax: (214) 860-3723

Mr. Robert D. Hamman
President/CEO
SCA Promotions, Inc.
8300 Douglas Avenue, 6th Floor
Dallas, Texas 75225

RE: Tailwind Sports Corp. – SCA Contract No. 31122

Dear Mr. Hamman:

I represent Capital Sports and Entertainment, Inc. ("CSE"), Tailwind Sports, Corp. ("Tailwind"), and Lance Armstrong ("Armstrong") regarding the transactions and occurrences related to SCA Contract No. 31122 and giving rise to the DTPA claims set out below. Please insure that all further correspondence and communications are made to me.

As you will recall, on or about June 9, 2001, SCA Promotions, Inc. ("SCA") issued its Contingent Prize Contract No. 31122 (the "Insurance Contract"), including the exhibits thereto. Under the terms of that Contract, issued in exchange for payment of the consideration of \$420,000.00, which was paid and accepted by SCA, SCA undertook the unconditional obligation to indemnify Disson Furst and Partners (now know as Tailwind Sports Corp. and now the indemnitee pursuant to Addendum A to the Insurance Contract and dated July 16, 2003) in the event the Designated Cyclist Professional (Armstrong) won any performance award scheduled thereunder. SCA's unconditional obligations, upon Mr. Armstrong having won the 2001, 2002, 2003, and 2004 Tour de France events, was to pay, within 30 business days following the end of the 2004 Tour de France the sum of \$5,000,000.000 in cash. That sum became due and owing on September 3, 2004.

Mr. Armstrong is the official winner of the 4 events necessary to earn his \$5,000,000.00 performance award. Tailwind is obligated to pay the \$5,000,000.00 and proper demand has been made upon you for the payment of such sum. There are no other conditions, precedent or otherwise, to the obligation of SCA to immediately perform, i. e. pay the \$5,000,000.00. However, SCA has thus far failed and refused to make payment of such award; if you contend that Mr. Armstrong did not win the 2004 Tour de France or that Tailwind is not contractually obligated to pay him, please notify us immediately of the basis of such a position. As noted above, there are no other conditions or obligations upon Tailwind or Mr. Armstrong in order to trigger your obligation to pay. in breach of the terms and conditions of Contract No. 31122.

SCA 000045

Page 2

September 8, 2004

Rather than remit the full sum of such award as clearly required under the terms of the Contract, you requested, by letter dated September 2, 2004, a broad range of documents and information which are immaterial to the clear contractual obligation of SCA to pay the \$5,000,000.00; have nothing to do with Mr. Armstrong's undisputed victory in the 2001-2004 events; and deal with issues which have been fully addressed by those whose responsibility it is to address them. Your requests for extensive documents and information are not proper, explicitly or implicitly, under the terms of the Insurance Contract. Thus, no such information or documents will be provided.

The Insurance Contract contains a provision for arbitration and such arbitration will be instituted on Monday, September 13, 2004, if, as set out in more detail hereafter, this matter is not fully and finally resolved by the close of business on Friday, September 10, 2004.

SCA's conduct and the transactions and occurrences in question constitute violations of the Deceptive Trade Practices-Consumer Protection Act (DTPA) and, as specifically described below, constitute unconscionable acts and violations of Article 21.21 of the Texas Insurance Code.

As a consequence of SCA's acts and/or omissions, Tailwind and Armstrong are entitled to recover from you economic damages. Moreover, it is my clients' collective belief that you acted knowingly and intentionally, as those terms are used in Section 17.50(b)(1) of the DTPA. As a consequence of your knowing and intentional acts and/or omissions with regard to the Insurance Contract, Tailwind and Armstrong are entitled to recover from SCA not only the contract proceeds and other actual damages, but additional multiple, punitive or exemplary damages, as well.

SCA's conduct has violated the specific provisions or "laundry list" violations contained in the DTPA as follows:

1. SCA represented that the Insurance Contract had sponsorship, approval, characteristics, ingredients, uses, or benefits which it did not have;
2. SCA represented that the goods and services sold were of a particular standard, quality, grade, or style when, in fact, they were of another;
3. SCA advertised goods or services with intent not to sell as advertised;
4. SCA represented that the Insurance Contract conferred or involved rights, remedies, or obligations which it did not have;
5. SCA failed to disclose information concerning goods or services which were known to SCA at the time of the transaction with the intent to induce Tailwind into a transaction into which Tailwind would not have entered had the information been disclosed.

SCA's conduct has likewise violated the DTPA because SCA's conduct took advantage of Tailwind's and Armstrong's lack of knowledge, ability, experience or capacity to

SCA 000046

Page 3

September 8, 2004

a grossly unfair degree and such conduct was unconscionable under the terms of the DTPA.

SCA's conduct has also violated the DTPA constituting the following described unfair methods of competition and unfair and deceptive acts or practices in the business of insurance as itemized in Section 4 of Article 21.21 of the Texas Insurance Code:

1. Misrepresentation and false advertising of insurance policy contracts;
2. False information and advertising generally;
3. Using a deceptive name, word, symbol, device, or slogan;
4. Misrepresenting an insurance policy; and
5. Engaging in unfair settlement practices.

As noted above, SCA has engaged in the forgoing conduct knowingly and intentionally and thus, in addition to Tailwind's and Armstrong's economic damages, Tailwind and Armstrong are entitled to recover additional or exemplary damages. The recovery of exemplary or punitive damages is also permitted as an appropriate remedy for the fraud, misrepresentation, negligent misrepresentation and malice which accompanied SCA's conduct as set forth above.

It is absolutely essential that these matters be resolved immediately and it is clear, (subject to upward revision, as further damages accumulate) that the conduct of SCA has damaged Tailwind and Armstrong in a minimum amount of actual damages totaling \$5.0 million. Demand is hereby made upon SCA for the immediate payment of the sum of \$5.0 million, plus attorney's fees in the amount of \$7,500.00. In the event that these claims are not resolved without the necessity of filing and prosecuting lawsuit or arbitration proceedings against you, my clients will incur substantial additional damages, attorney's fees and costs at the ultimate disposition of any such lawsuit or arbitration. These additional damages will include harm to Mr. Armstrong's reputation and market value as the result of SCA raising the scurrilous, unsubstantiated and slanderous issues made the subject of your illegal request for information.

This demand letter is sent to you for the purpose of notifying you that my clients have claims against you and, in good faith, inform you that my clients will pursue their fraud, misrepresentation and negligent misrepresentation claims if this matter is not resolved through the prompt payment in certified funds or wire transfer the sum of \$5,007,500.00 by the close of business on Friday, September 10, 2004. Further, as to the DTPA claims, Tailwind and Armstrong will pursue those claims if the matter is not satisfactorily resolved within the next 60 days, as provided by statute. Please keep in mind that attorney fees will continue to accumulate, as will the time value of money and other consequential damages as the result of your withholding funds rightfully the property of my clients.

SCA 000047

Page 4
September 8, 2004

Very truly yours,



Timothy J. Herman

TJH/jkm

SCA 000048

FAX...FAX...FAX...FAX...FAX

HERMAN, HOWRY & BREEN, L.L.P.

1900 Pearl Street
Austin, Texas 78705-5408
(512) 474-7300
(512) 474-8557 Fax

September 8, 2004

0657.099

PLEASE DELIVER TO: Mr. Robert D. Hamman

Fax: 214-860-3723

FAX FROM: Timothy J. Herman

TOTAL PAGES: 5
(Including Cover Page)

Comment:

CONFIDENTIALITY NOTICE: The information contained in this facsimile transmission is confidential and privileged attorney/client information intended only for the addressee above. Persons delivering this communication to the addressee are hereby notified not to read the accompanying information. Any further dissemination or divulging of this communication, or any part thereof, is prohibited. If you have received this transmission in error, please notify us immediately by telephone & return the original transmission to the above address by U. S. Mail. You will be reimbursed reasonable expenses upon request. Thank you.

SCA 000049

214-700-0476
TEMPLE & TEMPLE
ATTORNEYS-AT-LAW
SUITE 1510
400 WEST 15TH STREET
ACQUIN, TEXAS 78701

LAWYER
J. LAWRENCE TEMPLE

PHONE 512/477-4467
FAX 512/477-4678

FAX COVER SHEET

DATE: September 3, 2004
TO: Mr. Robert D. Hamman
President/CEO
SCA Promotions, Inc.
Fax Number: (214) 860-3723
FROM: J. Lawrence Temple
COMMENTS:

Number of Pages Including this Page: 3

IF YOU DO NOT RECEIVE ALL PAGES, PLEASE CALL 512/477-4467.

Confidentiality Notice: This facsimile contains confidential information which may also be legally privileged and which is intended only for the use of the addressee(s) named above. If you are not the intended recipient, or the employee or agent responsible for delivering it to the intended recipient, you are hereby notified that any dissemination or copying of this facsimile, or the taking of any action in reliance on the contents of this telecopied information, may be strictly prohibited. If you have received this facsimile in error, please notify us immediately by telephone and return the facsimile to us at the above address via the U.S. Postal Service. Thank you.

Amy Parsons

SCA 000044



September 10, 2004

Via Fax (512-474-8557)
Timothy J. Herman, Esq.
Herman Howry & Breen
1900 Pearl Street
Austin, Texas 78705-7300

Re: SCA Contract No. 31122

Dear Mr. Herman:

I am in receipt of your letter to Robert D. Hamman dated September 8, 2004. Please be advised that I am in-house counsel to SCA Promotions Inc. ("SCA") and that all further communications regarding this matter are to be directed to me until further notice. Note that in my absence you are welcome to speak with John Bandy, also in-house counsel for SCA. We request your use of my direct fax at 214 860 3413. Mr. Hamman will make himself available to speak to Mr. Stapleton, if desired. However, Mr. Hamman is unavailable to meet in person before at least September 19th.

At the outset, we have not refused to honor the Contract. As you well know, we have timely made all payments required under the Contract in consequence of Mr. Armstrong's prior Tour de France victories. However, given the enormous amount of recent publicity and the various allegations that have recently arisen questioning the legitimacy of Mr. Armstrong's Tour de France performances, it is incumbent upon SCA to investigate the truth of such allegations in order to safeguard our own interests and those of our risk takers.

Your implications notwithstanding, our present obligation under the Contract would be affected by a determination that Mr. Armstrong used banned drugs or processes to enhance his performance in the Tour de France or by determination that your client(s) made material misrepresentations or omissions upon which SCA was intended to rely. Neither are we precluded from seeking to recover prior year payments on the basis of newly discovered information that calls into question the legitimacy of past victories. At this time, we are not prepared to allege either because we are attempting to investigate.

Your clients' refusal to cooperate in an investigation is difficult to understand. If the allegations that have been recently publicized are not substantiated, our investigation could

SCA 000069

effectively mute the "noise" surrounding Mr. Armstrong and could avoid unnecessary tarnish to his personal and commercial image in the public eye.

You allege that SCA raised "scurrilous, unsubstantiated and slanderous issues" that were the subject of our "illegal request for information." To the contrary, in light of the recent publications, our request for information is reasonable and to be expected. Moreover, defamation requires publication, and we have, to this point, gone to great pains to avoid that. Your clients, on the other hand, have threatened to use the public relations "weapon" against us. Clearly, we could not be liable in any court for your own publication of "scurrilous, unsubstantiated, and slanderous issues."

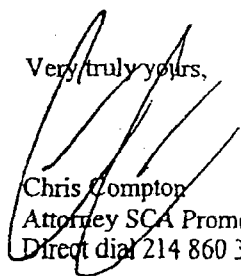
We have been informed and believe that a representative of CSE approached a third party and asserted that SCA was avoiding payment of a valid obligation without justification. We ask you to immediately notify your clients to refrain from any further activity of this sort or we will seek to recover all damages attributable to such defamation *per se*, independently of any action on the Contract.

Next, although you purport to provide notice of DTPA claims, your letter merely describes an alleged breach of contract, leaving us unable to respond constructively. To the extent that you believe that there is conduct, separate and apart from the alleged breach of contract, which gives rise to DTPA claims and to the extent that the DTPA may be applicable to the claims at issue here, please state in reasonable detail the facts giving rise to your specific complaints. For the avoidance of doubt and unfair surprise, please take note that in the event the allegations as to Mr. Armstrong's conduct are proven and to the extent that the DTPA may apply to the matters at issue here, it is our intent to state claims under the DTPA against your clients and we will provide each of them proper notice at such time as it becomes appropriate.

Nevertheless, as we have stated previously on numerous occasions, we are anxious to work with your clients to bring this matter to an amicable resolution and do not believe that precipitous litigation or hyperbolic correspondence among attorneys will effectively resolve matters in our respective clients' best interests.

I hope to hear from you shortly as to how we can cooperate to resolve this matter in a fair and expeditious manner.

Very truly yours,


Chris Compton
Attorney SCA Promotions Inc.
Direct dial 214 860 3729

SCA 000070



SCA PROMOTIONS, INC.
8300 Douglas Ave., Suite 625
Dallas, Texas 75225
Phone: 214-860-3700
Fax: 214-860-3740

FAX COVER SHEET

DATE: September 10, 2004

To: Timothy J. Herman

FAX: 512 474 8557

FROM: Chris Compton

REFERENCE:

NUMBER OF PAGES: 3

COMMENTS:

See attached

SCA 000071