



CAPITAL SPORTS & ENTERTAINMENT

Dear Colleagues:

I have been fortunate enough to be a part of one of the greatest stories in sports history. Lance Armstrong, a client for almost 10 years, earned a record-setting sixth Tour de France victory in July of 2004, a feat no other cyclist has accomplished. This achievement, along with his inspirational story of cancer survivorship, has made his story transcend sport and culture.

With his achievement comes reward, including an incentive bonus structure common in our industry. Lance's bonus structure was put in place in 2001 by his team as an extra incentive for him to win six Tours de France, all in a row. At the time, the idea seemed far fetched: he had only won two and he had to win four more to get this year's bonus of \$10 million.

The bonuses were insured by three companies including SCA, a Dallas-based company that is responsible for \$5 million of the payment to Lance. Two other companies, Chubb and Lloyd's, promptly sent payment along with congratulations and kudos to Lance. We thank them. The day SCA's payment was due, however, we instead received a letter stating they would refuse to pay pending an "investigation" into drug allegations against Lance.

The agreement is simple and clear: If Lance achieves six victories, he is paid his performance award. There is simply no question about the "validity" of Lance's victory, and it has been confirmed by the organizers of the Tour de France and by the Union Cycliste International (UCI), the international governing body of cycling. SCA's failure to pay the final installment of its policy is a shameful and baseless breach of contract. Lance's 2002 and 2003 performance awards were insured under the same contract and, upon his victories, the sums were paid by SCA as required.

On Sept. 23, an SCA attorney stated in USA Today and Fox Sports, "We've requested drug test (results) to disprove the allegations—clean test results that should be easily attainable. We're not planning on releasing them to the media or doing anything other than verifying that they exist."

The truth of the matter is that on August 16, 2004, we provided SCA CEO Bob Hamman with documentation from the UCI that included all of the data on the actual testing protocols, consisting of 52 detailed pages, and the following statement from Christian Varin, the UCI's anti-doping manager:

"I confirm that Mr. Lance Armstrong was tested several times and all of the laboratory results were negative. I would also point out that the tests are performed in collaboration with the French Ministry of Sport. The laboratory is a "WADA accredited" (World Anti-Doping Agency) laboratory (Claténay - Malahry (FRA)). This year, we proceeded to urrine anti-doping tests and blood antidoping tests. Mr. Armstrong was submitted to both kinds of tests. Also, all the test results are managed by another French independent body: The CPLD (Conseil de Lutte et de Prévention du Dopage) according to French legislation. As a conclusion, I reiterate the fact that Mr. Lance Armstrong was tested several times and that all results were negative."

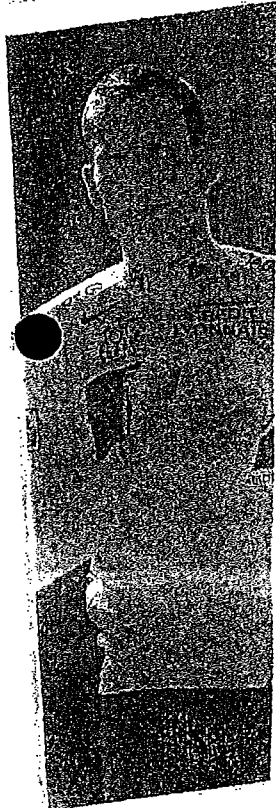
Contrary to SCA's disingenuous and self-serving quote, SCA is not simply interested in valid and authenticated "testing results", as they say. We have already provided these. The truth is, SCA has demanded free and unlimited access to "every medical record and medical provider of Mr. Armstrong; his complete medical history; all records of all Armstrong's past bonus awards; and all contracts involving Armstrong, Tailwind, US Postal Service, Capitol(sic) Sports & Entertainment, Disson Furst, and all related entities and individuals." Even if SCA did have any legitimate interest in the drug and doping test results, 99 percent of what SCA has demanded would have no relevance and, further, reveals the falsity of its statements.

Unfortunately, it appears that SCA is changing the rules when it is time to fulfill its obligation. The SCA Web site states: "The concept behind Performance Coverage is simple: offer a professional athlete a cash bonus for an outstanding performance. When the athlete meets the stated mark, SCA funds the bonus in full and promptly." We met our "mark," and the bonus should be promptly paid — as advertised.

Sincerely,

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CEO, Capital Sports & Entertainment

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