UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2014

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 001-33998

CHURCHILL DOWNS INCORPORATED

(Exact name of registrant as specified in its charter)

Kentucky	**61-0156015**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**
600 North Hurstbourne Parkway, Suite 400 Louisville, Kentucky 40222	**(502) 636-4400**
(Address of principal executive offices) (zip code)	**(Registrant's telephone number, including area code)**

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, No Par Value	**The NASDAQ Stock Market LLC**
(Title of each class registered)	**(Name of each exchange on which registered)**

Securities registered pursuant to Section 12(g) of the Act:

None
(Title of class)

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o No x

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

As of February 20, 2015, 17,632,693 shares of the Registrant's Common Stock were outstanding. As of June 30, 2014 (based upon the closing sale price for such date on the NASDAQ Global Market), the aggregate market value of the shares held by non-affiliates of the Registrant was $1,177,242,546.

Portions of the Registrant's Proxy Statement for its Annual Meeting of Shareholders to be held on April 23, 2015 are incorporated by reference herein in response to Items 10, 11, 12, 13 and 14 of Part III of Form 10-K. This Form 10-K filing includes 120 pages, which includes an exhibit index on pages 117-120.

CHURCHILL DOWNS INCORPORATED
INDEX TO ANNUAL REPORT ON FORM 10-K
For the Year Ended December 31, 2014

PART I

ITEM 1. BUSINESS

A. Introduction

Churchill Downs Incorporated (the "Company") is a diversified provider of pari-mutuel horseracing, online account wagering on horseracing and casino gaming. We are also one of the world's largest producers and distributors of online and mobile casual games. Our principal executive offices are located at 600 North Hurstbourne Parkway, Suite 400, Louisville, Kentucky, 40222.

We manage our operations through five operating segments as follows:

1. Racing, which includes:

    - Churchill Downs Racetrack ("Churchill Downs") in Louisville, Kentucky, an internationally known thoroughbred racing operation and home of the Kentucky Derby since 1875;
    - Arlington International Race Course ("Arlington"), a thoroughbred racing operation in Arlington Heights along with ten off-track betting facilities ("OTBs") in Illinois;
    - Fair Grounds Race Course ("Fair Grounds"), a thoroughbred and quarterhorse racing operation in New Orleans along with twelve OTBs in Louisiana; and
    - Calder Race Course ("Calder"), a thoroughbred racing facility in Miami Gardens, Florida, where as of July 1, 2014, we ceased pari-mutuel operations, except for limited operations conducted by a third party.

2. Casinos, which includes:

    - Oxford Casino ("Oxford") in Oxford, Maine, which we acquired on July 17, 2013. Oxford operates approximately 860 slot machines, 26 table games and various dining facilities;
    - Riverwalk Casino Hotel ("Riverwalk") in Vicksburg, Mississippi, which we acquired on October 23, 2012. Riverwalk operates approximately 690 slot machines, 15 table games, a five story, 80-room attached hotel, multi-functional event center and dining facilities;
    - Harlow's Casino Resort & Spa ("Harlow's") in Greenville, Mississippi, which operates approximately 750 slot machines, 13 table games, a five-story, 105-room attached hotel, multi-functional event center, pool, spa and dining facilities;
    - Calder Casino, a slot facility in Florida adjacent to Calder, which operates approximately 1,130 slot machines and included a poker room branded "Studz Poker Club" which ceased operations on June 30, 2014;
    - Fair Grounds Slots, a slot facility in Louisiana adjacent to Fair Grounds, which operates approximately 620 slot machines;
    - Video Services, LLC ("VSI"), the owner and operator of approximately 710 video poker machines in southeast Louisiana which are located within ten of our OTBs; and
    - Our equity investment in Miami Valley Gaming, LLC ("MVG"), a 50% joint venture harness racetrack and video lottery terminal facility in Lebanon, Ohio, which opened on December 12, 2013. MVG has approximately 1,580 video lottery terminals, a racing simulcast center and a harness racetrack.

3. TwinSpires, which includes:

    - TwinSpires, an Advance Deposit Wagering ("ADW") business that is licensed as a multi-jurisdictional simulcasting and interactive wagering hub in the state of Oregon;
    - Fair Grounds Account Wagering ("FAW"), an ADW business that is licensed in the state of Louisiana;
    - Velocity, a business that is licensed in the British Dependency Isle of Man focusing on high wagering-volume international customers;
    - Bloodstock Research Information Services ("BRIS"), a data service provider for the equine industry;
    - Our equity investment in HRTV, LLC ("HRTV"), a horseracing television channel, which was divested on January 2, 2015; and
    - Luckity, an ADW business that offered real-money online bingo with outcomes based on and determined by pari-mutuel wagers on live horseraces which ceased operations during the fourth quarter of 2014.

4. Big Fish Games, Inc. ("Big Fish Games") which:

- Is headquartered in Seattle, Washington with locations in Oakland, California and Luxembourg, which we acquired on December 16, 2014. Big Fish Games is a producer of premium paid, casual free-to-play and casino-style games for PCs and mobile devices.

5. Other Investments, which includes:

- United Tote Company and United Tote Canada (collectively “United Tote”), which manufactures and operates pari-mutuel wagering systems for racetracks, OTBs and other pari-mutuel wagering businesses;

- Capital View Casino & Resort, a 50% joint venture with Saratoga Harness Racing, Inc. ("SHRI") formed to bid on the development and management of a destination casino and resort in the Capital Region of New York;

- Bluff Media ("Bluff"), a multimedia poker content brand and publishing company, which we acquired on February 10, 2012; and

- Our other minor investments.

B. Acquisition, Development & Disposal Activity

Big Fish Games

On December 16, 2014, the Company completed the acquisition of Big Fish Games for upfront consideration of $485 million plus a working capital adjustment with an earnout payment of up to $350 million. Big Fish Games, headquartered in Seattle, Washington, with offices in Oakland, California and Luxembourg, employs approximately 580 employees and develops casual games for PCs and mobile devices worldwide. Big Fish Games operates in three business lines: premium paid, casino and casual free-to-play. The Company acquired Big Fish Games to leverage its casino and casual game experience, as well as its assembled workforce, and to position itself as a leader in the mobile and online games industry. The Company financed the upfront consideration for the acquisition with borrowings under its Amended and Restated Credit Agreement (the “Senior Secured Credit Facility”) and a $200 million Term Loan Facility (“Term Loan”) added to its existing Senior Secured Credit Facility.

Saratoga Harness Racing, Inc. Joint Ventures

On May 13, 2014, the Company entered into a 50% joint venture with Saratoga Harness Racing, Inc. ("SHRI") to bid on the development, construction and operation of the Capital View Casino & Resort located in the Capital Region near Albany, New York. On June 30, 2014, the joint venture filed an application with the New York State Facility Location Board to obtain a license to build and operate a facility with approximately 1,500 slot machines, 56 table games, a 100-room hotel and multiple entertainment and dining options. On December 17, 2014, the New York State Facility Location Board recommended that the Capital Region license be granted to another bidder.

During the year ended December 31, 2014, the Company incurred $1.0 million in equity losses in its other investments segment associated with the license application process and funded $3.3 million to the joint venture. Due to the result of the bidding process, we recorded an impairment loss of $1.6 million to reduce the value of the Company's investment in the joint venture to its estimated fair market value of $1.1 million.

On October 28, 2014, the Company signed a definitive purchase agreement to acquire a 25% ownership interest in Saratoga Casino Holdings, LLC ("SCH"), a newly formed entity which owns Saratoga Casino and Raceway in Saratoga Springs, NY; SHRI's controlling interest in Saratoga Casino Black Hawk in Black Hawk, Colorado; SHRI's 50% interest in a joint venture with Delaware North Companies to manage the Gideon Putnam Hotel and Resort in Saratoga Springs, New York; its interest in the proposed Capital View Casino & Resort in East Greenbush, New York; and SHRI's interest in a joint venture with Rush Street Gaming to build the proposed Hudson Valley Casino and Resort in Newburgh, New York.

In addition, the Company signed a five-year management agreement pursuant to which it will manage Saratoga Casino and Raceway and Saratoga Casino Black Hawk. Both the funding of the equity investment and the commencement of the management agreement are subject to regulatory approval and licensing requirements in New York and Colorado.

Oxford

On July 17, 2013, the Company completed its acquisition of Oxford in Oxford, Maine for cash consideration of approximately $168.6 million. The transaction included the acquisition of a 25,000-square-foot casino with various dining facilities on approximately 130 acres of land. The acquisition continued the Company's diversification and growth strategies to invest in assets with rates of returns attractive to the Company's shareholders. The Company financed the acquisition with borrowings under its Senior Secured Credit Facility. During December 2013, Oxford continued an expansion of its facilities, adding an additional 46 slot machines and four table games. An additional twelve slot machines were added to the facilities during 2014.

Miami Valley Gaming Joint Venture

During March 2012, the Company entered into a 50% joint venture with Delaware North Companies Gaming & Entertainment Inc. ("DNC") to develop a new harness racetrack and video lottery terminal ("VLT") casino facility in Lebanon, Ohio.

Through the joint venture agreement, the Company and DNC formed a new company, MVG, to manage both the Company's and DNC's interests in the development and operation of the racetrack and VLT casino facility. During the years ended December 31, 2014, 2013 and 2012, the Company funded $14.6 million, $70.5 million and $19.9 million in capital contributions to the joint venture, respectively. On December 21, 2012, MVG completed the purchase of the harness racing licenses and certain assets held by Lebanon Trotting Club Inc. and Miami Valley Trotting Inc. for total consideration of $60.0 million, of which $10.0 million was funded at closing with the remainder funded through a $50.0 million note payable with a six-year term effective upon the commencement of casino operations. In addition, there is a potential contingent consideration payment of $10.0 million based on the financial performance of the facility during the seven-year period after casino operations commence.

On December 12, 2013, the new facility opened on a 120-acre site. The facility includes a 5/8-mile harness racing track and a 186,000-square-foot gaming facility with approximately 1,580 VLTs. MVG has invested approximately $204.6 million in the new facility, which includes a $50.0 million license fee.

Luckity ADW Operations

On November 4, 2014, we ceased operations of Luckity, our ADW business which offered real-money online bingo with outcomes based on and determined by pari-mutuel wagers on live horseraces. We determined that Luckity did not achieve the expected financial returns and was unlikely to significantly improve its results. During the fourth quarter of 2014, we recorded an impairment charge of $3.2 million for fixed assets specifically associated with Luckity. We do not expect to incur any additional, material expenditures in connection with ceasing operations.

Calder Racecourse

On July 1, 2014, we finalized an agreement with The Stronach Group ("TSG") under which TSG operates, at TSG's expense, live racing and maintains certain facilities used for racing and training at Calder. The agreement, which expires on December 31, 2020, includes a lease to TSG of Calder's racetrack and certain other racing and training facilities, including a portion of the barns on Calder's backside consisting of approximately 430 stalls. TSG will operate live horse racing at Calder under Calder's racing permits in compliance with all applicable laws and licensing requirements. TSG operates and maintains the racing and training facilities at Calder on a year-round basis. Furthermore, TSG is responsible for substantially all of the direct and indirect costs associated with these activities and receive the associated revenues. We continue to own and operate the Calder Casino.

As part of the agreement with TSG, effective July 1, 2014, we amended Calder's agreement with the Florida Horsemen's Benevolent and Protective Association, Inc. ("FHBPA") which reduced the rate of non-stakes purse supplements payable by the Calder Casino from 12 percent to 10 percent of slot machine revenue. Finally, we modified our HRTV operating and ownership agreement with TSG which resulted in the divestiture of the Company's interest in HRTV on January 2, 2015.

Bluff

Bluff, which we acquired in February 2012, operates a poker periodical, *BLUFF Magazine* and *BluffMagazine.com*; ThePokerDB, a comprehensive online database and resource that tracks and ranks the performance of poker players and tournaments; and various other news and content forums. During January 2015, we ceased the distribution of *BLUFF* Magazine in paper form and now distribute Bluff only electronically.

C. Racing

We conduct live horseracing at Churchill Downs, Fair Grounds and Arlington. The following is a summary of our significant live racing events, a description of our properties and our annual racing calendar.

The Kentucky Derby and the Kentucky Oaks, both held at Churchill Downs, continue to be our premier racing events offering minimum purses of $2.0 million and $1.0 million, respectively. The Kentucky Derby is the first race of the annual series of races for 3-year old thoroughbreds known as the Triple Crown. Our other significant stakes races include the Arlington Million at Arlington and the Louisiana Derby at Fair Grounds, each of which offers purses of approximately $0.8 million.

Churchill Downs

The Churchill Downs racetrack site and improvements (the "Churchill facility") are located in Louisville, Kentucky. Churchill Downs has conducted thoroughbred racing continuously since 1875 and is internationally known as the home of the Kentucky Derby. The Churchill facility consists of approximately 147 acres of land with a one-mile dirt track, a seven-eighths (7/8) mile turf track, a grandstand, luxury suites and a stabling area. The Churchill facility accommodates approximately 57,400 persons in our clubhouse, grandstand, Jockey Club Suites, Finish Line Suites, Grandstand Terrance, Rooftop Garden and Mansion. The Churchill facility also has a saddling paddock, accommodations for groups and special events, parking areas for the public, our

racetrack office facilities, and includes permanent lighting in order to accommodate night races. The stable area has barns sufficient to accommodate approximately 1,400 horses, a 114-room dormitory and other facilities for backstretch personnel. The Churchill facility also includes a simulcast wagering facility, "The Parlay", designed to accommodate 600 persons, which is Churchill Downs' simulcast wagering facility during the months outside of its live racing meets and houses the track's media operations in the weeks leading up to the Kentucky Derby, and a hospitality venue, "The Mansion". The Mansion, located on the sixth floor of the Clubhouse, is used primarily during the Kentucky Derby and Kentucky Oaks. The Mansion has accommodations for 296 guests and offers seating in its Dining Room, Living Room, Library, Parlor and Veranda. The Churchill facility opened the Grandstand Terrace and Rooftop Garden during the second quarter of 2014. This new area offers nearly 2,400 new seats and updated restrooms, wagering windows and food and beverage offerings. In the second quarter of 2014, the Churchill facility also completed the installation of a 15,224 square foot, state of the art high-definition video board, which provides an enhanced viewing experience for patrons. During the second quarter of 2015, the Churchill facility plans to open its new winner's circle suites and a courtyard. The winner's circle suites will include 20 private, open-air suites reserved specifically for Kentucky Derby and Oaks horsemen. The courtyard will be a spacious lawn area in front of the winner's circle suites.

To supplement the facilities at Churchill Downs, we provided additional stabling facilities sufficient to accommodate 500 horses and a three-quarter (3/4) mile dirt track at a facility known as Trackside Louisville. Trackside Louisville previously operated as a simulcast wagering facility until 2013, when it ceased operations. The simulcast wagering portion of the facility, a 100,000 square-foot property on approximately 88 acres of land, was razed during January 2015.

As part of financing improvements to the Churchill facility, during 2002, we transferred title of the Churchill facility to the City of Louisville, Kentucky and leased back the facility. Subject to the terms of the lease, we can re-acquire the facility at any time for $1.00.

Calder

The Calder racetrack and improvements (the “Calder facility”) are located in Miami-Dade County, Florida. The Calder facility is adjacent to Sun Life Stadium, home of the Miami Dolphins, and consists of approximately 231 acres of land with a one-mile dirt track, seating for 15,000 persons, food and beverage facilities, barns and stabling facilities. During 2014, Calder raced from January to June. Effective July 1, 2014, TSG assumed racing operations at the facility, as more fully described in subheading "J. Government Regulation, *Florida*" in Item 1. "Business" of this Annual Report on Form 10-K. We continue to assess potential alternative uses of the Calder facility not associated with the TSG lease agreement, and during 2014, we accelerated deprecation expense related to Calder's barns, which are not expected to be utilized subsequent to December 31, 2014.

Fair Grounds

The Fair Grounds racetrack facility, located in New Orleans, Louisiana, consists of approximately 145 acres of land, a one-mile dirt track, a seven-eighths (7/8) mile turf track, a grandstand and a stabling area. The facility includes clubhouse and grandstand seating for approximately 5,000 persons, a general admissions area and food and beverage facilities ranging from concessions to clubhouse dining. The stable area consists of a receiving barn, feed rooms, tack rooms, detention barns and living quarters that can accommodate 132 persons and approximately 2,000 horses. The Fair Grounds facility also features a saddling paddock, parking areas and office facilities.

Arlington

The Arlington racetrack, located in Arlington Heights, Illinois, was constructed in 1927 and reopened its doors in 1989 after a fire four years earlier. The racetrack sits on 336 acres, has a one and one-eighth (1 1/8) mile synthetic track, a one-mile turf track and a five-eighths (5/8) mile training track. The facility includes a clubhouse, grandstand and suite seating for 6,045 persons and food and beverage facilities. The stable area has 34 barns able to accommodate approximately 2,200 horses and a temporary housing unit that accommodates 288 persons. The Arlington facility also features a saddling paddock, parking areas and office facilities.

Racing Calendar

The following table is a summary of our expected 2015 and actual 2014 live thoroughbred racing dates for each of our racetracks. Racing dates are generally approved annually by the respective state racing authorities:

	2015		2014	
Racetrack	**Racing Dates**	**# of Days**	**Racing Dates**	**# of Days**
Churchill Downs				
Spring Meet	April 25 - June 27	38	April 26 - June 29	38
September Meet	Sept. 11- Sept. 27	11	Sept. 4 - Sept. 28	12
Fall Meet	Nov. 1 - Nov. 29	21	Oct. 26 - Nov. 30	24
		70		74
Calder Race Course				
Calder Meet	N/A	—	Jan. 1 - June 30	79
Tropical Meet	N/A	—	N/A	—
		—		79
Arlington	April 27 - Sept. 30	77	May 2 - Sept. 28	89
Fair Grounds				
Winter Meet 13/14			Jan. 1 - Mar. 30	53
Winter Meet 14/15	Jan.1 - Mar. 29	57	Nov. 20 - Dec. 31	24
Winter Meet 15/16	Nov. 20 - Dec. 31	24		
		81		77
Total thoroughbred race dates		228		319

During 2015, MVG expects to conduct 89 days of live harness racing during the months of January through May. In 2014, MVG conducted 64 days of live harness racing.

D. Simulcasting

We generate a significant portion of our pari-mutuel wagering revenues by sending signals of races from our racetracks to other facilities and businesses (“export”) and receiving signals from other racetracks (“import”). Revenues are earned through pari-mutuel wagering on signals that we both import and export. Arlington, Churchill Downs, Fair Grounds and the Company's OTBs in Illinois and Louisiana offer year-round simulcast wagering. Calder ceased operating as a simulcast wagering facility on July 1, 2014.

Off-Track Betting Facilities

To create a common identity for our multi-state OTB operations, we have collectively branded each OTB location a “Trackside” OTB. Trackside Louisville, a 100,000 square-foot OTB in Louisville, Kentucky, ceased simulcast operations during 2013 and was razed during January 2015.

Arlington operates ten Trackside OTBs that accept wagers on races at Arlington as well as on races simulcast from other locations. One OTB is located on the Arlington property and another, Quad City Downs, was located in East Moline, Illinois on approximately 122 acres. The Quad City Downs facility ceased operations on January 31, 2015. Arlington also leases an OTB located in Waukegan, Illinois consisting of approximately 25,000 square-feet. Arlington operates eight OTBs within existing non-owned Illinois restaurants under license agreements. These OTBs are located in Chicago, which was relocated from its previous location in June 2012, Orland Hills, Villa Park, Rockford, South Elgin, McHenry, Hodgkins and Aurora and opened in April 2012, July 2011, December 2009, December 2002, June 2003, December 2007 and April 2013, respectively.

Fair Grounds operates twelve OTBs that accept wagers on races at Fair Grounds as well as on races simulcast from other locations. The Gentilly OTB is located on the Fair Grounds property. Another OTB is located in Kenner, Louisiana and consists of approximately 4.3 acres. Fair Grounds also leases its other OTBs in the southeastern Louisiana communities of: Chalmette, Covington, Elmwood, Gretna, Houma, LaPlace, Metairie, Boutte, Thibodaux and Westwego. Leased space for these OTBs ranges from approximately 5,000 to 20,000 square-feet per facility. Video poker is offered at Chalmette, Kenner, Elmwood, Gretna, Houma, LaPlace, Boutte, Metairie, Thibodaux and Westwego.

E. Casinos

During March 2012, the Company entered into a 50% joint venture with DNC to develop a new harness racetrack and VLT casino facility in Lebanon, Ohio. On December 12, 2013, the new facility opened on a 120-acre site. The facility includes a 5/8-mile harness racing track and an 186,000 square-foot gaming facility with approximately 1,600 VLTs.

On July 17, 2013, we completed the acquisition of Oxford in Oxford, Maine for cash consideration of approximately $168.6 million. The transaction included the acquisition of a 25,000 square-foot casino with approximately 800 slot machines, 22 table games and dining facilities on approximately 130 acres of land. During 2014, we completed a casino expansion project at Oxford, including an additional 2,000 square-feet, 58 slot machines and two table games.

On October 23, 2012, we completed the acquisition of Riverwalk in Vicksburg, Mississippi for cash consideration of approximately $145.6 million. The transaction included the acquisition of a 25,000 square-foot casino with approximately 725 slots machines and 18 table games, an 80-room hotel, a 5,600 square-foot event center and dining facilities on approximately 22 acres of land.

On December 16, 2010, we completed the acquisition of Harlow's in Greenville, Mississippi for cash consideration of approximately $140.4 million. The transaction included the acquisition of a 33,000 square-foot casino with approximately 900 slot machines and 21 tables games, a 105-room attached hotel, a 2,600 seat entertainment center and three dining facilities. Harlow's is located on approximately 78 acres of leased land adjacent to U.S. Highway 82 in Greenville, Mississippi. The property is visible from the highway and is the first casino facility encountered when crossing the Greenville Bridge into Mississippi from Arkansas. On May 12, 2011, the property sustained flood damage to its 2,600 seat entertainment center and a portion of its dining facilities. On June 1, 2011, we resumed casino operations with temporary dining facilities. During December 2012 and January 2013, we completed the renovation and improvement projects, which included a new buffet area, steakhouse, business center, spa facility, fitness center, pool and a multi-purpose event center.

On January 22, 2010, we opened a slot facility, Calder Casino, which is adjacent to Calder. The casino is a 104,000 square-foot facility which offers approximately 1,130 slot machines on a single-level. The facility offers three dining options, including a buffet dining area, a centrally located bar with a separate casual dining area and a "grab and go" dining option.

During October 2008, we opened our 33,000 square-foot slot operations facility, Fair Grounds Slots, adjacent to Fair Grounds, which operates approximately 620 slot machines. The facility includes two concession areas, a bar adjacent to the casino floor, a renovated simulcast facility and other amenities for casino and pari-mutuel wagering patrons.

VSI is the operator of approximately 710 video poker machines at ten OTBs operated by Fair Grounds.

F. TwinSpires

We accept online and mobile pari-mutuel wagers through Churchill Downs Technology Initiatives Company, which is doing business as TwinSpires.com ("TwinSpires"). TwinSpires, headquartered in Mountain View, California, operates our ADW business, which accepts pari-mutuel wagering from customers residing in certain states who establish and fund an account from which they may place wagers via telephone, mobile device or through the Internet at www.twinspires.com. TwinSpires offers its customers streaming video of live horse races along with race replays and an assortment of racing and handicapping information. TwinSpires also offers all of its customers the ability to automatically enroll in its rewards program, TSC Elite. We believe that TwinSpires is a key component to the growth of the Company.

We maintain one of the world's largest computerized databases of pedigree and racing information for the thoroughbred horse industry. We provide special reports, statistical information, handicapping information, pedigrees, and other data to organizations, publications and individuals within the thoroughbred industry. This service is accessible through the Internet at www.brisnet.com. In addition, many of the handicapping products are available at our ADW site, www.twinspires.com.

In addition, TwinSpires provides technology services to other third parties and earns commissions from white label advance deposit wagering products and services. Under these arrangements, TwinSpires typically provides an advance deposit wagering platform and related operational services while the other entities typically provide a brand name, marketing and limited customer functions. Fair Grounds also operates its own ADW business for Louisiana residents through a contractual agreement with TwinSpires. Velocity operates an ADW business that is licensed in the British Dependency Isle of Man focused on high wagering-volume international customers. Luckity, an ADW business that offered real-money online bingo with outcomes based on and determined by pari-mutuel wagers on live horseraces, ceased operations in November 2014. Luckity did not contribute significantly to our operations and its closure did not have a material impact on our results of operations.

G. Big Fish Games

Big Fish Games develops casual games for PCs and mobile devices worldwide. Our developed technology is comprised of a portfolio of mobile gaming software, offering games in many genres such as social casino, match three, hidden object, tycoon, mystery and adventure. We offer PC, Mac, online, iPad and iPhone, and Android games. We operate Big Fish Casino, which generates the majority of our social casino game revenue from mobile devices and specifically the Apple App Store. Big Fish

Games was founded in 2002 and is headquartered in Seattle, Washington with additional offices in Oakland, California and Luxembourg.

We operate in three business lines: premium paid, casino, and casual free-to-play. Premium paid games are available on PC and mobile devices. Customers pay upfront to purchase content and there is no further monetization through in-game purchases. The games have a distinct beginning, middle, and end. Casino games are free to download through PC and mobile devices. Game options include casino-style games such as blackjack, poker, slots, craps, and roulette. There is monetization through purchase of in-game virtual goods to enhance the game-playing experience. Casual free-to-play games are also free to download through PC and/or mobile devices. These are all non-casino game types with monetization through in-game transactions, i.e., power-ups or other virtual tools to enhance the game experience.

H. Other Investments: United Tote

We manufacture and operate pari-mutuel wagering systems for racetracks, OTBs and other pari-mutuel wagering businesses through our subsidiary, United Tote. United Tote provides totalisator services, which accumulate wagers, record sales, calculate payoffs and display wagering data to patrons who wager on horseraces. United Tote has contracts to provide totalisator services to a significant number of third-party racetracks, OTBs and other pari-mutuel wagering businesses, in addition to providing these services at many of our facilities.

I. Sources of Revenue

Our racing revenues include commissions on pari-mutuel wagering at our racetracks and OTBs, plus simulcast host fees earned from other wagering sites. In addition, ancillary revenues generated by the pari-mutuel facilities include admissions, sponsorships and licensing rights and food and beverage sales. Our casino revenues are primarily generated from slot machines, video poker and table games while ancillary revenues include hotel and food and beverage sales. Our TwinSpires revenues are generated by our ADW business from wagering through the Internet, telephone or other mobile devices on pari-mutuel events. Our Big Fish Games revenue is primarily generated from the sales of premium casual games and virtual goods within games. Finally, our other revenues are primarily generated by United Tote and our other minor subsidiaries.

Financial information about our segments required by this Item is incorporated by reference from the information contained in the Notes to Consolidated Financial Statements included in Item 8. “Financial Statements and Supplementary Data” of this Annual Report on Form 10-K.

J. Governmental Regulations

The ownership, operation, and management of our casino and racing facilities are subject to regulation under the laws and regulations of each of the jurisdictions in which we operate. Casino laws are generally designed to protect casino consumers and the viability and integrity of the casino industry. Casino laws may also be designed to protect and maximize state and local revenues derived through taxes and licensing fees imposed on casino industry participants as well as to enhance economic development and tourism. To accomplish these public policy goals, casino laws establish procedures to ensure that participants in the casino industry meet certain standards of character and fitness. In addition, casino laws require casino industry participants to:

- Ensure that unsuitable individuals and organizations have no role in casino operations;
- Establish procedures designed to prevent cheating and fraudulent practices;
- Establish and maintain responsible accounting practices and procedures;
- Maintain effective controls over their financial practices, including establishment of minimum procedures for internal fiscal affairs and the safeguarding of assets and revenues;
- Maintain systems for reliable record keeping;
- File periodic reports with casino regulators;
- Ensure that contracts and financial transactions are commercially reasonable, reflect fair market value and are arms-length transactions; and
- Establish programs to promote responsible gambling and inform patrons of the availability of help for problem gambling.

Typically, a state regulatory environment is established by statute and administered by a regulatory agency with broad discretion to regulate the affairs of owners, managers, and persons with financial interests in casino operations. Among other things, casino authorities in the various jurisdictions in which we operate:

- Adopt rules and regulations under the implementing statutes;
- Interpret and enforce casino laws;
- Impose disciplinary sanctions for violations, including fines and penalties;
- Review the character and fitness of participants in casino operations and make determinations regarding their suitability or qualification for licensure;
- Grant licenses for participation in casino operations;

- Collect and review reports and information submitted by participants in casino operations;
- Review and approve transactions, such as acquisitions or change-of-control transactions of casino industry participants, securities offerings and debt transactions engaged in by such participants; and
- Establish and collect fees and taxes.

Any change in the laws or regulations of a casino jurisdiction could have a material adverse effect on our casino operations.

Licensing and Suitability Determinations

Gaming laws require us, each of our subsidiaries engaged in casino operations, certain of our directors, officers and employees, and in some cases, certain of our shareholders, to obtain licenses from casino authorities. Licenses typically require a determination that the applicant qualifies or is suitable to hold the license. Gaming authorities have very broad discretion in determining whether an applicant qualifies for licensing or should be deemed suitable. Criteria used in determining whether to grant a license to conduct casino operations, while varying between jurisdictions, generally include consideration of factors such as the good character, honesty and integrity of the applicant; the financial stability, integrity and responsibility of the applicant, including whether the operation is adequately capitalized in the state and exhibits the ability to maintain adequate insurance levels; the quality of the applicant's casino facilities; the amount of revenue to be derived by the applicable state from the operation of the applicant's casino; the applicant's practices with respect to minority hiring and training; and the effect on competition and general impact on the community.

In evaluating individual applicants, casino authorities consider the individual's business experience and reputation for good character, the individual's criminal history and the character of those with whom the individual associates.

Many casino jurisdictions limit the number of licenses granted to operate casinos within the state, and some states limit the number of licenses granted to any one casino operator. Licenses under casino laws are generally not transferable without approval. Licenses in most of the jurisdictions in which we conduct casino operations are granted for limited durations and require renewal from time to time. There can be no assurance that any of our licenses will be renewed. The failure to renew any of our licenses could have a material adverse effect on our casino operations.

In addition to our subsidiaries engaged in casino operations, casino authorities may investigate any individual who has a material relationship to or material involvement with, any of these entities to determine whether such individual is suitable or should be licensed as a business associate of a casino licensee. Our officers, directors and certain key employees must file applications with the casino authorities and may be required to be licensed, qualify or be found suitable in many jurisdictions. Gaming authorities may deny an application for licensing for any cause which they deem reasonable. Qualification and suitability determinations require submission of detailed personal and financial information followed by a thorough investigation. The applicant must pay all the costs of the investigation. Changes in licensed positions must be reported to casino authorities and in addition to their authority to deny an application for licensure, qualification or a finding of suitability, casino authorities have jurisdiction to disapprove a change in a corporate position.

If one or more casino authorities were to find that an officer, director or key employee fails to qualify or is unsuitable for licensing or unsuitable to continue having a relationship with us, we would be required to sever all relationships with such person. In addition, casino authorities may require us to terminate the employment of any person who refuses to file appropriate applications.

Moreover, in many jurisdictions, certain of our shareholders may be required to undergo a suitability investigation similar to that described above. Many jurisdictions require any person who acquires beneficial ownership of more than a certain percentage of our voting securities, typically 5%, to report the acquisition to casino authorities, and casino authorities may require such holders to apply for qualification or a finding of suitability. Most casino authorities, however, allow an "institutional investor" to apply for a waiver. An "institutional investor" is generally defined as an investor acquiring and holding voting securities in the ordinary course of business as an institutional investor, and not for the purpose of causing, directly or indirectly, the election of a member of our board of directors, any change in our corporate charter, bylaws, management, policies or operations, or those of any of our casino affiliates, or the taking of any other action which casino authorities find to be inconsistent with holding our voting securities for investment purposes only. Even if a waiver is granted, an institutional investor generally may not take any action inconsistent with its status when the waiver was granted without once again becoming subject to the foregoing reporting and application obligations.

Generally, any person who fails or refuses to apply for a finding of suitability or a license within the prescribed period after being advised it is required by casino authorities may be denied a license or found unsuitable, as applicable. Any shareholder found unsuitable or denied a license and who holds, directly or indirectly, any beneficial ownership of our voting securities beyond such period of time as may be prescribed by the applicable casino authorities may be guilty of a criminal offense. Furthermore, we may be subject to disciplinary action if, after we receive notice that a person is unsuitable to be a shareholder or to have any other relationship with us or any of our subsidiaries, we: (i) pay that person any dividend or interest upon our voting securities; (ii) allow that person to exercise, directly or indirectly, any voting right conferred through securities held by that person; (iii) pay remuneration in any form to that person for services rendered or otherwise; or (iv) fail to pursue all lawful efforts to require such unsuitable

person to relinquish his voting securities including, if necessary, the immediate purchase of said voting securities for cash at fair market value.

Violations of Gaming Laws

If we or our subsidiaries violate applicable casino laws, our casino licenses could be limited, conditioned, suspended or revoked by casino authorities, and we and any other persons involved could be subject to substantial fines. Further, a supervisor or conservator can be appointed by casino authorities to operate our casino properties, or in some jurisdictions, take title to our casino assets in the jurisdiction, and under certain circumstances, earnings generated during such appointment could be forfeited to the applicable state or states. Furthermore, violations of laws in one jurisdiction could result in disciplinary action in other jurisdictions. As a result, violations by us of applicable casino laws could have a material adverse effect on our casino operations.

Some casino jurisdictions prohibit certain types of political activity by a casino licensee, its officers, directors and key employees. A violation of such a prohibition may subject the offender to criminal and/or disciplinary action.

Reporting and Record-keeping Requirements

We are required periodically to submit detailed financial and operating reports and furnish any other information about us and our subsidiaries which casino authorities may require. Under federal law, we are required to record and submit detailed reports of currency transactions involving greater than $10,000 at our casinos and racetracks, as well as any suspicious activity that may occur at such facilities. Failure to comply with these requirements could result in fines or cessation of operations. We are required to maintain a current stock ledger which may be examined by casino authorities at any time. If any securities are held in trust by an agent or by a nominee, the record holder may be required to disclose the identity of the beneficial owner to casino authorities. A failure to make such disclosure may be grounds for finding the record holder unsuitable. Gaming authorities may require certificates for our securities to bear a legend indicating that the securities are subject to specified casino laws.

Review and Approval of Transactions

Substantially all material loans, leases, sales of securities and similar financing transactions by us and our subsidiaries must be reported to and in some cases approved by casino authorities. Neither we nor any of our subsidiaries may make a public offering of securities without the prior approval of certain casino authorities. Changes in control through merger, consolidation, stock or asset acquisitions, management or consulting agreements, or otherwise are subject to receipt of prior approval of casino authorities. Entities seeking to acquire control of us or one of our subsidiaries must satisfy casino authorities with respect to a variety of stringent standards prior to assuming control. Gaming authorities may also require controlling stockholders, officers, directors and other persons having a material relationship or involvement with the entity proposing to acquire control, to be investigated and licensed as part of the approval process relating to the transaction.

License Fees and Gaming Taxes

We pay substantial license fees and taxes in many jurisdictions, including some of the counties and cities in which our operations are conducted, in connection with our casino operations, computed in various ways depending on the type of gambling or activity involved. Depending upon the particular fee or tax involved, these fees and taxes are payable with varying frequency. License fees and taxes are based upon such factors as a percentage of the gross casino revenues received; the number of gambling devices and table games operated; or a one-time fee payable upon the initial receipt of license and fees in connection with the renewal of license. In some jurisdictions, casino tax rates are graduated such that they increase as gross casino revenues increase. Furthermore, tax rates are subject to change, sometimes with little notice, and such changes could have a material adverse effect on our casino operations. In addition to taxes specifically unique to gambling, we are required to pay all other applicable taxes.

Operational Requirements

In most jurisdictions, we are subject to certain requirements and restrictions on how we must conduct our casino operations. In certain states, we are required to give preference to local suppliers and include minority and women-owned businesses as well as organized labor in construction projects to the maximum extent practicable as well as in general vendor business activity. Similarly, we may be required to give employment preference to minorities, women and in-state residents in certain jurisdictions. In addition, our ability to conduct certain types of games, introduce new games or move existing games within our facilities may be restricted or subject to regulatory review and approval. Some of our operations are subject to restrictions on the number of gaming positions we may have and the maximum wagers allowed to be placed by our customers.

Horseracing and Pari-Mutuel Wagering Regulations

Horseracing is a highly regulated industry. In the U.S., individual states control the operations of racetracks located within their respective jurisdictions with the intent of, among other things, protecting the public from unfair and illegal gambling practices, generating tax revenue, licensing racetracks and operators and preventing organized crime from being involved in the industry. Although the specific form may vary, states that regulate horseracing generally do so through a horseracing commission or other gambling regulatory authority. In general, regulatory authorities perform background checks on all racetrack owners prior to

granting them the necessary operating licenses. Horse owners, trainers, jockeys, drivers, stewards, judges and backstretch personnel are also subject to licensing by governmental authorities. State regulation of horse races extends to virtually every aspect of racing and usually extends to details such as the presence and placement of specific race officials, including timers, placing judges, starters and patrol judges. We currently satisfy the applicable licensing requirements of the racing and gambling regulatory authorities in each state where we maintain racetracks or pari-mutuel operations and/or carry on business, including, but not limited to, the Florida Department of Business and Professional Regulation, Division of Pari-Mutuel Wagering ("DPW"), the Illinois Racing Board ("IRB"), the Kentucky Horse Racing Commission ("KHRC"), the Louisiana State Racing Commission ("LSRC"), the Ohio State Racing Commission ("OSRC") and the Oregon Racing Commission ("ORC").

In the United States, interstate pari-mutuel wagering on horseracing is subject to the Interstate Horseracing Act, as amended in 2000 (the "IHA"). Through the IHA, racetracks can commingle wagers from different racetracks and wagering facilities and broadcast horseracing events to other licensed establishments.

Kentucky

Kentucky's racetracks, including Churchill Downs, are subject to the licensing and regulation of the KHRC. The KHRC is responsible for overseeing horseracing and regulating the state equine industry. Licenses to conduct live thoroughbred racing meets, to participate in simulcasting and to accept ADW wagers from Kentucky residents are approved annually by the KHRC based upon applications submitted by the racetracks in Kentucky. To some extent, Churchill Downs competes with other racetracks in Kentucky for the award of racing dates, however, the KHRC is required by state law to consider and seek to preserve each racetrack's usual and customary live racing dates. During October 2014, Churchill Downs received re-approval to conduct an 11-day September meet during 2015, in addition to its traditional spring and fall racing meets.

Illinois

In Illinois, licenses to conduct live thoroughbred racing and to participate in simulcast wagering are approved by the IRB. In January 2015, the IRB appointed Arlington the host track in Illinois for 23 simulcast host days, which was consistent with 2014. Arlington was awarded one additional live host day during 2015 as compared to the prior year.

During November 2013, Illinois racetracks and horsemen's groups reached an agreement to extend Illinois's account wagering law, which was scheduled to expire on January 31, 2014. On January 29, 2014, the Illinois legislature approved regulations to reauthorize ADW wagering though January 2017 and began imposing an incremental surcharge on winning wagers of 0.2%, in addition to the previous surcharge of 0.18%. The legislation was approved by the Illinois legislature and signed by the Governor of Illinois during January 2014.

Florida

In Florida, licenses to conduct live thoroughbred racing and to participate in simulcast wagering are approved by the DPW. The DPW is responsible for overseeing the network of state offices located at every pari-mutuel wagering facility, as well as issuing the permits necessary to operate a pari-mutuel wagering facility. The DPW also issues annual licenses for thoroughbred, standardbred and quarter horse races but does not approve the specific live race days. During 2013, Calder and Gulfstream Park began conducting concurrent live thoroughbred racing in certain months, leading to an overlapping of live racing resulting in direct competition for on-track horseracing and horses in South Florida, as well as the intrastate and interstate simulcasting markets. This negatively affected Calder's ability to achieve full field horseraces and to generate handle on live racing. On July 1, 2014, we finalized an agreement with TSG under which TSG will operate, at TSG's expense, live racing and maintain certain facilities used for racing and training at Calder. The agreement, which expires on December 31, 2020, involves a lease to TSG of Calder's racetrack and certain other racing and training facilities, including a portion of the barns on Calder's backside consisting of approximately 430 stalls. TSG will operate live horse racing at Calder, under Calder's racing permits, in compliance with all applicable laws and licensing requirements. TSG will operate and maintain the racing and training facilities at Calder on a year-round basis. Furthermore, TSG will be responsible for substantially all of the direct and indirect costs associated with these activities and receive the associated revenues. We will continue to own and operate the Calder Casino.

Louisiana

In Louisiana, licenses to conduct live thoroughbred racing and to participate in simulcast wagering are approved by the LSRC. The LSRC is responsible for overseeing the awarding of licenses for the conduct of live racing meets, the conduct of thoroughbred horseracing, the types of wagering which may be offered by pari-mutuel facilities and the disposition of revenue generated from wagering. Off-track wagering is also regulated by the LSRC. Louisiana law requires live racing at a licensed racetrack for at least 80 days over a 20 week period each year to maintain the license and to conduct casino operations.

Additionally, with the addition of slot machines at Fair Grounds, Louisiana law requires live quarter horseracing to be conducted at the racetrack. We conducted twelve days of quarter horseracing in 2014 and fourteen days of quarter horseracing in 2013.

Other States

TwinSpires is licensed in Oregon under a multi-jurisdictional simulcasting and interactive wagering totalisator hub license issued by the ORC and in accordance with Oregon law. TwinSpires also holds ADW licenses in certain other states where required such as California, Illinois, Idaho, Kentucky, Maryland, Virginia, Colorado, Arizona, Wyoming, Arkansas, New York and Washington. Changes in the form of new legislation or regulatory activity at the state or federal level could adversely impact the operations, success or growth of our ADW business.

The total number of days on which each racetrack conducts live thoroughbred racing fluctuates annually according to each calendar year and the determination of applicable regulatory activities

Casino Regulations

The manufacture, distribution, servicing and operation of video draw poker devices in Louisiana are subject to the Louisiana Video Draw Poker Devices Control Law and the rules and regulations promulgated thereunder. The manufacture, distribution, servicing and operation of video poker devices and slot machines are maintained by a single gaming control board for the regulation of gaming in Louisiana. This board, created on May 1, 1996, is called the Louisiana Gaming Control Board (the "Louisiana Board") and oversees all licensing for all forms of legalized gaming in Louisiana (including all regulatory enforcement and supervisory authority that exist in the state as to gaming on Native American lands). The Video Gaming Division and the Slots Gaming Division of the Gaming Enforcement Section of the Office of the State Police within the Department of Public Safety and Corrections (the "Division") performs the investigative functions for the Louisiana Board for video poker and slot gaming. The laws and regulations of Louisiana are based on policies of maintaining the health, welfare and safety of the general public and protecting the video gaming industry from elements of organized crime, illegal gambling activities and other harmful elements, as well as protecting the public from illegal and unscrupulous gaming to ensure the fair play of devices. The Louisiana Board also regulates slot machine gaming at racetrack facilities pursuant to the Louisiana Pari-Mutuel Live Racing Facility Economic Redevelopment and Gaming Control Act. Changes in Louisiana laws or regulations may limit or otherwise materially affect the types of gaming that may be conducted and such changes, if enacted, could have an adverse effect on us and our Louisiana gaming operations. In addition, the LSRC also issues licenses required for Fair Grounds to operate slot machines at the racetrack and video poker devices at its OTBs. The failure to comply with the rules and regulations of the Louisiana Board could have a material, adverse impact on our business, financial condition and results of operations.

The ownership and operation of casino gaming facilities in the State of Mississippi is subject to extensive state and local regulation, but primarily the licensing and regulatory control of the Mississippi Gaming Commission (the "Mississippi Commission"). The laws, regulations and supervisory procedures of the Mississippi Commission are based upon declarations of public policy that are concerned with, among other things: (1) the prevention of unsavory or unsuitable persons from having direct or indirect involvement with gaming at any time or in any capacity; (2) the establishment and maintenance of responsible accounting practices and procedures; (3) the maintenance of effective controls over the financial practices of licensees, including the establishment of minimum procedures for internal fiscal affairs and the safeguarding of assets and revenues, providing for reliable record keeping and requiring the filing of periodic reports with the Mississippi Commission; (4) the prevention of cheating and fraudulent practices; (5) providing a source of state and local revenues through taxation and licensing fees; and (6) ensuring that gaming licensees, to the extent practicable, employ Mississippi residents. The regulations are subject to amendment and interpretation by the Mississippi Commission. Changes in Mississippi laws or regulations may limit or otherwise materially affect the types of gaming that may be conducted and such changes, if enacted, could have an adverse effect on us and our Mississippi gaming operations. The failure to comply with the rules and regulations of the Mississippi Commission could have a material, adverse impact on our business, financial condition and results of operations.

The ownership and operation of casino gaming facilities in the State of Maine is subject to extensive state and local regulation, but primarily the licensing and regulatory control of the Maine Gambling Control Board (the "MGCB"). The laws, regulations and supervisory procedures of the MGCB are based upon declarations of public policy that are concerned with, among other things: (1) the regulation, supervision and general control over casinos and the ownership and operation of slot machines and table games; (2) the investigation of complaints made regarding casinos; (3) the establishment and maintenance of responsible accounting practices and procedures; (4) the maintenance of effective controls over the financial practices of licensees, including the establishment of minimum procedures for internal fiscal affairs and the safeguarding of assets and revenues, providing for reliable record keeping; and (5) the prevention of cheating and fraudulent practices. The regulations are subject to amendment and interpretation by the MGCB. Changes in Maine laws or regulations may limit or otherwise materially affect the types of gaming that may be conducted and such changes, if enacted, could have an adverse effect on us and our Maine gaming operations. The failure to comply with the rules and regulations of the MGCB could have a material, adverse impact on our business, financial condition and results of operations.

The ownership and operation of casino gaming facilities in the State of Florida is subject to extensive state and local regulation, primarily by the Florida Department of Business and Professional Regulation (the "DBPR"), within the executive branch of Florida's state government. The DBPR is charged with the regulation of Florida's pari-mutuel, cardroom and slot gaming industries, as well as collecting and safeguarding associated revenues due to the state. The DBPR has been designated by the Florida legislature as the state compliance agency with the authority to carry out the state's oversight responsibilities in accordance with the provisions

outlined in the compact between the Seminole Tribe of Florida and the State of Florida. Changes in Florida laws or regulations may limit or otherwise materially affect the types of gaming that may be conducted and such changes, if enacted, could have an adverse effect on us and our Florida gaming operation. The laws and regulations of Florida are based on policies of maintaining the health, welfare and safety of the general public and protecting the video gaming industry from elements of organized crime, illegal gambling activities and other harmful elements, as well as protecting the public from illegal and unscrupulous gaming to ensure the fair play of devices. The failure to comply with the rules and regulations of the DPBR could have a material, adverse impact on our business, financial condition and results of operations.

Video Lottery was introduced in the State of Ohio in 2012 when the Governor of Ohio signed Executive Order 2011-22K, which authorized the Ohio Lottery Commission ("the OLC") to amend and adopt rules necessary to implement a video lottery program at Ohio's seven horse racing facilities. The ownership and operation of VLT facilities in the State of Ohio is subject to extensive state and local regulation, but primarily the licensing and regulatory control of the OLC. The laws, regulations and supervisory procedures of the OLC include 1) regulating the licensing of video lottery sales agents (VLSA), key gaming employees and VLT manufacturers; 2) collecting and disbursing VLT revenue; and 3) maintaining compliance in regulatory matters. Changes in Ohio laws or regulations may limit or otherwise materially affect the types of gaming that may be conducted and such changes, if enacted, could have an adverse effect on us and our Ohio gaming operation. The failure to comply with the rules and regulations of the OLC could have a material adverse impact on our business, financial condition and results of operations.

K. Competition

We operate in a highly competitive industry with a large number of participants, some of which have financial and other resources that are greater than ours. The industry faces competition from a variety of sources for discretionary consumer spending including spectator sports and other entertainment and gaming options. Competitive casino activities include traditional and Native American casinos, video lottery terminals, state-sponsored lotteries and other forms of legalized gaming in the U.S. and other jurisdictions. Additionally, Internet-based interactive gaming and wagering, both legal and, we believe, illegal, is growing rapidly and affecting competition in our industry. We anticipate competition in this area will become more intense as new Internet-based ventures enter the industry and as state and federal regulations on Internet-based activities are clarified.

Legalized gambling is currently permitted in various forms in many states and Canada. Other jurisdictions could legalize gambling in the future, and established gaming jurisdictions could award additional gaming licenses or permit the expansion of existing gaming operations. If additional gaming opportunities become available near our racing or gaming operations, such gaming opportunities could have a material, adverse impact on our business, financial condition and results of operations.

All of our racetracks face competition in the simulcast market. Approximately 41,000 thoroughbred horse races are conducted annually in the U.S. Of these races, we host approximately 3,030 races each year, or about 7.4% of the total. As a content provider, we compete for wagering dollars in the simulcast market with other racetracks conducting races at or near the same times as our races. As a racetrack operator, we also compete for horses with other racetracks running live racing meets at or near the same time as our races. Our ability to compete is substantially dependent on field and purse size. In recent years, this competition has increased as more states legalize gaming, allowing slot machines at racetracks with mandatory purse contributions. Over 89 percent of pari-mutuel handle is bet at off-track locations, either at other racetracks, OTBs, casinos, or through ADW channels. As a content distributor, we compete for these dollars to be wagered at our racetracks, OTBs, casinos and via our ADW business.

Louisville, Kentucky

Churchill Downs faces competition from free-standing casinos and racetracks which are combined with casinos ("racinos") in neighboring states. Currently, three Indiana casinos compete for customers in the Louisville market. These casinos include Horseshoe Indiana, located in Elizabeth, Indiana, Belterra, a Pinnacle Entertainment casino located between Louisville and Cincinnati and the resort casino at French Lick, located about 60 miles northwest of Louisville. Additionally, Hoosier Park operates 2,000 slot machines, and Indiana Grand Racing & Casino operates 1,900 slot machines which has resulted in increased purses at those Indiana racetracks. During 2009, Ohio voters passed a referendum to allow four casinos in Ohio, and, during 2011, the state legislature passed legislation allowing Ohio's seven racetracks to apply for video lottery licenses. Separate casino projects in Columbus, Toledo, Cleveland and Cincinnati opened during 2012, 2013 and during 2014, all seven Ohio racetracks offered VLT facilities. We believe that the expansion of gaming at Ohio racetracks could provide a competitive advantage to those racetracks and may enable Ohio racetracks to increase their purses.

On October 28, 2011, Aqueduct Racetrack opened a gaming facility with more than 2,400 video lottery terminals and electronic table games. An additional 2,500 gaming machines were added in December 2011 as part of a further expansion of the facility. As a result of the addition of gaming activities, New York purse payments were enhanced compared to their historical levels. These enhanced purses could affect our ability to attract horses and trainers and could have a material, adverse impact on our business, financial condition and results of operations.

These developments may result in Ohio and New York racetracks attracting horses that would otherwise race at Kentucky racetracks, including Churchill Downs, thus negatively affecting the number of starters and purse size which, in turn, may have a negative

effect on handle. In addition, we believe the opening of four land-based, free-standing casinos in Ohio may likewise have a material, adverse impact on our business, financial condition and results of operations.

Miami, Florida

On January 22, 2010, Calder Casino commenced operations and features approximately 1,140 slot machines. Calder Casino competes with three established casinos in Broward County just to the north of Miami-Dade County, and three additional casinos in Miami-Dade County. We also face competition from Native American casinos, such as the Seminole Hard Rock facility, and popular gambling cruises-to-nowhere. Due to the high tax rates in Florida for gaming facilities, Native American casinos, which are not taxed at the same rates, are generally able to spend more money marketing their facilities to consumers.

Florida legislators continue to debate the expansion of Florida gaming to include Las Vegas-style destination resort casinos. Such casinos may be subject to taxation rates lower than the current taxation structure for gaming facilities. Should such legislation be enacted, it could increase competition and have a material, adverse impact on our business, financial condition and results of operations.

Chicago, Illinois

Arlington competes in the Chicago market against a variety of entertainment options. In addition to other racetracks in the area such as Hawthorne Park and Maywood Park, there are ten riverboat casino operations that draw from the Chicago market including Rivers Casino, which opened in July 2011, in Des Plaines, Illinois. Additionally, Native American gaming operations in Wisconsin may adversely affect Arlington.

New Orleans, Louisiana

Fair Grounds competes in the New Orleans area with two riverboat casinos and one land-based casino. With approximately 620 slot machines, Fair Grounds competes with Harrah's land-based casino, which is the largest and closest competitor to Fair Grounds. Additionally, Fair Grounds faces significant gambling competition along the Mississippi Gulf Coast. Fair Grounds also competes with video poker operations located at various OTBs, truck stops and restaurants in the area.

Oxford, Maine

Oxford, which opened during June 2012, competes in the State of Maine with one other casino in Bangor, Maine known as Hollywood Slots, which opened in November 2005. Oxford is located approximately 120 miles south of Hollywood Slots. Oxford also anticipates it will compete with the Massachusetts gaming market which legalized gaming in November 2011, through legislation authorizing three resort style casinos and one slot machine parlor in the state. Massachusetts has not yet commenced any gaming operations.

Greenville, Mississippi

Harlow's competes in Mississippi with a variety of riverboat and land-based casinos. Our principal local competitor in Greenville is Trop Casino, which underwent a renovation of its facilities in 2014. Harlow's also faces regional competition from a casino in Lula, Mississippi and from two locations in Arkansas. Both Arkansas locations offer pari-mutuel wagering on live and simulcast racing and other electronic games of skill such as blackjack, video poker, and electronic roulette. In addition, historical racing machines are offered at one of the Arkansas locations.

Vicksburg, Mississippi

Riverwalk competes in the Vicksburg area and is the newest and the only land-based casino in the local market. Our principal local competitors are Ameristar Casino, which is the largest local competitor, and Lady Luck Casino, which is the closest competitor, in Vicksburg. In addition, Riverwalk faces regional competition from two locations in Natchez, Mississippi, including Magnolia Bluff Casino which opened during December 2012 and from Pearl River Resort in Philadelphia, Mississippi.

From time to time, potential competitors have proposed the development of additional casinos. The Mississippi Gaming Control Act does not limit the number of licenses that may be granted, and there are a number of additional sites located in the Gulf Coast region that are in various stages of development. Any significant licensure could have a material, adverse impact on our business, financial condition and results of operations.

Advance Deposit Wagering

TwinSpires competes with other ADW businesses for both customers and racing content, and TwinSpires also competes with online gaming sites. Our competitors include, but are not limited to, Betfair Limited (d/b/a TVG), the Stronach Group (d/b/a XpressBet), Premier Turf Club, Lien Games, AmWest Entertainment, The New York Racing Association (d/b/a NYRA Rewards), Connecticut OTB, Penn National Gaming Inc. and Racing2Day LLC. We also own an information services data business that sells handicapping and pedigree information to wagering customers and horsemen in the industry. This data may give us a competitive advantage as we are able to provide promotional products to our ADW customers that other ADW businesses cannot

provide. As a data provider, we compete with companies such as Equibase and the Daily Racing Form by selling handicapping data to wagering customers.

In response to increased competition from other gaming options, we continue to seek new sources of revenue. We are focused on product innovation, marketing initiatives and customer relationships. We also seek to offer the widest array of racing content from throughout the world, and where available, we will take advantage of geographical expansion. All of our activities are highly dependent on the regulatory environment and legal developments on both the federal and state level.

Totalisator Business

We acquired United Tote through our acquisition of Youbet on June 2, 2010. United Tote provides totalisator services, which accumulate wagers, record sales, calculate payoffs and display wagering data in a secure manner to patrons who wager on horseraces. Our competitors are primarily Sportech and AmTote International, Inc. Our competition outside of North America is more fragmented, with competition also being provided by several international and regional companies. United Tote competes primarily on the basis of the design, performance, reliability and pricing of its products and services.

United Tote has contracts to provide totalisator services to a significant number of racetracks, OTBs and other pari-mutuel wagering businesses. Errors by United Tote technology or personnel may subject us to liabilities, including financial penalties under our totalisator service contracts, which could have a material, adverse impact on our business, financial condition and results of operations.

Big Fish Games

We face significant competition in all aspects of our business. Specifically, we compete for the leisure time, attention and discretionary spending of our players with casual game developers on the basis of a number of factors, including quality of player experience, brand awareness and access to distribution channels.

We believe we compete favorably on these factors. However, our industry is evolving rapidly and is becoming increasingly competitive. Other developers and distributors of casual premium paid and free-to-play games could develop more compelling content that competes with our games and adversely affects our ability to attract and retain players and their entertainment time. These competitors, including companies of which we may not be currently aware, may take advantage of social networks, access to a larger user base and their network effects to grow rapidly and virally.

Our social casino games compete in a rapidly evolving market against an increasing number of competitors including Caesars Interactive, GSN, IGT and Zynga. Our casual premium game customers may also play other games on PCs and mobile devices, as well as on console devices, and some of these games may include unique social and community features that our games do not have. Finally, given the open nature of the development and distribution of games for smartphones and tablets, our free-to-play business competes with a vast number of developers and distributors who are able to create and launch games and other content for these devices using relatively limited resources and with relatively limited start-up time or expertise. For example, it has been estimated that more than 1.4 million applications, including more than 314,000 active games, were available on Apple’s U.S. App Store as of December 31, 2014. The proliferation of titles makes it potentially difficult for us to differentiate ourselves from other developers and to compete for customers who download and purchase content for their devices without substantially increasing our marketing and other development and distribution costs.

L. Legislative Changes

Federal

Federal Internet Gaming

On February 4, 2015, the Restoration of America’s Wire Act was reintroduced for consideration in the House of Representatives during the 114th Congress ("HR 707"). HR 707 is identical to the Restoration of America's Wire Act legislation proposed in 2014 and is crafted to reverse a 2011 decision by the Justice Department which interpreted the Wire Act of 1961 (the "Wire Act") to not apply to interstate transmissions of wire communications except when related to sports betting. As written, HR 707 would restore the interpretation of the Wire Act prior to the 2011 Justice Department decision and effectively prohibit online gaming. The legislation does not grandfather in states currently operating Internet gaming, but does allow for online wagering on horseracing placed in compliance with the Interstate Horseracing Act of 1978 to continue. On March 26, 2014, the Restoration of America's Wire Act ("S2159 and "HR4301") was introduced in the U.S. Senate and House of Representative but failed to be considered prior to the conclusion of the 113th Congress.

On November 14, 2013, Washington Representative Jim McDermott introduced the Internet Gambling Regulation and Tax Enforcement Act of 2013 (“HR 3491”) to tax federally-sanctioned Internet wagering potentially made legal by the Internet Gambling Regulation, Enforcement, and Consumer Protection Act of 2013 ("HR 2282") or similar legislation. HR 3491 would create up to a 12% deposit tax on amounts deposited by players for Internet wagering, an amount to be paid by licensed operators, not by

players. The federal government would collect 4% of the tax, with up to 8% going to the state or Indian tribe where the wager is placed.

On July 16, 2013, a subcommittee of the U.S. Senate Commerce Committee held a hearing which focused on the ramifications of the December 23, 2011 Department of Justice opinion that reversed a long-held interpretation of the Wire Act of 1961 (the "Wire Act"), which had historically narrowed the scope of the Wire Act to sports wagering. The Department of Justices' opinion permitted individual states to offer online games of chance and skill on an intrastate basis.

On July 11, 2013, Texas Representative Joe Barton introduced the Internet Poker Freedom Act of 2013. The proposed legislation would create a federal regulatory and licensing structure that would allow established commercial and tribal casinos as well as gaming suppliers to obtain a license to offer interstate online poker. The U.S. Department of Commerce and National Indian Gaming Commission, as well as qualified state and tribal regulators, would be given oversight authority under the terms of the legislation. States would be allowed to "opt-out" of the federal system.

On June 6, 2013, New York Representative Peter King introduced HR 2282 to legalize all forms of Internet wagering, with the exception of sports betting. HR 2282 would establish a federal structure to license and regulate providers of Internet gaming. Under the proposed legislation, Internet gaming operators would be able to obtain licenses from the Department of Treasury or state or tribal authorities authorizing them to accept wagers over the Internet from individuals in the U.S. or outside the U.S. Individual states would be able to "opt-out" and prohibit or limit Internet gambling within their borders by notifying the Secretary of Treasury.

The 113th Congress adjourned on January 3, 2015 without consideration of legislation related to Internet gaming. It is difficult to assess the probability of legislation passing at the federal level, the form of any final legislation, or its impact on our business, financial condition or results of operations.

Wire Act of 1961 - Federal Clarification

On December 23, 2011, the U.S. Department of Justice clarified its position on the Wire Act, which had historically been interpreted to outlaw all forms of gambling across states lines. The department's Office of Legal Counsel determined, in a written memorandum, that the Wire Act applied only to a sporting event or contest but did not apply to other forms of Internet gambling, including online betting unrelated to sporting events. The Justice Department opinion could be interpreted to allow Internet gaming on an intrastate basis. Since the issuance of this opinion, there have been actions taken by various state legislatures to either further enable or further limit Internet gaming opportunities for their residents and businesses, and we anticipate that other states may follow. At this point, we do not know to what extent intrastate Internet gaming could affect our business, financial condition and results of operations.

Kentucky

Expanded Gaming Legislation

On February 13, 2015, Senate Bill 199, a proposed constitutional amendment to allow the Kentucky legislature to authorize gaming expansion in the state by general law, was filed for consideration. If passed, the legislation could have a material impact on our business, financial condition and results of operations.

On February 5, 2015, House Bill 300, a constitutional amendment authorizing casino gaming in Kentucky, was introduced for consideration during the 2015 legislative session. The amendment would allow for six casinos in the state to be approved by local referendum and limited to counties with populations of at least 85,000. The Kentucky Lottery Corporation is authorized to regulate and to operate casino facilities. If passed, the legislation could have a material impact on our business, financial condition and results of operations.

In January 2014, two House bills related to the authorization of expanded gaming in Kentucky were filed for consideration during the 2014 legislative session. House Bill 67, a proposed constitutional amendment, would have authorized casino gaming in the state and required a three-fifths majority vote in both chambers of the Kentucky General Assembly in order to appear before the voters on the November 2014 ballot. House Bill 68 would have created the Kentucky Gaming Commission to issue licenses and serve as the regulatory body for casino gaming; stipulated casino gaming may be conducted at the state's five existing racetracks as well as at three standalone locations; established a minimum $50 million licensing fee; provided for the distribution of gaming revenues received by the state and would have required racetracks with a casino license to set aside 14.5 percent of gambling revenues for purses and breeders incentives as well as required these tracks to increase the number of live racing days by ten percent for the first five years of casino gaming licensure.

Senate Bill 33 was also filed during January 2014 and would have amended the Kentucky Constitution to allow up to seven casino locations in the state and would have created an Equine Excellence Fund, into which ten percent of gross gaming revenues would have been directed. Senate Bill 33 failed to garner the required three-fifths majority vote in both chambers of the legislature in order to appear on the November 2014 ballot.

The 2014 session ended without consideration of any legislation related to expanded gaming in Kentucky. Should similar future legislation be enacted into law, it could have a material impact on our business, financial condition and results of operations.

Historical Racing Machines

During 2010, the Kentucky Horse Racing Commission ("KHRC") approved a change in state regulations that would allow racetracks to offer pari-mutuel Historical Racing Machines (“HRMs”), which base their payouts on the results of previously-run races at racetracks across North America. During 2012, Kentucky Downs Racetrack operated an HRM facility with approximately 275 HRMs and Ellis Park Racetrack opened a HRM facility with 177 HRMs. On April 4, 2013, the KHRC approved 40 additional HRMs for use at Kentucky Downs Racetrack.

Despite the approval by the KHRC, challenges remain as to the legality of the enacted regulations. A declaratory judgment action was filed in Franklin Circuit Court on behalf of the Commonwealth of Kentucky and all Kentucky racetracks to ensure proper legal authority. The Franklin Circuit Court entered a declaratory judgment upholding the regulations in their entirety. The intervening adverse party filed a notice of appeal, and the KHRC and the racetracks filed a motion to transfer that appeal directly to the Supreme Court of Kentucky. On April 21, 2011, the Supreme Court of Kentucky denied the request to hear the case before the appeal was heard by the Kentucky Court of Appeals. On September 1, 2011, the intervening adverse party filed an injunction action with the Kentucky Court of Appeals to grant emergency relief that would prevent Kentucky Downs Racetrack from operating its HRMs. The intervening adverse party’s motions were denied by the Kentucky Court of Appeals. On June 15, 2012, the Kentucky Court of Appeals vacated the lower court’s decision and remanded the declaratory judgment action back to the Franklin County Circuit Court. On July 16, 2012, the Kentucky racetracks, the KHRC and the Kentucky Department of Revenue filed motions for discretionary review with the Supreme Court of Kentucky asking the court to overturn the Kentucky Court of Appeals’ decision and address the merits of the case. On August 21, 2013, the Supreme Court of Kentucky heard oral arguments on the legality of HRMs. On February 20, 2014, the Supreme Court of Kentucky issued its ruling on the motions for discretionary review affirming, in part, and reversing, in part, the Kentucky Court of Appeals. In issuing its opinion, the Supreme Court of Kentucky held that the KHRC has the statutory authority to license and regulate the operation of pari-mutuel wagering on historic horse racing. The Supreme Court of Kentucky further held that the Kentucky Department of Revenue does not have the authority to collect excise tax on the wagering handle generated by historic horse racing. On the issue of whether the operation of wagering on historic horse racing violates the gambling provisions of the Kentucky Penal Code, the Supreme Court of Kentucky remanded the case back to the Franklin County Circuit Court for further proceedings. On April 10, 2014, the Governor of Kentucky signed House Bill 445 into law, and it became effective on August 1, 2014. The legislation imposes a 1.5% tax on all handle wagered on historical races and will apply both retroactively and prospectively. At this time it is unclear the extent to which this development will materially impact our business, financial condition and results of operations.

ADW Regulations

During April 2014, House Bill 445, which imposes a 0.5% tax on all ADW wagers made by Kentucky residents, was signed into law. The bill became effective on August 1, 2014. The bill is not expected to have a material negative impact on our business, financial condition and results of operations.

Illinois

Expanded Gaming Legislation

During the 2013 legislative session, Senate Bill 1739 ("SB 1739") was introduced in the Illinois General Assembly to expand casino gaming to Illinois racetracks and to add five additional casinos within the state, including one in Chicago with 4,000 gaming positions. SB 1739 won approval in the Illinois Senate but was not considered by the House of Representatives. In March 2014, two amendments to SB 1739 were filed. One amendment provides for a Chicago casino with 4,000 to 10,000 gaming positions but does not include language for additional casinos in the state or gaming positions at racetracks. The second amendment would authorize five new casinos, including a Chicago casino with 4,000 to 6,000 gaming positions. Racetracks in Cook County, which includes Arlington, would be authorized to receive 600 gaming positions and most racetracks outside of Cook County would each be eligible for 450 positions. In May 2014, an amendment to SB 1739 was filed authorizing 1,200 machines at Cook County racetracks and 900 machines for racetracks in other areas of the state, the same number of gaming positions currently provided for in SB 1739. The amendment does not address the authorization of additional casinos. SB 1739 failed to be considered prior to the end of the 2014 legislative session. Should similar future legislation be enacted, it could have a material effect on our business, financial condition and results of operations.

ADW Legislation

On January 28, 2015, House Bill 335 was introduced for consideration during the 2015 legislative session. Under the proposed bill, January 31, 2017 is deleted as the statutory end date of ADW authorization effectively making ADW operation in Illinois no longer contingent on legislative approval. If enacted, the proposed bill could have a positive material effect on our business, financial condition and results of operation.

House Bill 11, which permits advance deposit wagering by Illinois residents through January 31, 2017 was approved by the Illinois legislature and signed by the Governor on January 29, 2014. House Bill 11 provides funding for the Illinois Racing Board, provides for quarter horse purses through a new temporary surcharge of 0.2% on winning pari-mutuel wagers, creates a temporary optional 0.5% surcharge on winning wagers by individual tracks to support their track operation and purses as well as reactivates six OTB licenses. We expect approval of the legislation to continue to result in a favorable impact to our business, financial condition and results of operation.

Horse Racing Equity Trust Fund

During 2006, the Illinois General Assembly enacted Public Act 94-804, which created the HRE Trust Fund. During November 2008, the Illinois General Assembly passed Public Act 95-1008 to extend Public Act 94-804 for a period of three years beginning December 12, 2008. The HRE Trust Fund was funded by a 3% "surcharge" on revenues of Illinois riverboat casinos that met a certain revenue threshold. The riverboats paid all monies required under Public Acts 94-804 and 95-1008 into a special protest fund account which prevented the monies from being transferred to the HRE Trust Fund. The funds were moved to the HRE Trust Fund and distributed to the racetracks, including Arlington, in December 2009.

Beginning in 2009, we received payments from the HRE Trust Fund related to subsidies paid by the original nine Illinois riverboat casinos in accordance with Illinois Public Acts 94-804 and 95-1008. The HRE Trust Fund was established to fund operating and capital improvements at Illinois racetracks. The funds were to be distributed with approximately 58% of the total to be used for horsemen's purses and the remaining monies to be distributed to Illinois racetracks. The monies received from the Public Acts were placed into an Arlington Park escrow account due to a temporary restraining order ("TRO") pending the resolution of a lawsuit brought by certain Illinois casinos that were required to pay funds to the HRE Trust Fund. In August 2011, the stay of dissolution expired and the TRO was dissolved, which terminated the restrictions on our ability to access the funds from the HRE Trust Fund held in the escrow account.

As of December 31, 2013, we had received $46.1 million in proceeds, of which $26.5 million was designated for Arlington purses. We used the remaining $19.6 million of the proceeds to improve, market, and maintain or otherwise operate the Arlington racing facility in order to conduct live racing. No additional proceeds related to the HRE Trust Fund are expected to be received.

Horse Racing Equity Trust Fund – Tenth Riverboat License

Under legislation enacted in 1999, the HRE Trust Fund was scheduled to receive amounts equal to 15% of the adjusted gross receipts generated by a tenth riverboat casino license to be granted in Illinois. The funds were to be distributed to racetracks in Illinois for purses as well as racetrack discretionary spending. During December 2008, the Illinois Gaming Board awarded the tenth riverboat license to a casino in Des Plaines, Illinois. This casino opened during July 2011, entitling the Illinois racing industry to receive an amount equal to 15% of the adjusted gross receipts of this casino from the gaming taxes generated by that casino, once the accumulated funds were appropriated by the state.

On July 10, 2013, the Governor of Illinois signed Illinois House Bill 214 into law, providing for the release of $23.0 million of funds collected from the tenth riverboat licensee since its opening during 2011. During July 2013, Arlington received $7.9 million as its share of the proceeds, of which $3.6 million was designated for Arlington purses. The remaining $4.2 million was recognized as miscellaneous other income in our Consolidated Statements of Comprehensive Income during the year ended December 31, 2013. No additional proceeds related to future funds of the tenth riverboat are expected to be distributed to Illinois racetracks under the provisions of House Bill 214.

Purse Recapture

Pursuant to the Illinois Horse Racing Act, Arlington and all other Illinois racetracks are permitted to receive a payment commonly known as purse recapture. Generally, in any year that wagering on Illinois horse races at Arlington is less than 75% of wagering both in Illinois and at Arlington on Illinois horse races in 1994, Arlington is permitted to receive 2% of the difference in wagering in the subsequent year. The payment is funded from the Arlington purse account. Under the Illinois Horse Racing Act, the Arlington purse account is to be repaid via an appropriation by the Illinois General Assembly from the Illinois General Revenue Fund. However, this appropriation has not been made since 2001. Subsequently, Illinois horsemen unsuccessfully petitioned the IRB to prevent Illinois racetracks from receiving this payment in any year that the Illinois General Assembly did not appropriate the repayment to the racetrack's purse accounts from the General Revenue Fund. Further, the Illinois horsemen filed lawsuits seeking, among other things, to block payment to Illinois racetracks, as well as to recover the 2002 and 2003 amounts already paid to the Illinois racetracks. These lawsuits filed by the Illinois horsemen challenging the 2002 and 2003 reimbursements have been resolved in favor of Arlington and the other Illinois racetracks. Several bills were filed in the 2003, 2004, 2005 and 2009 sessions of the Illinois legislature that, in part, would eliminate the statutory right of Arlington and the other Illinois racetracks to continue to receive this payment. None of these bills passed. Since the statute remains in effect, Arlington continues to receive the recapture payment from the purse account. If Arlington loses the statutory right to receive this payment, there could be a material, adverse impact on our business, financial condition and results of operations.

Host Days

During January, February and a portion of March each year, when there is no live racing in Illinois, the IRB designates a thoroughbred racetrack as the host track in Illinois, for which the host track receives a higher percentage of earnings from pari-mutuel wagering activity throughout Illinois. In January 2015, the IRB appointed Arlington the host track in Illinois for 23 simulcast host days, which was consistent with 2014. Arlington was awarded one additional live host day during 2015, as compared to the prior year. Arlington's future designation as the host track is subject to the annual designation by the IRB. A change in the number of days Arlington is designated host track could have a material, adverse impact on our business, financial condition and results of operations.

Ohio

Gaming Legislation

In November 2009, Ohio voters passed a referendum to allow four casinos in Ohio, with opening dates from 2012 through 2013. On June 28, 2011, both houses of the Ohio General Assembly passed House Bill 277 ("HB 277") allowing all seven state racetracks to apply for video lottery licenses. The Governor of Ohio signed HB 277 into law on July 15, 2011. In addition, on June 23, 2011, the Ohio legislature passed legislation allowing the relocation of Ohio racetracks with video lottery terminal licenses. In October 2011, the Ohio Roundtable filed a lawsuit seeking to prevent racetracks from relocating and prohibiting video lottery terminals. In May 2012, the Common Pleas Court ruled against the Ohio Roundtable, indicating it did not have legal standing to sue the State over the 2011 legislation. On June 28, 2012, the Ohio Roundtable filed an appeal against this ruling. Oral arguments on the appeal were heard by the Franklin County Court of Appeals on January 17, 2013. In March 2013, the Ohio Tenth Circuit Court of Appeals upheld the lower court's ruling, at which time the Ohio Roundtable appealed the appellate court ruling to the Ohio Supreme Court. On July 24, 2013, the Ohio Supreme Court agreed to hear the matter. At this time, we do not know how this legislation or the related litigation could affect our business, financial condition and results of operations.

Florida

ADW

In November 2014, Senate Bill 124 related to advance deposit wagering was filed for consideration during the 2015 legislative session. Under the terms of the bill, the Department of Business and Professional Regulation is granted regulatory authority to authorize advance deposit wagering in the state. At this time it is difficult to assess the possible impact this legislation or similar legislation will have on our business, financial condition and results of operations.

Expanded Gaming

In March 2014, House Bill 1383 was filed for consideration during the 2014 legislative session. The proposed bill would have created a new regulatory structure under a Gaming Control Commission. A similar proposal, Senate Bill 7052, which also aimed to restructure the state's existing gaming laws under a proposed Department of Gaming Control, would have allowed for two destination resort casinos in Miami-Dade and Broward counties. Constitutional amendments requiring voter approval for any additional gaming expansion to occur in the state were filed for consideration in both the House and Senate chambers. The 2014 legislative session concluded without consideration of any legislation related to expanded gaming. It is unclear to what extent similar future legislation could have on our business, financial condition and results of operations.

Maine

Expanded Gaming

On September 27, 2013, the Maine Gaming Study Commission, whose statutorily defined mission is to examine the state's existing gaming market as well as assess expansion opportunities, voted to recommend gaming be expanded beyond the current market. Subsequent to the vote, the Commission was disbanded by the Chairman. During January 2014, the Veterans and Legal Affairs Committee, the legislative committee of jurisdiction for gaming related issues, considered legislation that would allow for further gaming expansion to occur in Maine. The Committee voted to negatively recommend to the House and Senate each of the proposed expanded gaming bills with the exception of a bill that, if approved, will allow up to three slot machines in an estimated 40 veterans halls throughout the state. Ultimately, all legislation related to gaming expansion died in the Senate.

In April 2014, a proposal authorizing the state to hire a third-party to conduct a market analysis on the feasibility of expanded gaming in Maine was approved by the legislature. On August 31, 2014 the third-party study was released which concluded that Maine's current gaming market would allow for up to two additional casinos. According to the study, the market has additional capacity for one integrated dining, entertainment and gaming property in Southern Maine. The study further suggested that a fourth casino location would be possible near the Canadian border. Should gaming expansion occur in Maine it could negatively impact our business, financial condition and results of operations.

New York

Gaming Legislation

During 2012, the Governor of New York and legislative leaders agreed to legalize casino gaming and seek an amendment to the state constitution that would authorize such gaming and during 2013, New York voters approved a constitutional amendment authorizing up to seven casinos in the state. On May 13, 2014, we entered into a 50% joint venture with SHRI to bid on the development, construction and operation of the Capital View Casino & Resort located in the Capital Region near Albany, New York. On December 17, 2014, the Gaming Facility Location Board (the "Location Board") announced the award of three casino licenses in the state and awarded the Capital Region license to another bidder, but it did not award a fourth available license in the Southern Region. In December 2014, the Governor of New York appealed to the Location Board to reconsider awarding the fourth license in the state. During January 2015, the Location Board reopened the bidding process for casino license applications for the fourth license. At this time it is unknown if, or when, the fourth casino license will be awarded. An expansion of gaming in New York includes incentives for the horse racing industry. At this time it is difficult to determine the impact casino gaming could have on our business, financial condition and results of operations.

California

Exchange Wagering

During 2010, California became the first state to approve exchange wagering on horseracing at California racetracks. Exchange wagering differs from pari-mutuel wagering in that it allows customers to propose their own odds on certain types of wagers on horseracing, including betting that a horse may lose, which may be accepted by a second customer.

During 2012, the California Horse Racing Board (the “CHRB”) heard testimony on exchange wagering and approved draft proposed exchange wagering regulations which were submitted for public comment. In November 2012, the CHRB granted approval for rules governing exchange wagering. The regulations were submitted to the Office of Administrative Law (“OAL”) during February 2013 for review and final approval. On March 20, 2013, the OAL disapproved the proposed regulations. In June 2013, the CHRB approved and resubmitted the proposed regulations to the OAL, which approved the regulations during August 2013. However, the CHRB has not set a time frame for accepting applications or for the implementation of exchange wagering in California. Exchange wagering may have a negative impact on our current pari-mutuel operations, including our ADW business. Furthermore, California’s approval of exchange wagering may set a precedent for other states to approve exchange wagering, creating additional risk of a negative impact on our pari-mutuel wagering business.

Internet Poker

On February 21, 2014, Senate Bill 1366 (“SB 1366”) was introduced, which would allow Indian tribes and cardrooms to apply for a ten year license to operate Internet poker in the state. Under the terms of the legislation, the state would be allowed to opt-into or out of a federal Internet poker framework or enter into agreements to offer Internet poker across state boarders. Also introduced on February 21, 2014 was Assembly Bill 2291 ("AB 2291") which would allow qualified Indian tribes and cardrooms to apply for a ten year license. The proposed legislation would require the state to opt-out of any federally created Internet poker framework and would be precluded from entering into Internet poker agreements with other states or foreign jurisdictions. The 2014 legislative session concluded without consideration of legislation related to Internet poker. The potential effects of SB 1366 and AB 2291 on our business, financial condition and results of operations cannot be determined at this time.

In December 2014, Assembly Bill 9 (“AB 9”) was introduced for consideration during the 2015 legislative session. The bill would allow cardrooms and Indian tribes to apply for a ten year license to operate Internet poker in California. Entities who knowingly engaged in unlawful Internet gaming after December 31, 2006 would be prohibited from obtaining an Internet poker license. The bill provides that the state must affirmatively opt-in to federal Internet gambling regulations. The legislature is authorized to enter into Internet gambling agreements between states or foreign jurisdictions. The potential effects of AB 9 on our business, financial condition and results of operations cannot be determined at this time.

On January 22, 2015, Assembly Bill 167 (“AB 167”) was introduced and would allow racetracks, cardrooms and Indian tribes to offer Internet poker. While the bill does not specifically preclude entities who knowingly engaged in unlawful Internet gaming after December 31, 2006 from obtaining an Internet poker license, AB 167 provides that a person who has defied a legislative investigative body when that body is investigating crimes related to poker, corruption related to poker activities, criminal profiteering or organized crime would be prohibited from obtaining a license to conduct Internet poker in California. The potential effects of AB 167 on our business, financial condition and results of operations cannot be determined at this time.

Louisiana

Smoking Ban

In October 2014, a proposal banning smoking in bars and public places, including casinos, in Orleans Parrish was submitted to the New Orleans City Council for consideration. On January 22, 2015, the New Orleans City Council approved the smoking ban which will take effect on April 22, 2015. The smoking ban is expected to have a negative impact on our business, financial condition and results of operations.

Slot Machine Revenues

On April 1, 2014, House Bill 1223 ("HB 1223") was introduced for consideration by the Louisiana legislature. HB 1223 would have required 10% of net slot machine revenues after purse contributions and taxes to be used for capital improvement projects at Fair Grounds as a condition of slot machine licensure. Capital projects include improvements to the frontside, backside, grandstands, stables and racetrack surfaces. Under the terms of the legislation, proposed plans for capital improvements would be submitted to and approved by the Louisiana State Racing Commission ("LSRC"). When reviewing the proposed plans, the LSRC would be directed to consider standards and technology features present at other racetracks comparable in historical significance to Fair Grounds. Certification of completion of the projects would be submitted to the Louisiana Gaming Control Board. On April 14, 2014, HB 1223 was passed by the Louisiana House of Representatives and referred to the Senate Judiciary Committee where the legislation failed to progress. Should similar future legislation be enacted into law, it could have a negative material impact on our business, financial condition and results of operations.

Sweepstakes

In February 2014, House Bill 293 was filed to prohibit the operation of electronic sweepstakes devices in Louisiana. The bill, which provides a definition of electronic sweepstakes devices and creates a specific prohibition against the operation of such devices, was signed by the Governor of Louisiana in May 2014 and became effective August 1, 2014. We expect the legislation to result in a favorable impact to our business, financial condition and results of operation.

Louisiana Racing Commission

In May 2014, Senate Bill 53, which grants increased authority to the LSRC as it relates to fines and suspension or revocation of racing licensure, was passed by the legislature and signed into law by the Governor of Louisiana. Specifically, the bill allows the LSRC to assess fines up to $100,000 and suspend or revoke a racetrack's racing license for failure to meet specific criteria. The bill maintains current law as it relates to grounds for suspension and revocation of licensure as well as provides for new conditions such as failure to maintain suitable racing surfaces as determined by the LSRC, failure or inability to conduct racing in a manner that is in the best interest of racing as determined by the LSRC and failure to respond to inquiries made by the LSRC as it relates to the status or progress of matters related to racing. The LSRC may also require a racetrack to submit a written report which outlines a plan of operation for each fiscal year as it relates to customer service, marketing and promotions related to racing, as well as capital improvement and facility maintenance. The bill became effective August 1, 2014. At this time it is unclear to what extent the legislation will impact our business, financial condition and results of operation.

Mississippi

On January 12, 2015, House Bill 306 (“HB 306”), authorizing existing licensees in the state to qualify to operate Internet casino gaming, was introduced for consideration in the 2015 legislative session. Licensure is from one to five years subject to the determination of the Mississippi Commission. The state is authorized to enter into interstate and international online gaming compacts. Language precluding entities which engaged in unlawful Internet gaming after December 31, 2006 from qualifying for licensure is not included in the draft bill. The bill died in Committee on February 3, 2015 after failing to advance past the first committee deadline for the 2015 legislative session. The potential impact of this bill or similar legislation on our business, financial condition and results of operation cannot be determined at this time.

On January, 22, 2015, House Bill 782 (“HB 782”) permitting existing gaming licensees to offer Internet poker in the state was introduced. The state is authorized to enter into interstate and international compacts that are limited to poker only. Language precluding entities that engaged in unlawful Internet gaming after December 31, 2006 from qualifying for licensure is not included in the draft bill. The bill died in Committee on February 3, 2015 after failing to advance past the first committee deadline for the 2015 legislative session. The potential impact of this bill or similar legislation on our business, financial condition and results of operation cannot be determined at this time.

New Jersey

Exchange Wagering

On May 14, 2014, the New Jersey Racing Commission ("NJRC") approved the publication of rules that would govern exchange wagering within the state. The rules were subject to a sixty-day public comment period which ended on July 16, 2014. The NJRC may enact the rules as written or consider amendments to the rules, but to date, no action has occurred. Should exchange wagering be enacted in New Jersey and other states, it may have a negative impact on our current pari-mutuel operations including our ADW business.

Sports Betting

During 2011, New Jersey voters passed a non-binding referendum permitting sports betting in New Jersey. In 2012, legislation authorizing sports betting in Atlantic City casinos and at racetracks passed the House and Senate legislatures and was signed by the Governor of New Jersey. The National Football League, National Basketball Association, National Hockey League and National Collegiate Athletic Association filed suit against the state to prohibit the state from moving forward with the legislation, citing a federal ban against sports betting. On December 21, 2012, a federal judge denied New Jersey’s request to have the lawsuit

dismissed. The judge agreed that expanding legal sports betting into New Jersey would negatively impact the perception of sporting games. The New Jersey Division of Gaming Enforcement issued final sports betting regulations, but the Division noted that no license would be issued prior to January 2013. In June 2014, the U.S. Supreme Court denied hearing New Jersey's appeal of a federal sports betting ban. In October 2014 the Governor of New Jersey signed Senate Bill 2460 which clarified that sports wagering at casinos and racetracks is not unlawful gambling under New Jersey law. Subsequently, a U.S. District Judge issued a temporary restraining order preventing casinos and racetracks from accepting sports bets in the state. The issue remains on appeal. The potential impact of sports betting in New Jersey on our business, financial condition and results of operation cannot be determined at this time.

Pennsylvania

On January 28, 2015, Senate Bill 352 ("SB 352") was introduced for consideration during the 2015 legislative session. The bill contains provisions specifically related to racing oversight as well as provides authority to the Pennsylvania Gaming Board to grant licensure allowing Pennsylvania racetracks to operate their own ADW business. SB 352 is identical to Senate Bill 1188 which was filed during the 2014 legislative session but failed to be considered prior to the end of the session. The potential impact of this bill on our business, financial condition and results of operation cannot be determined at this time.

Virginia

In January 2015, legislation was filed in Virginia to change the distribution of revenue generated by ADWs to various in state racing interests, and the legislation remains pending before the Virginia legislature. Should the legislation be drafted into law, it could have a negative impact on our business, financial condition and results of operations.

Washington

House Bill 1114 ("HB 1114") authorizing Internet poker in the state was filed for consideration on January 12, 2015. Specifically, the bill would allow firms, partnerships or corporations registered to do business in Washington to apply for licensure to operate an Internet poker network and/or operate an Internet poker room. The state, at the discretion of the Governor of Washington, may enter into multistate agreements related to Internet poker. Language precluding entities which accepted bets on Internet gaming after December 31, 2006 from being eligible for licensure is not included in the draft bill. The potential impact of this bill on our business, financial condition and results of operation cannot be determined at this time.

M. Environmental Matters

We are subject to various federal, state and local environmental laws and regulations that govern activities that may have adverse environmental effects, such as discharges to air and water, as well as the management and disposal of solid, animal and hazardous wastes and exposure to hazardous materials. These laws and regulations, which are complex and subject to change, include United States Environmental Protection Agency and state laws and regulations that address the impacts of manure and wastewater generated by Concentrated Animal Feeding Operations ("CAFO") on water quality, including, but not limited to, storm and sanitary water discharges. CAFO and other water discharge regulations include permit requirements and water quality discharge standards. Enforcement of these regulations has been receiving increased governmental attention. Compliance with these and other environmental laws can, in some circumstances, require significant capital expenditures. For example, we may incur future costs under existing and new laws and regulations pertaining to storm water and wastewater management at our racetracks. Moreover, violations can result in significant penalties and, in some instances, interruption or cessation of operations.

In the ordinary course of our business, we at times receive notices from regulatory agencies regarding our compliance with CAFO regulations that may require remediation at our facilities. On December 6, 2013, we received a notice from the United States Environmental Protection Agency regarding alleged CAFO non-compliance at Fair Grounds. We do not expect that remediating these items will cause a disruption in our operations at Fair Grounds, although it may require us to incur certain capital expenditures costs which we do not expect to be material.

We also are subject to laws and regulations that create liability and cleanup responsibility for releases of hazardous substances into the environment. Under certain of these laws and regulations, a current or previous owner or operator of property may be liable for the costs of remediating hazardous substances or petroleum products on its property, without regard to whether the owner or operator knew of, or caused, the presence of the contaminants, and regardless of whether the practices that resulted in the contamination were legal at the time they occurred. The presence of, or failure to remediate properly, such substances may materially adversely affect the ability to sell or rent such property or to borrow funds using such property as collateral. Additionally, the owner of a property may be subject to claims by third parties based on damages and costs resulting from environmental contamination emanating from the property.

Compliance with environmental laws has not materially affected our ability to develop and operate our properties, and we are not otherwise subject to any material compliance costs in connection with federal or state environmental laws.

N. Service Marks and Internet Properties

We hold numerous state and federal service mark registrations on specific names and designs in various categories including the entertainment business, apparel, paper goods, printed matter, housewares and glass. We license the use of these service marks and derive revenue from such license agreements.

O. Employees

As of December 31, 2014, we employed approximately 4,825 full-time and part-time employees Company-wide. Due to the seasonal nature of our live racing business, the number of seasonal and part-time persons employed will vary throughout the year.

P. Available Information

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements and other Securities and Exchange Commission ("SEC") filings, and any amendments to those reports and any other filings that we file with or furnish to the SEC under the Securities Exchange Act of 1934 are made available free of charge on our website (www.churchilldownsincorporated.com) as soon as reasonably practicable after we electronically file the materials with the SEC and are also available at the SEC's website at www.sec.gov. These reports may also be obtained from the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549 or by calling the SEC at (800) SEC-0330.

ITEM 1A. RISK FACTORS

Risks Related to the Company

In addition to risks and uncertainties in the ordinary course of business that are common to all businesses, important factors that are specific to our industry and Company could materially impact our future performance and results. The factors described below are the most significant risks that could materially impact our business, financial condition and results of operations.

General economic trends may impact our operations

Economic conditions improved during 2013 and 2014 from a previous period of adverse conditions in local, regional, national and global markets, however there remains risk that a downturn may resume. Our access to, or cost of, credit may be impacted to the extent global and U.S. credit markets are affected by downward trends. Additionally, our ability to respond to periods of economic contraction may be limited, as certain of our costs remain fixed or even increase, when revenues decline. Accordingly, any persistence of poor economic conditions, or further deterioration, could have a material, adverse impact on our business, financial condition and results of operations.

Our business is sensitive to consumer confidence and reductions in consumers' discretionary spending, which may result from the challenging economic conditions, unemployment levels and other changes we cannot accurately predict

Demand for entertainment and leisure activities is sensitive to consumers' disposable incomes, which have been adversely affected by recent economic conditions and the persistence of elevated levels of unemployment. Further declines in the residential real estate market, changes in consumer confidence, increases in individual tax rates, and other factors that we cannot accurately predict may reduce the disposable income of our customers. This could result in fewer patrons visiting our racetracks, gaming and wagering facilities, online wagering sites and our casual gaming site, or downloading our casual games, and/or may impact our customers' ability to wager with the same frequency and maintain their wagering level profiles. Decreases in consumer discretionary spending could affect us even if it occurs in other markets. For example, reduced wagering levels and profitability at racetracks from which we carry racing content could cause certain racetracks to cancel races or cease operations and therefore reduce the content we could provide to our customers. Accordingly, any significant loss of customers or decline in wagering could have a material adverse impact on our business, financial condition and results of operations.

We are vulnerable to additional or increased taxes and fees

We believe that the prospect of raising significant additional revenue through taxes and fees is one of the primary reasons that certain jurisdictions permit legalized gaming. As a result, gaming companies are typically subject to significant taxes and fees in addition to the normal federal, state, provincial and local income taxes, and such taxes and fees may be increased at any time. From time to time, legislators and officials have proposed changes in tax laws, or in the administration of such laws, affecting the gaming industry. Moreover, many states and municipalities, including ones in which we operate, are currently experiencing budgetary pressures that may make it more likely they would seek to impose additional taxes and fees on our operations. It is not possible to determine with certainty the likelihood of any such changes in tax laws or fee increases, or their administration; however, if enacted, such changes could have a material adverse effect on our business, financial condition and results of operations.

Our debt facilities contain restrictions that limit our flexibility in operating our business

Our debt facilities contain, and any future indebtedness of ours would likely contain, a number of covenants that impose significant operating and financial restrictions on us, including restrictions on our and our subsidiaries' ability to, among other things:

- incur additional debt or issue certain preferred shares;
- pay dividends on or make distributions in respect of our capital stock, repurchase common shares or make other restricted payments;
- make certain investments;
- sell certain assets or consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;
- create liens on certain assets;
- enter into certain transactions with our affiliates; and
- designate our subsidiaries as unrestricted subsidiaries.

As a result of these covenants, we are limited in the manner in which we conduct our business, and we may be unable to engage in favorable business activities or finance future operations or capital needs.

We have pledged and will pledge a significant portion of our assets as collateral under our debt facilities. If any of these lenders accelerate the repayment of borrowings, there can be no assurance that we will have sufficient assets to repay our indebtedness and our lenders could proceed against the collateral we have granted them.

Under our debt facilities, we are required to satisfy and maintain specified financial ratios. Our ability to meet those financial ratios can be affected by events beyond our control, and there can be no assurance that we will meet those ratios. A failure to comply with the covenants contained in our debt facilities or our other indebtedness could result in an event of default under the facilities or the existing agreements, which, if not cured or waived, could have a material adverse impact on our business, financial condition and results of operations. In the event of any default under our debt facilities or our other indebtedness, the lenders thereunder:

- will not be required to lend any additional amounts to us;
- could elect to declare all borrowings outstanding, together with accrued and unpaid interest and fees, to be due and payable and terminate all commitments to extend further credit; or
- require us to apply all of our available cash to repay these borrowings.

If the indebtedness under our debt facilities or our other indebtedness were to be accelerated, there can be no assurance that our assets would be sufficient to repay such indebtedness in full.

We may not be able to identify and complete acquisition, expansion or divestiture projects on time, on budget or as planned

We expect to pursue expansion, acquisition and divestiture opportunities, and we regularly evaluate opportunities for development, including acquisitions or other strategic corporate transactions which may expand our business operations.

We could face challenges in identifying development projects that fit our strategic objectives, identifying potential acquisition or divestiture candidates and/or development partners, finding buyers, negotiating projects on acceptable terms, and managing and integrating the acquisition or development projects. The integration of new operations and any other properties we may acquire or develop will require the dedication of management resources that may temporarily divert attention from our day-to-day business. The process of integrating new properties or projects may also interrupt the activities of those businesses, which could have a material, adverse impact on our business, financial condition and results of operations. The divestiture of existing businesses may be affected by our ability to identify potential buyers. Furthermore, current or future regulation may postpone a divestiture pending certain resolutions to federal, state or local legislative issues. We cannot assure that any new properties or developments will be completed or integrated successfully.

Management of new properties or business operations, especially those in new lines of business or different geographic areas, may require that we increase our managerial resources. We cannot assure that we will be able to manage the combined operations effectively or realize any of the anticipated benefits of our acquisitions or developments.

We may experience difficulty in integrating recent or future acquisitions into our operations

We have completed acquisition transactions in the past and we may pursue acquisitions from time to time in the future. The successful integration of newly acquired businesses, including our recent acquisitions of Big Fish Games and Oxford, into our operations has required and will continue to require the expenditure of substantial managerial, operating, financial and other resources and may also lead to a diversion of our attention from our ongoing business concerns. We may not be able to successfully integrate new businesses or realize projected revenue gains, cost savings and synergies in connection with those acquisitions on the timetable contemplated, if at all. Furthermore, the costs of integrating businesses we acquire could significantly impact our short-term operating results. These costs could include:

- restructuring charges associated with the acquisitions;
- non-recurring acquisition costs, including accounting and legal fees, investment banking fees and recognition of transaction-related costs or liabilities; and

- costs of imposing financial and management controls (such as compliance with Section 404 of the Sarbanes-Oxley Act of 2002) and operating, administrative and information systems.

Although we perform financial, operational and legal diligence on the businesses we purchase, in light of the circumstances of each transaction, an unavoidable level of risk remains regarding the actual condition of these businesses and our ability to continue to operate them successfully and integrate them into our existing operations. In any acquisition we make, we face risks which include:

- the risk that the acquired business may not further our business strategy or that we paid more than the business was worth;
- the potential adverse impact on our relationships with partner companies or third-party providers of technology or products;
- the possibility that we have acquired substantial undisclosed liabilities for which we may have no recourse against the sellers or third party insurers;
- costs and complications in maintaining required regulatory approvals or obtaining further regulatory approvals necessary to implement the acquisition in accordance with our strategy;
- the risks of acquiring businesses and/or entering markets in which we have limited or no prior experience;
- the potential loss of key employees or customers;
- the possibility that we may be unable to retain or recruit managers with the necessary skills to manage the acquired businesses; and
- changes to legal and regulatory guidelines, which may negatively affect acquisitions.

If we are unsuccessful in overcoming these risks, it could have a material adverse impact on our business, financial condition and results of operations.

Our business strategy is premised, in part, on the legalization of online real money gaming in the United States and our ability to predict and capitalize on any such legalization

In the last few years, Delaware, Nevada, California, Florida, Mississippi, Hawaii, Massachusetts, New Jersey, Iowa, Illinois, Washington D.C. and the Federal government have considered legislation that would legalize online real money gaming. To date, only Nevada, Delaware and New Jersey have enacted such legislation. If a large number of additional states or the Federal government enact online real money gaming legislation and we are unable to obtain the necessary licenses to operate online real money gaming websites in United States jurisdictions where such games are legalized, our future growth in real money gaming could be materially impaired. In addition, states or the Federal government may legalize online real money gaming in a manner that is unfavorable to us. For example, several states and the Federal government are considering draft laws that require online casinos to also have a license to operate a brick-and mortar casino, either directly or indirectly through an affiliate. If, like Nevada and New Jersey, state jurisdictions enact legislation legalizing online real money casino gaming subject to this brick-and-mortar requirement, we may be unable to offer online real money gaming in such jurisdictions if we are unable to establish an affiliation with a brick-and-mortar casino in such jurisdiction. There also exists in the online real money gaming industry a significant “first mover” advantage. Our ability to compete effectively in respect of a particular style of online real money gaming in the United States may be premised on introducing a style of gaming before our competitors. Failing to do so (“move first”) could materially impair our ability to grow in the online real money gaming space. In addition to the risk that online real money gaming will be legalized in a manner unfavorable to us, we may fail to accurately predict when online real money gaming will be legalized in significant jurisdictions. The legislative process in each state and at the Federal level is unique and capable of rapid, often unpredictable change. If we fail to accurately forecast when and how, if at all, online real money gaming will be legalized in additional state jurisdictions, such failure could impair our readiness to introduce online real money gaming offerings in such jurisdictions, which could have a material adverse effect on our business, financial condition and results of operations.

Failure to comply with laws requiring us to block access to certain individuals, based upon their geographic location, may result in legal penalties or an impairment to our ability to offer online real money gaming, in general

Individuals in jurisdictions in which online real money gaming is illegal may nonetheless seek to engage our online real money gaming products. While we take steps to block access by individuals in such jurisdictions, those steps may be unsuccessful. In the event that individuals in jurisdictions in which online real money gaming is illegal engage our online real money gaming systems, we may be subject to criminal sanctions, regulatory penalties, the loss of existing or future licenses necessary to offer online real money gaming or other legal liabilities, any one of which could have a material adverse effect on us, and therefore our businesses, financial condition and results of operations. For example, gambling laws and regulations in many jurisdictions require gaming industry participants to maintain strict compliance with various laws and regulations. If we are unsuccessful in blocking access to our online real money gaming products by individuals in a jurisdiction where such products are illegal, we could lose or be prevented from obtaining a license necessary to offer online real money gaming in a jurisdiction in which such products are legal. Furthermore, our inability to restrict illegal access could materially impact our other gaming licenses as well.

We may adversely infringe on the intellectual property rights of others

In the course of our business, we may become aware of potentially relevant patents or other intellectual property rights held by other parties. Many of our competitors as well as other companies and individuals have obtained, and may obtain in the future, patents or other intellectual property rights that concern products or services related to the types of products and services we currently offer or may plan to offer in the future. We evaluate the validity and applicability of these intellectual property rights and determine in each case whether we must negotiate licenses to incorporate or use the proprietary technologies in our products. Claims of intellectual property infringement may also require us to enter into costly royalty or license agreements. However, we may not be able to obtain royalty or license agreements on terms acceptable to us or at all. We also may be subject to significant damages or injunctions against the development and sale of our products and services if we become subject to litigation relating to intellectual property infringement.

Our results may be affected by the outcome of litigation within our industry and the protection and validity of our intellectual property rights. Any litigation regarding patents or other intellectual property could be costly and time consuming and could divert our management and key personnel from our business operations. The complexity of the technology involved and the uncertainty of litigation surrounding it has the effect of increasing the risks associated with certain of our product offerings, particularly in the areas of advance deposit wagering, or ADW, and casual gaming. There can be no assurance that we would not become a party to litigation surrounding our ADW or casual gaming businesses or that such litigation would not cause us to suffer losses or disruption in our business strategy.

We are susceptible to unauthorized disclosure of our source code

We may not be able to protect our computer source code from being copied if there is an unauthorized disclosure of source code. We take significant measures to protect the secrecy of large portions of our source code. If unauthorized disclosure of a significant portion of our source code occurs, we could potentially lose future trade secret protection for that source code. This could make it easier for third parties to compete with our products by copying functionality; which could adversely affect our revenue and operating margins. Unauthorized disclosure of source code also could increase security risks.

We depend on key personnel

Our continued success and our ability to maintain our competitive position is largely dependent upon, among other things, the skills and efforts of our senior executives and management team including Robert L. Evans, our Chairman of the Board, and William C. Carstanjen, our Chief Executive Officer. We cannot guarantee that these individuals will remain with us, and their retention is affected by the competitiveness of our terms of employment and our ability to compete effectively against other companies. In addition, certain of our key employees are required to file applications with the gaming authorities in each of the jurisdictions in which we operate and are required to be licensed or found suitable by these gaming authorities. If the gaming authorities were to find a key employee unsuitable for licensing, we may be required to sever the employee relationship. Furthermore, the gaming authorities may require us to terminate the employment of any person who refuses to file appropriate applications. Either result could significantly impair our operations. Our inability to retain key personnel could have a material, adverse impact on our business, financial condition and results of operations.

Catastrophic events could cause a significant and continued disruption to our operations

A disruption or failure in our systems or operations in the event of a major earthquake, weather event, cyber-attack, terrorist attack or other catastrophic event could interrupt our operations, damage our properties and reduce the number of customers who visit our facilities in the affected areas. For example, Churchill Downs, Harlow's, Riverwalk, Fair Grounds and its related OTBs and Calder could all be adversely affected by flooding or hurricanes. Furthermore, our TwinSpires and Big Fish Games locations may be affected by earthquakes. While we maintain insurance coverage that may cover certain of the costs that we incur as a result of some natural disasters, our coverage is subject to deductibles, exclusions and limits on maximum benefits. There can be no assurance that we will be able to fully collect, if at all, on any claims resulting from extreme weather conditions or other disasters. If any of our properties are damaged or if their operations are disrupted or face prolonged closure as a result of natural disasters in the future, or if natural disasters adversely impact general economic or other conditions in the areas in which our properties are located or from which they draw their patrons, the disruption could have a material, adverse impact on our business, financial condition and results of operations.

Although we have "all risk" property insurance coverage for our operating properties, which covers damage caused by a casualty loss (such as fire, natural disasters, acts of war, or terrorism), each policy has certain exclusions. Our level of property insurance coverage, which is subject to policy maximum limits, may not be adequate to cover all losses in the event of a major casualty. In addition, certain casualty events may not be covered at all under our policies. Therefore, certain acts could expose us to substantial uninsured losses.

We renew our insurance policies on an annual basis. The cost of coverage may become so high that we may need to further reduce our policy limits or agree to certain exclusions from our coverage.

Our debt instruments and other material agreements require us to meet certain standards related to insurance coverage. Failure to satisfy these requirements could result in an event of default under these debt instruments or material agreements.

Work stoppages and other labor problems could negatively impact our future plans

Some of our employees are represented by labor unions. A strike or other work stoppage at one of our properties could have an adverse effect on our business and results of operations. From time to time, we have also experienced attempts to unionize certain of our non-union employees. We cannot provide any assurance that we will not experience additional and more successful union activity in the future.

We process, store and use personal information and other data, which subjects us to governmental regulation and other legal obligations related to privacy, and our actual or perceived failure to comply with such obligations could harm our business

We receive, store and process personal information and other customer data. There are numerous federal, state and local laws regarding privacy and the storing, sharing, use, processing, disclosure and protection of personal information and other data. Any failure or perceived failure by us to comply with our privacy policies, our privacy-related obligations to customers or other third parties, or our privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other player data, may result in governmental enforcement actions, litigation or public statements against us by consumer advocacy groups or others and could cause our customers to lose trust in us, which could have an adverse effect on our business. While the Company maintains insurance coverage specific to cyber-insurance matters, any failure on our part to maintain adequate safeguards may subject us to significant liabilities. Additionally, if third parties we work with, such as vendors, violate applicable laws or our policies, such violations may also put our customers' information at risk and could in turn have an adverse effect on our business. The Company is also subject to payment card association rules and obligations under its contracts with payment card processors. Under these rules and obligations, if information is compromised, the Company could be liable to payment card issuers for the associated expense and penalties. In addition, if the Company fails to follow payment card industry security standards, even if no customer information is compromised, the Company could incur significant fines or experience a significant increase in payment card transaction costs.

In the area of information security and data protection, many states have passed laws requiring notification to customers when there is a security breach for personal data, such as the 2002 amendment to California's Information Practices Act, or requiring the adoption of minimum information security standards that are often vaguely defined and difficult to practically implement. The costs of compliance with these laws may increase in the future as a result of changes in interpretation. Furthermore, any failure on our part to comply with these laws may subject us to significant liabilities.

Improper disclosure of personal data could result in liability and harm to our reputation

We store and process increasingly large amounts of personally identifiable information of our customers, which may include names, addresses, phone numbers, social security numbers, email addresses, contact preferences and payment account information. For example, we store personal information from TwinSpires.com account holders, from our gaming customers' rewards accounts and from ticket sales at our racetracks. It is possible our security controls over personal data, our training of employees and vendors on data security, and other practices we follow may not prevent the improper disclosure of personally identifiable information. Improper disclosure of this information could harm our reputation, lead to legal exposure to customers or subject us to liability under laws that protect personal data, resulting in increased costs or loss of revenue.

Our business is subject to online security risk, including security breaches

We store and transmit users' proprietary information, and security breaches could expose us to a risk of loss or misuse of this information, litigation and potential liability. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems, change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. If an actual or perceived breach of our security occurs, public perception of the effectiveness of our security measures could be harmed and we could lose users and be exposed to litigation or potential liability for us. Although we have developed systems and processes that are designed to protect customer information and prevent data loss and other security breaches, including systems and processes designed to reduce the impact of a security breach at a third party vendor, such measures cannot provide absolute security.

System failures or damage from earthquakes, fires, floods, power loss, telecommunications failures, cyber-attack or other unforeseen events could harm our business

Our ADW and casual gaming businesses depend upon our communications hardware and our computer hardware. We have built certain redundancies into our systems to avoid downtime in the event of outages, system failures or damage; however, certain risks still exist. Thus, our systems remain vulnerable to damage or interruption from floods, fires, power loss, telecommunication failures, terrorist cyber-attacks, hardware or software error, computer viruses, computer denial-of-service attacks and similar events. Despite any precautions we may take, the occurrence of a natural disaster or other unanticipated problems could result in lengthy interruptions in our services. Any unscheduled interruption in the availability of our website

and our services results in an immediate, and possibly substantial, loss of revenue. Interruptions in our services or a breach of customers' secure data could cause current or potential users to believe that our systems are unreliable, leading them to switch to our competitors or to avoid our site, and could permanently harm our reputation and brand. These interruptions also increase the burden on our engineering staff, which, in turn, could delay our introduction of new features and services on our websites and in our games. We have property and business interruption insurance covering damage or interruption of our systems. However, this insurance might not be sufficient to compensate us for all losses that may occur.

Security breaches, computer viruses and computer hacking attacks could harm our business and results of operations

Security breaches, computer malware and computer hacking attacks have become more prevalent in our industry. Many companies, including ours, have been the target of such attacks. Any security breach caused by hacking, which involves efforts to gain unauthorized access to information or systems, or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, and the inadvertent transmission of computer viruses could harm our business, financial condition and results of operations. Though it is difficult to determine what harm may directly result from any specific interruption or breach, any failure to maintain performance, reliability, security and availability of our network infrastructure to the satisfaction of our players may harm our reputation and our ability to retain existing players and attract new players.

We carry insurance covering many of these risks, including network security, first party extortion threats and business interruptions, but there are certain exclusions to this coverage and the insurance limits may not be sufficient to fully mitigate all financial damage to the Company. We renew our insurance policies on an annual basis. The cost of coverage may become so high that we may need to further reduce our policy limits or agree to certain exclusions from our coverage.

We may not be able to respond to rapid technological changes in a timely manner, which may cause customer dissatisfaction

The gaming sector is characterized by the rapid development of new technologies and continuous introduction of new products. Our main technological advantage versus potential competitors is our software lead-time in the market and our experience in operating an Internet-based wagering network. However, we may not be able to maintain our competitive technological position against current and potential competitors, especially those with greater financial resources. Our success depends upon new product development and technological advancements, including the development of new wagering platforms and features. While we expend resources on research and development and product enhancement, we may not be able to continue to improve and market our existing products or technologies or develop and market new products in a timely manner. Further technological developments may cause our products or technologies to become obsolete or noncompetitive.

We are subject to payment-related risks, such as risk associated with the fraudulent use of credit or debit cards, which could have adverse effects on our business or results of operations due to chargebacks from customers

We allow funding and payments to accounts using a variety of methods, including electronic funds transfer ("EFT"), and credit and debit cards. As we continue to introduce new funding or payment options to our players, we may be subject to additional regulatory and compliance requirements. We also may be subject to the risk of fraudulent use of credit or debit cards, or other funding and/or payment options. For certain funding or payment options, including credit and debit cards, we may pay interchange and other fees, which may increase over time and, therefore, raise operating costs and reduce profitability. We rely on third parties to provide payment processing services and it could disrupt our business if these companies become unwilling or unable to provide these services to us. We are also subject to rules and requirements governing EFT, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees or possibly lose our ability to accept credit, debit cards, or other forms of payment from customers, which could have a material adverse effect on our business, financial condition and results of operations.

Chargebacks occur when customers seek to void credit card or other payment transactions. Cardholders are intended to be able to reverse card transactions only if there has been unauthorized use of the card or the services contracted for have not been provided. In our business, customers occasionally seek to reverse their online gaming losses through chargebacks. Although we place great emphasis on control procedures to protect from chargebacks, these control procedures may not be sufficient to protect us from adverse effects on our business or results of operations.

Any violation of the Foreign Corrupt Practices Act or applicable anti-money laundering regulations could have a negative impact on us

We are subject to regulations imposed by the Foreign Corrupt Practices Act (the "FCPA"), which generally prohibits U.S. companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or retaining business. Any violation of FCPA regulations could have a material, adverse impact on our business, financial condition and results of operations.

We also deal with significant amounts of cash in our operations and are subject to various reporting and anti-money laundering regulations. Any violation of anti-money laundering laws or regulations by any of our properties could have a material, adverse impact on our business, financial condition and results of operations.

A lack of confidence in the integrity of our core businesses could affect our ability to retain our customers and engage with new customers

The integrity of the horseracing, gaming and pari-mutuel wagering industries must be perceived as fair to patrons and the public at large. To prevent cheating or erroneous payouts, the necessary oversight processes must be in place to ensure that such activities cannot be manipulated. A loss of confidence in the fairness of our industries could significantly lower attendance, amounts wagered and reduce revenues.

Risks Related to Our Racing Business

Our racing operations are highly regulated, and changes in the regulatory environment could adversely affect our business

Our racing business is subject to extensive state and local regulation, and we depend on continued state approval of legalized gaming in states where we operate. Our wagering and racing facilities must meet the licensing requirements of various regulatory authorities, including authorities in Kentucky, Illinois, Louisiana and Florida. To date, we have obtained all governmental licenses, registrations, permits and approvals necessary for the operation of our racetracks. However, we may be unable to maintain our existing licenses. The failure to attain, loss of or material change in our racing business licenses, registrations, permits or approvals may materially limit the number of races we conduct, and could have a material adverse impact on our business, financial condition and results of operations.

In addition to licensing requirements, state regulatory authorities can have a significant impact on the operation of our business. For example, in Illinois the IRB has the authority to designate racetracks as “host track” for the purpose of receiving host track revenues generated during periods when no racetrack is conducting live races. Racetracks that are designated as “host track” obtain and distribute out of state simulcast signals for the State of Illinois. Under Illinois law, the “host track” is entitled to a larger portion of commissions on the related pari-mutuel wagering. Should Arlington cease to be a “host track” during this period, the loss of hosting revenues could have an adverse impact on our business, financial condition and results of operations. In addition, Arlington is statutorily entitled to recapture as revenues monies that are otherwise payable to Arlington’s purse account. These statutorily or regulatory established revenue sources are subject to change every legislative session, and their reduction or elimination could have an adverse impact on our business, financial condition and results of operations.

We are also subject to a variety of other rules and regulations, including zoning, environmental, construction and land-use laws and regulations governing the serving of alcoholic beverages. If we are not in compliance with these laws, it could have a material, adverse effect on our business, financial condition and results of operations.

Economic trends specific to the horse racing industry are unfavorable

Horseracing and related activities, as well as the gaming services we provide, are similar to other leisure activities in that they represent discretionary expenditures likely to decline during economic downturns. In some cases, even the perception of an impending economic downturn or the continuation of a recessionary climate can be enough to discourage consumers from spending on leisure activities. These economic trends can impact the financial viability of other industry constituents, making collection of amounts owed to us uncertain. For example, during the year ended December 31, 2010, we recognized $1.1 million of bad debt expense, net of purses, resulting from the bankruptcy filing of New York City Off-Track Betting Corporation. We will continue to closely monitor participants’ operational viability within the industry and any related collection issues which could potentially have a material, adverse impact on our business, financial condition or results of operations.

Our racing business faces significant competition, and we expect competition levels to increase

All of our racetracks face competition from a variety of sources, including spectator sports and other entertainment and gaming options. Competitive gaming activities include traditional and Native American casinos, video lottery terminals, state-sponsored lotteries and other forms of legalized and non-legalized gaming in the U.S. and other jurisdictions, and we expect the number of competitors to increase. See subheading “K. Competition” in Item 1. “Business” of this Annual Report on Form 10-K for further discussion of racing industry competition.

All of our racetracks face competition in the simulcast market. Approximately 41,280 thoroughbred horse races are conducted annually in the United States. Of these races, we host approximately 3,030 races each year, or about 7.3% of the total. As a content provider, we compete for wagering dollars in the simulcast market with other racetracks conducting races at or near the same times as our races. As a racetrack operator, we also compete with other racetracks running live meets at or near the same time as our horse races. In recent years, this competition has increased as more states have allowed additional, automated gaming activities, such as slot machines, at racetracks with mandatory purse contributions.

Competition from web-based businesses presents additional challenges for our racing business. Unlike most online and web-based gaming companies, our racetracks require significant and ongoing capital expenditures for both their continued operations and expansion. Our racing business also faces significantly greater costs in operating our racing business compared to costs borne by these gaming companies. Our racing business cannot offer the same number of gaming options as online and Internet-

based gaming companies. Many online and web-based gaming companies are based off-shore and avoid regulation under U.S. state and federal laws. These companies may divert wagering dollars from pari-mutuel wagering venues, such as our racetracks. Our inability to compete successfully with these competitors could have a material, adverse impact on our business, financial condition and results of operations.

The popularity of horse racing is declining

There has been a general decline in the number of people attending and wagering on live horse races at North American racetracks due to a number of factors, including increased competition from other wagering and entertainment alternatives as discussed above. According to industry sources, pari-mutuel handle declined 27% from 2007 to 2011 and has been relatively stable since experiencing a cumulative decline of approximately 2% between 2011 and 2014. We believe lower interest in racing may have a negative impact on revenues and profitability in our racing business, as well as our ADW business, which is dependent on racing content provided by our racing business and other track operators. Our business plan anticipates that we will attract new customers to our racetracks, OTBs and ADW operations. A continued decrease in attendance at live events and in on-track wagering, or a continued generalized decline in interest in racing, could have a material, adverse impact on our business, financial condition and results of operations.

Our racing business is geographically concentrated and experiences significant seasonal fluctuations in operating results

We conduct our racing business at three racetracks: Churchill Downs, Fair Grounds and Arlington. A significant portion of our racing revenues are generated by two events, the Kentucky Derby and the Kentucky Oaks. If a business interruption were to occur and continue for a significant length of time at any of our racetracks, particularly one occurring at Churchill Downs at a time that would affect the Kentucky Derby or Kentucky Oaks, it could have a material, adverse impact on our business, financial condition and results of operations.

In addition, we experience significant fluctuations in quarterly and annual operating results due to seasonality and other factors. We have a limited number of live racing days at our racetracks, and the number of live racing days varies from year to year. The number of live racing days we are able to offer directly affects our results of operations. A significant decrease in the number of live racing days and/or live races offered during our Kentucky Derby and Kentucky Oaks week could have a material, adverse impact on our business, financial condition and results of operations.

We may not be able to attract a sufficient number of horses and trainers to achieve full field horseraces

We believe that patrons prefer to wager on races with a large number of horses, commonly referred to as full fields. A failure to offer races with full fields results in less wagering on our horseraces. Our ability to attract full fields depends on several factors. It depends on our ability to offer and fund competitive purses and it also depends on the overall horse population available for racing. Various factors have led to declines in the horse population in certain areas of the country, including competition from racetracks in other areas, increased costs and changing economic returns for owners and breeders, and the spread of various debilitating and contagious equine diseases such as the neurologic form of Equine Herpes Virus-I and Strangles. If any of our racetracks is faced with a sustained outbreak of a contagious equine disease, it would have a material impact on our profitability. Finally, if we are unable to attract horse owners to stable and race their horses at our racetracks by offering a competitive environment, including improved facilities, well-maintained racetracks, better conditions for backstretch personnel involved in the care and training of horses stabled at our racetracks and a competitive purse structure, our profitability could also decrease.

We also face increased competition for horses and trainers from racetracks that are licensed to operate slot machines and other electronic gaming machines that provide these racetracks an advantage in generating new additional revenues for race purses and capital improvements. For example, Churchill Downs and Arlington are experiencing heightened competition from racinos in Indiana, Pennsylvania, Delaware and West Virginia whose purses are supplemented by gaming revenues. The opening of the Genting New York Resort at Aqueduct racetrack has enhanced the purse structure at New York racetracks as compared to historical levels. Ohio has authorized four land-based casinos by voter referendum and video lottery terminals at seven Ohio racetracks through executive order. Our failure to attract full fields could have a material, adverse impact on our business, financial condition and results of operations.

Inclement weather and other conditions may affect our ability to conduct live racing

Since horseracing is conducted outdoors, unfavorable weather conditions, including extremely high and low temperatures, high winds, storms, tornadoes and hurricanes, could cause events to be canceled and/or attendance to be lower, resulting in reduced wagering. Our operations are subject to reduced patronage, disruptions or complete cessation of operations due to weather conditions, natural disasters and other casualties. If a business interruption were to occur due to inclement weather and continue for a significant length of time at any of our racetracks, it could have a material, adverse impact on our business, financial condition and results of operations.

We depend on agreements with industry constituents including horsemen and other racetracks

The IHA, as well as various state racing laws, require that we have written agreements with the horsemen at our racetracks in order to simulcast races, and, in some cases, conduct live racing. Certain industry groups negotiate these agreements on behalf of the horsemen (the "Horsemen's Groups"). These agreements provide that we must receive the consent of the Horsemen's Groups at the racetrack conducting live races before we may allow third parties to accept wagers on those races. In addition, the agreements between other racetracks and their Horsemen's Groups typically provide that those racetracks must receive consent from the Horsemen's Groups before we can accept wagers on their races. For example, from time to time, the Thoroughbred Owners of California, the Horsemen's Group representing horsemen in California, the Florida Horsemen's Benevolent and Protective Association, Inc. (the "FHBPA") which represents horsemen in Florida and the Kentucky Horsemen's Benevolent and Protective Association ("KHBPA") have withheld their consent to send or receive racing signals among racetracks. Further, the IHA and various state laws require that we have written agreements with Horsemen's Groups at our racetracks in order to simulcast races on an export basis. In addition, our simulcasting agreements are generally subject to the consent of these Horsemen's Groups. Failure to receive the consent of these Horsemen's Groups for new and renewing simulcast agreements could have a material, adverse impact on our business, financial condition and results of operations.

We also have written agreements with the Horsemen's Groups with regards to the proceeds of gaming machines in Louisiana and Florida. Florida law requires Calder Casino to have an agreement with the FHBPA governing the contribution of a portion of revenues from slot machine gaming to purses on live thoroughbred races conducted at Calder and an agreement with the Florida Thoroughbred Breeders and Owners Association (the "FTBOA") governing the contribution of a portion of revenues from slot machines gaming to breeders', stallion, and special racing awards on live thoroughbred races conducted at Calder before Calder can receive a license to conduct slot machine gaming.

It is not certain that we will be able to maintain agreements with, or to obtain required consent from, Horsemen's Groups. We currently negotiate formal agreements with the applicable Horsemen's Groups at our racetracks on an annual basis. The failure to maintain agreements with, or obtain consents from, our horsemen on satisfactory terms or the refusal by a Horsemen's Group to consent to third parties accepting wagers on our races or our accepting wagers on third parties' races could have a material, adverse impact on our business, financial condition and results of operations.

In addition, we have agreements with other racetracks for the distribution of racing content through both the import of other racetracks' signals for wagering at our properties and the export of our racing signal for wagering at other racetracks' facilities. From time to time, we are unable to reach agreements on terms acceptable to us. As a result, we may be unable to distribute our racing content to other locations or to receive other racetracks' racing content for wagering at our racetracks. The inability to distribute our racing content could have a material, adverse impact on our business, financial condition and results of operations.

Horse racing is an inherently dangerous sport and our racetracks are subject to personal injury litigation

Although we carry jockey accident insurance at each of our racetracks to cover personal jockey injuries which may occur during races or daily workouts, there are certain exclusions to our insurance coverage, and we are still subject to litigation from injured participants. We renew our insurance policies on an annual basis. The cost of coverage may become so high that we may need to further reduce our policy limits or agree to certain exclusions from our coverage. Our results may be affected by the outcome of litigation, as this litigation could be costly and time consuming and could divert our management and key personnel from our business operations.

Ownership and development of real estate requires significant expenditures and is subject to risk

Our racing operations require us to own extensive real estate holdings. All real estate investments are subject to risks including: general economic conditions, such as the availability and cost of financing; local and national real estate conditions, such as an oversupply of residential, office, retail or warehousing space, or a reduction in demand for real estate in the area; governmental regulation, including taxation of property and environmental legislation; and the attractiveness of properties to potential purchasers or tenants. The real estate industry is also capital intensive and sensitive to interest rates. Further, significant expenditures, including property taxes, mortgage payments, maintenance costs, insurance costs and related charges, must be made throughout the period of ownership of real property, which expenditures negatively impact our operating results.

In addition, we are subject to a variety of federal, state and local governmental laws and regulations relating to the use, storage, discharge, emission and disposal of hazardous materials. Environmental laws and regulations could hold us responsible for the cost of cleaning up hazardous materials contaminating real property that we own or operate (or previously owned or operated) or properties at which we have disposed of hazardous materials, even if we did not cause the contamination. If we fail to comply with environmental laws or if contamination is discovered, a court or government agency could impose severe penalties or restrictions on our operations or assess us with the costs of taking remedial actions.

Our business depends on utilizing and providing totalisator services

Our customers utilize information provided by United Tote and other totalisator companies that accumulates wagers, records sales, calculates payoffs and displays wagering data in a secure manner to patrons who wager on our horseraces. The failure to

keep technology current could limit our ability to serve patrons effectively, limit our ability to develop new forms of wagering and/or affect the security of the wagering process, thus affecting patron confidence in our product. A perceived lack of integrity in the wagering systems could result in a decline in bettor confidence and could lead to a decline in the amount wagered on horseracing. In addition, a totalisator system failure could cause a considerable loss of revenue if betting machines are unavailable for a significant period of time or during an event with high betting volume.

United Tote also has licenses and contracts to provide totalisator services to a significant number of racetracks, OTBs and other pari-mutuel wagering businesses. Its totalisator systems provide wagering data to the industry in a secure manner. Errors by United Tote technology or personnel may subject us to liabilities, including financial penalties under our totalisator service contracts, which could have a material, adverse impact on our business, financial condition and results of operations.

Risks Related to Our Casino Business

Our gaming business is highly regulated and changes in the regulatory environment could adversely affect our business

Our gaming operations exist at the discretion of the states where we conduct business, and are subject to extensive state and local regulation. Like all gaming operators in the jurisdictions in which we operate, we must periodically apply to renew our gaming licenses or registrations and have the suitability of certain of our directors, officers and employees approved. While we have obtained all governmental licenses, registrations, permits and approvals necessary for the operation of our gaming facilities, we cannot assure you that we will be able to obtain such renewals or approvals, or that we will be able to obtain future approvals that would allow us to continue to operate or to expand our gaming operations.

Regulatory authorities also have input into important aspects of our operations, including hours of operation, location or relocation of a facility, numbers and types of machines and loss limits. Regulators may also levy substantial fines against or seize our assets or the assets of our subsidiaries or the people involved in violating gaming laws or regulations. Any of these events could have an adverse effect on our business, financial condition and results of operations. The high degree of regulation in the gaming industry is a significant obstacle to our growth strategy.

Our gaming business faces significant competition, and we expect competition levels to increase

Our gaming operations operate in a highly competitive industry with a large number of participants, some of which have financial and other resources that are greater than our resources. The gaming industry faces competition from a variety of sources for discretionary consumer spending including spectator sports and other entertainment and gaming options. Our gaming operations also face competition from Native American casinos, video lottery terminals, state-sponsored lotteries and other forms of legalized gaming in the U.S. and other jurisdictions. We do not enjoy the same access to the gaming public or possess the advertising resources that are available to state-sponsored lotteries or other competitors, which may adversely affect our ability to compete effectively with them. Additionally, web-based interactive gaming and wagering is growing rapidly and affecting competition in our industry as federal regulations on web-based activities are clarified. We anticipate that competition will continue to grow in the web-based interactive gaming and wagering channels because of ease of entry. In addition, Florida legislators continue to debate the expansion of Florida gaming to include Las Vegas-style destination resort casinos. Such casinos may be subject to taxation rates lower than the current gaming taxation structure. Should such legislation be enacted, it could have a material, adverse impact on our business, financial condition and results of operations. See subheading “K. Competition” in Item 1. “Business” of this Annual Report on Form 10-K for further discussion of gaming industry competition.

Our gaming business is geographically concentrated

We conduct our gaming business at six principal locations: Oxford in Oxford, Maine, Riverwalk in Vicksburg, Mississippi, Harlow’s in Greenville, Mississippi, Calder Casino in Miami Gardens, Florida, Fair Grounds Slots in New Orleans, Louisiana, and at our joint venture, Miami Valley Gaming and Racing in Lebanon, Ohio. We also operate video poker machines throughout Louisiana through our subsidiary, VSI. If a business interruption were to occur and continue for a significant length of time at any of our principal gaming operations, or if economic or regulatory conditions were to become unfavorable in one or more of the regions in which they operate, it could have a material, adverse impact on our business, financial condition and results of operations.

The development of new gaming venues and the expansion of existing facilities is costly and susceptible to delays, cost overruns and other uncertainties

The Company may decide to develop, construct and open hotels, casinos or other gaming venues in response to opportunities that may arise. Future development projects and acquisitions may require significant capital commitments, the incurrence of additional debt, the incurrence of contingent liabilities and an increase in amortization expense related to intangible assets, which could have a material, adverse impact on our business, financial condition and results of operations.

The concentration and evolution of the slot machine manufacturing industry or other technological conditions could impose additional costs on us

The majority of our gaming revenues are attributable to slot and video poker machines operated by us at our casinos and wagering facilities. It is important for competitive reasons that we offer the most popular and up-to-date machine games with the latest technology to our guests. In recent years, the prices of new machines have escalated faster than the rate of inflation. In recent years, for example, slot machine manufacturers have frequently refused to sell slot machines featuring the most popular games, instead requiring participating lease arrangements in order to acquire the machines. Participation slot machine leasing arrangements typically require the payment of a fixed daily rental. Such agreements may also include a percentage payment of coin-in or net win. Generally, a participating lease is substantially more expensive over the long term than the cost to purchase a new machine. For competitive reasons, we may be forced to purchase new slot machines or enter into participating lease arrangements that are more expensive than the costs associated with the continued operation of our existing slot machines.

We materially rely on a variety of hardware and software products to maximize revenue and efficiency in our operations. Technology in the gaming industry is developing rapidly, and we may need to invest substantial amounts to acquire the most current gaming and hotel technology and equipment in order to remain competitive in the markets in which we operate. We rely on a limited number of vendors to provide video poker and slot machines and any loss of our equipment suppliers could impact our operations. Ensuring the successful implementation and maintenance of any new technology acquired is an additional risk.

Risks Related to Our TwinSpires Business

Our ADW business is highly regulated and changes in the regulatory environment could adversely affect our business

TwinSpires, our ADW business, accepts advance deposit wagers from customers of certain states who set up and fund an account from which they may place wagers via telephone, mobile device or through the Internet at TwinSpires.com. The ADW business is heavily regulated, and laws governing advance deposit wagering vary from state to state. Some states have expressly authorized advance deposit wagering by their own residents, some states have expressly prohibited pari-mutuel wagering and/or advance deposit wagering and other states have expressly authorized pari-mutuel wagering but have neither expressly authorized nor expressly prohibited their residents from placing wagers through advance deposit wagering hubs located in different states. We believe that an ADW business may open accounts on behalf of and accept wagering instructions from residents of states where pari-mutuel wagering is legal and where providing wagering instructions to ADW businesses in other states is not expressly prohibited by statute, regulations, or other governmental restrictions. However, state attorneys general, regulators, and other law enforcement officials may interpret state gaming laws, federal statutes, constitutional principles, and doctrines, and the related regulations in a different manner than we do. In the past, certain state attorneys general and other law enforcement officials have expressed concern over the legality of interstate advance deposit wagering.

Our expansion opportunities with respect to advance deposit wagering may be limited unless more states amend their laws or regulations to permit advance deposit wagering. Conversely, if states take affirmative action to make advance deposit wagering expressly unlawful, this could have a material, adverse impact on our business, financial condition and results of operations. For example, previously existing ADW regulations in Illinois expired on December 31, 2012, and we ceased accepting wagers from Illinois residents in January 2013 until June 2013, when Illinois ADW regulations were extended. Furthermore, we ceased accepting wagers from Texas residents in September 2013, due to the enforcement of an existing Texas law prohibiting ADW wagering. In addition, the regulatory and legislative processes can be lengthy, costly and uncertain. We may not be successful in lobbying state legislatures or regulatory bodies to obtain or renew required legislation, licenses, registrations, permits and approvals necessary to facilitate the operation or expansion of our ADW business. From time to time, the United States Congress has considered legislation that would either inhibit or restrict Internet gambling in general or inhibit or restrict the use of certain financial instruments, including credit cards, to provide funds for advance deposit wagering.

Furthermore, many states have considered and are considering interactive and Internet gaming legislation and regulations, which may inhibit our ability to do business in such states. Anti-gaming conclusions and recommendations of other governmental or quasi-governmental bodies could form the basis for new laws, regulations, and enforcement policies that could have a material, adverse impact on our business, financial condition and results of operations. The extensive regulation by both state and federal authorities of gaming activities also can be significantly affected by changes in the political climate and changes in economic and regulatory policies. Such effects could have a material, adverse impact to the success of our advance deposit wagering operations.

Our ADW business is subject to a variety of U.S. and foreign laws, many of which are unsettled and still developing and which could subject us to claims or otherwise harm our business

We are subject to a variety of laws in the United States and abroad, including laws regarding gaming, consumer protection and intellectual property that are continuously evolving and developing. The scope and interpretation of the laws that are or may be applicable to us are often uncertain and may be conflicting. For example, laws relating to the liability of providers of online

services for activities of their users and other third parties are currently being tested by a number of claims, including actions based on invasion of privacy and other torts, unfair competition, copyright and trademark infringement, and other theories. It is also likely that as our business grows and evolves we will become subject to laws and regulations in additional jurisdictions.

If we are not able to comply with these laws or regulations or if we become liable under these laws or regulations, we could be directly harmed, and we may be forced to implement new measures to reduce our exposure to this liability. This may require us to expend substantial resources or to modify our online services, which could harm our business, financial condition and results of operations. In addition, the increased attention focused upon liability issues as a result of lawsuits and legislative proposals could harm our reputation or otherwise impact the growth of our business.

It is possible that a number of laws and regulations may be adopted or construed to apply to us in the United States and elsewhere that could restrict the online and mobile industries, including player privacy, advertising, taxation, content suitability, copyright, distribution and antitrust. Furthermore, the growth and development of electronic commerce and virtual goods may prompt calls for more stringent consumer protection laws that may impose additional burdens on companies such as ours conducting business through the Internet and mobile devices. We anticipate that scrutiny and regulation of our industry will increase and we will be required to devote legal and other resources to addressing such regulation. If that were to occur, we may be required to seek licenses, authorizations or approvals from relevant regulators, the granting of which may be dependent on us meeting certain capital and other requirements and we may be subject to additional regulation and oversight, all of which could significantly increase our operating costs. Changes in current laws or regulations or the imposition of new laws and regulations in the United States or elsewhere regarding these activities may lessen the growth of online gaming and impair our business.

Our ADW business faces strong competition, and we expect competition levels to increase

Our ADW business is sensitive to changes and improvements to technology and new products and faces strong competition from other web-based interactive gaming and wagering businesses. Our ability to develop, implement and react to new technology and products for our ADW business is a key factor in our ability to compete with other ADW businesses. In addition, we face competition from a new wagering product called exchange wagering, a variation of pari-mutuel wagering in which bettors wager directly against one another, establishing their own odds on a horserace. Both California and New Jersey legislatures have approved exchange wagering. Some of our competitors may have greater resources than we do. In addition, we believe that new competitors may enter the ADW business with relative ease because of the low cost of entry. As a result, we anticipate increased competition in our ADW business. It is difficult to predict the impact of increased competition on our ADW business. See subheading “K. Competition” in Item 1. “Business” of this Annual Report on Form 10-K for further discussion of ADW industry competition.

A clarification on the impact of the Federal Wire Act of 1961 on Internet gaming could increase competition

During 2011, the U.S. Department of Justice clarified its position on the Wire Act of 1961 (the “Wire Act”), which had historically been interpreted to outlaw all forms of gambling across states lines. The department’s Office of Legal Counsel determined that the Wire Act applied only to a sporting event or contest, but did not apply to other forms of Internet gambling, including online betting unrelated to sporting events. The Justice Department indicated that many forms of online gambling could become legal under federal law, which could include legalized poker and generalized gaming including state lottery wagering. As a result, we anticipate increased competition to our ADW business from various other forms of online gaming. It is difficult to predict the level of increased competition and the impact of increased competition on our ADW business.

Our inability to retain our core customer base or our failure to attract new customers could harm our business

We utilize technology and marketing relationships to retain current customers and attract new customers. If we are unable to retain our core customer base through robust content offerings and other popular features, if we lose customers to our competitors, or if we fail to attract new customers, our businesses would fail to grow or would be adversely affected.

Risks Related to Big Fish Games

We operate in an evolving and highly competitive market segment

The market segments in which we operate are highly competitive and the barriers to entry are low. The business of developing, distributing and marketing downloadable and mobile games is characterized by frequent product introductions and rapidly emerging platforms and technologies. We compete with other game developers and content providers for the leisure time, attention, and discretionary spending of our players based on a number of factors, including game design, brand and consumer reviews, quality of gameplay experience and access to distribution channels. We also compete with other content providers to acquire rights to game properties developed or licensed by third parties, including with respect to royalty and other economic terms, porting and localization abilities, speed of execution and distribution capabilities and breadth.

Many of our primary competitors have dedicated greater financial, marketing and other resources to the development, distribution and promotion of their games. In addition, given the open nature of the development process and relatively low barriers to entry,

we are also faced with competition from a vast number of small, independent developers that have access to the same third party platforms as we do to market and distribute their titles.

The competitive landscape is further complicated by frequent shifts and advancements in free-to-play games for smartphones, tablets and other next-generation platforms. Free-to-play games are games that a player can download and play for free, but which allow players to access a variety of additional content and features for a fee and to engage with various advertisements and in-game offers that generate revenue for us. Our efforts to develop free-to-play games may prove unsuccessful or, even if successful, may take more time than we anticipate to achieve significant revenues because, among other reasons:

- free-to-play games have a relatively limited history, and it is unclear how popular this style of game will become or remain, or its future revenue potential;

- our free-to-play strategy assumes that a large number of players will download our games because they are free, and that we will then be able to effectively monetize the games. However, players may not widely download our games for a variety of reasons, including poor consumer reviews or other negative publicity, ineffective or insufficient marketing efforts, lack of sufficient community features, lack of prominent featuring on the platforms where they are marketed, or our inability to add or update engaging content on a relatively frequent basis;

- even if our free-to-play games are widely downloaded, a significant portion of the revenues generated from these titles are derived from a relatively small concentration of players and we may fail to retain these or other users, or optimize the monetization of these games, for a variety of reasons, including game design or quality, lack of community features, or adequate customer support, gameplay issues such as game unavailability, long load times or an unexpected termination of the game due to data server or other technical issues, our inability to add or updated engaging content on a relatively frequent basis, or our failure to effectively respond and adapt to changing user preferences through game updates;

- the billing and other capabilities of some smartphones and tablets are currently not optimized to enable users to purchase games or make in-app purchases, which may make it difficult for users of these devices to purchase our games or make in-app purchases, and could reduce our addressable customer base, at least in the short term; and

- the Federal Trade Commission has indicated that it intends to review issues related to in-app purchases, particularly with respect to games that are marketed primarily to minors, and the Commission might issue rules significantly restricting or even prohibiting in-app purchases.

We derive material revenues from distribution of our titles through third party mobile platforms, and if we are unable to maintain relationships with the owners of these platforms or if our access to these platforms was limited or unavailable for any prolonged period of time, our business could be adversely affected

If we are unable to maintain good relationships with third party mobile platform providers, such as Apple and Google, or our access to these platforms was limited or suspended based on any change in terms or policies that made the continued distribution of our titles on these platforms unfeasible or less profitable, or that required us to spend significantly more on marketing campaigns or other means to enhance the discoverability of our titles on these platforms, our business, operating results and financial condition could be harmed.

Our ability to transact business through these platforms is subject to our compliance with their standard terms and conditions, which may be unilaterally amended at any time. For example, the owners of these platforms set the revenue share they are entitled to receive, and may change that without input from or advance notice to us. In addition, the standard terms and conditions of these platforms may impose restrictions on the types of content they will allow to be sold, the ways in which the content is offered and promoted, and the process and timing of accepting content for distribution. Such restrictions could impair our ability to successfully market and sell our mobile games. Furthermore, if any of the providers of these platforms determines that we are in violation of their standard terms and conditions, we may be prohibited from distributing our titles through these platforms, which could harm our business, operating results and financial condition.

We also rely on the ongoing availability of these platforms. If they experience prolonged periods of unavailability, it could have a material impact on our ability to generate revenue through these platforms, and our business and operating results could be harmed. In addition, if these platforms fail to provide adequate levels of service, our customers' ability to access our games may be impacted, or customers may not receive any virtual items for which they have paid, which may adversely affect our brand and consumer good will.

If we fail to develop and publish mobile games that achieve market acceptance, or continue to enhance our existing games, our revenues may suffer

Our business depends on developing and publishing free-to-play and premium paid casual and mobile games that consumers will download and spend time and money on consistently. We continue to invest significant resources in research and

development, analytics and marketing to introduce new games and update our existing titles. Our success depends, in part, on unpredictable factors beyond our control, including consumer preferences, competing games and other forms of entertainment, and the emergence of new platforms. If our games do not meet consumer expectations, or they are not brought to market in a timely and effective manner, our business, operating results and financial condition could be harmed. Furthermore, even if our games are successfully introduced and initially adopted, a failure to continue to update them with compelling content or any shift in the entertainment preferences of consumers could materially impact our operating results.

If the use of smartphones and tablet devices to facilitate game platforms generally does not increase, our business could be adversely affected

While the number of people using mobile devices, such as smartphones and tablet devices, has increased dramatically in the past few years, the mobile market, particularly the market for mobile games, is still emerging and it may not grow as rapidly or robustly as we anticipate. Our future success is partially dependent upon the continued growth and application of mobile devices for games. In addition, new and emerging technologies could make the mobile devices on which some of our games are currently released obsolete, requiring us to transition our business model to develop games for other next-generation platforms.

If we are unable to secure new or ongoing content from third party development partners on favorable terms, or at all, our business could be adversely affected

In addition to the games we develop internally, we acquire or license games, including some of our most successful games, from third party development partners located around the world. Our success depends in part on our ability to attract and retain talented and reliable development partners to source new content and update existing content. Our agreements with these development partners are in some instances not exclusive to us and will expire at various times. If we are unable to renew these agreements on terms favorable to us or at all, or if our development partners enter into similar agreements with our competitors or choose to publish their own titles, our business, operating results and financial condition could be harmed.

In addition, certain of our development partners are located in geographic regions of the world that continue to experience military and insurgency conflict, and political turmoil and unrest. Any of these factors could impact the ability of these development partners to create and deliver content to us in a timely fashion or at all, and could restrict or prohibit our ability to remit payments to these development partners. If we are unable to deliver compelling content to our customers or update existing content based on these occurrences, our ongoing business, operating results and financial condition could be harmed.

If our games contain programming errors or flaws, if a significant number of customers experience technical difficulties downloading or launching our games, or if we fail to continue to provide our customers with a high-quality customer experience, it could harm our business, results of operations and financial condition, and impair our ability to successfully execute our business strategy.

A critical component of our strategy is providing a high-quality customer experience to our customers. Our games may contain errors, bugs, flaws or corrupted data, and these defects may only become apparent after their launch, particularly as we launch new games under tight time constraints. Porting games to new devices or languages may also result in the creation of errors that did not exist in the game as originally released. In addition, our customers may experience technical difficulties downloading and launching our games due to the effects of third-party software on their computers, which we do not control. We cannot provide assurances that our customer service team can resolve these types of technical difficulties, and if a significant number of our customers cannot download or launch our games, it would harm our business, results of operations and financial condition. We believe that if our customers have a negative experience with our games, they may be less inclined to continue or resume playing our games or recommend our games to other potential customers. Undetected programming errors, game defects, data corruption and issues with third-party software can disrupt our operations, adversely affect the game experience of our customers, harm our reputation, cause our customers to stop playing our games and divert our resources, any of which could result in legal liability to us or harm our reputation, business, results of operations and financial condition.

We may be unable to adequately protect our intellectual property, which could harm the value of our brand and our business, results of operations and financial condition.

Our business is based upon the creation, acquisition, use and protection of intellectual property. Some of this intellectual property is in the form of software code, patented and other technologies and trade secrets that we use to develop and market our games. Other intellectual property that we create includes audio-visual elements, such as graphics, music and storylines. We rely on trademark, copyright and patent law, trade secret protection and contracts to protect our intellectual property rights. If we are not successful in protecting these rights, the value of our brand and our business, results of operations and financial condition could be harmed.

While we believe that our issued patents or pending patent applications help to protect our business, we cannot assure you that our products, services or operations do not, or will not, infringe valid, enforceable patents of third parties, or that competitors will not devise new methods of competing with us that are not covered by our patents or patent applications. In addition, we

cannot assure you that our patent applications will be approved, that any patents issued will adequately protect our intellectual property or ongoing business strategies, or that such patents will not be challenged by third parties or found to be invalid or unenforceable. Moreover, we rely on intellectual property and technology developed by or licensed from third parties, and we may not be able to obtain licenses and technologies from these third parties on reasonable terms or at all.

Effective trademark, service mark, copyright and trade secret protection may not be available in every country in which our games and other products and services may be provided. The laws of certain countries do not protect proprietary rights to the same extent as the laws of the United States and, therefore in certain jurisdictions, we may be unable to protect our intellectual property and proprietary technologies adequately against unauthorized copying or use, which could harm our competitive position. We have licensed in the past, and expect to license in the future, certain of our proprietary rights, such as trademarks or copyrighted material, to third parties. These licensees may take actions that could diminish the value of our proprietary rights or harm our reputation, even if we have agreements prohibiting such activity. To the extent third parties are obligated to indemnify us for breaches of our intellectual property rights, these third parties may be unable to meet these obligations. Any of these events could harm our business, results of operations and financial condition.

We depend on key and highly skilled personnel to operate our business, and if we are unable to retain our current personnel or hire additional personnel, our ability to develop and successfully grow our business could be harmed

We believe that our success depends in part on our highly-skilled employee base, and our ability to hire, develop, motivate and retain highly qualified and skilled employees throughout our organization. This includes software developers and engineers, IT staff, game designers and producers, marketing specialists, analytics professionals, and customer service staff. If we do not successfully hire, develop, motivate and retain highly qualified and skilled employees, it is likely that we could experience significant disruptions in our operations and our ability to develop and successfully grow our business could be impaired, which could harm our business, operating results and financial condition.

Competition for the type of talent we seek to hire is increasingly intense in the geographic areas in which we operate. As a result, we may incur significant costs to attract and retain highly-skilled employees. We may be unable to attract and retain the personnel necessary to sustain our business or support future growth.

All of our officers and other employees in the United States are at-will employees, which means they may terminate their employment relationship with us at any time, and their knowledge of our business and industry would be difficult to replace. In addition, the loss of any key employees or the inability to attract or retain qualified personnel could delay the development and distribution of, and impair our ability to sell, our games and other products and services, harm our reputation and impair our ability to execute our business plans.

“Cheating” programs, scam offers, black-markets and other actions by third parties that seek to exploit our games and our players may affect our reputation and harm our operating results

Third parties have developed, and may continue to develop, “cheating” programs, scam offers, black-markets and other offerings that could decrease the revenues we generate from our virtual economies, divert our players from our games or otherwise harm us. Cheating programs enable players to exploit vulnerabilities in our games to obtain virtual currency or other items that would otherwise generate in-app purchases for us, play the games in automated ways or obtain unfair advantages over other players. In addition, third parties may attempt to scam our players with fake offers for virtual goods or other game benefits. We devote significant resources to discover and disable these programs and activities, but if we are unable to do so quickly or effectively, it could damage our reputation and impact our business and results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

On October 19, 2011, the Company entered into a ten-year lease agreement for approximately 37,000 square feet of office space in Louisville, Kentucky and occupied the property during the second quarter of 2012. The space serves as the Company’s corporate headquarters. Other significant rental agreements for administrative facilities include leases by Big Fish Games and TwinSpires for office space in Seattle, Washington; Oakland and Mountain View, California and Luxembourg totaling approximately 177,000 square feet.

Additional information concerning property owned by us required by this Item is incorporated by reference to the information contained in the subheadings “C. Racing,” “D. Simulcasting,” “F. Casinos” and "G. Big Fish Fames" in Item 1. “Business” of this Annual Report on Form 10-K.

Our real and personal property (but not including the property of UT Canada, Bluff, Velocity, MVG, NASRIN or Kentucky Downs) is encumbered by liens securing our $500 million Senior Secured Credit Facility. The shares of stock of and ownership interests in certain of our subsidiaries are also pledged to secure this debt facility.

The Kentucky Derby Museum is located on property that is adjacent to, but not owned by, Churchill Downs. The Museum is owned and operated by the Kentucky Derby Museum Corporation, a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986.

ITEM 3. LEGAL PROCEEDINGS

The Company records an accrual for legal contingencies to the extent that it concludes that it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Except as disclosed below, no estimate of the possible loss or range of loss in excess of amounts accrued, if any, can be made at this time regarding the matters specifically described below. We do not believe that the final outcome of these matters will have a material adverse impact on our business, financial condition and results of operations.

LOUISIANA HORSEMENS' PURSES

On April 21, 2014, John L. Soileau and other individuals filed a Petition for Declaratory Judgment, Permanent Injunction, and Damages - Class Action styled *John L. Soileau, et. al. versus Churchill Downs Louisiana Horseracing, LLC, Churchill Downs Louisiana Video Poker Company, LLC* (Suit No. 14-3873) in the Parish of Orleans, State of Louisiana. The petition defines the "alleged plaintiff class" as quarter-horse owners, trainers and jockeys that have won purses at the "Fair Grounds Race Course & Slots" facility in New Orleans, Louisiana since the first effective date of La. R.S. 27:438 and specifically since 2008. The petition alleges that Churchill Downs Louisiana Horseracing, L.L.C. and Churchill Downs Louisiana Video Poker Company, L.L.C. ("Fair Grounds") have collected certain monies through video draw poker devices that constitute monies earned for purse supplements and all of those supplemental purse monies have been paid to thoroughbred horsemen during Fair Grounds' live thoroughbred horse meets while La. R.S. 27:438 requires a portion of those supplemental purse monies to be paid to quarter-horse horsemen during Fair Grounds' live quarter-horse meets. The petition requests that the Court declare that Fair Grounds violated La. R.S. 27:438, issue a permanent and mandatory injunction ordering Fair Grounds to pay all future supplements due to the plaintiff class pursuant to La. R.S. 27:438, and to pay the plaintiff class such sums as it finds to reasonably represent the value of the sums due to the plaintiff class. On August 14, 2014, the plaintiffs filed an amendment to their petition naming the Horsemen's Benevolent and Protective Association 1993, Inc. ("HBPA") as an additional defendant and alleging that HBPA is also liable to plaintiffs for the disputed purse funds. On October 9, 2014, HBPA and Fair Grounds filed exceptions to the suit, including an exception of primary jurisdiction seeking a referral to the Louisiana Racing Commission. By Judgment dated November 21, 2014, the District Court granted the exception of primary jurisdiction and referred the matter to the Louisiana Racing Commission. On January 26, 2015, the Louisiana Fourth Circuit Court of Appeals denied the plaintiffs' request for supervisory review of the Judgment. This matter is currently awaiting review by the Louisiana Racing Commission.

ILLINOIS DEPARTMENT OF REVENUE

In October 2012, the Company filed a verified complaint for preliminary and permanent injunctive relief and for declaratory judgment (the "Complaint") against the Illinois Department of Revenue (the "Department"). The Company's complaint was filed in response to Notices of Deficiency issued by the Department on March 18, 2010, and September 6, 2012. In response to said Notices of Deficiency, the Company, on October 4, 2012, issued a payment in protest in the amount of $2.9 million (the "Protest Payment") under the State Officers and Employees Money Disposition Act and recorded this amount in other assets. The Company subsequently filed its complaint in November 2012 alleging that the Department erroneously included handle, instead of the Company's commissions from handle, in the computation of the Company's sales factor (a computation of the Company's gross receipts from wagering within the State of Illinois) for determining the applicable tax owed. On October 30, 2012, the Company's Motion for Preliminary Injunctive Relief was granted, which prevents the Department from depositing any monies from the Protest Payment into the State of Illinois General Fund and from taking any further action against the Company until the Circuit Court takes final action on the Company's Complaint. If successful with its Complaint, the Company will be entitled to a full or partial refund of the Protest Payment from the Department. On December 3, 2014, the Company filed its Motion for Summary Judgment on all material aspects of its case. Also on December 3, 2014, the Department, by and through its counsel, the Illinois Attorney General, filed its Cross-Motion for Summary Judgment. This matter remains pending before the Tax and Miscellaneous Remedies Section of the Circuit Court of Cook County. Oral arguments on the parties' Motions for Summary Judgment are scheduled for March 5, 2015.

KENTUCKY DOWNS

On September 5, 2012, Kentucky Downs Management, Inc. ("KDMI") filed a petition for declaration of rights in Kentucky Circuit Court located in Simpson County, Kentucky styled Kentucky Downs Management Inc. v. Churchill Downs Incorporated (Civil Action No. 12-CI-330) (the "Simpson County Case") requesting a declaration that the Company does not have the right

to exercise its put right and require Kentucky Downs, LLC ("Kentucky Downs") and/or Kentucky Downs Partners, LLC ("KDP") to purchase the Company's ownership interest in Kentucky Downs. On September 18, 2012, the Company filed a complaint in Kentucky Circuit Court located in Jefferson County, Kentucky, styled Churchill Downs Incorporated v. Kentucky Downs, LLC; Kentucky Downs Partners, LLC; and Kentucky Downs Management Inc. (Civil Action No. 12-CI-04989) (the "Jefferson County Case") claiming that Kentucky Downs and KDP had breached the operating agreement for Kentucky Downs and requesting a declaration that the Company had validly exercised its put right and a judgment compelling Kentucky Downs and/or KDP to purchase the Company's ownership interest in Kentucky Downs pursuant to the terms of the applicable operating agreement. On October 9, 2012, the Company filed a motion to dismiss the Simpson County Case and Kentucky Downs, KDP and KDMI filed a motion to dismiss the Jefferson County Case. A hearing for the motion to dismiss in the Simpson County Case occurred November 30, 2012. At that hearing the Company's motion to dismiss the Simpson County Case was denied. Subsequently, Kentucky Downs, KDMI and KDP's motion to dismiss the Jefferson County Case was granted on January 23, 2013, due to the Simpson County Circuit Court's assertion of jurisdiction over the dispute. On May 16, 2013, Kentucky Downs, KDP and KDMI filed a Motion for Summary Judgment against the Company and Turfway Park, LLC. On September 19, 2013, the Company filed its response to the Motion for Summary Judgment. A hearing occurred before the Simpson County Circuit Court on September 23, 2013, on the Kentucky Downs, KDP and KDMI Motion for Summary Judgment. All parties appeared before the Simpson County Court and oral arguments were heard. On October 31, 2013, the Simpson County Court entered an Order Denying Petitioners' (Kentucky Downs Management Inc. et al.) Motion for Summary Judgment. The case will now move forward through discovery and to trial. No trial date has been set.

TEXAS PARI-MUTUEL WAGERING

On September 21, 2012, the Company filed a lawsuit in the United States District Court for the Western District of Texas styled *Churchill Downs Incorporated; Churchill Downs Technology Initiatives Company d/b/a TwinSpires.com v. Chuck Trout, in his official capacity as Executive Director of the Texas Racing Commission; Gary P. Aber, Susan Combs, Ronald F. Ederer, Gloria Hicks, Michael F. Martin, Allan Polunsky, Robert Schmidt, John T. Steen III, Vicki Smith Weinberg, in their official capacity as members of the Texas Racing Commission* (Case No. 1:12-cv-00880-LY) challenging the constitutionality of a Texas law requiring residents of Texas that desire to wager on horseraces to wager in person at a Texas race track. In addition to its complaint, on September 21, 2012, the Company filed a motion for preliminary injunction seeking to enjoin the state from taking any action to enforce the law in question. In response, on October 9, 2012, counsel for the state assured both the Company and the court that the state would not enforce the law in question against the Company without prior notice, at which time the court could then consider the motion for preliminary injunction. On April 15, 2013, both parties filed their opening briefs, and a trial was held on May 2, 2013. On September 23, 2013, the United States District Court for the Western District of Texas ruled against the Company and upheld the Texas law at issue. Subsequently, on September 25, 2013, the Company ceased taking wagers from Texas residents via TwinSpires.com and returned deposited funds to Texas residents. The Company filed a motion for an expedited hearing in the United States Court of Appeals, which was granted on October 17, 2013. The Texas Racing Commission, et. al., filed an appellate brief on December 13, 2013. The Company filed its brief in reply on December 30, 2013. Oral arguments were heard before the United States Court of Appeals for the Fifth Circuit on February 4, 2014. On September 25, 2014, the United States Court of Appeals for the Fifth Circuit issued an unpublished opinion affirming the United States District Court for the Western District of Texas and its ruling in favor of the Texas Racing Commission.

There are no other material pending legal proceedings.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Shareholders, Market Information and Dividends

Our common stock is traded on the NASDAQ Global Market under the symbol CHDN. As of February 16, 2015, there were approximately 3,205 shareholders of record.

The following table sets forth the high and low sale prices, as reported by the NASDAQ Global Market, and dividend declaration information for our common stock during the last two years:

	2014 - By Quarter				2013 - By Quarter			
	1st	2nd	3rd	4th	1st	2nd	3rd	4th
High Sale	$ 96.74	$ 92.58	$ 99.25	$ 105.53	$ 70.73	$ 86.38	$ 89.81	$ 90.77
Low Sale	$ 85.07	$ 83.71	$ 85.65	$ 90.83	$ 63.61	$ 68.26	$ 78.95	$ 82.42
Dividends per share:				$ 1.00				$ 0.87

Purchases of Company Common Stock

The following table provides information with respect to shares of common stock repurchased by the Company during the quarter ended December 31, 2014:

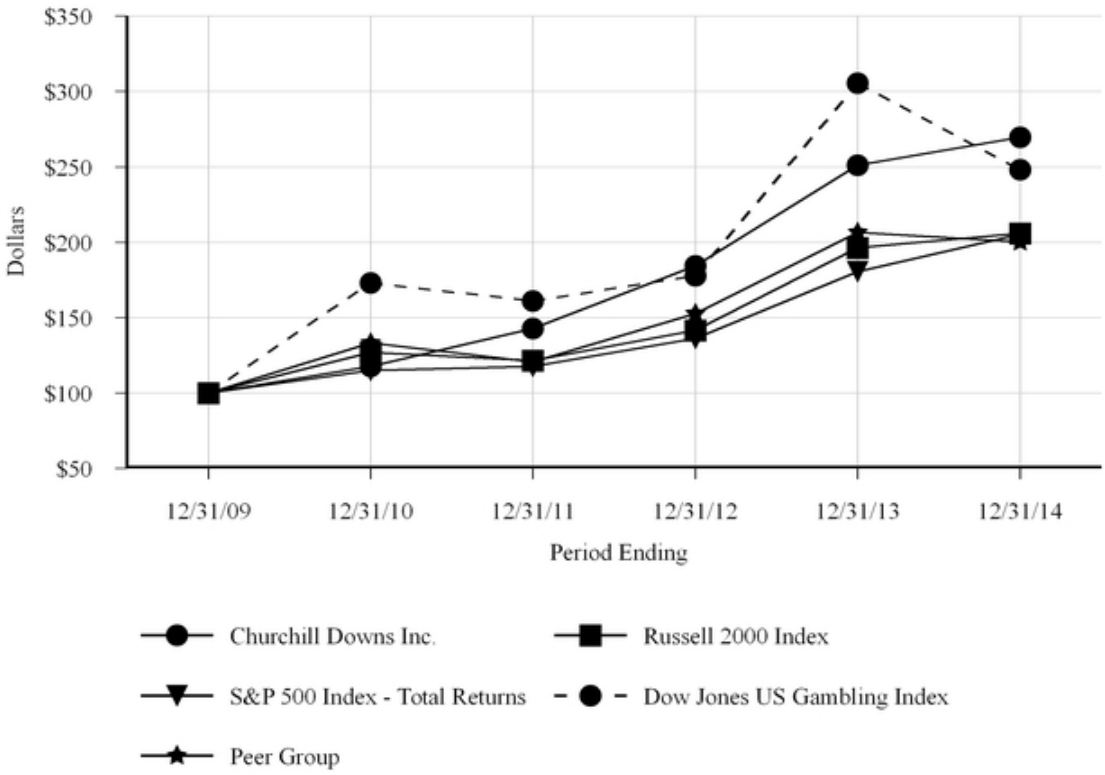
Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Average Price Per Share Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased under the Plans or Programs
10/1/14-10/31/2014			—	—	$ 38,438,810
11/1/14-11/30/2014			—	—	—
12/1/14-12/31/2014	9,355 (1)	$ 95.30	—	—	—
Total	9,355	$ 95.30	—	$ —	$ 38,438,810 (2)

(1) Shares of common stock were repurchased from grants of restricted stock in payment of income taxes to satisfy income tax withholding obligations on the related compensation.

(2) Maximum dollar amount of shares of common stock that may yet be repurchased under the Company's stock repurchase program.

Shareholder Return Performance Graph

Set forth below is a line graph comparing the cumulative total return of our common stock, including reinvested dividends, against the cumulative total return of peer group indices, the S&P 500 Index and the Russell 2000 Index for the period of five fiscal years commencing December 31, 2009, and ending December 31, 2014. The peer group indices used by the Company include the Dow Jones US Gambling Index, which is a published industry peer index of companies engaged in the leisure and gaming industries, and an index of certain companies in our peer group ("Peer Group"), which is comprised of Penn National Gaming Inc., Boyd Gaming Corporation, Pinnacle Entertainment Inc., and Isle of Capri Casinos Inc. The broad equity market indices used by the Company are the Russell 2000 Index, which measures the performance of small and middle capitalization companies and the S&P 500 Index, which measures the performance of large capitalization companies. The graph and table depict the result of an investment on December 31, 2009, of $100 in the Company, the Russell 2000 Index, the S&P 500 Index, the Dow Jones US Gambling Index and our Peer Group. Because we have historically paid dividends on an annual basis, the performance graph assumes that dividends were reinvested annually.



	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014
Churchill Downs Inc.	$ 100.00	$ 117.51	$ 142.83	$ 184.21	$ 251.02	$ 269.60
Russell 2000 Index	$ 100.00	$ 126.81	$ 121.52	$ 141.42	$ 196.32	$ 205.93
S&P 500 Index - Total Returns	$ 100.00	$ 115.06	$ 117.49	$ 136.30	$ 180.44	$ 205.14
Dow Jones US Gambling Index	$ 100.00	$ 173.11	$ 160.92	$ 177.84	$ 305.42	$ 247.97
Peer Group	$ 100.00	$ 133.22	$ 120.54	$ 152.66	$ 206.52	$ 200.20

ITEM 6. SELECTED FINANCIAL DATA

(In thousands, except per common share data)	Years Ended December 31, 2014[1]	2013[2] [3]	2012[4] [5]	2011[6]	2010[7] [8]
Operations:					
Net revenues	$ 812,934	$ 779,325	$ 731,296	$ 696,854	$ 585,345
Operating income	$ 90,393	$ 90,100	$ 96,550	$ 81,010	$ 31,566
Earnings from continuing operations	$ 46,357	$ 55,033	$ 58,152	$ 60,795	$ 19,557
Discontinued operations, net of income taxes:					
(Loss) gain from operations	$ —	$ (50)	$ 124	$ (1)	$ (5,827)
(Loss) gain on sale of assets	$ —	$ (83)	$ —	$ 3,561	$ 2,623
Net earnings	$ 46,357	$ 54,900	$ 58,276	$ 64,355	$ 16,353
Basic net earnings from continuing operations per common share	$ 2.67	$ 3.13	$ 3.38	$ 3.59	$ 1.27
Basic net earnings per common share	$ 2.67	$ 3.12	$ 3.39	$ 3.80	$ 1.06
Diluted net earnings from continuing operations per common share	$ 2.64	$ 3.07	$ 3.33	$ 3.55	$ 1.26
Diluted net earnings per common share	$ 2.64	$ 3.06	$ 3.34	$ 3.76	$ 1.05
Dividends paid per common share	$ 1.00	$ 0.87	$ 0.72	$ 0.60	$ 0.50
Balance sheet data at period end:					
Total assets	$ 2,360,274	$ 1,352,261	$ 1,114,337	$ 948,022	$ 1,017,719
Working capital deficiency	$ (92,292)	$ (52,491)	$ (259,506)	$ (28,989)	$ (18,556)
Current maturities of long-term debt	$ 11,250	$ —	$ 209,728	$ —	$ —
Long-term debt	$ 759,105	$ 369,191	$ —	$ 127,563	$ 265,117
Convertible note payable, related party	$ —	$ —	$ —	$ —	$ 15,075
Other Data:					
Shareholders' equity	$ 700,001	$ 704,789	$ 644,295	$ 584,030	$ 506,214
Shareholders' equity per common share	$ 40.06	$ 39.27	$ 36.93	$ 34.00	$ 30.55
Additions to property and equipment, exclusive of business acquisitions, net	$ 54,486	$ 48,771	$ 41,298	$ 22,667	$ 61,952
Cash flow data at period end:					
Net cash provided by operating activities	$ 141,619	$ 144,915	$ 144,098	$ 172,995	$ 59,857
Maintenance-related capital expenditures	$ 22,733	$ 16,879	$ 17,158	$ 14,845	$ 14,709
Free cash flow[9]	$ 118,886	$ 128,036	$ 126,940	$ 158,150	$ 45,148

The selected financial data presented above is subject to the following information:

(1) On December 16, 2014, we completed the acquisition of Big Fish Games, whose results are presented in 2014 from the date of acquisition through December 31, 2014.

(2) On July 17, 2013, we completed the acquisition of Oxford, whose results are presented in 2013 from the date of acquisition through December 31, 2013.

(3) During 2013, we recognized $4.5 million as miscellaneous other income for our final share of proceeds from the Horse Racing Equity Trust Fund ("HRE Trust Fund"). Furthermore, we recognized a gain of $0.4 million from insurance recoveries, net of losses, related to losses sustained at Churchill Downs during 2012 from hail damage. Partially offsetting these items, we recognized an expense of $2.5 million as the collectibility of a third-party deposit associated with an Internet gaming license was not deemed probable.

(4) On October 23, 2012, we completed the acquisition of Riverwalk, whose results are presented in 2012 from the date of acquisition through December 31, 2012.

(5) During 2012, we recognized a gain of $7.0 million from insurance recoveries, net of losses, related to losses sustained at Harlow's during 2011 from wind and flood damage and at Churchill Downs during 2012 from hail damage.

(6) During 2011, we recognized $19.3 million as miscellaneous other income for our share of proceeds from the HRE Trust Fund. In addition, during 2011, we recognized $2.7 million of miscellaneous other income and $1.4 million of interest expense as a result of the conversion and the elimination of a short forward contract liability and long put option asset

through the issuance of 452,603 shares of common stock associated with a convertible note payable. Finally, during 2011, we recognized a gain in discontinued operations of $3.4 million, net of income taxes, as the final settlement of the contingent consideration provision associated with the sale of our ownership interest in Hoosier Park L.P. during 2007. In addition, we recognized an additional gain in discontinued operations of $0.2 million, net of income taxes, on the sale of Hollywood Park related to the final expiration of an indemnity of certain contractual obligations related to the sale.

(7) During 2010, Churchill Downs Entertainment Group ("CDE") ceased operations and recognized a loss from operations before income tax benefit of $9.1 million ($5.8 million, net of income taxes) in discontinued operations. In addition, during 2010, we recognized a gain of $2.6 million, net of income taxes, on the sale of Hollywood Park, upon the partial expiration of an indemnity of certain contractual obligations related to the sale.

(8) On December 16, 2010, we completed the acquisition of Harlow's, whose results are presented in 2010 from the date of acquisition through December 31, 2010.

(9) Free cash flow, a non-GAAP financial measure, is defined as net cash provided by operating activities less maintenance-related (replacement) capital expenditures. Please refer to the subheading “Liquidity and Capital Resources” in Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Annual Report on Form 10-K for a further description of free cash flow and a reconciliation to the most closely related GAAP measure.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Information set forth in this discussion and analysis contains various "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The Private Securities Litigation Reform Act of 1995 (the "Reform Act") provides certain "safe harbor" provisions for forward-looking statements. All forward-looking statements made in this Annual Report on Form 10-K are made pursuant to the Reform Act. The reader is cautioned that such forward-looking statements are based on information available at the time and/or management's good faith belief with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements. Forward-looking statements speak only as of the date the statement was made. We assume no obligation to update forward-looking information to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information. Forward-looking statements are typically identified by the use of terms such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "might," "plan," "predict," "project," "should," "will," and similar words, although some forward-looking statements are expressed differently. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. Important factors that could cause actual results to differ materially from expectations include those factors described in Item 1A. "Risk Factors" of this Annual Report on Form 10-K.

You should read this discussion with the financial statements and other financial information included in this report. Our significant accounting policies are described in Note 1 to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

Overview

We are a diversified provider of pari-mutuel horseracing, online account wagering on horseracing and casino gaming. We are also one of the world's largest producers and distributors of online and mobile casual games.

We operate in five operating segments as follows:

1. Racing, which includes:

    - Churchill Downs Racetrack ("Churchill Downs") in Louisville, Kentucky, an internationally known thoroughbred racing operation and home of the Kentucky Derby since 1875;

    - Arlington International Race Course ("Arlington"), a thoroughbred racing operation in Arlington Heights along with ten off-track betting facilities ("OTBs") in Illinois;

    - Fair Grounds Race Course ("Fair Grounds"), a thoroughbred and quarterhorse racing operation in New Orleans along with twelve OTBs in Louisiana; and

    - Calder Race Course ("Calder"), a thoroughbred racing facility in Miami Gardens, Florida, where, as of July 1, 2014, we ceased pari-mutuel operations, except for limited operations conducted by a third party.

2. Casinos, which includes:

    - Oxford Casino ("Oxford") in Oxford, Maine, which we acquired on July 17, 2013. Oxford operates approximately 860 slot machines, 26 table games and various dining facilities;

    - Riverwalk Casino Hotel ("Riverwalk") in Vicksburg, Mississippi, which we acquired on October 23, 2012. Riverwalk operates approximately 690 slot machines, 15 table games, a five story, 80-room attached hotel, multi-functional event center and dining facilities;

    - Harlow's Casino Resort & Spa ("Harlow's") in Greenville, Mississippi, which operates approximately 750 slot machines, 13 table games, a five-story, 105-room attached hotel, multi-functional event center, pool, spa and dining facilities;

    - Calder Casino, a slot facility in Florida adjacent to Calder, which operates approximately 1,130 slot machines and included a poker room operation branded "Studz Poker Club" which ceased operations on June 30, 2014;

    - Fair Grounds Slots, a slot facility in Louisiana adjacent to Fair Grounds, which operates approximately 620 slot machines;

    - Video Services, LLC ("VSI"), the owner and operator of approximately 710 video poker machines in southeast Louisiana which are located within ten of our OTBs; and

- Our equity investment in Miami Valley Gaming LLC ("MVG"), a 50% joint venture harness racetrack and video lottery terminal facility in Lebanon, Ohio, which opened December 12, 2013. MVG has approximately 1,580 video lottery terminals, a racing simulcast center and a harness racetrack.

3. TwinSpires, which includes:

    - TwinSpires, an Advance Deposit Wagering (“ADW”) business that is licensed as a multi-jurisdictional simulcasting and interactive wagering hub in the state of Oregon;

    - Fair Grounds Account Wagering (“FAW”), an ADW business that is licensed in the state of Louisiana;

    - Velocity, a business that is licensed in the British Dependency Isle of Man focusing on high wagering-volume international customers;

    - Bloodstock Research Information Services (“BRIS”), a data service provider for the equine industry;

    - Our equity investment in HRTV, LLC (“HRTV”), a horseracing television channel, which was divested on January 2, 2015; and

    - Luckity, an ADW business that offered real-money bingo with outcomes based on and determined by pari-mutuel wagers on live horseraces which ceased operations on November 4, 2014.

4. Big Fish Games, Inc. ("Big Fish Games") which:

    - Is headquartered in Seattle, Washington with locations in Oakland, California and Luxembourg, which we acquired on December 16, 2014. Big Fish Games is a producer of premium paid, casual free-to-play and casino-style games for PCs and mobile devices.

5. Other Investments, which includes:

    - United Tote Company and United Tote Canada (collectively “United Tote”), which manufactures and operates pari-mutuel wagering systems for racetracks, OTBs and other pari-mutuel wagering businesses;

    - Capital View Casino & Resort, a 50% joint venture with Saratoga Harness Racing, Inc. ("SHRI") to bid on the development and management of a destination casino and resort in the Capital Region of New York;

    - Bluff Media ("Bluff"), a multimedia poker content brand and publishing company, acquired by the Company on February 10, 2012; and

    - Our other minor investments.

In order to evaluate the performance of these operating segments internally, we use Adjusted EBITDA (defined as earnings before interest, taxes, depreciation, amortization, and adjusted for insurance recoveries net of losses, HRE Trust Fund proceeds, share-based compensation expenses, pre-opening expenses, the impairment of assets, Big Fish Games transaction expenses, Big Fish Games acquisition-related charges, changes in Big Fish Games deferred revenue and other charges or recoveries). Big Fish Games transaction expenses include legal, accounting and other deal-related expenses. Big Fish Games acquisition-related charges reflect the change in fair value of the Big Fish Games earnout and deferred consideration liability recorded each reporting period. Changes in Big Fish Games deferred revenue reflect reductions in revenue from business combination accounting rules when deferred revenue balances assumed as part of an acquisition are adjusted to their fair values. Fair value approximates the cost of fulfilling the service obligation, plus a reasonable profit margin. Adjusted EBITDA also includes 50% of the operating income or loss of our joint venture, MVG. We believe that the use of Adjusted EBITDA as a key performance measure of the results of operations enables management and investors to evaluate and compare from period to period our operating performance in a meaningful and consistent manner.

During the year ended December 31, 2014, total handle for the pari-mutuel industry, according to figures published by Equibase, decreased 2.8% compared to the same period of 2013. TwinSpires handle increased $29.0 million, or 3%, during the year ended December 31, 2014, as compared to the same period of 2013. Excluding the impact from Illinois and Texas, handle increased 5% primarily due to a 19% increase in unique players.

On January 18, 2013, TwinSpires ceased accepting wagers from Illinois residents due to the expiration of legislation permitting ADW wagering in the state. On June 7, 2013, TwinSpires resumed accepting wagers from Illinois residents, and on January 29, 2014, the legislature approved a bill extending advance deposit wagering by Illinois residents through January 31, 2017. During the twelve months ended December 31, 2014, handle wagered by Illinois residents increased $31.0 million compared to the same period of 2013. As further discussed in Part I Item 3. Legal Proceedings, on September 25, 2013, we suspended wagering from all Texas accounts and returned deposited funds to Texas residents. During the twelve months ended December 31, 2014, handle wagered by Texas residents decreased $42.2 million, as compared to the same period of 2013.

Pari-mutuel handle from Racing decreased $335.0 million, or 19%, during the year ended December 31, 2014, compared to the same period of 2013, primarily due to a 62 day reduction in the number of live race days due to the cessation of pari-mutuel operations at Calder on July 1, 2014. In addition, field-size challenges and a higher Kentucky take-out rate impacted wagering levels at our Churchill Downs and Arlington locations as compared to the same period of 2013.

We believe that, despite uncertain economic conditions as well as regulatory and legislative challenges, we are in a strong financial position. As of December 31, 2014, there was $223.7 million of borrowing capacity available under our senior secured credit facility. To date, we have not experienced any limitations in our ability to access this source of liquidity.

Recent Developments

Big Fish Games

On December 16, 2014, we completed the acquisition of Big Fish Games for upfront consideration of $485 million plus a working capital adjustment with an earnout payment up to $350 million. Big Fish Games, which has locations in Seattle, Washington, Oakland, California and in Luxembourg, employs approximately 580 employees and develops casual games for PCs and mobile devices worldwide. Big Fish Games operates in three game segments: premium paid, casino and casual free-to-play. We acquired Big Fish Games to leverage its casino and casual game experience, as well as its assembled workforce, and to position ourself as a leader in the mobile and online game industry. We financed the acquisition with borrowings under our Amended and Restated Credit Agreement (the “Senior Secured Credit Facility”) and a $200 million Term Loan Facility (“Term Loan”) added to our existing Senior Secured Credit Facility.

Saratoga Harness Racing, Inc. ("SHRI") Ventures

SHRI Joint Venture

On May 13, 2014, we entered into a 50% joint venture with SHRI to bid on the development, construction and operation of the Capital View Casino & Resort located in the Capital Region near Albany, New York. On June 30, 2014, we filed an application with the New York State Facility Location Board to obtain a license to build and operate a facility with approximately 1,500 slot machines, 56 table games, a 100-room hotel and multiple entertainment and dining options. On December 17, 2014, the New York State Facility Location Board recommended that the Capital Region license be granted to another bidder.

During the year ended December 31, 2014, we incurred $1.0 million in equity losses in our other investments segment associated with the license application process and funded $3.3 million to the joint venture. Furthermore, we recorded an impairment loss of $1.6 million during the fourth quarter of 2014 to reduce the value of our investment in the joint venture to its estimated fair market value of $1.1 million.

Saratoga Harness Racing, Inc. Equity Investment and Management Agreement

On October 28, 2014, the Company signed a definitive purchase agreement to acquire a 25% ownership interest in Saratoga Casino Holdings, LLC ("SCH"), a newly formed entity which owns Saratoga Casino and Raceway in Saratoga Springs, NY; SHRI's controlling interest in Saratoga Casino Black Hawk in Black Hawk, Colorado; SHRI's 50% interest in a joint venture with Delaware North Companies to manage the Gideon Putnam Hotel and Resort in Saratoga Springs, New York; its interest in the proposed Capital View Casino & Resort in East Greenbush, New York; and SHRI's interest in a joint venture with Rush Street Gaming to build the proposed Hudson Valley Casino and Resort in Newburgh, New York.

In addition, the Company signed a five-year management agreement pursuant to which it will manage Saratoga Casino and Raceway and Saratoga Casino Black Hawk. Both the funding of the equity investment and the commencement of the management agreement are subject to regulatory approval and licensing requirements in New York and Colorado.

Luckity ADW Operations

On November 4, 2014, we ceased operations of Luckity, our ADW business which offered real-money bingo with outcomes based on and determined by pari-mutuel wagers on live horseraces. Prior to this date, we were investing in this business and actively marketing to Luckity customers. We determined that Luckity did not achieve the expected financial returns and was unlikely to significantly improve its results. During the fourth quarter of 2014, we recorded an impairment charge of $3.2 million for fixed assets specifically associated with Luckity. We do not expect to incur any additional, material expenditures in connection with ceasing operations.

Florida Pari-Mutuel Racing Operations

During 2013, Calder and Gulfstream Park began conducting concurrent live thoroughbred racing in certain months, leading to direct competition for on-track horseracing, in the intrastate and interstate simulcast markets and for horses in South Florida. This negatively affected Calder’s ability to achieve full field horseraces and to generate handle on live racing. Previously in Florida, a thoroughbred racetrack conducting a live racing meet had control over hosting out-of-state signals, and received

commissions on wagers placed at other racetracks throughout the state. There were instances where one or more thoroughbred racetracks operated live meets concurrently, and in that instance each racetrack had the opportunity to be a “host” track for out-of-state interstate horseracing signals. When two or more thoroughbred racetracks operated live meets concurrently, other wagering sites were required to select a live racetrack to host their pari-mutuel wagering. Three Florida thoroughbred racetracks, including Calder, have historically served as the host track based on their live racing calendar. On May 7, 2013, all of Florida’s three thoroughbred racetracks began claiming that they were host tracks on a year-round basis.

On May 24, 2013, Calder filed a petition with the Florida Division of Administrative Hearings (the “DOAH”) challenging the other racetracks' interpretation that they may conduct interstate simulcasting, and whether that was a valid interpretation of state law and the Interstate Horseracing Act of 1978. During 2013 and 2014, the DOAH and other state legislative bodies held public hearings and proposed modification to state laws without reaching a definitive resolution.

On July 1, 2014, we finalized an agreement with The Stronach Group (“TSG”) under which TSG will operate, at TSG’s expense, live racing and maintain certain facilities used for racing and training at Calder. The agreement, which expires on December 31, 2020, involves a lease to TSG of Calder’s racetrack and certain other racing and training facilities, including a portion of the barns on Calder’s backside consisting of approximately 430 stalls. TSG will operate live horse racing at Calder, under Calder’s racing permits, in compliance with all applicable laws and licensing requirements. TSG will operate and maintain the racing and training facilities at Calder on a year-round basis. Furthermore, TSG will be responsible for substantially all of the direct and indirect costs associated with these activities and receive the associated revenues. We will continue to own and operate the Calder Casino.

In addition, as part of the agreement, effective July 1, 2014, we amended Calder’s agreement with the Florida Horsemen’s Benevolent and Protective Association, Inc. (“FHBPA”) which reduced the rate of non-stakes purse supplements payable by the Calder Casino from 12 percent to 10 percent of slot machine revenue.

As a result of the agreement with TSG, on July 1, 2014, we notified 214 Calder employees of the termination of their employment which occurred between July 8, 2014, and September 2, 2014. In accordance with the terms of a one-time benefit arrangement, we recognized $2.3 million of severance and other benefit costs within selling, general and administrative expenses during the year ended December 31, 2014. We also assessed alternative potential uses of the Calder facility and certain assets not required to be maintained under the lease agreement and recognized accelerated depreciation expense of $2.4 million, primarily related to Calder's barns, which are not expected to be utilized subsequent to December 31, 2014. During 2015, the Company will continue to assess potential alternative uses of the Calder facility not associated with the lease agreement.

HRTV Equity Investment Divestiture

As part of the TSG agreement related to the cessation of Calder pari-mutuel operations, we modified our HRTV operating and ownership agreement with TSG resulting in the divestiture of the Company’s interest in HRTV effective January 2, 2015. During January 2015, we received $6.0 million in proceeds from the sale of our ownership interest. We recorded a gain of $5.8 million during January 2015 from the sale of our remaining investment in HRTV.

Legislative and Regulatory Changes

Please refer to subheading “L. Legislative Changes” in Item 1. “Business” of this Annual Report on Form 10-K for information regarding legislative and regulatory changes.

Critical Accounting Policies and Estimates

Our Consolidated Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States. Accordingly, we are required to make estimates, judgments and assumptions that we believe are reasonable based on our historical experience, contract terms, observance of known trends in our Company and the industry as a whole and information available from other outside sources. Our estimates affect the reported amounts of assets and liabilities and related disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those initial estimates.

Our most significant estimates relate to the valuation of property and equipment, goodwill and other intangible assets, which may be significantly affected by changes in the regulatory environment in which we operate, and to the aggregate costs for self-insured liability and workers’ compensation claims. Additionally, estimates are used for determining income tax liabilities and recognition of revenue for Big Fish Games.

Goodwill and Intangible Assets

We review the carrying values of goodwill at least annually during the first quarter of each year or whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. In 2012, in connection with our annual impairment test, we adopted ASU No. 2011-08, *Intangibles-Goodwill and Other: Testing Goodwill for Impairment* which allows

an entity the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is more likely than not that the fair value of a reporting unit is less than the carrying amount, then the Company would perform a two step goodwill impairment test. The first step, used to identify potential impairment, is a comparison of the reporting unit's estimated fair value to its carrying value, including goodwill. If the fair value of the reporting unit exceeds its carrying value, applicable goodwill is considered not to be impaired. If the carrying value exceeds fair value, there is an indication of impairment and the second step is performed to measure the amount of the impairment, if any. The second step requires the Company to calculate an implied fair value of goodwill at the reporting unit level. If the goodwill assigned to a reporting unit exceeds the implied fair value of the goodwill, an impairment charge is recorded for the excess.

Our 2014 annual goodwill impairment analysis included an assessment of certain qualitative factors including, but not limited to, macroeconomic, industry and market conditions; cost factors that have a negative effect on earnings; overall financial performance; the movement of the Company's share price; and other relevant entity and reporting unit specific events. We considered the qualitative factors and weighted the evidence obtained and determined that it is not more likely than not that the fair value of any reporting unit is less than its carrying amount. None of our reporting units were considered to be "at risk" of failing step one of the 2014 annual goodwill impairment test. Although we believe the factors considered in the impairment analysis are reasonable, significant changes in any one of our assumptions could produce a significantly different result. In prior years, our assessment of goodwill impairment was largely dependent on estimates of future cash flows at the aggregated reporting unit level, and a weighted-average cost of capital. The estimates of these future cash flows were based on assumptions and projections with respect to future revenues and expenses believed to be reasonable and supportable at the time the annual impairment analysis was performed. Further they required management's judgments and took into account assumptions about overall growth rates and increases in expenses.

We consider our slots gaming rights and trademark intangible assets as indefinite-lived intangible assets that do not require amortization based on our future expectations to operate our gaming facilities and use the Big Fish Games name indefinitely, as well as our historical experience in renewing these intangible assets at minimal cost with various state gaming commissions. Rather, these intangible assets are tested annually, or more frequently, if indicators of impairment exist, for impairment by comparing the fair value of the recorded assets to their carrying amount. If the carrying amount of the slots gaming rights and trademark intangible assets exceed their fair value, an impairment loss is recognized.

In March 2013, we adopted ASU No. 2012-02, Intangibles-Goodwill and Other: Testing Indefinite-Lived Intangible Assets for Impairment. ASU 2012-02 simplifies indefinite-lived intangible asset impairment testing by adding a qualitative review step to assess whether a quantitative impairment analysis is necessary. Under the amended rule, a testing methodology similar to that which is performed for goodwill impairment testing is acceptable for assessing a company's indefinite-lived intangible assets. We completed the required annual impairment tests of indefinite-lived intangible assets as of March 31, 2014, and no adjustment to the carrying value of indefinite-lived intangible assets was required. We assessed our indefinite-lived intangible assets by qualitatively evaluating events and circumstances that have both positive and negative factors, including macroeconomic conditions, industry events, financial performance and other changes and concluded that it was more likely than not that the fair value of our indefinite-lived intangible assets was greater than their carrying value.

We assign estimated useful lives to our definite-lived intangible assets based on the period of time the asset is expected to contribute directly or indirectly to future cash flows. We consider certain factors when assigning useful lives such as legal, regulatory, competition and other economic factors. Intangible assets with definite lives are amortized using the straight-line method.

While we believe that our estimates of future revenues and cash flows are reasonable, different assumptions could materially affect our assessment of useful lives and fair values. Changes in assumptions may cause modifications to our estimates for amortization or impairment, thereby impacting our results of operations. If the estimated lives of our definite-lived intangible assets were to decrease based on the factors mentioned above, amortization expense could increase significantly.

Income Taxes

We also use estimates and judgments for financial reporting to determine our current tax liability, as well as those taxes deferred until future periods. Net deferred and accrued income taxes represent significant assets and liabilities of the Company. In accordance with the liability method of accounting for income taxes, we recognize the amount of taxes payable or refundable for the current year and deferred tax assets and liabilities for the future tax consequences of events that have been recognized in our consolidated financial statements or tax returns.

Adjustments to deferred taxes are determined based upon changes in differences between the book basis and tax basis of our assets and liabilities, measured by enacted tax rates we estimate will be applicable when these differences are expected to reverse.

Changes in current tax laws, enacted tax rates or the estimated level of taxable income or non-deductible expenses could change the valuation of deferred tax assets and liabilities and affect the overall effective tax rate and tax provision.

Big Fish Games Revenue Recognition

Big Fish Games revenue is primarily derived from the sale of premium paid, casino and casual free-to-play games and virtual goods within games. Premium game revenue is derived from our subscription business, the Big Fish Game Club, and from the sale of specific games. Subscribers receive a game credit each month with their subscription. We determined that the price of a monthly subscription is equivalent to the vendor specific objective evidence ("VSOE") of the game credit and that the additional benefits of the monthly subscription are marketing and promotional activities. The value of the game credit is recognized when a customer redeems the game credit. We also sell game credits on our website that are redeemable for the download of a game. Revenue is recognized when the customer redeems the game credit for a game.

We record breakage revenue, which is recognized based on historical game credit redemption patterns and represents the balance of credits where we have determined the likelihood of redemption is remote or the credits have legally expired.

We offer casino and casual games that customers can play at no cost and can purchase virtual goods within games to enhance the game playing experience. These games are distributed primarily through third party mobile platform providers, including but not limited to, Apple and Google. Once downloaded, players can purchase in-game virtual currency which is redeemable in the game for virtual goods. Substantially all of our virtual goods can be consumed by player action. We recognize revenue when persuasive evidence of an arrangement exists, the service has been provided to the user, the price paid by the user is fixed or determinable, and collectability is reasonably assured. Determining whether and when some of these criteria have been satisfied requires judgments that may have a significant impact on the timing and amount of revenue we report in each period. For the purpose of determining when the service has been provided to the player, we have determined that an implied obligation exists to the paying user to continue to make available the purchased virtual goods within the game over the estimated life of the virtual goods. For casino games, the life of the virtual goods is estimated to be the time period over which virtual goods are consumed or approximately four days. For all other casual games, the average playing period of paying players of approximately four months represents our best estimate of the average life of virtual goods.

We receive reports from the third party mobile platform providers which break down the virtual goods purchased in our casual and casino games for a given time period. The proceeds from the sale of virtual goods are recorded as deferred revenue, and recognized as revenue over the estimated average life of the virtual goods.

We compute our estimated average life of virtual goods at least once each year, and more frequently if qualitative evidence exists that would indicate a possible change, including consideration of changes in the characteristics of games.

Principal Agent Considerations

In accordance with Accounting Standards Codification ("ASC") 605-45, Revenue Recognition: Principal Agent Considerations, we evaluate our digital storefront agreements in order to determine whether or not we are acting as the principal or as an agent when selling our games, which we consider in determining if revenue should be reported gross or net. We primarily use digital storefronts for distributing our casino and casual free-to-play games. Key indicators that we evaluate in order to reach this determination include:

- the terms and conditions of our contracts with the digital storefronts;
- the party responsible for billing and collecting fees from the end-users, including the resolution of billing disputes;
- whether we are paid a fixed percentage of the arrangement's consideration or a fixed fee for each game;
- the party which sets the pricing with the end-user, has the credit risk and provides customer support; and
- the party responsible for the fulfillment of the game and that determines the specifications of the game.

Based on the evaluation of the above indicators, we have determined that we are generally acting as a principal and are the primary obligor to end-users for games distributed through digital storefronts, and we therefore recognize revenue related to these arrangements on a gross basis.

Fair Value Estimates

We estimated the fair value of the Big Fish Games deferred payment and earnout liability as of December 31, 2014 using a discounted cash flows analysis over the period in which the obligation is expected to be settled, and applied a discount rate based on our cost of debt. The cost of debt as of the closing date was based on the observed market yields of our Senior Unsecured Notes issued in December of 2013 and represents a Level 3 fair value measurement and was adjusted for the difference in seniority and term of the deferred payment and earnout liability.

Foreign Currency

The functional currency of our international subsidiaries is the U.S. dollar, with the exception of our Big Fish Luxembourg subsidiary, whose functional currency is the Euro. For subsidiaries with a functional currency of the U.S. dollar, foreign currency denominated monetary assets and liabilities are remeasured into U.S. dollars at current exchange rates and foreign currency denominated nonmonetary assets and liabilities are remeasured into U.S. dollars at historical exchange rates. Foreign currency denominated revenue and expenses are remeasured at historical exchange rates. Gains or losses from foreign currency remeasurement are included in other income and expense. For the Luxembourg subsidiary, assets and liabilities are translated into U.S. dollars using exchange rates in effect at the end of a reporting period. Income and expense accounts are translated into U.S. dollars using average rates of exchange. The net gain or loss resulting from translation is recorded as foreign currency translation adjustment and included in accumulated other comprehensive income (loss) in stockholders' equity.

Insurance Reserves

During the year ended December 31, 2014, our business insurance renewals included substantially the same coverage and retentions as in previous years. We estimate insurance liabilities for workers' compensation and general liability losses based on our historical loss experience, certain actuarial assumptions of loss development factors and current industry trends. Any changes in our assumptions, actuarial assumptions or loss experience could impact our total insurance cost and overall results of operations.

Property and Equipment

Our business can be impacted positively and negatively by legislative and regulatory changes, by economic conditions and by gaming competition. A significant negative impact from these activities could result in a significant impairment of our property and equipment and/or our goodwill and indefinite-lived intangible assets. We perform reviews for the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset, or asset group, may not be recoverable. If the estimated undiscounted future cash flows expected to result from the use of the assets and their eventual disposition are insufficient to recover the carrying value of the assets, than an impairment loss is recognized based upon the excess of the carrying value of the assets over the fair value of the assets. An impairment review incorporates estimates of forecasted revenue and costs that may be associated with an asset as well as the expected periods that the asset, or asset group, may be utilized. Fair value is determined based on the highest and best use of the assets considered from the perspective of market participants, which may be different than our actual intended use of the asset, or asset group. Additional information regarding how our business can be impacted by competition and legislative changes is included in subheading "K. Competition" and subheading "L. Legislative Changes", respectively, in Item 1. "Business" of this Annual Report on Form 10-K.

Our significant accounting policies and recently adopted accounting policies are more fully described in Note 1 to the Consolidated Financial Statements included in Item 8. "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

Consolidated Net Revenues

Our net revenues and earnings are influenced by our racing calendar. Therefore, revenues and operating results for any interim quarter are not generally indicative of the revenues and operating results for the year, and may not be comparable with results for the corresponding period of the previous year. We historically have had fewer live racing days during the first quarter of each year, and the majority of our live racing revenue occurs during the second quarter, with the running of the Kentucky Derby and Kentucky Oaks. Information regarding racing dates at our facilities for 2015 and 2014 is included in Subheading "C. Racing" in Item 1. "Business" of this Annual Report on Form 10-K.

Our Consolidated Statements of Comprehensive Income include net revenues and operating expenses associated with our Racing, Casinos, TwinSpires, Big Fish Games and Other Investments operating segments and are defined as follows:

Racing: net revenues and corresponding operating expenses associated with commissions earned on wagering at the Company's racetracks, OTBs and simulcast fees earned from other wagering sites. In addition, amounts include ancillary revenues and expenses generated by the pari-mutuel facilities including admissions, sponsorships and licensing rights, food and beverage sales and fees for the alternative uses of its facilities.

Casinos: net revenues and corresponding operating expenses generated from slot machines, table games and video poker. In addition, it includes ancillary revenues and expenses generated by food and beverage sales, hotel operations revenue and miscellaneous other revenue.

TwinSpires: net revenues and corresponding operating expenses generated by the Company's ADW business from wagering through the Internet, telephone or other mobile devices on pari-mutuel events. In addition, it includes the Company's information business that provides data information and processing services to the equine industry.

Big Fish Games: net revenues and corresponding expenses generated by premium paid, casual free-to-play and casino-style games for PC, Mac, smartphone, tablet and online casual gaming.

Other: net revenues and corresponding operating expenses generated by United Tote, the Company's provider of pari-mutuel wagering systems and Bluff.

During the year ended December 31, 2013, we sold Fight! Magazine, a division of Bluff and reported the loss on sale and results of operations for the year ended December 31, 2013, as discontinued operations. Net revenues, operating expenses and income tax benefit of Fight! Magazine for the year ended December 31, 2012 have been reclassified to discontinued operations to conform to the current year presentation.

During the year ended December 31, 2012, the Company merged the operations of Churchill Downs Simulcast Productions ("CDSP"), the Company's provider of television production services, which was previously included in our Other Investments operating segment, with its Racing operating segment. There was no impact from these reclassifications on consolidated net revenues, operating income, results of continuing operations, or cash flows.

Racing and TwinSpires:

Pari-mutuel revenues are recognized upon occurrence of the live race that is presented for wagering and after that live race is made official by the respective state's racing regulatory body. Other operating revenues such as admissions, programs and concession revenues are recognized once delivery of the product or service has occurred.

Our customer loyalty programs offer incentives to customers who wager at the Company's racetracks or through our advance deposit wagering platform, TwinSpires.com. The TSC Elite program is offered for pari-mutuel wagering at the Company's racetracks or through TwinSpires.com. Under the program, customers are able to accumulate points over time that they may redeem for wagering credits or handicapping products and publications at their discretion under the terms of the programs. As a result of the ability of the customer to accumulate points, we accrue the cost of points, after consideration of estimated forfeitures, as they are earned. Under the TSC Elite program, the estimated value of the cost to redeem points is recorded as the points are earned. To arrive at the estimated cost associated with points, estimates and assumptions are made regarding incremental costs of the benefits, rates and the mix of goods for which points will be redeemed. The reward point liabilities were $0.7 million and $0.8 million as of December 31, 2014 and 2013, respectively.

Racing and TwinSpires revenues are generated by pari-mutuel wagering on live and simulcast racing content. Live racing handle includes patron wagers made on live races at our racetracks and also wagers made on imported simulcast signals by patrons at our racetracks during live meets. Import simulcasting handle includes wagers on imported signals at our racetracks when the respective tracks are not conducting live racing meets, at our OTBs and through our ADW providers throughout the year. Export handle includes all patron wagers made on live racing signals sent to other tracks, OTBs and ADW providers. Advance deposit wagering consists of patron wagers through an advance deposit account.

We retain as revenue a pre-determined percentage or commission on the total amount wagered, and the balance is distributed to the winning patrons. The gross percentages earned in 2014 approximated 11% of handle for Racing and 19% of handle for TwinSpires.

Casinos

Casinos revenues represent net gaming wins, which is the difference between gaming wins and losses. Other operating revenues, such as concession revenues, are recognized once delivery of the product or service has occurred. Certain key operating statistics specific to the gaming industry are included in our discussion of performance of the casinos segment. Our slot facilities report slot handle as a volume measurement, defined as the gross amount wagered or coins placed into slot machines in aggregate for the period cited. In addition, our slot facilities and video poker operations report net win per unit, which is calculated as gross gaming revenues, less customer payouts and free play, per machine and per day of operations.

Our customer loyalty program offers incentives to customers who wager at our gaming facilities. The Player's Club is offered at the Company's gaming facilities in Louisiana, Florida, Mississippi, Maine and our 50% joint venture, MVG. Under the program, customers are able to accumulate points over time that they may redeem for cash, free play, merchandise or food and beverage items at their discretion under the terms of the program. As a result of the ability of the customer to accumulate points, we accrue the cost of points, after consideration of estimated forfeitures, as they are earned. To arrive at the estimated cost associated with points, estimates and assumptions are made regarding incremental costs of the benefits, rates and the mix of goods and services for which points will be redeemed. Under the Player's Club program, the retail value of the points-based cash awards or complimentary goods and services is netted against revenue as a promotional allowance. The reward point liabilities were $1.0 million and $1.3 million as of December 31, 2014 and 2013, respectively.

Big Fish Games

Big Fish Games revenue is primarily derived from the sale of premium paid, casino and casual free-to-play games and virtual

goods within games. Premium game revenue is derived from our subscription business, the Big Fish Game Club, and from the sale of specific games. Subscribers receive a game credit each month with their subscription. We record breakage revenue, which is recognized based on historical game credit redemption patterns and represents the balance of credits where we have determined the likelihood of redemption is remote or the credits have legally expired. We offer casino and casual games that customers can play at no cost and for which they can purchase virtual goods within games to enhance the game playing experience.

RESULTS OF OPERATIONS

Pari-mutuel Handle

The following table sets forth, for the periods indicated, pari-mutuel financial handle information (in thousands):

	Year Ended December 31,			'14 vs. '13 Change		'13 vs. '12 Change	
	2014	2013	2012	$	%	$	%
Racing:							
Churchill Downs							
Total handle	$ 580,098	$ 663,689	$ 596,613	$ (83,591)	(13)%	$ 67,076	11 %
Net pari-mutuel revenues	$ 60,139	$ 57,002	$ 53,538	$ 3,137	6 %	$ 3,464	6 %
Commission %	10.4%	8.6%	9.0%				
Arlington							
Total handle	$ 458,756	$ 527,339	$ 563,220	$ (68,583)	(13)%	$ (35,881)	(6)%
Net pari-mutuel revenues	$ 53,068	$ 55,509	$ 60,825	$ (2,441)	(4)%	$ (5,316)	(9)%
Commission %	11.6%	10.5%	10.8%				
Calder [3]							
Total handle	$ 155,818	$ 320,036	$ 533,168	$ (164,218)	(51)%	$ (213,132)	(40)%
Net pari-mutuel revenues	$ 16,931	$ 32,737	$ 61,042	$ (15,806)	(48)%	$ (28,305)	(46)%
Commission %	10.9%	10.2%	11.4%				
Fair Grounds							
Total handle	$ 276,109	$ 294,991	$ 333,033	$ (18,882)	(6)%	$ (38,042)	(11)%
Net pari-mutuel revenues	$ 29,090	$ 31,123	$ 34,018	$ (2,033)	(7)%	$ (2,895)	(9)%
Commission %	10.5%	10.6%	10.2%				
Total Racing							
Total handle	$ 1,470,781	$ 1,806,055	$ 2,026,034	$ (335,274)	(19)%	$ (219,979)	(11)%
Net pari-mutuel revenues	$ 159,228	$ 176,371	$ 209,423	$ (17,143)	(10)%	$ (33,052)	(16)%
Commission %	10.8%	9.8%	10.3%				
TwinSpires [1] [4]							
Total handle	$ 897,706	$ 868,735	$ 859,841	$ 28,971	3 %	$ 8,894	1 %
Net pari-mutuel revenues	$ 172,221	$ 166,933	$ 168,795	$ 5,288	3 %	$ (1,862)	(1)%
Commission %	19.2%	19.2%	19.6%				
Eliminations [2]							
Total handle	$ (112,652)	$ (133,746)	$ (137,683)	$ 21,094	(16)%	$ 3,937	(3)%
Net pari-mutuel revenues	$ (14,541)	$ (12,495)	$ (13,157)	$ (2,046)	16 %	$ 662	(5)%
Total							
Handle	$ 2,255,835	$ 2,541,044	$ 2,748,192	$ (285,209)	(11)%	$ (207,148)	(8)%
Net pari-mutuel revenues	$ 316,908	$ 330,809	$ 365,061	$ (13,901)	(4)%	$ (34,252)	(9)%
Commission %	14.0%	13.0%	13.3%				

The pari-mutuel activity above is subject to the following information:

(1) Total handle and net pari-mutuel revenues generated by Velocity are not included in total handle and net pari-mutuel revenues from TwinSpires.
(2) Eliminations include the elimination of intersegment transactions.
(3) Calder ceased pari-mutuel operations on July 1, 2014.
(4) TwinSpires handle from Illinois and Texas, to reflect the impact of recent regulatory developments, as previously described (in thousands):

	Year Ended December 31,			'14 vs. '13 Change		'13 vs. '12 Change	
	2014	2013	2012	$	%	$	%
TwinSpires Handle:							
Illinois	$ 71,591	$ 40,607	$ 65,619	$ 30,984	76 %	$ (25,012)	(38)%
Texas	—	42,210	53,932	(42,210)	(100)%	$ (11,722)	(22)%
All other	826,115	785,918	740,290	40,197	5 %	$ 45,628	6 %
Total	$ 897,706	$ 868,735	$ 859,841	$ 28,971	3 %	$ 8,894	1 %

Casino Activity

The following table sets forth, for the periods indicated, statistical gaming information (in thousands, except for average daily information):

	Year Ended December 31,			'14 vs. '13		'13 vs. '12	
	2014	2013 (1)	2012 (2)	$	%	$	%
Calder Casino							
Net casino revenues	$ 74,030	$ 76,554	$ 75,686	$ (2,524)	(3)%	$ 868	1 %
Slot handle	$ 961,080	$ 1,010,840	$ 1,008,946	$ (49,760)	(5)%	$ 1,894	— %
Net slot revenues	$ 73,190	$ 74,008	$ 72,372	$ (818)	(1)%	$ 1,636	2 %
Average daily net win per slot machine	$ 178	$ 169	$ 164	$ 9	5 %	$ 5	3 %
Average daily number of slot machines	1,127	1,201	1,207	(74)	(6)%	(6)	— %
Average daily poker revenue (4)	$ 4,148	$ 7,233	$ 9,303	$ (3,085)	(43)%	$ (2,070)	(22)%
Fair Grounds Slots and Video Poker							
Net casino revenues	$ 73,807	$ 76,665	$ 76,893	$ (2,858)	(4)%	$ (228)	— %
Slot handle	$ 428,005	$ 436,188	$ 438,095	$ (8,183)	(2)%	$ (1,907)	— %
Net slot revenues	$ 39,627	$ 40,880	$ 41,875	$ (1,253)	(3)%	$ (995)	(2)%
Average daily net win per slot machine	$ 177	$ 181	$ 185	$ (4)	(2)%	$ (4)	(2)%
Average daily number of slot machines	620	620	625	—	— %	(5)	(1)%
Average daily video poker revenue	$ 94,162	$ 98,441	$ 97,613	$ (4,279)	(4)%	$ 828	1 %
Average daily net win per video poker machine	$ 129	$ 130	$ 137	$ (1)	(1)%	$ (7)	(5)%
Average daily number of video poker machines	728	756	714	(28)	(4)%	42	6 %
Oxford Casino							
Net casino revenues	$ 72,728	$ 32,649	$ —	$ 40,079	F	$ 32,649	F
Slot handle	$ 675,368	$ 262,699	$ —	$ 412,669	F	$ 262,699	F
Net slot revenues	$ 58,368	$ 26,689	$ —	$ 31,679	F	$ 26,689	F
Average daily net win per slot machine	$ 186	$ 197	$ —	$ (11)	(6)%	$ 197	F
Average daily number of slot machines	858	808	—	50	6 %	808	F
Average daily net win per table	$ 1,525	$ 1,588	$ —	$ (63)	(4)%	$ 1,588	F
Average daily number of tables	26	23	—	3	13 %	23	F

	Year Ended December 31,			'14 vs. '13		'13 vs. '12	
	2014	2013 (1)	2012 (2)	$	%	$	%
Harlow's Casino							
Net casino revenues	$ 47,632	$ 49,577	$ 54,087	$ (1,945)	(4)%	$ (4,510)	(8)%
Slot handle	$ 554,910	$ 604,433	$ 653,406	$ (49,523)	(8)%	$ (48,973)	(7)%
Net slot revenues	$ 43,326	$ 45,349	$ 49,021	$ (2,023)	(4)%	$ (3,672)	(7)%
Average daily net win per slot machine	$ 159	$ 155	$ 163	$ 4	3 %	$ (8)	(5)%
Average daily number of slot machines	747	799	821	(52)	(7)%	(22)	(3)%
Average daily poker revenue (3)	$ —	$ 754	$ 701	$ (754)	(100)%	$ 53	8 %
Average daily net win per table	$ 856	$ 750	$ 875	$ 106	14 %	$ (125)	(14)%
Average daily number of tables	13	15	15	(2)	(13)%	—	— %
Riverwalk Casino							
Net casino revenues	$ 47,391	$ 50,513	$ 9,914	$ (3,122)	(6)%	$ 40,599	F
Slot handle	$ 508,733	$ 591,975	$ 109,787	$ (83,242)	(14)%	$ 482,188	F
Net slot revenues	$ 43,567	$ 47,405	$ 9,328	$ (3,838)	(8)%	$ 38,077	F
Average daily net win per slot machine	$ 172	$ 181	$ 181	$ (9)	(5)%	$ —	— %
Average daily number of slot machines	692	716	736	(24)	(3)%	(20)	(3)%
Average daily net win per table	$ 733	$ 596	$ 616	$ 137	23 %	$ (20)	(3)%
Average daily number of tables	15	18	18	(3)	(17)%	$ —	— %
Total							
Net casino revenues	$ 315,588	$ 285,958	$ 216,580	$ 29,630	10 %	$ 69,378	32 %

NM: Not meaningful U: > 100% unfavorable F: >100% favorable

The casino activity presented above is subject to the following information:

(1) On July 17, 2013, we completed the acquisition of Oxford, whose results are presented in 2013 from the date of acquisition through December 31, 2013.

(2) On October 23, 2012, we completed the acquisition of Riverwalk, whose results are presented in 2012 from the date of acquisition through December 31, 2012.

(3) Harlow's poker room closed during July 2013.

(4) During December 2013, Calder Casino relocated the poker room within its facility and reduced the number of poker tables from eleven tables to six tables. On June 30, 2014, Calder Casino ceased operations of its poker room.

Executive Summary

The following table sets forth, for the periods indicated, total consolidated revenues and certain other financial information and operating data (in thousands, except per common share data and live race days):

	Year Ended December 31,			'14 vs. '13 Change		'13 vs. '12 Change	
	2014	2013	2012	$	%	$	%
No. of live race days	319	374	381	(55)	(15)%	(7)	(2)%
Net revenues:							
Racing	$ 261,453	$ 274,269	$ 302,088	$ (12,816)	(5)%	$ (27,819)	(9)%
Casinos	329,010	297,473	223,112	31,537	11 %	74,361	33 %
TwinSpires	190,333	184,541	183,279	5,792	3 %	1,262	1 %
Big Fish Games	13,855	—	—	13,855	F	—	NM
Other	18,283	23,042	22,817	(4,759)	(21)%	225	1 %
Total net revenues	$ 812,934	$ 779,325	$ 731,296	$ 33,609	4 %	$ 48,029	7 %
Operating income	$ 90,393	$ 90,100	$ 96,550	$ 293	— %	$ (6,450)	(7)%
Operating income margin	11%	12%	13%				
Earnings from continuing operations	$ 46,357	$ 55,033	$ 58,152	$ (8,676)	(16)%	$ (3,119)	(5)%
Diluted net earnings from continuing operations per common share	$ 2.64	$ 3.07	$ 3.33				

Year Ended December 31, 2014, Compared to the Year Ended December 31, 2013

Our total net revenues increased $33.6 million during the year ended December 31, 2014, primarily from the increase in revenues of $42.2 million from Oxford, which was acquired on July 17, 2013. Casino revenues increased $31.5 million as the addition of Oxford revenues was partially offset by a decline in revenues at our other properties due to continued regional economic weaknesses, additional competition and inclement weather negatively affecting visitation. Big Fish Games reflects revenues from its premium paid, casino and free-to-play casual games since its acquisition on December 16, 2014. TwinSpires revenues increased $5.8 million due to a 3.3% increase in handle during the year ended December 31, 2014. Organic growth and the return of Illinois wagering, which was temporarily ceased during 2013 due to the expiration of state legislation, more than offset the loss of Texas wagering during the period. Revenues generated by Racing decreased $12.8 million on the cessation of Calder's pari-mutuel operations as well as weaknesses at the Company's other racetracks, which was partially offset by higher revenues from a strong Kentucky Oaks and Kentucky Derby week. Other revenues declined $4.8 million primarily due to lower United Tote revenues associated with declining equipment sales and totalisator services.

Our operating income increased $0.3 million due to the incremental results of Oxford and Big Fish Games in addition to the impact of a successful Kentucky Oaks and Kentucky Derby week. Partially offsetting these increases were severance and other expenses related to the cessation of pari-mutuel operations at Calder, expenditures related to the development of Internet gaming technology, acquisition related expenses related to the Big Fish Games acquisition and challenges within our TwinSpires segment including higher state taxation requirements and the loss of Texas wagering. Further discussion of results by our reported segments is detailed below.

Year Ended December 31, 2013, Compared to the Year Ended December 31, 2012

Our total net revenues increased $48.0 million during the year ended December 31, 2013, compared to the same period of 2012, primarily from the continuing expansion of our Casinos segment through the acquisitions of Riverwalk and Oxford. Casino revenues increased $74.4 million, reflecting $53.6 million in revenues at Riverwalk, which was acquired on October 23, 2012 and $34.4 million in revenues at Oxford, which was acquired on July 17, 2013. Revenues generated by Racing decreased $27.8 million as strong Kentucky Oaks and Kentucky Derby week revenues were more than offset by the loss of Florida hosting revenues at Calder and the loss of eighteen host days at Arlington during the year ended December 31, 2013. TwinSpires revenues increased $1.3 million during the year ended December 31, 2013, as increased revenue from organic customer growth at TwinSpires and Velocity was partially offset by the effect of the temporary expiration of Illinois legislation permitting Illinois residents to wager online. Furthermore, on September 25, 2013, we ceased accepting wagers from Texas residents due to the loss of a lawsuit challenging a state law requiring residents to wager in person at a Texas racetrack, further impacting revenues from TwinSpires.

For the year ended December 31, 2013, our operating income decreased by $6.5 million, primarily due to a $6.6 million decrease in insurance recoveries, a $7.5 million increase in share-based compensation expense associated with the performance of the Company and the loss of Florida hosting revenues. Partially offsetting these declines was the effect of incremental operating income from the Riverwalk and Oxford acquisitions and strong Kentucky Oaks and Kentucky Derby week results. Further discussion of results by our reported segments is detailed below.

Consolidated Operating Expenses

The following table is a summary of our consolidated operating expenses (in thousands):

	Year Ended December 31,			'14 vs. '13 Change		'13 vs. '12 Change	
	2014	2013	2012	$	%	$	%
Purses & pari-mutuel taxes	$ 105,303	$ 111,198	$ 125,490	$ (5,895)	(5)%	$ (14,292)	(11)%
Casino taxes	84,653	70,481	52,306	14,172	20 %	18,175	35 %
Depreciation/amortization	68,257	61,750	55,600	6,507	11 %	6,150	11 %
Other operating expenses	375,819	362,725	334,527	13,094	4 %	28,198	8 %
Acquisition related charges	3,826	—	—	3,826	100 %	—	NM
SG&A expenses	85,114	83,446	73,829	1,668	2 %	9,617	13 %
Insurance recoveries, net of losses	(431)	(375)	(7,006)	(56)	15 %	6,631	95 %
Total expenses	$ 722,541	$ 689,225	$ 634,746	$ 33,316	5 %	$ 54,479	9 %
Percent of revenue	89%	88%	87%				

Year Ended December 31, 2014, Compared to the Year Ended December 31, 2013

Significant items affecting comparability of consolidated operating expenses include:

- Casino taxes increased $14.2 million, which included an increase of $15.9 million related to our July 2013 acquisition of Oxford. This increase was partially offset by a decline in expenses associated with lower casino revenues at our other locations during the year ended December 31, 2014.

- Other operating expenses increased $13.1 million, primarily reflecting an increase of $13.8 million in expenses incurred by Big Fish Games since its acquisition on December 16, 2014. In addition, operating expenses increased $11.7 million due to a full year of operations at Oxford. Furthermore, we incurred an increase of $2.6 million in operating expenses related to the development of our Internet gaming technology which was partially offset by a bad debt expense of $2.5 million associated with a third-party deposit recognized during the year ended December 31, 2013. Finally, we experienced increased content costs of $5.3 million from organic handle growth and from growth in the TwinSpires' third-party white-label services. Partially offsetting these increases was a decrease of $11.9 million in Calder operating expenses during the year ended December 31, 2014 due to the cessation of its pari-mutuel operations on July 1, 2014. In response to declining revenues, we reduced salaries, contract labor, and marketing and advertising expenses across our segments by $5.9 million.

- Purses and pari-mutuel taxes decreased $5.9 million during the year ended December 31, 2014. Calder incurred lower expenses of $8.1 million primarily due to the conclusion of pari-mutuel operations on July 1, 2014. In addition, our Illinois and Louisiana properties declined $3.2 million consistent with the declines in revenues. Partially offsetting these declines, TwinSpires pari-mutuel taxes increased $3.8 million, primarily due to new taxation requirements in New York. In addition, Churchill Downs Racetrack incurred higher expenses of $1.6 million, due primarily to an increase in purse expense resulting from an increase in its take-out rate.

- Acquisition related charges of $3.8 million consist of the non-cash change in the fair values of the Big Fish Games deferred payment liabilities and earnout liability from the date of acquisition on December 16, 2014 through December 31, 2014. The increase in the fair value of these liabilities was largely determined by a change in the credit spread associated with our Senior Unsecured Notes during the period subsequent to acquisition.

- SG&A expenses increased $1.7 million primarily due to development expenses of $6.4 million associated with the acquisition of Big Fish Games. Furthermore, we experienced increases of $1.8 million associated with a full year of Oxford operations and $0.7 million for Big Fish Games expenses subsequent to its acquisition. In addition, we incurred $2.3 million from non-recurring compensation expenses due to the conclusion of Calder pari-mutuel operations. Partially offsetting these increases was a decline in share-based compensation expense

of $9.6 million as expenses associated with grants made under the New Company LTIP were substantially recognized during previous periods.

- Depreciation and amortization expense increased $6.5 million during the year ended December 31, 2014, due, in part, to the impact of our acquisitions of Big Fish Games and Oxford, which included incremental depreciation expenses of $2.2 million and $3.3 million, respectively, during the year December 31, 2014. Calder depreciation expense increased $2.8 million related to the acceleration of expense related primarily to the Calder barns as we assessed alternative uses of the assets and reviewed the useful lives of the assets as a result of the cessation of pari-mutuel operations. Partially offsetting these increases was a decrease in depreciation of $1.7 million at our Louisiana and Mississippi properties primarily associated with fully depreciated assets.

Year Ended December 31, 2013, Compared to the Year Ended December 31, 2012

Significant items affecting comparability of consolidated operating expenses include:

- Other operating expenses increased $28.2 million, primarily reflecting an increase of $31.8 million in operating expenses generated by Riverwalk and Oxford during the year ended December 31, 2013. In addition, salary expenditures increased $1.7 million, primarily associated with the continued development of the TwinSpires segment. Furthermore, we incurred operating expenses of $1.1 million associated with a new video poker location in Louisiana which opened during January 2013. Finally, we incurred $3.1 million in operating expenses related to the development of Internet gaming technology, including $2.5 million of bad debt expense associated with a third-party deposit for which collectibility is not probable. Partially offsetting these increases were decreases in other racing expenses of $5.6 million associated with Calder's loss of Florida host revenues during the year ended December 31, 2013. Finally, TwinSpires content expenses declined due to the favorable settlement of litigation and the cessation of wagering in Texas and Illinois during portions of 2013.

- Casino taxes increased $18.2 million, primarily due to our acquisitions of Riverwalk and Oxford, which incurred casino taxes of $19.4 million during the year ended December 31, 2013.

- Purses and pari-mutuel taxes decreased $14.3 million, primarily as the result of the decline in pari-mutuel revenues within Racing, which corresponds with a 10.9% decrease in pari-mutuel handle compared to the same period of 2012. Calder generated a decline in purses and pari-mutuel taxes of $13.2 million, primarily due to the loss of Florida hosting revenues. Partially offsetting this decline was an increase in pari-mutuel taxes within TwinSpires, due to an increase in the number of states which assess pari-mutuel taxes on ADW wagering.

- SG&A expenses increased $9.6 million due to our acquisitions of Riverwalk and Oxford, which incurred an increase of $3.6 million in selling and general expenses during the year ended December 31, 2013. In addition, we incurred an increase of $7.5 million in share-based compensation expense during the period, which includes expenditures related to grants made under the New Company LTIP. We recognized a recovery of $0.8 million in selling and general expenses at Calder Casino during the year ended December 31, 2012, related to a reimbursement of certain administrative expenditures associated with a slot machine referendum held during 2005. Partially offsetting these increases were reductions in nonrecurring executive compensation expenditures of $1.6 million and reductions in professional and consulting fees of $0.7 million.

- Insurance recoveries, net of losses decreased $6.6 million during the year ended December 31, 2013, primarily due to the prior year recognition of insurance recoveries associated with 2011 flood and wind damage at Harlow's. Partially offsetting this decline was the recognition of recoveries of $0.4 million during the year ended December 31, 2013 associated with 2012 hail damage at Churchill Downs.

- Depreciation and amortization expense increased $6.2 million during the year ended December 31, 2013, primarily due to the acquisitions of Riverwalk and Oxford which incurred expenses of $7.6 million during the year.

Other Income (Expense) and Provision for Income Taxes

The following table is a summary of our other income (expense) and income tax provision (in thousands):

	Year Ended December 31,			'14 vs. '13 Change		'13 vs. '12 Change	
	2014	2013	2012	$	%	$	%
Interest income	$ 20	$ 112	$ 90	$ (92)	(82)%	$ 22	24 %
Interest expense	(20,842)	(6,231)	(4,531)	(14,611)	U	(1,700)	(38)%
Equity in earnings (loss) of unconsolidated investments	6,328	(4,142)	(1,701)	10,470	F	(2,441)	U
Miscellaneous, net	619	5,667	819	(5,048)	(89)%	4,848	F
Other income (expense)	$ (13,875)	$ (4,594)	$ (5,323)	$ (9,281)	U	$ 729	14 %
Income tax provision	$ (30,161)	$ (30,473)	$ (33,075)	$ 312	1 %	$ 2,602	8 %
Effective tax rate	39%	36%	36%				

Year Ended December 31, 2014, Compared to the Year Ended December 31, 2013

Significant items affecting the comparability of other income and expense and the income tax provision include:

- Interest expense increased during the year ended December 31, 2014, primarily as a result of higher long-term debt balances outstanding as a result of the Oxford and Big Fish Games acquisitions.

- Equity in earnings (loss) of unconsolidated investments increased $10.5 million during the year ended December 31, 2014, primarily due to earnings of $8.9 million from our investment in MVG, which opened during December 2013. In addition, during the year ended December 31, 2013, MVG recognized pre-opening expenses of $3.6 million. Finally, the performance of our investment in HRTV improved $0.8 million during the period. Partially offsetting these increases were expenses of $1.0 million related to our unsuccessful attempt to secure the license to develop a casino in the Capital Region of New York and an impairment charge of $1.6 million related to reducing the carrying value of our Capital View Casino & Resort investment to its expected fair value.

- Miscellaneous, net decreased $5.0 million primarily due to the prior year recognition of HRE Trust Fund proceeds of $4.5 million and a decrease in income associated with a third-party food and beverage provider.

- The effective tax rate for the year ended December 31, 2014 was affected by non-deductible Big Fish Games acquisition related charges and transaction costs.

Year Ended December 31, 2013, Compared to the Year Ended December 31, 2012

Significant items affecting the comparability of other income and expense and the income tax provision include:

- Miscellaneous other income increased $4.8 million, primarily due to the recognition of the final HRE Trust Fund proceeds of $4.5 million related to the Illinois riverboat casino surcharge during the year ended December 31, 2013.

- Equity in loss of unconsolidated investments increased $2.4 million during the year ended December 31, 2013, primarily due to preopening expenses of $3.6 million related to our investment in MVG. Partially offsetting this increase were favorable casino results from MVG of $0.5 million subsequent to its opening on December 12, 2013, and the performance of our investment in HRTV, which improved $0.6 million.

- Interest expense increased $1.7 million during the year ended December 31, 2013, primarily as a result of higher average outstanding debt balance under our Senior Secured Credit Facility required for financing the acquisitions of Riverwalk, Oxford and MVG development. In addition, amortization of loan origination and debt issuance costs were $0.7 million during the year ended December 31, 2013.

- The effective tax rate for the year ended December 31, 2013 was affected by the recognition of income tax benefits of $0.9 million related to 2012 and 2013 research and development tax credits.

Net Revenues By Segment

The following table presents net revenues, including intercompany revenues, by our reported segments (in thousands):

	Year Ended December 31,			'14 vs. '13 Change		'13 vs. '12 Change	
	2014	2013	2012	$	%	$	%
Churchill Downs	$ 150,229	$ 139,531	$ 129,847	$ 10,698	8 %	$ 9,684	7 %
Arlington	66,079	67,878	73,789	(1,799)	(3)%	(5,911)	(8)%
Calder	20,032	37,527	66,149	(17,495)	(47)%	(28,622)	(43)%
Fair Grounds	39,714	41,828	45,460	(2,114)	(5)%	(3,632)	(8)%
Total Racing	276,054	286,764	315,245	(10,710)	(4)%	(28,481)	(9)%
Calder Casino	77,003	78,951	77,864	(1,948)	(2)%	1,087	1 %
Fair Grounds Slots	40,774	42,156	42,881	(1,382)	(3)%	(725)	(2)%
VSI	34,369	35,931	35,433	(1,562)	(4)%	498	1 %
Harlow's Casino	50,199	52,440	56,604	(2,241)	(4)%	(4,164)	(7)%
Oxford Casino	76,526	34,350	—	42,176	F	34,350	F
Riverwalk Casino	50,139	53,645	10,330	(3,506)	(7)%	43,315	F
Total Casino	329,010	297,473	223,112	31,537	11 %	74,361	33 %
TwinSpires	191,291	185,394	184,115	5,897	3 %	1,279	1 %
Big Fish Games	13,855	—	—	13,855	F	—	NM
Other Investments	21,255	26,308	25,251	(5,053)	(19)%	1,057	4 %
Corporate	1,158	1,143	1,032	15	1 %	111	11 %
Eliminations	(19,689)	(17,757)	(17,459)	(1,932)	(11)%	(298)	(2)%
	$ 812,934	$ 779,325	$ 731,296	$ 33,609	4 %	$ 48,029	7 %

Year Ended December 31, 2014, Compared to the Year Ended December 31, 2013

Significant items affecting comparability of our net revenues by segment include:

- Casino revenues increased $31.5 million as incremental revenues from the Oxford acquisition were partially offset by declines in revenues at our other locations. Calder Casino revenue decreased $1.9 million primarily from the closure of its poker room on June 30, 2014. We experienced declines at our Mississippi properties, Harlow's and Riverwalk, whose combined revenues decreased $5.7 million during the period. Both Mississippi properties continued to be hindered by economic weakness and heightened competition in the region. Further impacting revenues was a decline in wagering at our Louisiana properties, Fair Grounds Slots and VSI, whose combined revenues declined $2.9 million during the period. Fair Grounds Slots and VSI experienced visitation declines of 8% and 14%, respectively, compared to the same period of 2013, as poor weather conditions and a three-day maintenance closure at Fair Grounds Slots contributed to the decline in net revenues and mirrored a comparable decrease in the New Orleans market.

- TwinSpires revenues grew by $5.9 million, reflecting a 3.3% increase in our TwinSpires pari-mutuel handle as compared to a total industry handle decline of 2.8%, as reported by Equibase. Organic growth and the reinstatement of wagering in Illinois partially offset the loss of Texas wagering during the period. Excluding the net impact of the Illinois and Texas disruptions, TwinSpires handle increased 5.0% during the year ended December 31, 2014, due, in part, to a 19% increase in unique players and outpacing industry growth by 7.8 percentage points.

- Racing revenues decreased $10.7 million, as the cessation of Calder pari-mutuel operations on July 1, 2014 and weaknesses at Fair Grounds and Arlington more than offset strong Kentucky Oaks and Kentucky Derby week results at Churchill Downs. Calder revenues declined $17.5 million during the year ended December 31, 2014, which included a decline of $16.1 million in revenues during the second half of 2014, since the closure of pari-mutuel operations. The additional loss of revenue at Calder during the first half of 2014 was due to the loss of hosting revenues and declines in wagering from Florida out-of-state locations partially offset by additional live race dates during the first quarter. Fair Grounds revenues declined $2.1 million as inclement weather during the first half of 2014 caused turf races to be removed and negatively impacted wagering and attendance. Partially offsetting these declines, Kentucky Oaks and Kentucky Derby week revenues improved from the same period

of 2013 due to revenues from a newly opened Grandstand Terrace and Rooftop Garden, an increase in ticket sales and media revenue and the effect of an increased takeout rate on pari-mutuel wagering.

- Other Investments revenues decreased $5.1 million, due to lower United Tote revenues associated with a decrease in totalisator service revenues from a loss of customers and fewer equipment sales.

- Big Fish Games reflects revenues recognized from its premium paid, casino and free-to-play casual games. The revenues recognized include reductions of $3.4 million resulting from business combination accounting rules when deferred revenue balances assumed as part of acquisitions are adjusted down to fair value. Fair value approximates the cost of fulfilling the service obligation, plus a reasonable profit margin. Subsequent to the acquisition of Big Fish Games, the Company analyzes the amount of revenue that would have been recognized had Big Fish Games remained independent and had the deferred revenue balances not been adjusted to fair value. The $3.4 million downward adjustment to revenue for 2014 is reflected in Big Fish Games net revenue presented on the Company's Consolidated Statements of Comprehensive Income.

Year Ended December 31, 2013, Compared to the Year Ended December 31, 2012

Significant items affecting comparability of our revenues by segment include:

- Casino revenues increased $74.4 million, primarily reflecting revenue from the acquisitions of Riverwalk, which was acquired on October 23, 2012, and Oxford, which was acquired on July 17, 2013. Calder Casino revenues increased during the period as directed marketing efforts implemented during 2013 and the closure of Florida Internet cafes offset continued regional competitive pressures from the opening of additional Miami casinos during January 2012 and August 2013. Partially offsetting these increases was a decrease in net revenues of $4.2 million at Harlow's during 2013 due to continued weakness in the region and disruptions from casino floor modifications to address competitive pressures. Fair Grounds Slots and VSI revenues decreased $0.2 million compared to the same period of 2012, as local market weakness more than offset additional video poker revenues from the opening of a new video poker facility during January 2013.

- Racing revenues decreased $28.5 million, as strong Kentucky Oaks and Kentucky Derby week results and the revenues from the new twelve-day September live racing meet at Churchill Downs were more than offset by weaknesses at the Company's other racetracks. Kentucky Oaks and Kentucky Derby week revenues improved from the same period of 2012 due to revenues from a newly opened luxury facility, the Mansion, in addition to increased ticket sales and sponsorships and other new Kentucky Oaks and Derby week offerings. However, Calder revenues declined $28.6 million during 2013, primarily due to the loss of Florida hosting revenues of approximately $21.2 million and fewer live racing days' revenue of $7.4 million, as more fully discussed in "*Item 7. Management's Discussion and Analysis: Recent Developments.*" Arlington revenues decreased $5.9 million compared to the same period of 2012, primarily due to the temporary cessation of Illinois ADW wagering, the loss of eighteen host days and poor weather conditions which hampered attendance and wagering. Host days are awarded in Illinois by the IRB to racetracks that are not conducting live horseracing, for which a host racetrack receives a percentage of earnings from pari-mutuel wagering activity at other racetracks throughout Illinois. Fair Grounds revenues declined $3.6 million during 2013 due to inclement weather conditions unfavorably impacting both the 2013 live racing meets and Jazz Fest.

- TwinSpires revenues increased $1.3 million, as organic customer growth at TwinSpires and Velocity was primarily offset by the temporary expiration of legislation allowing Illinois residents to wager online. On June 7, 2013, TwinSpires resumed accepting wagers from Illinois residents, which had previously ceased on January 18, 2013. Furthermore, on September 25, 2013, TwinSpires ceased accepting wagers from Texas residents due to the enforcement of an existing state law which permits Texas residents to wager on pari-mutuel events only at Texas racetracks. The impact of the Illinois and Texas disruptions represented a 4.3% decline in total handle during 2013 as compared to the same period of 2012.

- Other Investments revenues increased $1.1 million, due primarily to an increase in equipment sales at United Tote.

Adjusted Segment EBITDA

In order to evaluate the performance of these operating segments internally, we use Adjusted EBITDA (defined as earnings before interest, taxes, depreciation, amortization, and adjusted for insurance recoveries net of losses, HRE Trust Fund proceeds, share-based compensation expenses, pre-opening expenses, the impairment of assets, Big Fish Games transaction expenses, Big Fish Games acquisition-related charges, changes in Big Fish Games deferred revenue and other charges or recoveries). Big Fish Games transaction expenses include legal, accounting and other deal-related expenses. Big Fish Games acquisition-related charges reflect the change in fair value of the Big Fish Games earnout and deferred consideration liability recorded each reporting

period. Changes in Big Fish Games deferred revenue reflect reductions in revenue from business combination accounting rules when deferred revenue balances assumed as part of an acquisition are adjusted to their fair values. Fair value approximates the cost of fulfilling the service obligation, plus a reasonable profit margin. Adjusted EBITDA also includes 50% of the operating income or loss of our joint venture, MVG.

We believe that the use of Adjusted EBITDA as a key performance measure of the results of operations enables management and investors to evaluate and compare from period to period our operating performance in a meaningful and consistent manner. Adjusted EBITDA is a supplemental measure of our performance that is not required by, or presented in accordance with, generally accepted accounting principles ("GAAP"). However, Adjusted EBITDA should not be considered as an alternative to, or more meaningful than, net earnings (as determined in accordance with GAAP) as a measure of our operating results.

On January 1, 2014, we reclassified our equity investment in MVG from Other Investments to Casinos, to coincide with the first full period of operations for the venture, which opened on December 12, 2013. MVG's results of operations for the year ended December 31, 2013 have been reclassified to the Casinos segment. The following table presents Adjusted EBITDA by our operating segments and a reconciliation of EBITDA to comprehensive income (in thousands):

	Year Ended December 31,			'14 vs. '13 Change		'13 vs. '12 Change	
	2014	2013	2012	$	%	$	%
Racing	$ 61,160	$ 50,275	$ 54,357	$ 10,885	22 %	$ (4,082)	(8)%
Casinos	101,106	80,631	64,231	20,475	25 %	16,400	26 %
TwinSpires	45,282	49,122	44,618	(3,840)	(8)%	4,504	10 %
Big Fish Games	3,837	—	—	3,837	F	—	NM
Other Investments	(3,857)	809	(117)	(4,666)	U	926	F
Corporate	(5,037)	(4,606)	(4,834)	(431)	9 %	228	(5)%
Total Adjusted EBITDA	$ 202,491	$ 176,231	$ 158,255	$ 26,260	15 %	$ 17,976	11 %
Insurance recoveries, net of losses	431	375	7,006	56	15 %	(6,631)	(95)%
Big Fish Games acquisition charges	(3,826)	—	—	(3,826)	U	—	NM
Big Fish Games transaction expenses	(6,367)	—	—	(6,367)	U	—	NM
Big Fish Games changes in deferred revenue	(4,497)	—	—	(4,497)	U	—	NM
HRE Trust Fund proceeds	—	4,541	—	(4,541)	(100)%	4,541	F
Share-based compensation	(11,932)	(21,482)	(13,993)	9,550	(44)%	(7,489)	54 %
Pre-opening costs	(27)	(3,620)	—	3,593	(99)%	(3,620)	U
MVG interest expense, net	(2,546)	(170)	—	(2,376)	U	(170)	U
Asset impairment	(4,843)	—	—	(4,843)	U	—	NM
Other charges	(3,287)	(2,500)	—	(787)	31 %	(2,500)	U
Depreciation and amortization	(68,257)	(61,750)	(55,600)	(6,507)	11 %	(6,150)	11 %
Interest income (expense), net	(20,822)	(6,119)	(4,441)	(14,703)	U	(1,678)	38 %
Income tax provision	(30,161)	(30,473)	(33,075)	312	(1)%	2,602	(8)%
Earnings from continuing operations	46,357	55,033	58,152	(8,676)	(16)%	(3,119)	(5)%
Discontinued operations, net of income taxes	—	(133)	124	133	(100)%	(257)	U
Net earnings	46,357	54,900	58,276	(8,543)	(16)%	(3,376)	(6)%
Foreign currency translation, net of tax	(125)	—	—	(125)	U	—	NM
Comprehensive Income	$ 46,232	$ 54,900	$ 58,276	$ (8,668)	(16)%	$ (3,376)	(6)%

Excluding corporate share-based compensation, the table below presents intercompany management fees (expense) income included in the Adjusted EBITDA of each of the operating segments for the years ended December 31, 2014, 2013 and 2012, respectively (in thousands).

	Year Ended December 31,			'14 vs. '13 Change		'13 vs. '12 Change	
	2014	2013	2012	$	%	$	%
Racing	$ (6,821)	$ (6,978)	$ (8,063)	157	2 %	$ 1,085	13 %
Casinos	(8,129)	(7,238)	(5,705)	(891)	(12)%	(1,533)	(27)%
TwinSpires	(4,775)	(4,428)	(4,679)	(347)	(8)%	251	5 %
Other Investments	(495)	(603)	(627)	108	18 %	24	4 %
Corporate Income	20,220	19,247	19,074	973	5 %	173	1 %
Total management fees	$ —	$ —	$ —	$ —		$ —	

Year Ended December 31, 2014, Compared to the Year Ended December 31, 2013

Significant items affecting comparability of Adjusted EBITDA by segment include:

- Casino Adjusted EBITDA increased $20.5 million, as the increase in Oxford Adjusted EBITDA of $11.8 million, and our share of the increase in MVG operating income of $11.1 million more than offset unfavorable results at our other facilities. Fair Grounds Slots and VSI Adjusted EBITDA decreased $1.5 million compared to the same period of 2013 as market weakness and poor weather conditions hindered visitation and wagering at the Louisiana properties. Harlow's and Riverwalk Adjusted EBITDA declined $0.6 million as continuing regional economic weakness negatively impacted results during the year ended December 31, 2014. Finally, Calder Casino Adjusted EBITDA decreased $0.3 million from exiting poker operations.

- Racing Adjusted EBITDA increased $10.9 million due to increased profitability of $8.8 million from the Kentucky Oaks and Kentucky Derby week driven by the newly opened Grandstand Terrace, an increase in ticket sales and media revenue and the effect of an increased takeout rate on pari-mutuel wagering. In addition, Adjusted EBITDA at Calder improved $3.3 million, largely due to cost savings from the closure of pari-mutuel operations, rental payments from TSG and a gain on sale of certain racing assets. Furthermore, Arlington Adjusted EBITDA increased $0.9 million in part due to cost controls which were implemented to address declining revenues. Partially offsetting these increases was a decrease at Churchill Downs, excluding Kentucky Oaks and Kentucky Derby week, from reductions in pari-mutuel revenue from a declining thoroughbred horse population and starters per race.

- TwinSpires Adjusted EBITDA decreased $3.8 million during the year ended December 31, 2014. The loss of Texas wagering generated a handle decline of $42.2 million with a corresponding decline in Adjusted EBITDA of approximately $5.4 million. In addition, the taxation requirements in New York reduced Adjusted EBITDA by $3.9 million. Finally, we recorded a non-recurring reduction in operating expenses of $3.3 million during the year ended December 31, 2013 from the favorable settlement of Illinois ADW litigation. These decreases were partially offset by organic handle growth of 5.0%, the reinstatement of Illinois wagering and improvements in our investment in HRTV.

- Big Fish Games generated Adjusted EBITDA of $3.8 million since its acquisition on December 16, 2014.

- Other Investments Adjusted EBITDA decreased $4.7 million due, in part, to the impact of an increase in expenditures of $3.0 million associated with the development of our Internet gaming platform. In addition, United Tote Adjusted EBITDA declined $1.7 million due to a decline in totalisator service revenues and lower equipment sales.

The following other items affected net earnings from continuing operations during the year ended December 31, 2014:

- Big Fish Games related charges of $14.7 million consist of non-recurring transaction-related expenses of $6.4 million, fair value adjustments of $3.8 million associated with the change in the fair value of the earnout and deferred founder liabilities recorded since the acquisition date and $4.5 million reflecting the change in Big Fish Games deferred revenue primarily resulting from business combination accounting rules when deferred revenue balances assumed as part of acquisitions are adjusted down to fair value.

- HRE Trust Fund proceeds declined $4.5 million as Arlington's final share of the disbursement of funds related to the riverboat casino license surcharge were recognized as miscellaneous other income during the year ended December 31, 2013.

- Share-based compensation expense decreased $9.6 million compared to the same period of 2013, primarily due to expenses associated with grants made under the New Company LTIP during 2013 which were substantially recognized during 2013. Unrecognized compensation expense attributable to the New Company LTIP awards, which will be recognized in subsequent periods, was $2.8 million as of December 31, 2014. The weighted average period over which we expect to recognize the remaining compensation expense under the service period awards approximates 17 months. There is no remaining unrecognized expense under the market condition awards.

- Pre-opening costs declined $3.6 million associated with our investment in MVG, which opened a video lottery facility and a harness racing facility on December 12, 2013.

- MVG interest expense, net of $2.5 million represents a full year of interest expense for debt outstanding associated with our Ohio joint venture, which opened during December 2013.

- Asset impairment charges of $4.8 million reflect impairment expenses of $3.2 million for our investment in Luckity, which ceased operations on November 4, 2014, and $1.6 million for our unsuccessful attempt to obtain a license to build and operate a gaming facility in the Capital Region of New York. As a result, our investment in the joint venture was reduced to its expected fair market value.

- Other charges increased $0.8 million reflecting severance and other benefit costs incurred upon the closure of Calder pari-mutuel operations and our share of equity losses associated with our Capital Region casino bid of $3.3 million. Partially offsetting this increase was an expense of $2.5 million for an uncollectible third-party deposit associated with an Internet gaming license during the year ended December 31, 2013.

- Depreciation and amortization expense increased $6.5 million during the year ended December 31, 2014, driven by the Oxford and Big Fish Games acquisitions. In addition, depreciation expense at Calder increased primarily due to the acceleration of expense on barns, which are not expected to be utilized subsequent to December 31, 2014.

- Interest (expense) income, net increased $14.7 million primarily as a result of higher long-term debt balances outstanding due to the acquisitions of Oxford and Big Fish Games.

Year Ended December 31, 2013, Compared to the Year Ended December 31, 2012

Significant items affecting comparability of our Adjusted EBITDA by segment include:

- Casinos Adjusted EBITDA increased $16.4 million, driven by an increase in Riverwalk Adjusted EBITDA of $13.0 million and Oxford Adjusted EBITDA of $9.2 million. Partially offsetting this increase was a decline in Harlow's Adjusted EBITDA of $3.6 million as compared to the same period of 2012 driven by general economic weakness and lower customer discretionary spending in the region. In addition, during 2013, Harlow's experienced disruptions from modifying its casino floor to combat competitive pressures in the market and from expanding its high-stakes slot positions. Calder Casino recognized proceeds during the prior year of $0.8 million as a reduction to SG&A expense relating to a reimbursement of certain administrative expenditures for a prior year slot referendum. Excluding the prior year recovery, Calder Casino Adjusted EBITDA improved $0.3 million compared to the same period of 2012. Calder Casino was favorably impacted by its strategic player marketing efforts, the closure of Internet cafes in the State of Florida, and a successful advertising campaign, which mitigated the impact of new, competing casinos which opened during August 2013 and January 2012 in the South Florida region. Finally, Fair Grounds Slots and VSI Adjusted EBITDA decreased $1.9 million as weakness in the New Orleans market more than offset the opening of a new video poker facility.

- TwinSpires Adjusted EBITDA increased $4.5 million during the year ended December 31, 2013, reflecting a 1.0% increase in our pari-mutuel handle, which was partially offset by an increase in pari-mutuel taxes associated with additional state legislative requirements. Velocity Adjusted EBITDA increased from both the addition of a new high volume wagering customer and increased wagering by existing customers. TwinSpires content expenses declined due to the favorable settlement of litigation. In addition, our investment in HRTV improved $0.6 million during the year ended December 31, 2013. Finally, TwinSpires incurred $2.2 million in expenses associated with the continuing development of Luckity, a decrease of $0.4 million as compared to the same period of 2012. Partially offsetting these improvements was the unfavorable impact from the temporary loss of Illinois ADW wagering and the exit from Texas ADW wagering, which generated a combined handle decline

of 4.3% and a reduction in Adjusted EBITDA of $2.7 million during the year ended December 31, 2013 compared to 2012.

- Racing Adjusted EBITDA decreased $4.1 million during the year ended December 31, 2013. Churchill Downs Adjusted EBITDA improved $5.8 million from increased profitability from Kentucky Oaks and Kentucky Derby week and $2.8 million from its new September live racing meet. In addition, Racing benefited from lower labor costs and other cost control measures related to renovations at Churchill Downs Racetrack, including a new simulcasting facility. Offsetting these improvements was a $9.0 million decline in Adjusted EBITDA at Calder of which approximately $6.3 million was associated with the loss of Florida hosting revenues, approximately $1.8 million was associated with fewer live racing days and approximately $0.9 million with other ancillary items during the year ended December 31, 2013. Furthermore, Arlington Adjusted EBITDA declined $2.3 million due to eighteen fewer host days and a decline in pari-mutuel handle of 6.4%. Finally, Fair Grounds Adjusted EBITDA decreased $1.4 million due to inclement weather conditions unfavorably impacting both the 2013 racing meets and Jazz Fest.

- Other Investments Adjusted EBITDA increased $0.9 million, primarily due to incremental equipment sales at United Tote. Partially offsetting this improvement were operating costs of $1.1 million associated with our Internet gaming initiatives.

The following other items affected earnings from continuing operations during the year ended December 31, 2013:

- Insurance recoveries, net of losses, decreased $6.6 million during the year ended December 31, 2013, primarily due to the prior year recognition of insurance recoveries associated with 2011 flood and wind damage at Harlow's.

- HRE Trust Fund proceeds of $4.5 million were recognized as miscellaneous other income during the year ended December 31, 2013, reflecting Arlington's final share of the disbursement of funds related to the riverboat casino license surcharge.

- Share-based compensation expense increased $7.5 million compared to the same period of 2012 primarily due to expenses associated with grants made under the New Company LTIP.

- Pre-opening costs of $3.6 million were incurred during the year ended December 31, 2013 associated with our investment in MVG, which opened a video lottery facility and a new harness racing facility on December 12, 2013.

- MVG interest expense, net increased $0.2 million due to our share of financing costs incurred by the joint venture.

- Other charges and recoveries, net increased $2.5 million as the collectibility of a third-party deposit associated with an Internet gaming license was not deemed probable.

- Depreciation and amortization expense increased $6.2 million during the year ended December 31, 2013 driven primarily by the Riverwalk and Oxford acquisitions. Depreciation expense at United Tote decreased $2.0 million as certain assets acquired in the 2009 acquisition were fully depreciated during 2012.

Discontinued Operations

Fight! Magazine and Hollywood Park Racetrack have been accounted for as discontinued operations. Accordingly, the results of operations of the sold businesses for all periods presented and the (losses) gains on sold businesses have been classified as discontinued operations, net of income taxes, in the Consolidated Statements of Comprehensive Income. Set forth below is a summary of the results of operations of discontinued businesses for the years ended December 31, 2014, 2013 and 2012 (in thousands):

	Year Ended December 31,			'14 vs. '13 Change		'13 vs. '12 Change	
	2014	2013	2012	$	%	$	%
Net revenues	$ —	$ 632	$ 1,087	$ (632)	(100)%	$ (455)	(42)%
Operating expenses	—	857	885	(857)	(100)%	(28)	(3)%
Selling, general and administrative expenses	—	—	—	—	NM	—	NM
Operating (loss) gain	—	(225)	202	225	(100)%	(427)	U
Other income (expense)	—	145	(2)	(145)	(100)%	147	F
(Loss) earnings from operations before income taxes	—	(80)	200	80	(100)%	(280)	U
Income tax benefit (provision)	—	30	(76)	(30)	(100)%	106	F
(Loss) gain from operations	—	(50)	124	50	(100)%	(174)	U
Loss on sale of assets, net of income taxes	—	(83)	—	83	(100)%	(83)	U
Net (loss) gain	$ —	$ (133)	$ 124	$ 133	(100)%	$ (257)	U

Sale of Fight! Magazine

On December 16, 2013, the Company completed the sale of 100% of the assets of Fight! Magazine ("Fight"), a division of Bluff which was acquired by the Company in February 2012. Net revenues, operating expenses and the loss on sale of Fight for the years ended December 31, 2013 and 2012, have been reclassified to discontinued operations. There was no impact from these reclassifications on net earnings or cash flows.

Hollywood Park Racetrack

In addition, we recognized operating expenses of $0.1 million during the year ended December 31, 2013, from adjustments related to workers' compensation reserves retained by the Company subsequent to our sale of Hollywood Park Racetrack during 2005.

Consolidated Balance Sheet

The following table is a summary of our overall financial position as of December 31, 2014 and 2013 (in thousands):

	Year Ended December 31,		'14 vs. '13 Change	
	2014	2013	$	%
Total assets	$ 2,360,274	$ 1,352,261	$ 1,008,013	75 %
Total liabilities	$ 1,660,273	$ 647,472	$ 1,012,801	U
Total shareholders' equity	$ 700,001	$ 704,789	$ (4,788)	(1)%

Significant items affecting the comparability of our consolidated balance sheets include:

- Total assets increased primarily due to assets acquired of $1,000.8 million associated with the Big Fish Games acquisition. Excluding Big Fish Games, other significant changes within total assets include increases in our investment in unconsolidated affiliates of $23.4 million reflecting current year MVG capital contributions of $14.6 million in addition to the Company's share of MVG operating income. Partially offsetting these increases were decreases in our restricted cash of $10.0 million and other intangibles of $9.1 million during the year ended December 31, 2014. The decrease in restricted cash is primarily due to the release of the HRE Trust Fund purse balance at the conclusion of the Arlington meet. The decrease in other intangibles, net is due to the amortization of definite-lived intangible assets.

- Excluding Big Fish Games liabilities assumed, significant changes within total liabilities include increases of $406.6 million for the Big Fish Games deferred payment and earnout liabilities and increases in total debt of $401.2 million, primarily to fund the acquisition of Big Fish Games. Partially offsetting these increases were decreases of $8.3 million in accounts payable and $7.7 million in purses payable. Accounts payable declined due in part to the timing of settlement related payments. The decline in purses payable is driven by the distribution of the final Arlington HRE Trust Fund proceeds and the cessation of Calder pari-mutuel operations.

- Significant changes within shareholders' equity were decreases of $61.6 million from our common stock repurchase and $16.5 million from the cancellation of shares for payment of income taxes owed on vested shares.

Partially offsetting these amounts were increases from current year net income, the issuance of common shares for the acquisition of Big Fish Games of $15.8 million, the issuance of common shares from stock option exercises of $7.5 million, current year amortization expense of $11.9 million on equity compensation and a windfall tax benefit associated with equity compensation awards of $7.7 million.

Liquidity and Capital Resources

The following table is a summary of our liquidity and cash flows (in thousands):

	Year Ended December 31,			'14 vs. '13 Change		'13 vs. '12 Change	
Cash Flows from:	2014	2013	2012	$	%	$	%
Operating activities	$ 141,619	$ 144,915	$ 144,098	$ (3,296)	(2)%	$ 817	1 %
Investing activities	$ (440,308)	$ (277,680)	$ (197,128)	$ (162,628)	(59)%	$ (80,552)	(41)%
Financing activities	$ 322,049	$ 140,296	$ 62,882	$ 181,753	F	$ 77,414	F

Significant items affecting the comparability of our liquidity and capital resources between the years ended December 31, 2014 and 2013 include:

- Cash provided by operating activities decreased $3.3 million due to the prior year receipt of HRE Trust Fund proceeds, the prior year favorable settlement of ADW litigation, severance and other employee benefits costs related to the closure of Calder's pari-mutuel operations, a decline in profitability at our Mississippi and Louisiana gaming properties, increased taxation of TwinSpires, investments in our Internet gaming platform, Big Fish Games transaction and acquisition related-charges and unfavorable timing of collections related to the 2014 Kentucky Derby and Kentucky Oaks. Partially offsetting these declines were increases in operating cash flows from the acquisitions of Oxford and Big Fish Games, the increased profitability of Kentucky Oaks and Kentucky Derby week, the 2014 receipt of a 2013 federal income tax refund of $8.3 million and lower 2014 estimated tax payments, favorable timing of payments within our pari-mutuel simulcasting operations and other favorable net working capital items. We anticipate that cash flows from operations over the next twelve months will be adequate to fund our business operations and capital expenditures.

- The increase in cash used in investing activities is primarily due to the 2014 acquisition of Big Fish Games for $366.0 million, net of cash acquired. In addition, property and equipment additions were higher from capital expenditures at Churchill Downs for projects associated with the 2014 Kentucky Derby and Kentucky Oaks. Finally, we funded $3.3 million in licensing and development fees for our unsuccessful attempt to secure a New York gaming license. Partially offsetting these increases was the prior year acquisition of Oxford for $154.9 million, net of cash acquired. In addition, capital contributions to our Ohio joint venture decreased $75.7 million during the year ended December 31, 2014.

- The increase in cash provided by financing activities is due to increased net borrowings under our Senior Secured Credit Facility during the year ended December 31, 2014 to fund the acquisition of Big Fish Games and capital contributions to MVG. In addition, cash received in connection with stock option exercises increased $6.3 million. Partially offsetting these increases was the prior year proceeds of $300 million from our bond issuance and a repurchase of 691,000 shares of common stock in a privately negotiated transaction, at a cost of $61.6 million during the year ended December 31, 2014. Finally, we funded $15.2 million in dividend payments for our annual dividend declared during 2013.

During 2014, we funded $14.6 million in capital contributions to MVG, and since the joint venture commenced during 2012, we have funded $105.0 million in capital contributions. In addition, during the year ended December 31, 2014, we funded $3.3 million to our unsuccessful New York joint venture.

Free cash flow, which we reconcile to "Net cash provided by operating activities," is cash flows from operations reduced by maintenance-related (replacement) capital expenditures. Maintenance-related capital expenditures are expenditures to replace existing fixed assets with a useful life greater than one year that are obsolete, worn-out, or no longer cost effective to repair. We use free cash flow to evaluate our business because, although it is similar to cash flows from operations, we believe it will typically present a more conservative measure of cash flows, as maintenance-related capital expenditures are a necessary component of our ongoing operations. Free cash flow is a non-GAAP measure and our definition may differ from other companies' definitions of this measure.

Free cash flow does not represent the residual cash flow available for discretionary expenditures and does not incorporate the funding of business acquisitions. This non-GAAP measure should not be considered a substitute for, or superior to, cash flows from operating activities under GAAP.

The following is a summary of additions to property and equipment and a reconciliation of free cash flow to the most comparable GAAP measure, “Net cash provided by operating activities,” for 2014, 2013 and 2012 (in thousands):

	Year Ended December 31,			‘14 vs. ‘13 Change		‘13 vs. ‘12 Change	
	2014	2013	2012	$	%	$	%
Maintenance-related capital expenditures	$ 22,733	$ 16,879	$ 17,158	$ 5,854	35 %	$ (279)	(2)%
Capital project expenditures	31,753	31,892	24,140	(139)	— %	7,752	32 %
Additions to property and equipment	54,486	48,771	41,298	5,715	12 %	7,473	18 %
Net cash provided by operating activities	141,619	144,915	144,098	(3,296)	(2)%	817	1 %
Maintenance-related capital expenditures	(22,733)	(16,879)	(17,158)	(5,854)	35 %	279	(2)%
Free cash flow	$ 118,886	$ 128,036	$ 126,940	$ (9,150)	(7)%	$ 1,096	1 %

During the year ended December 31, 2014, the increase in maintenance-related capital expenditures as compared to the same period of 2013 primarily reflects the replacement of slot machines at several Casino properties. During the year ended December 31, 2013, the increase in capital project expenditures as compared to the same period of 2012 primarily reflects capital expenditures related to the Mansion, Rooftop Garden and Grandstand Terrace projects at Churchill Downs.

Credit Facilities and Indebtedness

5.375% Senior Unsecured Notes

On December 16, 2013, the Company completed an offering of $300 million in aggregate principal amount of 5.375% Senior Unsecured Notes that mature on December 15, 2021 (the “Senior Unsecured Notes”). The Senior Unsecured Notes were issued at par, with interest payable on June 15th and December 15th of each year. The Company received net proceeds of $295 million, after deducting underwriting fees, and used the net proceeds from the offering to repay a portion of its outstanding borrowings, and accrued and unpaid interest outstanding under its Third Amended and Restated Credit Agreement ("Senior Secured Credit Facility"). As a result of the issuance, the Company capitalized $6.3 million of debt issuance costs, which is being amortized as interest expense over the remaining term of the Senior Unsecured Notes.

The Senior Unsecured Notes were issued in a private offering that was exempt from registration under the Securities Act of 1933, as amended, and are senior unsecured obligations of the Company. The Senior Unsecured Notes are guaranteed by each of the Company’s domestic subsidiaries that guarantee its Senior Secured Credit Facility and will rank equally with the Company’s existing and future senior obligations. At any time prior to December 15, 2016, the Company may redeem all or part of the Senior Unsecured Notes at par plus the present value (discounted at the treasury rate plus 50 basis points) of scheduled interest payments through December 15, 2016, along with accrued and unpaid interest, if any, at the date of redemption. On or after December 15, 2016, the Company may redeem all or part of the Senior Unsecured Notes at a redemption price of 104.031% which gradually reduces to par by 2019.

Senior Secured Credit Facility

On December 1, 2014, the Company executed the Fourth Amended and Restated Credit Agreement (the “Senior Secured Credit Facility”) whereby it added a $200 million Term Loan Facility (“Term Loan”) to the existing Senior Secured Credit Facility and amended certain definitions and provisions of the credit agreement including Consolidated Funded Indebtedness, EBITDA and calculation of the Total Leverage Ratio. The Company incurred loan origination costs of $0.9 million in connection with this amendment, which were capitalized and are being amortized as interest expense over the remaining term of the Senior Secured Credit Facility.

On May 17, 2013, the Company entered into the Third Amended and Restated Credit Agreement (also referred to as the “Senior Secured Credit Facility”) which amended certain provisions of the credit agreement including increasing the maximum aggregate commitment from $375 million to $500 million. The Senior Secured Credit Facility also provides for an accordion feature which, if exercised, could increase the maximum aggregate commitment by up to an additional $225 million and reduce the pricing schedule for outstanding borrowings and commitment fees across all leverage pricing levels. The guarantors under the Senior Secured Credit Facility continue to be a majority of the Company's wholly-owned subsidiaries. The Company incurred loan origination costs of $2.3 million in connection with this amendment, which were capitalized and are being amortized as interest expense over the remaining term of the Senior Secured Credit Facility.

The Senior Secured Credit Facility matures on May 17, 2018. The Term Loan matures on December 1, 2019, provided however, in the event the Senior Secured Credit Facility has not, prior to May 17, 2018, been extended to a maturity date of December 1, 2019, the Term Loan matures on May 17, 2018.

Regarding the Term Loan, the Company is required to make quarterly principal payments that commence on March 31, 2015 and are set to occur on the last day of each quarter through September 30, 2019. Payments start at $2.5 million and increase in increments of $1.25 million on December 31 of each year to reach the final year quarterly payment amount of $7.5 million.

Generally, borrowings made pursuant to the Senior Secured Credit Facility and the Term Loan bear interest at a LIBOR-based rate per annum plus an applicable margin percentage ranging from 1.125% to 3.0% depending on the Company's total leverage ratio. In addition, under the Senior Secured Credit Facility, the Company agreed to pay a commitment fee at rates that range from 0.175% to 0.45% of the available aggregate commitment, depending on the Company's leverage ratio. The Term Loan is not subject to, nor included in the calculation of, the commitment fee.

The Senior Secured Credit Facility contains customary affirmative and negative covenants for credit facilities of this type, including limitations on the Company and its subsidiaries with respect to indebtedness, restricted payments, liens, investments, mergers and acquisitions, disposition of assets, sale-leaseback transactions and transactions with affiliates. The covenants permit the Company to use proceeds of the credit extended under the agreement for general corporate purposes, restricted payments and acquisition needs. The Senior Secured Credit Facility also contains financial covenants that require the Company (i) to maintain an interest coverage ratio (i.e., consolidated adjusted EBITDA to consolidated interest expense) that is greater than 3.0 to 1.0; (ii) not to permit the total leverage ratio (i.e., total consolidated funded indebtedness to consolidated adjusted EBITDA) to be greater than 4.5 to 1.0, provided that if a certain minimum consolidated adjusted EBITDA is reached then the total leverage ratio will be increased to 5.0 to 1.0 for such periods that the minimum is maintained; and (iii) not to permit the senior secured leverage ratio (i.e. senior secured consolidated funded indebtedness to consolidated adjusted EBITDA) to be greater than 3.5 to 1.0. As of December 31, 2014, the Company was in compliance with all covenants under the Senior Secured Credit Facility, and substantially all of the Company's assets continue to be pledged as collateral under the Senior Secured Credit Facility. At December 31, 2014, the financial ratios under our Senior Secured Credit Facility were as follows:

	Actual	Requirement
Interest Coverage Ratio	11.7 to 1	> 3.0 to 1.0
Total Leverage Ratio	3.5 to 1	< 5.0 to 1.0
Senior Secured Leverage Ratio	2.3 to 1	< 3.5 to 1.0

Contractual Obligations

Our commitments to make future payments as of December 31, 2014, are summarized as follows (in thousands):

	2015	2016-2017	2018-2019	Thereafter	Total
Dividends	$ 17,419	$ —	$ —	$ —	$ 17,419
Tax refund due to Big Fish Games former equity holders	18,087	—	—	—	18,087
Big Fish Games deferred payment	28,428	56,855	—	—	85,283
Senior Secured Credit Facility	—	—	270,355	—	270,355
Interest on Senior Secured Credit Facility [(1)]	5,691	—	—	—	5,691
Term Loan A	11,250	37,500	151,250	—	200,000
Interest on Term Loan A	5,894	9,933	5,818	—	21,645
Senior Unsecured Notes	—	—	—	300,000	300,000
Interest on Senior Unsecured Notes	16,125	32,250	32,250	31,578	112,203
Operating leases	11,604	20,320	7,106	3,590	42,620
Total	$ 114,498	$ 156,858	$ 466,779	$ 335,168	$ 1,073,303

(1) Interest includes the estimated contractual payments under our Senior Secured Credit Facility assuming no change in the weighted average borrowing rate of 2.2%, which was the rate in place as of December 31, 2014.

As of December 31, 2014, we had approximately $2.9 million of unrecognized tax benefits. We anticipate a decrease in our unrecognized tax benefits of approximately $1.1 million during the next twelve months due to the expiration of statutes of limitations. In addition, as of December 31, 2014, the fair value of the Big Fish Games earnout liability is $327.8 million. We anticipate an increase in our earnout liability of approximately $20.0 million during the next twelve months, as the liability is expected to be paid during 2016 and 2017.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate and Credit Risk

Our primary exposure to market risk relates to changes in interest rates. At December 31, 2014, we had $470.4 million outstanding under our Senior Secured Credit Facility, which bears interest at LIBOR based variable rates. We are exposed to market risk on variable rate debt due to potential adverse changes in these rates. Assuming the outstanding balance of the debt facility remains constant, a one-percentage point increase in the LIBOR rate would reduce net earnings and cash flows from operating activities by $2.8 million.

Foreign Currency Exchange Risk

We operate internationally and are exposed to foreign currency exchange risk. While the substantial majority of our revenue has been and is expected to continue to be denominated in U.S. dollars, our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the Euro. Due to the relative size of our international operations to date, our foreign currency exposure is not material and thus we have not instituted a hedging program. As our global operations continue to grow, we will monitor the foreign currency exposure to determine if and when we should begin a hedging program.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
of Churchill Downs Incorporated

In our opinion, the consolidated financial statements listed in the index appearing under item 15(a)(1) present fairly, in all material respects, the financial position of Churchill Downs Incorporated and its subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As described in Management's Report on Internal Control over Financial Reporting appearing under Item 9A, management has excluded Big Fish Games, Inc. from its assessment of internal control over financial reporting as of December 31, 2014 because it was acquired by the Company in a purchase business combination during 2014. We have also excluded Big Fish Games, Inc. from our audit of internal control over financial reporting. Big Fish Games, Inc. is a wholly-owned subsidiary whose total assets and total revenues represent 4.1% and 1.7% respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2014.

/s/ PricewaterhouseCoopers LLP
Louisville, Kentucky
February 25, 2015

CHURCHILL DOWNS INCORPORATED
CONSOLIDATED BALANCE SHEETS
December 31,
(in thousands)

	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 67,936	$ 44,708
Restricted cash	26,065	36,074
Accounts receivable, net of allowance for doubtful accounts of $4,246 in 2014 and $4,338 in 2013	75,890	46,572
Deferred income taxes	17,716	8,927
Income taxes receivable	29,455	12,398
Other current assets	24,665	12,036
Total current assets	241,727	160,715
Property and equipment, net	595,315	585,498
Investment in and advances to unconsolidated affiliates	109,548	86,151
Goodwill	839,520	300,616
Other intangible assets, net	549,972	198,149
Other assets	24,192	21,132
Total assets	$ 2,360,274	$ 1,352,261
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 45,597	$ 43,123
Bank overdraft	544	973
Purses payable	11,169	18,839
Account wagering deposit liabilities	18,137	18,679
Accrued expenses	91,056	67,328
Tax refund due to Big Fish Games former equity holders	18,087	—
Deferred revenue	51,833	49,078
Deferred revenue - Big Fish Games	41,747	—
Big Fish Games deferred payment, current	27,180	—
Current maturities of long-term debt	11,250	—
Dividends payable	17,419	15,186
Total current liabilities	334,019	213,206
Long-term debt, net of current maturities	459,105	69,191
Notes payable	300,000	300,000
Big Fish Games deferred payment, net of current amount due	51,620	—
Big Fish Games earnout liability	327,800	—
Other liabilities	21,718	17,753
Deferred revenue	16,489	16,706
Deferred income taxes	149,522	30,616
Total liabilities	1,660,273	647,472
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, no par value; 250 shares authorized; no shares issued	—	—
Common stock, no par value; 50,000 shares authorized; 17,472 shares issued at December 31, 2014 and 17,948 shares issued at December 31, 2013	262,280	295,955
Accumulated other comprehensive loss	(125)	—
Retained earnings	437,846	408,834
Total shareholders' equity	700,001	704,789
Total liabilities and shareholders' equity	$ 2,360,274	$ 1,352,261

The accompanying notes are an integral part of the consolidated financial statements.

CHURCHILL DOWNS INCORPORATED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
for the years ended December 31,
(in thousands, except per common share data)

	2014	2013	2012
Net revenues:			
Racing	$ 261,453	$ 274,269	$ 302,088
Casinos	329,010	297,473	223,112
TwinSpires	190,333	184,541	183,279
Big Fish Games	13,855	—	—
Other	18,283	23,042	22,817
	812,934	779,325	731,296
Operating expenses:			
Racing	216,269	233,286	255,405
Casinos	244,051	222,879	163,686
TwinSpires	133,553	123,449	123,476
Big Fish Games	15,971	—	—
Other	24,188	26,540	25,356
Selling, general and administrative expenses	85,114	83,446	73,829
Acquisition related charges	3,826	—	—
Insurance recoveries, net of losses	(431)	(375)	(7,006)
Operating income	90,393	90,100	96,550
Other income (expense):			
Interest income	20	112	90
Interest expense	(20,842)	(6,231)	(4,531)
Equity in gains (losses) of unconsolidated investments	6,328	(4,142)	(1,701)
Miscellaneous, net	619	5,667	819
	(13,875)	(4,594)	(5,323)
Earnings from continuing operations before provision for income taxes	76,518	85,506	91,227
Income tax provision	(30,161)	(30,473)	(33,075)
Earnings from continuing operations	46,357	55,033	58,152
Discontinued operations, net of income taxes:			
(Loss) gain from operations	—	(50)	124
Loss on sale of assets	—	(83)	—
Net earnings	$ 46,357	$ 54,900	$ 58,276
Net earnings (loss) per common share data:			
Basic			
Earnings from continuing operations	$ 2.67	$ 3.13	$ 3.38
Discontinued operations	—	(0.01)	0.01
Net earnings	$ 2.67	$ 3.12	$ 3.39
Diluted			
Earnings from continuing operations	$ 2.64	$ 3.07	$ 3.33
Discontinued operations	—	(0.01)	0.01
Net earnings	$ 2.64	$ 3.06	$ 3.34
Weighted average shares outstanding:			
Basic	17,271	17,294	17,047
Diluted	17,589	17,938	17,475
Other comprehensive loss:			
Foreign currency translation, net of tax	(125)	—	—
Other comprehensive loss	(125)	—	—
Comprehensive income	$ 46,232	$ 54,900	$ 58,276

The accompanying notes are an integral part of the consolidated financial statements.

CHURCHILL DOWNS INCORPORATED
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
for the years ended December 31, 2014, 2013 and 2012
(in thousands, except per common share data)

	Common Stock		Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount			
Balance, December 31, 2011	17,178	$ 260,199	$ —	$ 323,831	$ 584,030
Net earnings and comprehensive income				58,276	58,276
Issuance of common stock for stock option exercises	155	5,663			5,663
Issuance of common stock for employee benefit plans	19	714			714
Issuance of common stock for long-term incentive plan	158	4,207			4,207
Tax windfall from share-based compensation		1,407			1,407
Repurchase of common stock	(84)	(5,094)			(5,094)
Restricted stock forfeitures	(1)				—
Grant of restricted stock	23				—
Amortization of restricted stock		6,377			6,377
Cash dividends, $0.72 per share				(12,351)	(12,351)
Restricted dividends, $0.72 per share				(170)	(170)
Stock option plan expense		1,236			1,236
Balance, December 31, 2012	17,448	274,709	—	369,586	644,295
Net earnings and comprehensive income				54,900	54,900
Issuance of common stock for stock option exercises	7	330			330
Issuance of common stock for employee benefit plans	17	805			805
Issuance of common stock for long-term incentive plan	174	6,371			6,371
Tax windfall from share-based compensation		2,981			2,981
Repurchase of common stock	(133)	(10,723)			(10,723)
Restricted stock forfeitures	(1)				—
Grant of restricted stock	436				—
Amortization of restricted stock		20,525			20,525
Cash dividends, $0.87 per share				(15,186)	(15,186)
Restricted dividends, $0.87 per share				(466)	(466)
Stock option plan expense		957			957
Balance, December 31, 2013	17,948	295,955	—	408,834	704,789
Net earnings and comprehensive income				46,357	46,357
Issuance of common stock for stock option exercises	186	6,417			6,417
Issuance of common stock for employee benefit plans	15	1,058			1,058
Issuance of common stock for acquisition	157	15,793			15,793
Tax windfall from share-based compensation		7,708			7,708
Repurchase of common stock	(160)	(15,021)			(15,021)
Stock buyback	(691)	(61,561)			(61,561)
Restricted stock forfeitures	(9)				—
Grant of restricted stock	26				—
Amortization of restricted stock		11,527			11,527
Cash dividends, $1.00 per share				(17,026)	(17,026)
Restricted dividends, $1.00 per share				(319)	(319)
Stock option plan expense		404			404
Foreign currency translation adjustment, net of ($70) tax effect			(125)		(125)
Balance, December 31, 2014	17,472	$ 262,280	$ (125)	$ 437,846	$ 700,001

The accompanying notes are an integral part of the consolidated financial statements.

CHURCHILL DOWNS INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended December 31,
(in thousands)

	2014	2013	2012
Cash flows from operating activities:			
Net earnings	$ 46,357	$ 54,900	$ 58,276
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	68,257	61,750	55,600
Acquisition related charges	3,826	—	—
Asset impairment loss	3,247	—	25
Gain on sale of business and asset dispositions	(382)	(366)	(128)
Equity in (gains) losses of unconsolidated investments	(6,328)	4,142	1,701
Share-based compensation	11,931	21,482	7,613
Deferred tax provision	14,839	5,284	9,659
Other	619	689	910
Increase (decrease) in cash resulting from changes in operating assets and liabilities, net of business acquisitions and dispositions:			
Restricted cash	9,468	6,359	9,178
Accounts receivable	(1,619)	(495)	(5,396)
Other current assets	(3,255)	1,372	(3,075)
Income taxes	206	(11,023)	764
Accounts payable	(8,385)	(5,879)	3,459
Purses payable	(7,669)	(6,594)	(10,148)
Accrued expenses	8,330	4,866	9,923
Deferred revenue	639	6,029	8,804
Other assets and liabilities	1,538	2,399	(3,067)
Net cash provided by operating activities	141,619	144,915	144,098
Cash flows from investing activities:			
Additions to property and equipment	(54,486)	(48,771)	(41,298)
Acquisition of businesses, net of cash acquired	(366,045)	(154,872)	(142,915)
Acquisition of gaming licenses	(2,250)	(2,650)	(2,250)
Investment in joint ventures	(17,906)	(70,500)	(19,850)
Purchases of minority investments	(602)	(902)	(2,153)
Proceeds from sale of assets	981	15	833
Proceeds from insurance recoveries	—	—	10,505
Net cash used in investing activities	(440,308)	(277,680)	(197,128)
Cash flows from financing activities:			
Borrowings on bank line of credit	804,986	740,131	554,248
Repayments of bank line of credit	(403,822)	(880,667)	(472,083)
Proceeds from bond issuance	—	300,000	—
Change in bank overdraft	(429)	(5,053)	555
Payment of dividends	(15,186)	—	(22,461)
Repurchase of common stock	(61,561)	—	—
Repurchase of common stock from share-based compensation	(15,021)	(10,723)	(5,094)
Common stock issued	7,475	1,135	6,377
Windfall tax provision from share-based compensation	7,708	2,981	1,407
Loan origination fees	(1,069)	(2,258)	(67)
Debt issuance costs	(1,032)	(5,250)	—
Net cash provided by financing activities	322,049	140,296	62,882
Net increase in cash and cash equivalents	23,360	7,531	9,852
Effect of exchange rate changes on cash	(132)	—	—
Cash and cash equivalents, beginning of year	44,708	37,177	27,325
Cash and cash equivalents, end of year	$ 67,936	$ 44,708	$ 37,177

The accompanying notes are an integral part of the consolidated financial statements.

CHURCHILL DOWNS INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
for the years ended December 31,
(in thousands)

	2014	2013	2012
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	$ 17,517	$ 4,032	$ 2,856
State tax credits	—	1,298	—
Income taxes	16,982	31,324	24,462
Schedule of non-cash investing and financing activities:			
Issuance of common stock for acquisition of Big Fish Games	15,793	—	—
Earnout liability for acquisition of Big Fish Games	324,747	—	—
Deferred payment for acquisition of Big Fish Games	97,073	—	—
Issuance of common stock in connection with the Company LTIP, the New Company LTIP and other restricted stock plans	2,991	30,678	5,459
Dividends payable	17,419	15,186	—
Dividends accrued on restricted stock plans	319	466	170
Accrued debt issuance costs	—	1,000	—
Property and equipment additions included in accounts payable and accrued expenses	1,269	3,769	5,254
Assets acquired and liabilities assumed from acquisition of businesses:			
Accounts receivable, net	$ 19,274	$ 252	$ 486
Income taxes receivable	18,087	—	—
Other current assets	10,632	799	688
Other non-current assets	1,780	—	282
Property and equipment, net	14,632	45,105	64,935
Goodwill	538,904	50,202	36,702
Other intangible assets	362,863	64,693	46,004
Accounts payable	(9,064)	(1,063)	(780)
Accrued expenses	(16,987)	(5,111)	(5,234)
Deferred revenue	(37,250)	(5)	(168)
Deferred income taxes	(96,182)	—	—
Other liabilities	(3,031)	—	—

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1—BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Churchill Downs Incorporated (the “Company”) is a diversified provider of pari-mutuel horseracing, casino gaming, entertainment, and is the country’s premier source of online account wagering on horseracing events. In addition, the Company is one of the world's largest producers and distributors of casual games for PCs and mobile devices. The Company offers casino gaming through its casinos in Mississippi, its slot and video poker operations in Louisiana, its slot operations in Florida, and its casino in Maine.

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Calder Race Course, Inc. and Tropical Park, Inc. which hold licenses to conduct pari-mutuel wagering and horseracing at Calder Race Course (“Calder”), Arlington International Race Course, LLC (“Arlington”), Churchill Downs Louisiana Horseracing Company, LLC (“CDI Louisiana”), Churchill Downs Louisiana Video Poker Company, LLC (“CD Louisiana Video”) and its wholly-owned subsidiary, Video Services, LLC (“VSI”), SW Gaming, LLC (“Harlow’s”), Oxford Casino (“Oxford”), Magnolia Hill, LLC ("Riverwalk"), Churchill Downs Technology Initiatives Company (“CDTIC”), the owner and operator of TwinSpires, Big Fish Games, Inc. ("Big Fish Games"), United Tote Company, Inc. (“United Tote”), Churchill Downs Investment Company (“CDIC”), Bluff Media ("Bluff"), as well as the Company's equity investment in HRTV, LLC (“HRTV”) and a 50% joint venture in Miami Valley Gaming LLC ("MVG"). All significant intercompany balances and transactions have been eliminated in consolidation.

The Consolidated Statements of Comprehensive Income include net revenues and operating expenses associated with the Company's Racing, Casinos, TwinSpires, Big Fish Games and Other Investments operating segments and are defined as follows:

Racing: net revenues and corresponding operating expenses associated with commissions earned on wagering at the Company’s racetracks, off-track betting facilities (“OTBs”) and simulcast fees earned from other wagering sites. In addition, amounts include ancillary revenues and expenses generated by the pari-mutuel facilities including admissions, sponsorships and licensing rights, food and beverage sales and fees for the alternative uses of its facilities.

Casinos: net revenues and corresponding operating expenses generated from slot machines, table games and video poker. In addition, it includes ancillary revenues and expenses generated by food and beverage sales, hotel operations revenue and miscellaneous other revenue.

TwinSpires: net revenues and corresponding operating expenses generated by the Company’s Advance Deposit Wagering (“ADW”) business from wagering through the Internet, telephone or other mobile devices on pari-mutuel events. In addition, it includes the Company’s information business that provides data information and processing services to the equine industry.

Big Fish Games: net revenues and corresponding expenses generated by premium paid, casual free-to-play and casino-style games for PC, Mac, smartphone, tablet and online.

Other: net revenues and corresponding operating expenses generated by United Tote Company, the Company’s provider of pari-mutuel wagering systems and Bluff.

Reclassifications

During the year ended December 31, 2013, the Company completed the sale of 100% of the assets of Fight! Magazine ("Fight"), a division of Bluff which was acquired by the Company in February 2012. Net revenues, operating expenses and the loss on the sale of Fight for the years ended December 31, 2013 and 2012, have been reclassified to discontinued operations. There was no impact from these reclassifications on net earnings or cash flows.

Summary of Significant Accounting Policies

Cash Equivalents

The Company considers investments with original maturities of three months or less to be cash equivalents. The Company has, from time to time, cash in the bank in excess of federally insured limits. Checks issued but not presented to banks frequently result in overdraft balances for accounting purposes and are classified as a current liability in the Consolidated Balance Sheets.

Restricted Cash

Restricted cash represents amounts due to horsemen for purses, stakes and awards as well as customer deposits collected for advance deposit wagering. In addition, as of December 31, 2013, restricted cash included $8.8 million of funds related to the Horse Racing Equity Trust Fund ("HRE Trust Fund") proceeds in Illinois, as further described in Note 21.

Foreign Currency Transactions

The functional currency of the Company's international subsidiaries is the U.S. dollar, with the exception of the Big Fish Games Luxembourg subsidiary, whose functional currency is the Euro. For subsidiaries with a functional currency of the U.S. dollar, foreign currency denominated monetary assets and liabilities are remeasured into U.S. dollars at current exchange rates and foreign currency denominated nonmonetary assets and liabilities are remeasured into U.S. dollars at historical exchange rates. Foreign currency denominated revenue and expenses are remeasured at historical exchange rates. Gains or losses from foreign currency remeasurement are included in other income and expense. For the Luxembourg subsidiary, assets and liabilities are translated into U.S. dollars using exchange rates in effect at the end of a reporting period. Income and expense accounts are translated into U.S. dollars using average rates of exchange. The net gain or loss resulting from translation is recorded as foreign currency translation adjustment and included in accumulated other comprehensive income in stockholders' equity.

Allowance for Doubtful Accounts Receivable

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The allowance is maintained at a level considered appropriate based on historical and other factors that affect collectability. Uncollectible accounts receivable are written off against the allowance for doubtful accounts receivable when management determines that the probability of payment is remote and collection efforts have ceased.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets as follows: 10 to 40 years for grandstands and buildings, 2 to 10 years for equipment, 2 to 10 years for furniture and fixtures and 10 to 20 years for tracks and other improvements.

Intangible Assets

The Company determines the initial carrying value of its intangible assets in accordance with purchase accounting based on the anticipated future cash flows relating to the intangible asset. Definite-lived intangible assets are amortized over their estimated useful lives ranging from one to thirty years using the straight-line method. Definite-lived intangible assets are reviewed for impairment in accordance with the Company's policy for long-lived assets below.

Goodwill is tested for impairment annually as of March 31 or between annual tests if events occur or circumstances indicate there may be impairment. Guidance related to goodwill impairment testing allows an entity the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is more likely than not that the fair value of a reporting unit is less than the carrying amount, then the Company would perform the two step goodwill impairment test. The first step, used to identify potential impairment, is a comparison of the reporting unit's estimated fair value to its carrying value, including goodwill. If the fair value of the reporting unit exceeds its carrying value, applicable goodwill is considered not to be impaired. If the carrying value exceeds fair value, there is an indication of impairment and the second step is performed to measure the amount of the impairment, if any. The second step of the goodwill impairment test consists of comparing the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized equal to such excess. The implied fair value of goodwill is determined in the same manner, as when determining the amount of goodwill recognized in a business combination.

The Company considers its slots gaming rights and trademarks as indefinite-lived intangible assets that do not require amortization based on its future expectations to operate its casino facilities, as well as its historical experience in renewing these intangible assets at minimal cost with various state gaming commissions. In addition, the Company expects to use the Big Fish Games name indefinitely. These intangible assets are tested annually as of March 31, or more frequently if indicators of impairment exist. In 2013, in connection with its annual impairment testing, the Company adopted Financial Accounting Standards Board ("FASB") ASU No. 2012-02, *Intangibles-Goodwill and Other: Testing Indefinite-Lived Assets for Impairment* which allows an entity the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount. If the carrying amount of the slots gaming rights and trademark intangible assets exceed their fair value, an impairment loss is recognized. The Company completed the required annual impairment tests of goodwill and indefinite-lived intangible assets, and no adjustment to the carrying values of goodwill or indefinite-lived intangible assets was required.

Long-lived Assets-Impairments

In the event that facts and circumstances indicate that the carrying amount of tangible assets and other long-lived assets or groups of assets may be impaired, an evaluation of recoverability is performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the assets is compared to the assets’ carrying amount to determine if an impairment loss should be recorded. The impairment loss is based on the excess, if any, of the carrying value over the fair value of the assets.

Fair Value of Assets and Liabilities

The Company adheres to a hierarchy for ranking the quality and reliability of the information used to determine fair values. Assets and liabilities that are carried at fair value are classified and disclosed in one of the following three categories: Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities; Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability; and Level 3: Unobservable inputs for the asset or liability. The Company endeavors to utilize the best available information in measuring fair value. Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement.

Internal Use Software

The Company capitalized internal use software primarily related to TwinSpires of approximately $5.3 million, $7.4 million and $5.2 million during the years ended December 31, 2014, 2013 and 2012, respectively. The estimated useful life of costs capitalized is generally three years. During the years ended December 31, 2014, 2013 and 2012, the amortization of capitalized costs totaled approximately $6.0 million, $5.1 million and $4.2 million, respectively. Capitalized internal use software is included in property and equipment, net. The Company records internal use software in accordance with current accounting guidance governing computer software developed or obtained for internal use.

Loan Origination Costs

During the years ended December 31, 2014, 2013 and 2012, the Company incurred $1.1 million, $2.3 million and $0.1 million, respectively, in loan origination costs associated with the second, third and fourth amended and restated credit agreements, which were capitalized and are being amortized as interest expense over the remaining term of the credit facility.

Debt Issuance Costs

Debt issuance costs are deferred and amortized to interest expense using the effective interest method over the contractual term of the underlying indebtedness. During the years ended December 31, 2014 and 2013, the Company incurred total debt issuance costs of $6.3 million associated with the issuance of the Senior Unsecured Notes.

Investment in and Advances to Unconsolidated Affiliates

The Company has investments in unconsolidated affiliates accounted for under the equity method. Under the equity method, carrying value is adjusted for the Company's share of the investees' earnings and losses, as well as capital contributions to and distributions from these companies. Distributions in excess of equity method earnings are recognized as a return of investment and recorded as investing cash inflows in the consolidated statements of cash flows. The Company classifies income and losses as well as gains and impairments related to its investments in unconsolidated affiliates as a component of its other income (expense).

The Company evaluates its investment in unconsolidated affiliates for impairment whenever events or changes in circumstances indicate that the carrying value of its investment may have experienced an "other-than-temporary" decline in value. If such conditions exist, the Company compares the estimated fair value of the investment to its carrying value to determine if an impairment is indicated and determines whether the impairment is "other-than-temporary" based on its assessment of all relevant factors, including consideration of the Company's intent and ability to retain its investment. The Company estimates fair value using a discounted cash flow analysis based on estimated future results of the investee.

Revenue Recognition

Pari-mutuel revenues are recognized upon occurrence of the live race that is presented for wagering and after that live race is made official by the respective state’s racing regulatory body. Casino revenues represent net casino wins, which is the difference between casino wins and losses. Other operating revenues such as admissions, programs and concession revenues are recognized once delivery of the product or services has occurred.

Racing and TwinSpires revenues are generated by pari-mutuel wagering on live and simulcast racing content. Live racing handle includes patron wagers made on live races at the Company’s racetracks and also wagers made on imported simulcast signals by patrons at the Company’s racetracks during live meets. Import simulcasting handle includes wagers on imported signals at the Company’s racetracks when the respective tracks are not conducting live racing meets, at the Company’s OTBs and through the Company’s ADW providers throughout the year. Export handle includes all patron wagers made on live racing signals sent to other tracks, OTBs and ADW providers. Advance deposit wagering consists of patron wagers through an advance deposit account.

The Company retains as revenue a predetermined percentage or commission on the total amount wagered, and the balance is distributed to the winning patrons. The gross percentages earned approximated 11% of handle for the Racing segment and 19% of handle for the TwinSpires segment. The Company is subject to pari-mutuel and casino taxes based on pari-mutuel and casino revenues in the jurisdictions in which it operates. These taxes are recorded as an operating expense in the Consolidated Statements of Comprehensive Income.

Big Fish Games Deferred Revenue and Revenue Recognition

Big Fish Games revenue is primarily derived from the sale of premium paid, casino and casual free-to-play games and virtual goods within games. Premium game revenue is derived from a subscription business, the Big Fish Game Club, and from the sale of specific games. Subscribers receive a game credit each month with their subscription. The Company determined that the price of a monthly subscription is equivalent to the vendor specific objective evidence ("VSOE") of the game credit and that the additional benefits of the monthly subscription are marketing and promotional activities. The value of the game credit is recognized when a customer redeems the game credit. The Company also sells game credits on its website that are redeemable for the download of a game. Revenue is recognized when the customer redeems the game credit for a game.

The Company records breakage revenue, which is recognized based on historical game credit redemption patterns and represents the balance of credits where it has determined the likelihood of redemption is remote or the credits have legally expired.

The Company offers casino and casual games that customers can play at no cost and can purchase virtual goods within games to enhance the game playing experience. These games are distributed primarily through third party mobile platform providers, including by not limited to, Apple and Google. Once downloaded, players can purchase in-game virtual currency which is redeemable in the game for virtual goods. Substantially all of the virtual goods can be consumed by a player action. The Company recognizes revenue when persuasive evidence of an arrangement exists, the service has been provided to the user, the price paid by the user is fixed or determinable, and collectability is reasonably assured. Determining whether and when some of these criteria have been satisfied requires judgments that may have a significant impact on the timing and amount of revenue reported in each period. For the purpose of determining when the service has been provided to the player, the Company has determined that an implied obligation exists to the paying user to continue to make available the purchased virtual goods within the game over the estimated average playing period of paying player for the game, which represents the Company's best estimate of the estimated average life of the virtual goods. For casino games, the estimated average life of the virtual goods is estimated to be the time period over which virtual goods are consumed or approximately four days. For all other casual games, the average playing period of paying players of approximately four months represents the Company's best estimate of the estimated average life of virtual goods.

The Company receives reports from third party mobile platform providers which breakdown the virtual goods purchased in casual and casino games for a given time period. The proceeds from the sale of virtual goods are recorded as deferred revenue, and recognized as revenue over the estimated average life of the virtual goods. The Company computes its estimated life of virtual goods at least once each year, and more frequently if qualitative evidence exists that would indicate a possible change including consideration of changes in the characteristics of games.

Principal Agent Considerations

In accordance with Accounting Standards Codification ("ASC") 605-45, Revenue Recognition: Principal Agent Considerations, the Company evaluates its digital storefront agreements in order to determine whether or not it is acting as the principal or as an agent when selling the Company's games, which it considers in determining if revenue should be reported gross or net. The Company primarily uses digital storefronts for distributing its casino and casual free-to-play games. Key indicators that it evaluates in order to reach this determination include:

- the terms and conditions of the Company contracts with the digital storefronts;
- the party responsible for billing and collecting fees from the end-users, including the resolution of billing disputes;
- whether the Company is paid a fixed percentage of the arrangement's consideration or a fixed fee for each game;
- the party which sets the pricing with the end-user, has the credit risk and provides customer support; and
- the party responsible for the fulfillment of the game and that determines the specifications of the game.

Based on the evaluation of the above indicators, the Company has determined that it is generally acting as a principal and is the primary obligor to end-users for games distributed through digital storefronts, and the Company therefore recognizes revenue related to these arrangements on a gross basis.

Customer Loyalty Programs

The Company's customer loyalty programs offer incentives to customers who wager at the Company's racetracks, through its advance deposit wagering platform, TwinSpires.com, or at its casino facilities. The TSC Elite program, which was introduced during the year ended December 31, 2012, to replace the previous program, TwinSpires Club, is for pari-mutuel wagering at the Company's racetracks or through TwinSpires.com. The Player's Club is offered at the Company's casino facilities in Louisiana, Florida, Maine and Mississippi. Under the programs, customers are able to accumulate points over time that they may redeem for cash, free play, merchandise or food and beverage items at their discretion under the terms of the programs. As a result of the ability of the customer to accumulate points, the Company accrues the cost of points, after consideration of estimated forfeitures, as they are earned. For the TSC Elite program, the estimated value of the cost to redeem points is recorded as the points are earned. To arrive at the estimated cost associated with points, estimates and assumptions are made regarding incremental costs of the

benefits, rates and the mix of goods and services for which points will be redeemed. For the Player's Cub program, the retail value of the points-based cash awards or complimentary goods and services is netted against revenue as a promotional allowance. As of December 31, 2014 and 2013, the outstanding reward point liability was $1.7 million and $2.1 million, for each respective period.

Account Wagering Deposit Liabilities

Account wagering deposit liabilities consist of deposits received from TwinSpires.com and Velocity customers, to be used to fund wagering through the TwinSpires players' accounts. Account wagering deposit liability balances are also classified as restricted cash within the Company's Consolidated Balance Sheets.

Promotional Allowances

Promotional allowances, which include the Company's customer loyalty programs, primarily consist of the retail value of complimentary goods and services provided to guests at no charge. The retail value of these promotional allowances is included in gross revenue and then deducted to arrive at net revenue.

During the years ended December 31, 2014, 2013 and 2012, promotional allowances of $32.5 million, $33.0 million and $21.5 million, respectively, were included as a reduction to net revenues. During those periods, TwinSpires promotional allowances were $12.5 million, $12.3 million and $9.3 million, Casino promotional allowances were $19.2 million, $19.8 million and $11.2 million, and Racing promotional allowances were $0.7 million, $0.9 million and $1.0 million, respectively. The estimated cost of providing promotional allowances is included in operating expenses for the years ended December 31, 2014, 2013 and 2012 and totaled $9.1 million, $9.5 million and $5.7 million, respectively.

Deferred Revenue

Deferred revenue includes advance sales related to the Kentucky Derby and Kentucky Oaks races in Kentucky and other advance billings on racing events. Revenues from these advance billings are recognized when the related event occurs. Deferred revenue also includes advance sales of Personal Seat Licenses ("PSLs") and luxury suites. PSLs represent the ownership of a specific seat for the Kentucky Derby, Kentucky Oaks and Breeders' Cup races at Churchill Downs and have a contractual life of either one, two, three, five or thirty years.

Revenue from PSLs is recognized when the Kentucky Derby, Kentucky Oaks and Breeders' Cup races occur on a ratable basis over the term of the contract. Luxury suites are sold for specific racing events as well as for a predetermined contractual term. Revenue related to the sale of luxury suites is recognized as they are utilized when the related event occurs.

Pari-mutuel and Casino Taxes

The Company recognizes pari-mutuel and casino tax expense based on the statutorily required percentage of revenue that is required to be paid to state and local jurisdictions in the states in which wagering occurs. Individual states and local jurisdictions set pari-mutuel tax rates which range from 0.5% to 10.0% of the total handle wagered by patrons. Casino tax rates range from 1.5% to 46% of net casino revenue.

Purse Expense

The Company recognizes purse expense based on the statutorily required percentage of revenue that is required to be paid out in the form of purses to the qualifying finishers of horseraces run at the Company's racetracks in the period in which wagering occurs. The Company incurs a liability for all unpaid purses to be paid out. The Company may pay out purses in excess of statutorily required amounts resulting in purse overpayments, which are expensed as incurred. Recoveries of purse overpayments are recognized in the period they are realized.

Income Taxes

In accordance with the liability method of accounting for income taxes, the Company recognizes the amount of taxes payable or refundable for the current year and deferred tax assets and liabilities for the future tax consequences of events that have been recognized in the consolidated financial statements or tax returns.

Adjustments to deferred taxes are determined based upon the changes in differences between the book basis and tax basis of assets and liabilities, measured by enacted tax rates the Company estimates will be applicable when these differences are expected to reverse. Changes in current tax laws, enacted tax rates or the estimated level of taxable income or non-deductible expenses could change the valuation of deferred tax assets and liabilities and affect the overall effective tax rate and tax provision.

When tax returns are filed, it is highly certain that some positions taken will be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that will be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the

resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with the tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

Uncashed Winning Tickets

The Company's policy for uncashed winning pari-mutuel tickets follows the requirements as set forth by each state's pari-mutuel wagering laws. The Company will either remit uncashed pari-mutuel ticket winnings to the state according to the state's escheat or pari-mutuel laws or will maintain the liability during the required holding period according to state law at which time the Company will recognize it as income.

Insurance Recoveries

In connection with losses incurred from natural disasters, insurance proceeds are collected on existing business interruption and property and casualty insurance policies. When losses are sustained in one accounting period and the amounts to be recovered are collected in a subsequent accounting period, management uses estimates and judgment to determine the amounts that are probable of recovery. Estimated losses, net of anticipated insurance recoveries, are recognized in the period the natural disaster occurs and the amount of the loss is determinable. To the extent that insurance proceeds received are less than the carrying value of the assets impaired, the proceeds are reported in the statement of cash flows as an investing activity. Insurance recoveries in excess of estimated losses are recognized when realizable and are reported in net earnings in the statement of cash flows as an operating activity.

Workers' Compensation and General Liability Self-Insurance

The Company is substantially self-insured for losses related to workers' compensation and general liability claims with stop-loss insurance for both coverages. Losses are accrued based upon the Company's undiscounted estimates of the aggregate liability for claims incurred based on historical experience and certain actuarial assumptions. Expected recoveries from third party insurance companies are also estimated and accrued.

Advertising

The Company expenses the costs of general advertising and associated promotional expenditures at the time the costs are incurred. During the years ended December 31, 2014, 2013 and 2012, the Company incurred advertising expenses of approximately $9.9 million, $9.5 million and $6.9 million, respectively.

Share-Based Compensation

All share-based payments to employees, including grants of employee stock options and restricted stock, are recognized as compensation expense over the service period based on the fair value on the date of grant.

Computation of Net Earnings per Common Share

Net earnings per common share is presented for both basic earnings per common share ("Basic EPS") and diluted earnings per common share ("Diluted EPS"). Earnings attributable to securities that are deemed to be participating securities are excluded from the calculation of Basic EPS using the two-class method. The Company has determined that employee restricted stock grants, including awards granted under its long-term incentive plans, are participating securities. Basic EPS is based upon the weighted average number of common shares outstanding during the period, excluding unvested restricted stock and stock options held by employees. Diluted EPS is based upon the weighted average number of common and potential common shares outstanding during the period. Potential common shares result from the assumed exercise of outstanding stock options as well as unvested restricted stock, the proceeds of which are then assumed to have been used to repurchase outstanding common stock using the treasury stock method. For periods that the Company reports a net loss, all potential common shares are considered anti-dilutive and are excluded from calculations of Diluted EPS. For periods when the Company reports net earnings, potential common shares with exercise prices in excess of the Company's average common stock fair value for the related period are considered anti-dilutive and are excluded from calculations of Diluted EPS. See Note 18 for further details.

Use of Estimates and Critical Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company's most significant estimates relate to the valuation of property and equipment, income tax liabilities, goodwill and other intangible assets, which may be significantly affected by changes in the

regulatory environment in which the Company operates, and to the aggregate costs for self-insured liability claims.

Comprehensive Income

The Company's accumulated other comprehensive income, as of December 31, 2014, consisted of foreign currency translation losses.

Reclassifications

Certain financial statement accounts have been reclassified in prior years to conform to current year presentation. There was no impact from these reclassifications on total assets, total liabilities, total net revenues, operating income or cash flows.

Recent Accounting Pronouncements

In August 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, which explicitly requires management to assess an entity's ability to continue as a going concern, and to provide related footnote disclosures in certain circumstances. Management will be required to assess, in each interim and annual period, if there is substantial doubt of an entity's ability to continue as a going concern as evidenced by relevant known or knowable conditions including an entity's ability to meet its future obligations. Management will be required to provide disclosures regardless of whether substantial doubt is alleviated by management's plans. The guidance will become effective for annual fiscal periods ending after December 15, 2016.

In May, 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). ASU 2014-09 is a new comprehensive standard for revenue recognition that is based on the core principle that revenue be recognized in a manner that depicts the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under the new standard, a good or service is transferred to the customer when, or as, the customer obtains control of the good or service, which differs from the risk and rewards approach under current guidance. The new standard provides guidance for transactions that were not previously addressed comprehensively, including service revenue and contract modifications, eliminates industry-specific revenue recognition guidance, including that for software, and requires enhanced disclosures about revenue. ASU 2014-09 affects any entity that enters into contracts with customers to transfer goods or services, except for certain contracts within the scope of other standards, such as leases, and is also applicable to transfers of nonfinancial assets outside of the entity's ordinary activities. ASU 2014-09 will be effective for the Company on January 1, 2017 and may be adopted through either retrospective application to all periods presented in the financial statements or through a cumulative effect adjustment to retained earnings by applying the new guidance to contracts that still require performance at the effective date. Early adoption is not permitted. The Company is in the process of evaluating the new standard and cannot currently estimate the financial statement impact of adoption.

In April 2014, the FASB issued ASU No. 2014-08, *Presentation of Financial Statements and Property Plant and Equipment: Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. Under ASU 2014-08, only a disposal of a component or a group of components that represents a strategic shift that has or will have a major effect on an entity's operational and financial results will qualify as a discontinued operation. In addition, under the revised definition, reporting discontinued operations will no longer be precluded when the operations and cash flows of the disposed component have not been eliminated from ongoing operations or when there is a significant continuing involvement with the component after disposal. The amendments in ASU 2014-08 will be effective prospectively for the Company in the first quarter of 2015. The Company does not anticipate a material impact to its financial statements from ASU 2014-08, absent any disposals of components or groups of components that represent a strategic shift having a major effect on the Company's operation and financial results in future periods.

NOTE 2—ACQUISITIONS AND NEW VENTURES

Big Fish Games

On December 16, 2014, the Company completed the acquisition of Big Fish Games. Big Fish Games, which has locations in Seattle, Washington, Oakland, California and in Luxembourg employs approximately 580 employees and develops casual games for PCs and mobile devices worldwide. Big Fish Games operates in three business lines: premium paid, casino and casual free-to-play. The Company acquired Big Fish Games to leverage its casino and casual game experience, assembled workforce and to position itself in the mobile and online game industry. The Company financed the acquisition with borrowings under its Amended and Restated Credit Agreement (the “Senior Secured Credit Facility”) and the addition of a $200 million Term Loan Facility (“Term Loan”) to the existing Senior Secured Credit Facility.

The purchase price consideration was $838.3 million, composed of $401.7 million in cash, a deferred payment to the founder of Big Fish Games of $85.3 million, payable over three years and recorded at fair value of $78.0 million as of the acquisition date, an estimated payable to the Big Fish Games equity holders related to an income tax refund of $18.1 million and $15.8 million payable in 157,115 shares of the common stock of the Company. In addition, the Company may be required to pay additional

variable cash consideration that is contingent upon the achievement of certain performance milestones of Big Fish Games through December 31, 2015 and is limited to a maximum of $350 million based on achievement of certain non-GAAP earnings targets before interest and tax. The estimated fair value of the earnout liability at the acquisition date was $324.7 million. The Company estimated the fair value of the deferred payment and the earnout liability using a discounted cash flows analysis over the period in which the obligation is expected to be settled, and applied a discount rate based on the Company's cost of debt. The cost of debt as of the closing date was based on the observed market yields of the Company's Senior Unsecured Notes issued in December of 2013 and was adjusted for the difference in seniority and term of the deferred payment and the earnout liability. See Note 16 for further discussion of the fair value measurement of the deferred payment and the earnout liability.

The fair values recorded were based upon a preliminary valuation. Estimates and assumptions used in such valuation are subject to change, which could be significant, within the measurement period up to one year from the acquisition date. The primary areas of the preliminary valuation that are not yet finalized relate to the fair value of amounts for income taxes, adjustments to working capital, and the final amount of residual goodwill. The Company expects to continue to obtain information to assist it in determining the fair values of the net assets acquired at the acquisition date during the measurement period. The following table summarizes (in thousands) the preliminary fair value of the assets acquired and liabilities assumed, net of cash acquired of $34.7 million, at the date of acquisition.

	Total
Accounts receivable	$ 19,274
Income taxes receivable	18,087
Prepaid expenses	9,727
Deferred income taxes	905
Other assets	1,780
Property and equipment	14,632
Goodwill	538,904
Other intangible assets	362,863
Total assets acquired	966,172
Accounts payable	9,064
Accrued expenses	16,987
Income taxes payable	210
Deferred revenue	37,250
Deferred income taxes	96,182
Other liabilities	2,821
Total liabilities acquired	162,514
Purchase price, net of cash acquired	$ 803,658

The preliminary fair value of other intangible assets consists of the following (in thousands):

	Fair Value Recognized	Weighted-Average Useful Life
Tradename	$ 200,000	N/A
Customer relationships	32,663	3.0 years
Developed Technology	87,000	4.0 years
In-Process Research & Development	12,700	5.0 years
Strategic Developer Relationships	30,500	6.0 years
Total intangible assets	$ 362,863	

The Company engaged a third-party valuation firm to assist management in its analysis of the fair value of tangible and intangible assets acquired. All estimates, key assumptions and forecasts were either provided by or reviewed by the Company. While the Company chose to utilize a third-party valuation firm, the fair value analysis and related valuation represents the conclusions of management and not the conclusions of any third party.

Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the related assets as follows: 1 to 5 years for computer hardware and software and 2 to 10 years for office furniture, fixtures and equipment. The estimated useful lives for leasehold improvements is 3 to 10 years based on the shorter of the estimated useful life of the improvement or the lease term.

The tradename was valued using the relief-from-royalty method of the income approach, which estimates the fair value of the intangible asset by discounting the fair value of the hypothetical royalty payments a market participant would be willing to pay to enjoy the benefits of the asset. A royalty rate of 5.0% was used based on a review of third-party licensing agreements given Big Fish Games' brand recognition and competitive position in the market. The tradename was assigned an indefinite life based on the Company's intention to keep the Big Fish Games name for an indefinite period of time.

In valuing the customer relationships, the replacement cost method of the cost approach was used. The value was determined based on the number of paying customers and average cost per customer. Developed technology was valued using the relief-from-royalty method of the income approach based upon revenues derived from games within the premium paid, casino and casual free-to-play categories. Big Fish Games pays royalties of 10.0% and 25.0% to its developers and these rates were used in the valuation.

As of the valuation date, Big Fish Games had a portfolio of free-to-play games expected to launch in 2015 and one game expected to launch in 2016. The Company estimated that the majority of the revenues associated with games launched in 2015 would be 5 years and the game launched in 2016 would be 6 years. The fair value was calculated using the relief-from-royalty method of the income approach and a royalty rate of 10.0% was used in the valuation.

Strategic developers are third-party alliance partners that develop content exclusively for Big Fish Games. In the valuation of strategic developer relationships, the comparative method of the income approach was used to calculate the fair value. In estimating the fair value, the analysis considered the differences in the present value of the cash flows associated with the strategic developers and without the strategic developers.

As of the valuation date, the fair value of Big Fish Games' deferred revenue was $37.3 million, which reflects the costs including network and delivery, royalties, third party platform fees, game operations and corporate expenses, plus a market participant margin.

Goodwill of $538.9 million arising from the acquisition consisted largely of projected future revenue and profit growth, including benefits from Big Fish Games' expertise in the mobile and online games industry, particularly social casinos. All of the goodwill was assigned to Big Fish Games, which remains a stand-alone business within the Company for purposes of segment reporting. None of the goodwill recognized will be deducted for tax purposes.

The acquisition of Big Fish Games is included in Acquisition of businesses, net of cash acquired in the investing section of the Consolidated Statements of Cash Flows in the amount $366.0 million, net of cash acquired of $34.7 million. Included in non-cash investing activities is common stock issued in connection with the acquisition of $15.8 million, earnout liability of $324.7 million, and deferred payments of $97.1 million.

Acquisition-related costs in the amount of $6.4 million were charged directly to operations and were included in Selling, general and administrative expenses on the Consolidated Statements of Comprehensive Income. Acquisition-related costs include legal, advisory, valuation, accounting and other fees incurred to effect the business combination.

During the period from December 16, 2014 through December 31, 2014, Big Fish Games contributed revenues of $13.9 million and loss from continuing operations before provision for income taxes of $2.9 million.

Saratoga Harness Racing, Inc. ("SHRI") Joint Venture

On May 13, 2014, the Company entered into a 50% joint venture with SHRI to bid on the development, construction and operation of the Capital View Casino & Resort located in the Capital Region near Albany, New York. On June 30, 2014, the Company filed an application with the New York State Facility Location Board to obtain a license to build and operate a facility with approximately 1,500 slot machines, 56 table games, a 100-room hotel and multiple entertainment and dining options. On December 17, 2014, the New York State Facility Location Board recommended that the Capital Region license be granted to another bidder.

During the year ended December 31, 2014, the Company incurred $1.0 million in equity losses in our other investments segment associated with the license application process and funded $3.3 million to the joint venture. As a result of the bid decision, the Company recorded an impairment loss of $1.6 million to reduce the Company's investment in the joint venture to its fair market value.

Oxford Casino Acquisition

On July 17, 2013, the Company completed its acquisition of Oxford Casino ("Oxford") in Oxford, Maine for cash consideration of approximately $168.6 million. The transaction included the acquisition of a 25,000-square-foot casino and various dining

facilities. The acquisition continued the Company's diversification and growth strategies to invest in assets with rates of returns attractive to the Company's shareholders. The Company financed the acquisition with borrowings under its Senior Secured Credit Facility.

During the years ended December 31, 2014 and 2013, Oxford recognized revenues of $76.5 million and $34.4 million, respectively, and earnings from continuing operations of $14.0 million and $6.1 million, respectively, subsequent to its acquisition by the Company. The following table summarizes (in thousands) the fair values of the assets acquired and liabilities assumed, net of cash acquired of $13.7 million, at the date of the acquisition.

	Total
Accounts receivable	$ 252
Prepaid expenses	675
Inventory	124
Property and equipment	45,105
Goodwill	50,202
Other intangible assets	64,693
Total assets acquired	161,051
Accounts payable	1,063
Accrued expenses	5,111
Other liabilities	5
Total liabilities acquired	6,179
Purchase price, net of cash acquired	$ 154,872

The fair value of other intangible assets consists of the following (in thousands):

	Total
Slot gaming rights	$ 58,500
Customer relationships	1,700
Tradename	2,400
Other intangibles	2,093
Total intangible assets	$ 64,693

Depreciation of property and equipment acquired is calculated using the straight-line method over the estimated remaining useful lives of the related assets as follows: 2 to 5 years for computer hardware and software, 2 to 9 years for equipment, 6 years for furniture and fixtures, 40 years for buildings and 14 years for building improvements. Amortization of definite-lived intangible assets acquired is calculated using the straight-line method over the estimated useful life of the related intangible asset. Intangible assets include customer relationships valued at $1.7 million with a life of 6 years. Other intangibles include table game fees paid to the State of Maine which is amortized over the 20-year contract period. Slot gaming rights and tradename are determined to have indefinite lives and are not being amortized.

Goodwill of $50.2 million was recognized given the expected contribution of the Oxford acquisition to the Company's overall business strategy. The entire balance of goodwill has been allocated to the Casinos business segment. The Company expects to deduct goodwill for tax purposes.

Pro Forma (unaudited)

The following table illustrates the effect on net revenues, earnings from continuing operations and earnings from continuing operations per common share as if the Company had acquired Big Fish Games and Oxford as of the beginning of 2013. The pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations that would have occurred had the acquisitions of Big Fish Games and Oxford been consummated at the beginning of 2013.

	Year Ended December 31,	
	2014	2013
Net revenues	$ 1,126,592	$ 1,085,518
Earnings from continuing operations	$ 64,145	$ 11,182

For the year ended December 31, 2013 earnings from continuing operations includes Company and Big Fish related non-recurring acquisition costs of $23.1 million.

NOTE 3—DISCONTINUED OPERATIONS

Sale of Fight! Magazine

On December 16, 2013, the Company completed the sale of 100% of the assets of Fight! Magazine ("Fight") for an immaterial cash consideration. Fight is a division of Bluff which was acquired by the Company in February 2012. Net revenues, operating expenses and the loss on sale of Fight for the years ended December 31, 2013 and 2012, have been reclassified to discontinued operations.

Hollywood Park Racetrack

The Company recognized operating expenses of $0.1 million during the year ended December 31, 2013, from adjustments related to workers' compensation reserves retained by the Company subsequent to its sale of Hollywood Park Racetrack during 2005 which have been recorded in discontinued operations.

Financial Information

Fight and Hollywood Park have been accounted for as discontinued operations. Accordingly, the results of operations of the sold businesses for all periods presented and the loss on the sold businesses have been classified as discontinued operations, net of income taxes, in the Consolidated Statements of Comprehensive Income. Set forth below is a summary of the results of operations of discontinued businesses for the years ended December 31, 2014, 2013 and 2012 (in thousands):

	Year ended December 31,		
	2014	2013	2012
Net revenues	$ —	$ 632	$ 1,087
Operating expenses	—	857	885
Selling, general and administrative expenses	—	—	—
Operating (loss) gain	—	(225)	202
Other income (expense)	—	145	(2)
(Loss) earnings from operations before income taxes	—	(80)	200
Income tax benefit (provision)	—	30	(76)
(Loss) gain from operations	—	(50)	124
Loss on sale of assets, net of income taxes	—	(83)	—
Net (loss) gain	$ —	$ (133)	$ 124

NOTE 4—NATURAL DISASTERS

Kentucky Hailstorm

On April 28, 2012, a hailstorm caused damage to portions of Louisville, Kentucky including Churchill Downs Racetrack ("Churchill Downs") and its separate training facility known as Trackside Louisville. Both locations sustained damage to their stable areas as well as damages to administrative offices and several other structures. The Company carries property and casualty insurance, subject to a $0.5 million deductible. During the year ended December 31, 2012, the Company recorded a reduction of property and equipment of $0.6 million and received $1.1 million from its insurance carriers in partial settlement of its claim. The Company recognized insurance recoveries, net of losses of $0.5 million during the year ended December 31, 2012. During the year ended December 31, 2013, the Company received an additional $0.4 million and recognized insurances recoveries, net of losses of $0.4 million as a component of operating income during 2013. During the year ended December 31, 2014, the Company received an additional $0.4 million from its insurance carriers and recognized insurance recoveries, net of losses of $0.4 million as a component of operating income. The insurance claims for this event have been finalized, and the Company does not expect to receive additional funds from this claim.

Mississippi River Flooding

As a result of the Mississippi River flooding during 2011, the Company temporarily ceased operations at Harlow's Casino Resort & Spa ("Harlow's") on May 6, 2011, and the Board of Mississippi Levee Commissioners ordered the closure of the Mainline Mississippi River Levee on May 7, 2011. On May 12, 2011, the property sustained damage to its 2,600-seat entertainment center and a portion of its dining facilities. On June 1, 2011, Harlow's resumed casino operations with temporary dining facilities. During December 2012 and January 2013, the Company completed the renovation and improvement projects, which included a new buffet area, steakhouse, business center, spa facility, fitness center, pool and a multi-purpose event center.

The Company carries flood, property and casualty insurance as well as business interruption insurance subject to a $1.3 million deductible for damages. As of December 31, 2012, the Company recorded a reduction of property and equipment of $8.5 million and incurred $2.0 million in repair expenditures. During the year ended December 31, 2011, the Company received $3.5 million from its insurance carriers in partial settlement of its claim. This amount has been included as insurance recoveries, summarized below, for the year ended December 31, 2012. In addition, the Company finalized its claim with its insurance carriers and received $12.0 million during the year ended December 31, 2012. The Company recognized insurance recoveries, net of losses, of $5.0 million during the year ended December 31, 2012. The insurance claims for this event have been finalized with the Company's insurance carriers, and it does not expect to receive additional funds or recognize additional income from the claim.

Mississippi Wind Damage

On February 24, 2011, severe storms caused damage to portions of Mississippi, including Greenville, Mississippi, the location of Harlow's. The Harlow's property sustained damage to a portion of the hotel, including its roof, furniture and fixtures in approximately 61 hotel rooms and fixtures in other areas of the hotel. The hotel was closed to customers for renovations following the storm damage and reopened during June 2011. The Company carries property and casualty insurance as well as business interruption insurance subject to a $0.1 million deductible for damages. As of December 31, 2012, the Company recorded a reduction of property and equipment of $1.4 million and incurred $0.4 million in repair expenditures. The Company filed a preliminary claim with its insurance carriers for $1.0 million in damages, which it received during the second quarter of 2011. The Company received an additional $3.4 million from its insurance carriers during the year ended December 31, 2012. The Company recognized insurance recoveries, net of losses, of $1.5 million during the year ended December 31, 2012. The insurance claims for this event have been finalized with the Company's insurance carriers, and it does not expect to receive additional funds or recognize additional income from the claim.

Financial Information

The casualty losses and related insurance proceeds have been included as components of operating income in the Company's Consolidated Statements of Comprehensive Income. Set forth below is a summary of the impact of the natural disasters on the results of operations of the Company for the years ended December 31, 2014, 2013 and 2012, respectively, (in thousands):

	Year Ended December 31, 2014		
	Casualty Losses	Insurance Recoveries	Insurance Recoveries, Net of Losses
Racing	$ —	$ (431)	$ (431)
Total	$ —	$ (431)	$ (431)

	Year Ended December 31, 2013		
	Casualty Losses	Insurance Recoveries	Insurance Recoveries, Net of Losses
Racing	$ —	$ (375)	$ (375)
Total	$ —	$ (375)	$ (375)

	Year Ended December 31, 2012		
	Casualty Losses	Insurance Recoveries	Insurance Recoveries, Net of Losses
Casinos	$ 12,331	$ (18,856)	$ (6,525)
Racing	$ 644	$ (1,125)	$ (481)
Total	$ 12,975	$ (19,981)	$ (7,006)

NOTE 5—ACCOUNTS RECEIVABLE

The Company's accounts receivable at December 31, 2014 and 2013 is comprised of the following (in thousands):

	2014	2013
Simulcast and ADW receivables	$ 17,282	$ 19,768
Trade receivables	46,985	16,129
PSL and hospitality receivables	10,877	9,410
Other receivables	4,992	5,603
	80,136	50,910
Allowance for doubtful accounts	(4,246)	(4,338)
Total	$ 75,890	$ 46,572

At December 31, 2014, Big Fish Games' accounts receivable was $28.9 million included within trade receivables and primarily represents amounts due from mobile, retail and publishing partners.

During the years ended December 31, 2014, 2013 and 2012, the Company recognized $0.7 million, $0.5 million and $0.9 million, respectively, of bad debt expense in its TwinSpires segment associated with customer wagering on TwinSpires.com. In addition, during the year ended December 31, 2013, the Company recognized $2.5 million of bad debt expense associated with the collectibility of a third-party deposit related to an Internet gaming license.

NOTE 6—PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following (in thousands):

	2014	2013
Land	$ 118,658	$ 118,165
Grandstands and buildings	439,625	435,125
Equipment	237,867	208,966
Furniture and fixtures	51,815	47,718
Tracks and other improvements	142,975	121,085
Construction in progress	15,427	15,214
	1,006,367	946,273
Accumulated depreciation	(411,052)	(360,775)
Total	$ 595,315	$ 585,498

Depreciation expense was approximately $55.0 million, $49.6 million and $44.4 million for the years ended December 31, 2014, 2013 and 2012, respectively, and is classified in operating expenses in the Consolidated Statements of Comprehensive Income.

On July 1, 2014, the Company ceased its pari-mutuel operations at Calder and finalized an agreement with The Stronach Group ("TSG") under which TSG will operate, at TSG's expense, live racing and maintain certain facilities used for racing and training at Calder through an agreement which expires on December 31, 2020. As a result, the Company assessed alternative potential uses of the Calder facility and certain assets not required to be maintained under lease agreement. During the year ended December 31, 2014 the Company recognized accelerated depreciation expense of $2.4 million, primarily related to Calder's barns, which are not expected to be utilized subsequent to December 31, 2014. During 2015, the Company will continue to assess potential alternative uses of the Calder facility not associated with the lease agreement.

On November 4, 2014, the Company ceased operations of Luckity and recorded an impairment charge of $3.2 million in its TwinSpires segment for property and equipment specifically associated with Luckity. Prior to this date, the Company was still investing in this business and actively marketing to Luckity customers.

During 2012, the Company began an assessment of potential alternative uses to its Trackside training facility at Churchill Downs. As such, the Company reviewed the useful lives of assets at this facility and commenced accelerated depreciation on certain of its long-term assets, resulting in additional depreciation expense of $1.5 million and $0.9 million during the years ended December 31, 2013 and 2012, respectively, related to this facility. The Trackside assets were fully depreciated as of December 31, 2013.

NOTE 7—INVESTMENT IN AND ADVANCES TO UNCONSOLIDATED AFFILIATES

Miami Valley Gaming Joint Venture

During March 2012, the Company entered into a 50% joint venture with Delaware North Companies Gaming & Entertainment Inc. (“DNC”) to develop a new harness racetrack and video lottery terminal (“VLT”) gaming facility in Lebanon, Ohio. Through the joint venture agreement, the Company and DNC formed a new company, Miami Valley Gaming, LLC (“MVG”), to manage both the Company’s and DNC’s interests in the development and operation of the racetrack and VLT gaming facility. On December 21, 2012, MVG completed the purchase of the harness racing licenses and certain assets held by Lebanon Trotting Club Inc. and Miami Valley Trotting Inc. ("MVG Sellers") for total consideration of $60.0 million, of which $10.0 million was funded at closing with the remainder funded through a $50.0 million note payable with a six year term effective upon the commencement of gaming operations. In addition, there is a potential contingent consideration payment of $10.0 million based on the financial performance of the facility during the seven-year period after gaming operations commence.

On December 12, 2013, the new facility opened in Lebanon, Ohio on a 120-acre site. The facility includes a 5/8-mile harness racing track and an 186,000-square-foot gaming facility with approximately 1,580 VLTs. MVG invested $204.6 million in the new facility, including a $50.0 million license fee to the Ohio Lottery Commission. During the twelve months ended December 30, 2014, the Company funded $14.6 million in capital contributions to the joint venture bringing the Company's total investment to $105.0 million.

Since both DNC and the Company have participating rights over MVG, and both must consent to MVG's operating, investing and financing decisions, the Company accounts for MVG using the equity method. Summarized financial information for MVG is comprised of the following (in thousands):

	2014	2013
Assets		
Current assets	$ 24,943	$ 18,001
Property and equipment, net	130,868	140,793
Other assets, net	105,059	80,408
Total assets	$ 260,870	$ 239,202
Liabilities and Members' Equity		
Current liabilities	$ 16,775	$ 36,324
Current portion of long-term debt	8,332	8,471
Long-term debt, excluding current portion	26,584	32,287
Other liabilities	83	75
Members' equity	209,096	162,045
Total liabilities and members' equity	$ 260,870	$ 239,202

The joint venture's long-term debt consists of a $50 million secured note payable from MVG to the MVG Sellers payable quarterly over 6 years through August 2019 at a 5.0% interest rate.

	Years Ended December 31,		
	2014	2013	2012
Casino revenue	$ 126,111	$ 6,472	$ —
Non-casino revenue	6,257	5,479	109
Net revenues	132,368	11,951	109
Operating and SG&A expenses	97,385	10,815	242
Depreciation & amortization expenses	12,299	935	7
Pre-opening expenses	54	7,240	1,079
Operating income (loss)	22,630	(7,039)	(1,219)
Interest and other expenses, net	(4,829)	(397)	—
Net income (loss)	$ 17,801	$ (7,436)	$ (1,219)

The Company's 50% share of MVG's results has been included in the Consolidated Statements of Comprehensive Income for the years ended December 31, 2014, 2013 and 2012 as follows (in thousands):

	Years Ended December 31,		
	2014	2013	2012
Equity in gains (losses) of unconsolidated investments	$ 8,900	$ (3,718)	$ (610)

NOTE 8—GOODWILL

Goodwill of the Company at December 31, 2014 and 2013 is comprised of the following (in thousands):

	Racing	Casinos	TwinSpires	Big Fish Games	Other Investments	Total
Balance as of December 31, 2012	$ 51,659	$ 67,457	$ 127,364	$ —	$ 3,934	$ 250,414
Additions	—	50,202	—	—	—	50,202
Balance as of December 31, 2013	51,659	117,659	127,364	—	3,934	300,616
Additions	—	—	—	538,904	—	538,904
Balance as of December 31, 2014	$ 51,659	$ 117,659	$ 127,364	$ 538,904	$ 3,934	$ 839,520

During the year ended December 31, 2014, the Company established goodwill of $538.9 million related to the acquisition of Big Fish Games on December, 16, 2014.

During the year ended December 31, 2013, the Company established goodwill of $50.2 million related to the acquisition of Oxford on July 17, 2013.

The Company performed its annual goodwill impairment analysis for the year ended December 31, 2014 in accordance with ASU No. 2011-08, *Intangibles-Goodwill and Other: Testing Goodwill for Impairment.* This analysis included an assessment of qualitative factors to determine whether it is more likely than not that the fair value of the reporting units is less than their carrying amounts. The impairment analysis included an assessment of certain qualitative factors including but not limited to macroeconomic, industry and market conditions; cost factors that have a negative effect on earnings; overall financial performance; the movement of the Company's share price; and other relevant entity and reporting unit specific events. This assessment included the determination of the likely effect of each factor on the fair value of each reporting unit. Although the Company believes the factors considered in the impairment analysis are reasonable, significant changes in any of the assumptions could produce a significantly different result. Based on the annual goodwill impairment analysis for the years ended December 31, 2014 and 2013, the Company concluded that goodwill had not been impaired.

NOTE 9—OTHER INTANGIBLE ASSETS

The Company’s other intangible assets are comprised of the following (in thousands):

	December 31, 2014			December 31, 2013		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Definite-lived intangible assets:						
Favorable contracts	$ 11,000	$ (4,907)	$ 6,093	$ 11,000	$ (4,260)	$ 6,740
Customer relationships	89,203	(39,399)	49,804	56,540	(30,464)	26,076
Slots gaming license	2,250	(1,125)	1,125	2,250	(1,125)	1,125
Table games license	2,493	(180)	2,313	2,493	(50)	2,443
Developed Technology	87,000	(931)	86,069	—	—	—
In-Process Research & Development	12,700	(105)	12,595	—	—	—
Strategic Development	30,500	(263)	30,237	—	—	—
Other	3,719	(326)	3,393	3,719	(297)	3,422
	$ 238,865	$ (47,236)	191,629	$ 76,002	$ (36,196)	39,806
Indefinite-lived intangible assets:						
Slots gaming rights			128,890			128,890
Trademarks			225,729			25,729
Illinois Horseracing Equity Trust			3,307			3,307
Other			417			417
Total			$ 549,972			$ 198,149

Amortization expense for definite-lived intangible assets was approximately $13.3 million, $12.2 million and $11.2 million for the years ended December 31, 2014, 2013 and 2012, respectively, and is classified in operating expenses. The Company submitted payments of $2.3 million for each of the years ended December 31, 2014 and 2013, respectively, for annual license fees for Calder Casino. Payments are being amortized to expense over the annual license period.

Indefinite-lived intangible assets consist primarily of state gaming licenses in Maine, Mississippi and Florida, rights to participate in the Horse Racing Equity Fund and trademarks.

During the year ended December 31, 2014, the Company established definite-lived intangible assets of $162.9 million and indefinite-lived intangible assets of $200.0 million related to the Big Fish Games acquisition.

During the year ended December 31, 2013, the Company established definite-lived intangible assets of $3.8 million and indefinite-lived intangible assets of $60.9 million related to the Oxford acquisition. During November 2013, the Company paid $0.4 million to the State of Maine for table game fees that are being amortized over a 20-year contract period. During the year ended December 31, 2013, the Company reduced customer relationships and accumulated amortization by $2.8 million and other definite-lived intangibles and accumulated amortization by $0.4 million, related to the Harlow's acquisition, as these amounts were fully amortized. Finally, the Company expensed $0.2 million of definite-lived and indefinite lived assets related to the disposal of Fight! Magazine.

Indefinite-lived intangible assets are tested for impairment on an annual basis as of March 31. In March 2013, the Company adopted ASU No. 2012-02, Intangibles-Goodwill and Other: Testing Indefinite-Lived Intangible Assets for Impairment. ASU 2012-02 simplifies indefinite-lived intangible asset impairment testing by adding a qualitative review step to assess whether a quantitative impairment analysis is necessary. Under the amended guidance, a testing methodology similar to that which is performed for goodwill impairment testing is acceptable for assessing a company's indefinite-lived intangible assets. The Company completed the required annual impairment tests of indefinite-lived intangible assets as of March 31, 2014, and no adjustment to the carrying value of indefinite-lived intangible assets was required. The Company assessed its indefinite-lived intangible assets by qualitatively evaluating events and circumstances that have both positive and negative factors, including macroeconomic conditions, industry events, financial performance and other changes and concluded that it was more likely than not that fair value of its indefinite-lived intangible assets exceeds their carrying value.

Future estimated amortization expense does not include additional payments of $2.3 million in 2013 and in each year thereafter for the ongoing amortization of future expected annual Florida slots gaming license fees not yet incurred or paid. Future estimated aggregate amortization expense on existing definite-lived intangible assets for each of the next five fiscal years is as follows (in thousands):

Year Ended December 31,	Estimated Amortization Expense
2015	$ 53,818
2016	$ 51,596
2017	$ 35,927
2018	$ 18,716
2019	$ 16,638

NOTE 10—INCOME TAXES

Components of the provision for income taxes are as follows (in thousands):

	2014	2013	2012
Current provision:			
Federal	$ 13,236	$ 22,727	$ 21,103
State and local	2,008	2,462	2,351
Foreign	78	—	(38)
	15,322	25,189	23,416
Deferred:			
Federal	19,672	5,788	8,292
State and local	81	(504)	1,367
Foreign	(4,914)	—	—
	14,839	5,284	9,659
	$ 30,161	$ 30,473	$ 33,075

The Company's income tax expense is different from the amount computed by applying the federal statutory income tax rate to income before taxes as follows (in thousands):

	2014	2013	2012
Federal statutory tax on earnings before income taxes	$ 26,782	$ 29,928	$ 31,929
State income taxes, net of federal income tax benefit	1,388	1,514	2,185
Non-deductible lobbying and contributions	999	723	946
Tax credits and incentives	(1,209)	(663)	(494)
Tax adjustments	(485)	(174)	(1,093)
Accruals and settlements related to tax audits	529	(395)	(686)
Valuation allowance	—	(220)	—
Change in effective state tax rates	(401)	(383)	197
Non-deductible transaction costs	947	—	—
Non-deductible acquisition related charges	1,339	—	—
Other permanent differences	272	143	91
	$ 30,161	$ 30,473	$ 33,075

During 2003, the Company entered into a Tax Increment Financing ("TIF") Agreement with the Commonwealth of Kentucky. Pursuant to this agreement, the Company is entitled to receive reimbursement for 80% of the increase in Kentucky income and sales tax resulting from its 2005 renovation of the Churchill facility. During the years ended 2014, 2013, and 2012, the Company recognized reductions in operating expenses of $0.6 million, $0.8 million and $0.7 million, respectively. In addition, the Company recognized reductions to its income tax expense, net of federal taxes, of $0.1 million, $0.4 million, and $0.5 million, respectively. As of December 31, 2014, the Company has received $6.4 million of combined benefits and established a sales tax receivable of $0.6 million and an income tax receivable of $0.1 million related to the reimbursement.

Components of the Company's deferred tax assets and liabilities are as follows (in thousands):

	2014	2013
Deferred tax assets:		
Deferred compensation plans	$ 31,520	$ 14,271
Deferred income	752	6,328
Allowance for uncollectible receivables	1,323	1,295
Deferred liabilities	3,822	3,574
Net operating losses and credit carryforward	32,573	19,186
Deferred tax assets	69,990	44,654
Valuation allowance	(1,274)	(1,213)
Net deferred tax asset	68,716	43,441
Deferred tax liabilities:		
Intangible assets in excess of tax basis	151,210	22,749
Property and equipment in excess of tax basis	37,827	40,135
Other	11,485	2,246
Deferred tax liabilities	200,522	65,130
Net deferred tax liability	$ (131,806)	$ (21,689)
Income taxes are classified in the balance sheet as follows:		
Net current deferred tax asset	$ 17,716	$ 8,927
Net non-current deferred tax liability	(149,522)	(30,616)
	$ (131,806)	$ (21,689)

As of December 31, 2014, the Company had federal net operating losses of $24.4 million, which were acquired in conjunction with the acquisitions of Youbet.com and Big Fish Games. The utilization of these losses, which expire between 2019 and 2034, is limited on an annual basis pursuant to IRC § 382. The Company believes that it will be able to fully utilize all of these losses. In addition, the Company has $4.3 million of state net operating losses; $2.4 million of this loss carryforward was acquired in conjunction with the acquisitions of Youbet.com and Big Fish Games. These losses, which expire between 2015 and 2034, may be subject to annual limitations similar to IRC § 382. The Company has recorded a valuation allowance of $0.9 million against the state net operating losses due to the fact that it is unlikely that it will generate income in certain states, which is necessary to utilize the assets.

The changes in the valuation allowance for deferred tax assets for the years ended December 31, 2014 and 2013 are as follows (in thousands):

	2014	2013
Balance at beginning of the year	$ 1,213	$ 1,334
Charged to costs and expenses	158	168
Charged to other accounts	(83)	—
Deductions	(14)	(289)
Balance at end of the year	$ 1,274	$ 1,213

The IRS has audited the Company through 2012. Subsequent years are open to examination. State and local tax years open for examination vary by jurisdiction. As of December 31, 2014, the Company had approximately $2.9 million of total gross unrecognized tax benefits, excluding interest of $0.1 million. Of this amount, $1.7 million was related to tax positions acquired in the Big Fish Games acquisition. If the total gross unrecognized tax benefits were recognized, there would be a $1.8 million effect to the annual effective tax rate and an additional $1.1 million would be reimbursed by the pre-acquisition shareholders of Big Fish Games, in conjunction with a tax indemnity agreement. The Company anticipates a decrease in its unrecognized tax positions of approximately $1.1 million during the next twelve months. This anticipated decrease is primarily due to the expiration of statutes of limitations.

During October 2012, the Company funded a $2.9 million income tax payment to the State of Illinois related to a dispute over state income tax apportionment methodology which was recorded in other assets at December 31, 2014. The Company filed its state income tax returns related to the years 2002 through 2005 following the methodology prescribed by Illinois statute, however the State of Illinois has taken a contrary tax position. The Company filed a formal protest with the State of Illinois during the

fourth quarter of 2012. The Company does not expect this issue to have a material adverse effect on its business, financial condition or results of operations. See Note 17 for further discussion of this matter.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

	2014	2013	2012
Balance as of January 1	$ 582	$ 8,565	$ 2,109
Additions for tax positions related to the current year	573	190	—
Additions for tax positions of prior years	2,097	207	7,390
Reductions for tax positions of prior years	(326)	(8,380)	(934)
Balance as of December 31	$ 2,926	$ 582	$ 8,565

The increase in the uncertain tax position in 2014 was primarily related to the acquisition of Big Fish Games. The decrease in the uncertain tax position in 2013 was due to an IRS settlement related to the timing of the taxation of receipts from the HRE Trust Fund and the expiration of statute of limitations related to various tax positions. The Company recognizes interest accrued related to unrecognized tax benefits in income tax expense and penalties in selling, general and administrative expenses in the Consolidated Statements of Comprehensive Income. The Company accrued less than $0.2 million of interest for each of the years ended December 31, 2014 and 2013.

NOTE 11—SHAREHOLDERS' EQUITY

Stock Repurchase Program

On April 23, 2013, the Company's Board of Directors authorized the repurchase of up to $100 million of the Company's stock in a stock repurchase program. During the year ended December 31, 2014, the Company repurchased 691,000 shares for $61.6 million in a privately negotiated transaction. The shares were retired, and the cost of the shares acquired was treated as a deduction from shareholders' equity. The Company funded this repurchase using available cash and borrowings under its Senior Secured Credit Facility. Under the terms of the stock repurchase program, the Company may repurchase an additional $38.4 million of common stock prior to the termination of the repurchase program on December 31, 2015.

Shareholder Rights Plan

On March 13, 2008, the Company's Board of Directors approved a shareholder rights plan, which granted each shareholder the right, in certain circumstances, to purchase a fraction of a share of Series A Junior Participating Preferred Stock at the rate of one right for each share of the Company's common stock. If a person or group, together with its affiliates and associates, become an acquiring person, defined as the beneficial owner of 15% or more of the Company's common stock, each holder of a right (other than the person or group who has become an acquiring person) will have the right to receive, upon exercise, shares of the Company's common stock having a value equal to two times the exercise price of the right. Certain persons and transactions are exempted from the definition of acquiring person. In the event that, at any time following the date such person or group becomes an acquiring person, (i) the Company engages in a merger or other business combination transaction in which the Company is not the surviving corporation (other than with an entity that acquired the shares pursuant to an offer for all outstanding shares of common stock that a majority of the independent directors determines to be fair and not inadequate and to otherwise be in the best interests of the Company and its shareholders, after receiving advice from one or more investment banking firms (a "Qualifying Offer")), (ii) the Company engages in a merger or other business combination transaction (other than with an entity that acquired the shares pursuant to a Qualifying Offer) in which the Company is the surviving corporation and the common stock of the Company is changed or exchanged, or (iii) 50% or more of the Company's assets, cash flow or earnings power is sold or transferred, each holder of a right (other than the person or group who has become an acquiring person) shall thereafter have the right to receive, upon exercise, common stock of the surviving entity having a value equal to two times the exercise price of the right. At any time after a person or group becomes an acquiring person, and prior to the acquisition by such person or group of fifty percent (50)% or more of the outstanding common stock, the Board of Directors may exchange the rights (other than rights owned by such acquiring person), in whole or in part, for common stock at an exchange ratio of one share of common stock, or one one-thousandth of a share of Preferred Stock (or of a share of a class or series of the Company's preferred stock having equivalent rights, preferences and privileges), per right (subject to adjustment).

NOTE 12—EMPLOYEE BENEFIT PLANS

The Company has a profit-sharing plan that covers all employees, other than Big Fish Games employees and others not participating in an associated profit-sharing plan, with three months or more of service. The Company will match contributions made by the employee up to 3% of the employee's annual compensation and will also match, at 50%, contributions made by the employee up

to an additional 2% of compensation with certain limits. The Company may also contribute a discretionary amount determined annually by the Board of Directors as well as a year-end discretionary match not to exceed 4% of compensation. The Company's cash contribution to the plan for the years ended December 31, 2014, 2013 and 2012 was approximately $2.5 million, $2.3 million and $1.8 million, respectively.

Big Fish Games has a defined contribution plan that covers all employees and matches employee contributions to the plan at 3% of the employee's annual compensation.

The Company is a member of a noncontributory defined benefit multi-employer retirement plan for all members of the Pari-mutuel Clerk's Union of Kentucky and several other collectively bargained retirement plans, which are administered by unions. Cash contributions are made in accordance with negotiated labor contracts. Retirement plan expense for each of the years ended December 31, 2014, 2013 and 2012 was approximately $0.7 million, $0.7 million and $0.6 million, respectively. The Company's policy is to fund this expense as accrued. The Company currently estimates that future contributions to these plans will not increase significantly from prior years.

The Company provides eligible executives and directors of the Company an opportunity to defer to a future date the receipt of base and bonus compensation for services as well as director's fees through a deferred compensation plan. The Company's matching contribution on base compensation deferrals equals the matching contribution of the Company's profit-sharing plan with certain limits. The Company's cash contribution to the plan amounts to $0.1 million for each of the years ended December 31, 2014, 2013 and 2012, respectively.

NOTE 13—TOTAL DEBT

The following table presents our total debt outstanding at December 31, 2014 and 2013 (in thousands):

	As of December 31,	
	2014	2013
Senior Secured Credit Facility:		
Senior Secured Credit Facility due 2018	$ 258,000	$ 58,000
Term Loan A due 2019	200,000	—
Swing line of credit	12,355	11,191
5.375% Senior Unsecured Notes due 2021	300,000	300,000
Total debt	770,355	369,191
Current maturities of long-term debt	11,250	—
Total debt, net of current maturities	$ 759,105	$ 369,191

5.375% Senior Unsecured Notes

On December 16, 2013, the Company completed an offering of $300 million in aggregate principal amount of 5.375% Senior Unsecured Notes that mature on December 15, 2021 (the "Senior Unsecured Notes"). The Senior Unsecured Notes were issued at par, with interest payable on June 15th and December 15th of each year. The Company received net proceeds of $295 million, after deducting underwriting fees, and used the net proceeds from the offering to repay a portion of its outstanding borrowings, and accrued and unpaid interest outstanding under its Third Amended and Restated Credit Agreement ("Senior Secured Credit Facility"). In connection with the issuance, the Company capitalized $6.3 million of debt issuance costs which are being amortized as interest expense over the remaining term of the Senior Unsecured Notes.

The Senior Unsecured Notes were issued in a private offering that was exempt from registration under the Securities Act of 1933, as amended, and are senior unsecured obligations of the Company. The Senior Unsecured Notes are guaranteed by each of the Company's domestic subsidiaries that guarantee its Senior Secured Credit Facility and will rank equally with the Company's existing and future senior obligations. At any time prior to December 15, 2016, the Company may redeem all or part of the Senior Unsecured Notes at par plus the present value (discounted at the treasury rate plus 50 basis points) of scheduled interest payments through December 15, 2016, along with accrued and unpaid interest, if any, at the date of redemption. On or after December 15, 2016, the Company may redeem all or part of the Senior Unsecured Notes at a redemption price of 104.0% which gradually reduces to par by 2019.

Senior Secured Credit Facility

On December 1, 2014, the Company executed the Fourth Amended and Restated Credit Agreement (the "Senior Secured Credit Facility") whereby it added a $200 million Term Loan Facility ("Term Loan") to the existing Senior Secured Credit Facility and amended certain definitions and provisions of the credit agreement including Consolidated Funded Indebtedness, EBITDA and

calculation of the Total Leverage Ratio. The Company incurred loan origination costs of $0.9 million in connection with this amendment, which were capitalized and are being amortized as interest expense over the remaining term of the Senior Secured Credit Facility.

On May 17, 2013, the Company entered into the Third Amended and Restated Credit Agreement (also referred to as the “Senior Secured Credit Facility”) which amended certain provisions of the credit agreement including increasing the maximum aggregate commitment from $375 million to $500 million. The Senior Secured Credit Facility also provides for an accordion feature which, if exercised, could increase the maximum aggregate commitment by up to an additional $225 million and reduce the pricing schedule for outstanding borrowings and commitment fees across all leverage pricing levels. The guarantors under the Senior Secured Credit Facility continue to be a majority of the Company's wholly-owned subsidiaries. The Company incurred loan origination costs of $2.3 million in connection with this amendment, which were capitalized and are being amortized as interest expense over the remaining term of the Senior Secured Credit Facility.

The Senior Secured Credit Facility matures on May 17, 2018. The Term Loan matures on December 1, 2019 provided however, in the event the Senior Secured Credit Facility has not, prior to May 17, 2018, been extended to a maturity date of December 1, 2019, the Term Loan matures on May 17, 2018.

Regarding the Term Loan, the Company is required to make quarterly principal payments that commence on March 31, 2015 and are set to occur on the last day of each quarter through September 30, 2019. Payments start at $2.5 million and increase in increments of $1.25 million on December 31 of each year to reach final year quarterly payment amount of $7.5 million. To the extent not previously repaid, any outstanding balance on the Term Loan shall be repaid in full on the facility termination date. If no additional payments are made, and the termination date is September 30, 2019, the balance due at termination will be $102.5 million.

Generally, borrowings made pursuant to the Senior Secured Credit Facility bear interest at a LIBOR-based rate per annum plus an applicable percentage ranging from 1.125% to 3.0% depending on the Company's total leverage ratio. In addition, under the Senior Secured Credit Facility, the Company agreed to pay a commitment fee at rates that range from 0.175% to 0.45% of the available aggregate commitment, depending on the Company's leverage ratio. The Term Loan is not subject to, nor included in the calculation of, the commitment fee. The weighted average interest rate on outstanding borrowings at December 31, 2014 and 2013 was 2.19% and 1.71%, respectively.

The Senior Secured Credit Facility contains customary affirmative and negative covenants for credit facilities of this type, including limitations on the Company and its subsidiaries with respect to indebtedness, restricted payments, liens, investments, mergers and acquisitions, disposition of assets, sale-leaseback transactions and transactions with affiliates. The covenants permit the Company to use proceeds of the credit extended under the agreement for general corporate purposes, restricted payments and acquisition needs. The Senior Secured Credit Facility also contains financial covenants that require the Company (i) to maintain an interest coverage ratio (i.e., consolidated adjusted EBITDA to consolidated interest expense) that is greater than 3.0 to 1.0; (ii) not to permit the total leverage ratio (i.e., total consolidated funded indebtedness to consolidated adjusted EBITDA) to be greater than 4.5 to 1.0, provided that if a certain minimum consolidated adjusted EBITDA is reached then the total leverage ratio will be increased to 5.0 to 1.0 for such periods that the minimum is maintained; and (iii) not to permit the senior secured leverage ratio (i.e. senior secured consolidated funded indebtedness to consolidated adjusted EBITDA) to be greater than 3.5 to 1.0. As of December 31, 2014, the Company was in compliance with all covenants under the Senior Secured Credit Facility, and substantially all of the Company's assets continue to be pledged as collateral under the Senior Secured Credit Facility.

As of December 31, 2014, we had $223.7 million of borrowing capacity under the Senior Secured Credit Facility.

Future aggregate maturities of total debt are as follows (in thousands):

	Year Ended December 31,	
2015	$	11,250
2016		16,250
2017		21,250
2018		421,605
Thereafter		300,000
Total	$	770,355

NOTE 14—OPERATING LEASES

The Company leases facilities for nine of its ten OTB operations at Arlington. Eight of Arlington's OTB operations are conducted at non-owned Illinois restaurants under licensing agreements with varying payment terms, including payment contingent on handle.

These OTB operations are generally multi-year agreements, renewable with 90 days notice by either party. Arlington's ninth leased facility, Waukegan, operates as a traditional OTB under a lease which will expire in 2015. The Company has ten operating lease agreements for Fair Grounds OTBs, which expire in various years from 2014 through 2021. Furthermore, the Company has operating leases for its corporate headquarters, TwinSpires, and Big Fish Games locations.

Future minimum operating lease payments are as follows, not including the variable portion of contingent leases and Arlington's contingent licensing agreements (in thousands):

Year Ended December 31,		
2015	$	11,604
2016		10,719
2017		9,601
2018		4,591
2019		2,515
Thereafter		3,590
Total	$	42,620

The Company also leases totalisator equipment, gaming equipment, audio/visual equipment and operates certain facilities that are partially contingent on handle, bandwidth usage or race days. Total annual rent expense for contingent lease payments, including totalisator equipment, audio/visual equipment, gaming equipment, land and facilities, was approximately $4.3 million, $3.7 million and $3.6 million for the years ended December 31, 2014, 2013 and 2012, respectively. The Company's total rent expense for all operating leases, including the contingent lease payments, was approximately $20.2 million, $20.2 million and $18.4 million for the years ended December 31, 2014, 2013 and 2012, respectively. During 2013, the increase in total rent expense primarily reflects an increase in slot machine expense, which is attributable to the acquisitions of Riverwalk and Oxford.

NOTE 15—SHARE-BASED COMPENSATION PLANS

As of December 31, 2014, the Company has share-based employee compensation plans as described below. The total compensation expense, which includes compensation expense related to restricted share awards, restricted stock unit awards, stock option awards, granted LTIP awards and stock options associated with an employee stock purchase plan, was $11.9 million, $21.5 million, and $7.6 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Employee Stock Options

The Company sponsors the Churchill Downs Incorporated 1997 Stock Option Plan (the "97 Plan") and the Churchill Downs Incorporated 2007 Omnibus Stock Incentive Plan (the "07 Incentive Plan"). In addition, the Company may, from time to time, grant stock option awards to individuals outside of its share-based compensation plans. These share-based incentive compensation plans are described below.

On March 13, 2003, the Board of Directors suspended the 97 Plan. Awards issued under the 97 Plan prior to its suspension were unaffected by such suspension.

The 97 Plan and the 07 Incentive Plan provide that the exercise price of any incentive stock option may not be less than the fair market value of the common stock on the date of grant. Outstanding stock options under the 97 Plan have contractual terms of ten years and generally vest three years from the date of grant. Outstanding stock options under the 07 Incentive Plan have contractual terms of ten years and generally vest ratably on each anniversary of the grant date over a three year period.

Activity for stock options granted by the Company during the years ended December 31, 2014, 2013 and 2012 is presented below (in thousands, except per common share data):

	Number of Shares Under Option	Weighted Average Exercise Price
Balance as of December 31, 2011	354	$ 36.52
Granted	—	$ —
Exercises	(153)	$ 36.80
Canceled/forfeited	—	$ —
Balance as of December 31, 2012	201	$ 36.30
Granted	—	$ —
Exercises	(7)	$ 42.94
Canceled/forfeited	(1)	$ 36.12
Balance as of December 31, 2013	193	$ 36.04
Granted	—	$ —
Exercises	(182)	$ 35.26
Canceled/forfeited	(1)	$ 49.95
Balance as of December 31, 2014	10	$ 48.63

During the year ended December 31, 2010, the Company entered into an amended and restated employment agreement with Robert L. Evans, the Company's Chairman of the Board and former Chief Executive Officer. Mr. Evans received a stock option, vesting quarterly over approximately three years to purchase an aggregate of 180,000 shares of the Company's common stock, with an exercise price equal to the fair market value of a share of the Company's common stock on September, 27, 2010, the date on which the award was granted. This stock option has a contractual term of six years expiring on November 14, 2016. Under Mr. Evans' previous employment agreement, Mr. Evans received a stock option, vesting quarterly over three years, to purchase an aggregate of 130,000 shares of the Company's common stock, with an exercise price equal to the fair market value of a share of the Company's common stock on July 18, 2006.

During 2014, Mr. Evans exercised options for 180,000 shares of the Company's common stock which were granted at $35.19 per share, for common stock prices ranging from $85.00 to $91.33 per share. During 2012, Mr. Evans exercised options for 130,000 shares of the Company's common stock which were granted at $36.16 per share, for common stock at stock prices ranging from $57.36 to $60.05 per share.

During the years ended December 31, 2014, 2013 and 2012, no stock options were granted. Whenever the Company issues stock options, it estimates the fair value of the stock options as of the date of grant, using the Black-Scholes option pricing model. The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in the Company's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's employee stock options. The Company calculates the expected term for its stock options based on historical exercise behavior and bases the risk-free interest rate on a traded zero-coupon U.S. Treasury bond with a term substantially equal to the stock option's expected term. The volatility used to value stock options is based on historical volatility. The Company calculates historical volatility using a simple average calculation methodology based on daily price intervals as measured over the expected term of the stock option.

At December 31, 2014, all outstanding options were vested and exercisable. The following table summarizes information about stock options outstanding as of December 31, 2014 (in thousands, except contractual life and per share data):

	Shares Under Option	Remaining Contractual Life	Average Exercise Price Per Share	Intrinsic Value per Share[(1)]	Aggregate Intrinsic Value
Options exercisable and vested at December 31, 2014	10	3.2	$ 48.63	$ 46.67	$ 483

(1) Computed based upon the amount by which the fair market value of the Company's common stock at December 31, 2014 of $95.30 per share exceeded the weighted average exercise price.

The total intrinsic value of stock options exercised during the years ended December 31, 2014, 2013 and 2012 was $9.6 million, $0.3 million, and $5.7 million, respectively. Cash received from stock option exercises totaled $6.4 million, $0.3 million, and $3.4 million for the years ended December 31, 2014, 2013 and 2012, respectively.

At December 31, 2013, there were 193 thousand options exercisable with a weighted average exercise price of $36.04.

Restricted Shares and Restricted Stock Units

2013 New Company LTIP

During 2013, the Board of Directors approved the terms and conditions of performance share awards issued pursuant to the Churchill Downs Incorporated 2007 Omnibus stock incentive plan (the "New Company LTIP"). As a way to continue to encourage innovation, an entrepreneurial approach, and careful risk assessment, and in order to retain key executives, the New Company LTIP offers long-term incentive compensation to the Company's named executive officers and other key executives ("Grantees") as reported in the Company's Schedule 14A Proxy Statement filing.

During 2013, the Grantees received 92,000 restricted shares of the Company's common stock vesting over approximately four years and 324,000 restricted shares of the Company's common stock with vesting contingent upon the Company's common stock reaching certain closing prices on NASDAQ for 20 consecutive trading days. During the year ended December 31, 2014, the Company's closing stock price achieved the twenty consecutive trading days closing price stock requirement for 84,500 restricted shares. During the year ended December 31, 2013, the Company's closing stock price achieved the stock price requirement for 155,000 restricted shares.

During the years ended December 31, 2014 and 2013, the Company recognized $8.3 million and $12.8 million, respectively, of compensation expense related to the New Company LTIP. As of December 31, 2014, unrecognized compensation expense attributable to unvested service period awards was $2.8 million. The weighted average period over which the Company expects to recognize the remaining compensation expense under the service period awards approximates 17 months. There is no remaining unrecognized expense under the market condition awards.

Other Restricted Share Awards

The Company sponsored the Churchill Downs Incorporated 2004 Restricted Stock Plan (the “04 Plan”). In addition, the Company, may, from time to time, grant restricted shares or restricted stock units to individuals outside of its share-based compensation plans.

On March 15, 2007, the Board of Directors replaced the 04 Plan with the 07 Incentive Plan. Awards issued under the 04 Plan prior to its termination were unaffected by such termination. The 07 Incentive Plan permits the award of restricted shares or restricted stock units to directors and key employees, including officers of the Company and its subsidiaries who are from time to time responsible for the management, growth and protection of the business of the Company and its subsidiaries.

Restricted shares granted under the 04 Plan generally vest in full five years from the date of grant or upon retirement at or after age 60. Restricted shares granted under the 07 Incentive Plan generally vest in full three years from the date of grant or upon retirement at or after age 60. The fair value of restricted shares under both the 04 Plan and the 07 Incentive Plan is determined by the product of the number of shares granted and the grant date market price of the Company’s common stock, discounted to consider the fact that dividends are not paid on these shares.

During the year ended December 31, 2010, the Company entered into an amended and restated employment agreement with Robert L. Evans. Mr. Evans received (i) 45,000 restricted shares of the Company’s common stock, with vesting contingent upon the Company’s common stock reaching certain closing prices on NASDAQ for twenty consecutive trading days, and (ii) 81,250 restricted stock shares, vesting quarterly over 6.0 years. During the years ended December 31, 2013 and 2012, 15,000 shares and 30,000 shares, respectively, with vesting contingent upon the Company's stock price, reached the required closing stock prices and vested.

Under a previous employment agreement with Robert L. Evans, Mr. Evans received (i) 90,000 restricted shares of the Company’s common stock, with vesting contingent upon the Company’s common stock reaching certain closing prices on NASDAQ for twenty consecutive trading days, (ii) 65,000 restricted shares of the Company’s common stock, vesting quarterly over five years, and contingent upon the Company’s common stock reaching certain closing prices on NASDAQ for ten consecutive trading days and (iii) 65,000 restricted stock units representing shares of the Company’s common stock, vesting quarterly over five years, with Mr. Evans entitled to receive the shares underlying the units (along with a cash payment equal to accumulated dividend equivalents beginning with the lapse of forfeiture, plus interest at a 3% annual rate) six months after termination of employment. The restricted share awards were approved by the Company’s shareholders at its Annual Meeting of Shareholders held on June 28, 2007, the grant date of these awards. During the years ended December 31, 2014 and 2013, zero shares and 60,000 shares, respectively, with vesting contingent upon the Company's stock price, reached the required closing stock prices and vested.

Activity for the 2013 New Company LTIP, 04 Plan, the 07 Incentive Plan and awards made outside of share-based compensation plans for the years ended December 31, 2014, 2013 and 2012, is presented below (in thousands, except per common share data):

	Market Condition (Performance-Based) Awards		Service Period Awards		Total	
	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Balance as of December 31, 2011	112	$ 43.76	307	$ 38.63	419	$ 40.01
Granted	—	$ —	182	$ 51.99	182	$ 51.99
Vested	(52)	$ 41.31	(169)	$ 45.85	(221)	$ 44.77
Canceled/forfeited	—	$ —	(1)	$ 39.12	(1)	$ 39.12
Balance as of December 31, 2012	60	$ 45.90	319	$ 42.42	379	$ 42.97
Granted	324	$ 53.71	287	$ 67.55	611	$ 60.21
Vested	(60)	$ 45.90	(256)	$ 59.54	(316)	$ 53.90
Canceled/forfeited	—	$ —	(1)	$ 38.75	(1)	$ 38.75
Balance as of December 31, 2013	324	$ 53.71	349	$ 53.58	673	$ 53.64
Granted	—	$ —	26	$ 88.58	26	$ 88.58
Vested	(239)	$ 53.49	(107)	$ 54.15	(346)	$ 53.70
Canceled/forfeited	—	$ —	(12)	$ 60.41	(12)	$ 60.41
Balance as of December 31, 2014	85	$ 54.32	256	$ 56.24	341	$ 55.77

As of December 31, 2014, there was $5.9 million of unrecognized share-based compensation expense related to nonvested restricted share and restricted stock unit awards that the Company expects to recognize over a weighted average period of 1.9 years.

As of December 31, 2014, employees of the Company held 84,500 restricted shares subject to performance-based vesting criteria (all of which are considered market-based restricted shares), which were issued during the year ended December 31, 2013. The number of these shares that vest is based upon established market-based performance targets that will be assessed on an ongoing basis.

Employee Stock Purchase Plan

Under the Employee Stock Purchase Plan, the Company is authorized to sell, pursuant to short-term stock options, shares of its common stock to its full-time (or part-time for at least 20 hours per week and at least five months per year) employees at a discount from the common stock's fair market value. The Employee Stock Purchase Plan operates on the basis of recurring, consecutive one-year periods. Each period commences on August 1 and ends on the following July 31.

Each August 1, the Company offers eligible employees the opportunity to purchase common stock. Employees who elect to participate for each period have a designated percentage of their compensation withheld (after-tax) and applied to the purchase of shares of common stock on the last day of the period, July 31. The Employee Stock Purchase Plan allows withdrawals, terminations and reductions on the amounts being deducted. The purchase price for the common stock is 85% of the lesser of the fair market value of the common stock on (i) the first day of the period, or (ii) the last day of the period. No employee may purchase common stock under the Employee Stock Purchase Plan valued at more than $25 thousand for each calendar year.

Under the Employee Stock Purchase Plan, the Company sold approximately fifteen thousand shares of common stock to employees pursuant to options granted on August 1, 2013, and exercised on July 31, 2014. Because the plan year overlaps the Company's fiscal year, the number of shares to be sold pursuant to options granted on August 1, 2014, can only be estimated because the 2014 plan year is not yet complete. The Company's estimate of options granted in 2014 under the Plan is based on the number of shares sold to employees under the Employee Stock Purchase Plan for the 2013 plan year, adjusted to reflect the change in the number of employees participating in the Employee Stock Purchase Plan in 2014. The Company recognized compensation expense related to the Employee Stock Purchase Plan of $0.4 million, for each of the years ended December 31, 2014, 2013 and 2012.

NOTE 16—FAIR VALUE OF ASSETS AND LIABILITIES

The Company endeavors to utilize the best available information in measuring fair value. Financial assets and liabilities are

classified based on the lowest level of input that is significant to the fair value measurement. The following tables present the Company's assets and liabilities measured at fair value at December 31, 2014 and 2013 (in thousands):

	Year Ended December 31, 2014		
	Level 1	Level 2	Level 3
Cash equivalents and restricted cash	$ 27,464	$ —	$ —
Big Fish Games deferred payments	—	—	78,800
Big Fish Games earnout liability	—	—	327,800
Senior unsecured notes	—	299,250	—
Bluff contingent consideration liability	—	—	2,331
Total	$ 27,464	$ 299,250	$ 408,931

	Year Ended December 31, 2013		
	Level 1	Level 2	Level 3
Cash equivalents and restricted cash	$ 36,940	$ —	$ —
Senior unsecured notes	—	305,250	—
Bluff contingent consideration liability	—	—	2,331
Total	$ 36,940	$ 305,250	2,331

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Balance as of December 31, 2013	$ 2,331
Additions	402,774
Change in fair value	3,826
Balance as of December 31, 2014	$ 408,931

The Company's cash equivalents and restricted cash, which are held in interest-bearing accounts, qualify for Level 1 in the fair value hierarchy which includes unadjusted quoted market prices in active markets for identical assets.

The Company's accrued liability for a contingent consideration recorded in conjunction with the Bluff acquisition was based on significant inputs not observed in the market and represents a Level 3 fair value measurement. The estimate of the contingent consideration liability uses an income approach and is based on the probability of achieving enabling legislation which permits Internet poker gaming and the probability-weighted discounted cash flows. Any change in the fair value of the contingent consideration subsequent to the acquisition date will be recognized in the Company's Consolidated Statements of Comprehensive Income.

The Company estimated the fair value of the Big Fish Games deferred payment and earnout liability as of December 31, 2014 using a discounted cash flows analysis over the period in which the obligation is expected to be settled, and applied a discount rate based on the Company’s cost of debt. The cost of debt as of the closing date was based on the observed market yields of the Company's Senior Unsecured Notes issued in December of 2013 and represents a Level 3 fair value measurement and was adjusted for the difference in seniority and term of the deferred payment and earnout liability. The change in fair values of the Big Fish Games deferred payment and earnout liability of $3.8 million between the closing date and December 31, 2014 was recorded as acquisition related charges in the Consolidated Statements of Comprehensive Income. Changes to the Company's cost of debt could lead to a different fair value estimate for the deferred payment and earnout liability.

The Company's $300 million par value Senior Unsecured Notes, which were issued on December 16, 2013, via a private offering, represent a Level 2 fair value measurement. The fair value of the Senior Unsecured Notes is estimated based on unadjusted quoted prices for similar liabilities in markets that are not active.

The Company currently has no other assets or liabilities subject to fair value measurement on a recurring basis. The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash Equivalents—The carrying amount reported in the balance sheet for cash equivalents approximates its fair value due to the short-term maturity of these instruments.

Long-Term Debt: Senior Secured Credit Facility—The carrying amounts of the Company's borrowings under its Senior Secured Credit Facility approximates fair value, based upon current interest rates and represents a Level 2 fair value measurement.

During the years ended December 31, 2014 and 2013, the Company did not measure any assets at fair value on a non-recurring basis.

NOTE 17—COMMITMENTS AND CONTINGENCIES

Legal Proceedings

The Company records an accrual for legal contingencies to the extent that it concludes that it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Except as disclosed below, no estimate of the possible loss or range of loss in excess of amounts accrued, if any, can be made at this time regarding the matters specifically described below. We do not believe that the final outcome of these matters will have a material adverse impact on our business, financial condition and results of operations.

Louisiana Horsemens' Purses

On April 21, 2014, John L. Soileau and other individuals filed a Petition for Declaratory Judgment, Permanent Injunction, and Damages - Class Action styled *John L. Soileau, et. al. versus Churchill Downs Louisiana Horseracing, LLC, Churchill Downs Louisiana Video Poker Company, LLC* (Suit No. 14-3873) in the Parish of Orleans, State of Louisiana. The petition defines the "alleged plaintiff class" as quarter-horse owners, trainers and jockeys that have won purses at the "Fair Grounds Race Course & Slots" facility in New Orleans, Louisiana since the first effective date of La. R.S. 27:438 and specifically since 2008. The petition alleges that Churchill Downs Louisiana Horseracing, L.L.C. and Churchill Downs Louisiana Video Poker Company, L.L.C. ("Fair Grounds") have collected certain monies through video draw poker devices that constitute monies earned for purse supplements and all of those supplemental purse monies have been paid to thoroughbred horsemen during Fair Grounds' live thoroughbred horse meets while La. R.S. 27:438 requires a portion of those supplemental purse monies to be paid to quarter-horse horsemen during Fair Grounds' live quarter-horse meets. The petition requests that the Court declare that Fair Grounds violated La. R.S. 27:438, issue a permanent and mandatory injunction ordering Fair Grounds to pay all future supplements due to the plaintiff class pursuant to La. R.S. 27:438, and to pay the plaintiff class such sums as it finds to reasonably represent the value of the sums due to the plaintiff class. On August 14, 2014, the plaintiffs filed an amendment to their petition naming the Horsemen's Benevolent and Protective Association 1993, Inc. ("HBPA") as an additional defendant and alleging that HBPA is also liable to plaintiffs for the disputed purse funds. On October 9, 2014, HBPA and Fair Grounds filed exceptions to the suit, including an exception of primary jurisdiction seeking a referral to the Louisiana Racing Commission. By Judgment dated November 21, 2014, the District Court granted the exception of primary jurisdiction and referred the matter to the Louisiana Racing Commission. On January 26, 2015, the Louisiana Fourth Circuit Court of Appeals denied the plaintiffs' request for supervisory review of the Judgment. This matter is currently awaiting review by the Louisiana Racing Commission.

Illinois Department of Revenue

In October 2012, the Company filed a verified complaint for preliminary and permanent injunctive relief and for declaratory judgment (the "Complaint") against the Illinois Department of Revenue (the "Department"). The Company's complaint was filed in response to Notices of Deficiency issued by the Department on March 18, 2010, and September 6, 2012. In response to said Notices of Deficiency, the Company, on October 4, 2012, issued a payment in protest in the amount of $2.9 million (the "Protest Payment") under the State Officers and Employees Money Disposition Act and recorded this amount in other assets. The Company subsequently filed its complaint in November 2012 alleging that the Department erroneously included handle, instead of the Company's commissions from handle, in the computation of the Company's sales factor (a computation of the Company's gross receipts from wagering within the State of Illinois) for determining the applicable tax owed. On October 30, 2012, the Company's Motion for Preliminary Injunctive Relief was granted, which prevents the Department from depositing any monies from the Protest Payment into the State of Illinois General Fund and from taking any further action against the Company until the Circuit Court takes final action on the Company's Complaint. If successful with its Complaint, the Company will be entitled to a full or partial refund of the Protest Payment from the Department. On December 3, 2014, the Company filed its Motion for Summary Judgment on all material aspects of its case. Also on December 3, 2014, the Department, by and through its counsel, the Illinois Attorney General, filed its Cross-Motion for Summary Judgment. This matter remains pending before the Tax and Miscellaneous Remedies Section of the Circuit Court of Cook County. Oral arguments on the parties' Motions for Summary Judgment are scheduled for March 5, 2015.

Kentucky Downs

On September 5, 2012, Kentucky Downs Management, Inc. (“KDMI”) filed a petition for declaration of rights in Kentucky Circuit Court located in Simpson County, Kentucky styled Kentucky Downs Management Inc. v. Churchill Downs Incorporated (Civil Action No. 12-CI-330) (the “Simpson County Case”) requesting a declaration that the Company does not have the right to exercise its put right and require Kentucky Downs, LLC (“Kentucky Downs”) and/or Kentucky Downs Partners, LLC (“KDP”) to purchase the Company’s ownership interest in Kentucky Downs. On September 18, 2012, the Company filed a complaint in Kentucky Circuit Court located in Jefferson County, Kentucky, styled Churchill Downs Incorporated v. Kentucky Downs, LLC; Kentucky Downs Partners, LLC; and Kentucky Downs Management Inc. (Civil Action No. 12-CI-04989) (the “Jefferson County Case”) claiming that Kentucky Downs and KDP had breached the operating agreement for Kentucky Downs and requesting a declaration that the Company had validly exercised its put right and a judgment compelling Kentucky Downs and/or KDP to purchase the Company’s ownership interest in Kentucky Downs pursuant to the terms of the applicable operating agreement. On October 9, 2012, the Company filed a motion to dismiss the Simpson County Case and Kentucky Downs, KDP and KDMI filed a motion to dismiss the Jefferson County Case. A hearing for the motion to dismiss in the Simpson County Case occurred November 30, 2012. At that hearing the Company’s motion to dismiss the Simpson County Case was denied. Subsequently, Kentucky Downs, KDMI and KDP’s motion to dismiss the Jefferson County Case was granted on January 23, 2013, due to the Simpson County Circuit Court’s assertion of jurisdiction over the dispute. On May 16, 2013, Kentucky Downs, KDP and KDMI filed a Motion for Summary Judgment against the Company and Turfway Park, LLC. On September 19, 2013, the Company filed its response to the Motion for Summary Judgment. A hearing occurred before the Simpson County Circuit Court on September 23, 2013, on the Kentucky Downs, KDP and KDMI Motion for Summary Judgment. All parties appeared before the Simpson County Court and oral arguments were heard. On October 31, 2013, the Simpson County Court entered an Order Denying Petitioners’ (Kentucky Downs Management Inc. et al.) Motion for Summary Judgment. The case will now move forward through discovery and to trial. No trial date has been set.

Texas Pari-Mutuel Wagering

On September 21, 2012, the Company filed a lawsuit in the United States District Court for the Western District of Texas styled *Churchill Downs Incorporated; Churchill Downs Technology Initiatives Company d/b/a TwinSpires.com v. Chuck Trout, in his official capacity as Executive Director of the Texas Racing Commission; Gary P. Aber, Susan Combs, Ronald F. Ederer, Gloria Hicks, Michael F. Martin, Allan Polunsky, Robert Schmidt, John T. Steen III, Vicki Smith Weinberg, in their official capacity as members of the Texas Racing Commission* (Case No. 1:12-cv-00880-LY) challenging the constitutionality of a Texas law requiring residents of Texas that desire to wager on horseraces to wager in person at a Texas race track. In addition to its complaint, on September 21, 2012, the Company filed a motion for preliminary injunction seeking to enjoin the state from taking any action to enforce the law in question. In response, on October 9, 2012, counsel for the state assured both the Company and the court that the state would not enforce the law in question against the Company without prior notice, at which time the court could then consider the motion for preliminary injunction. On April 15, 2013, both parties filed their opening briefs, and a trial was held on May 2, 2013. On September 23, 2013, the United States District Court for the Western District of Texas ruled against the Company and upheld the Texas law at issue. Subsequently, on September 25, 2013, the Company ceased taking wagers from Texas residents via TwinSpires.com and returned deposited funds to Texas residents. The Company filed a motion for an expedited hearing in the United States Court of Appeals, which was granted on October 17, 2013. The Texas Racing Commission, et. al., filed an appellate brief on December 13, 2013. The Company filed its brief in reply on December 30, 2013. Oral arguments were heard before the United States Court of Appeals for the Fifth Circuit on February 4, 2014. On September 25, 2014, the United States Court of Appeals for the Fifth Circuit issued an unpublished opinion affirming the United States District Court for the Western District of Texas and its ruling in favor of the Texas Racing Commission.

There are no other material pending legal proceedings.

NOTE 18—EARNINGS PER COMMON SHARE COMPUTATIONS

The following is a reconciliation of the numerator and denominator of the earnings per common share computations (in thousands, except per share data):

	Year Ended December 31,		
	2014	2013	2012
Numerator for basic earnings from continuing operations per common share:			
Earnings from continuing operations	$ 46,357	$ 55,033	$ 58,152
Earnings from continuing operations allocated to participating securities	(267)	(873)	(518)
Numerator for basic earnings from continuing operations per common share	$ 46,090	$ 54,160	$ 57,634
Numerator for basic earnings per common share:			
Net earnings	$ 46,357	$ 54,900	$ 58,276
Net earnings allocated to participating securities	(267)	(870)	(519)
Numerator for basic net earnings per common share	$ 46,090	$ 54,030	$ 57,757
Numerator for diluted earnings from continuing operations per common share:	$ 46,357	$ 55,033	$ 58,152
Numerator for diluted earnings per common share	$ 46,357	$ 54,900	$ 58,276
Denominator for net earnings per common share:			
Basic	17,271	17,294	17,047
Plus dilutive effect of stock options and restricted stock	153	248	233
Plus dilutive effect of participating securities	165	396	195
Diluted	17,589	17,938	17,475
Earnings (loss) per common share:			
Basic			
Earnings from continuing operations	$ 2.67	$ 3.13	$ 3.38
Discontinued operations	—	(0.01)	0.01
Net earnings	$ 2.67	$ 3.12	$ 3.39
Diluted			
Earnings from continuing operations	$ 2.64	$ 3.07	$ 3.33
Discontinued operations	—	(0.01)	0.01
Net earnings	$ 2.64	$ 3.06	$ 3.34

NOTE 19—SEGMENT INFORMATION

The Company operates in the following five segments: (1) Racing, which includes Churchill Downs, Arlington and its ten OTBs, Fair Grounds and its twelve OTBs and Calder, which ceased pari-mutuel operations on July 1, 2014; (2) Casinos, which includes video poker and gaming operations at Calder Casino, Fair Grounds Slots, Harlow's, Riverwalk, Oxford, MVG and VSI; (3) TwinSpires, which includes TwinSpires, our ADW business, Fair Grounds Account Wagering, Bloodstock Research Information Services, Velocity and Luckity, until the cessation of its operations on November 4, 2014, as well as the Company's equity investment in HRTV, LLC; (4) Big Fish Games; and (5) Other Investments, which includes United Tote, Bluff and the Company's other minor investments. Eliminations include the elimination of intersegment transactions.

On January 1, 2014, the Company reclassified its equity investment in MVG from Other Investments to Casinos, to coincide with the first full period of operations for the venture, which opened on December 12, 2013. MVG's results of operations for the year ended December 31, 2013 have been reclassified to the Casinos segment.

In order to evaluate the performance of these operating segments internally, the Company uses Adjusted EBITDA (defined as earnings before interest, taxes, depreciation, amortization, and adjusted for insurance recoveries net of losses, HRE Trust Fund proceeds, share-based compensation expenses, pre-opening expenses, the impairment of assets, Big Fish Games transaction expenses, Big Fish Games acquisition-related charges, changes in Big Fish Games deferred revenue and other charges or recoveries).

Big Fish Games transaction expenses include legal, accounting and other deal-related expenses. Big Fish Games acquisition-related charges reflect the change in fair value of the Big Fish Games earnout and deferred consideration liability recorded each reporting period. Changes in Big Fish Games deferred revenue reflect reductions in revenue from business combination accounting rules when deferred revenue balances assumed as part of an acquisition are adjusted to their fair values. Fair value approximates the cost of fulfilling the service obligation, plus a reasonable profit margin. Adjusted EBITDA also includes 50% of the operating income or loss of our joint venture, MVG.

During the year ended December 31, 2013, the Company implemented the Adjusted EBITDA metric because it believes the inclusion or exclusion of certain recurring and non-recurring items is necessary to provide a more accurate measure of its core operating results and enables management and investors to evaluate and compare from period to period our operating performance in a meaningful and consistent manner. The 2012 financial information has been retrospectively revised to reflect the change in the segment profitability reporting measure. Adjusted EBITDA should not be considered as an alternative to operating income as an indicator of performance, as an alternative to cash flows from operating activities as a measure of liquidity, or as an alternative to any other measure provided in accordance with GAAP. The Company's calculation of Adjusted EBITDA may be different from the calculation used by other companies and, therefore, comparability may be limited.

The accounting policies of the segments are the same as those described in the “Summary of Significant Accounting Policies” in Note 1. The table below presents information about reported segments for the years ended December 31, 2014, 2013 and 2012 (in thousands):

	Year Ended December 31,		
	2014	**2013**	**2012**
Net revenues from external customers:			
Churchill Downs	$ 143,191	$ 132,845	$ 124,255
Arlington	60,312	64,483	69,077
Calder	19,325	36,264	64,566
Fair Grounds	38,625	40,677	44,190
Total Racing	261,453	274,269	302,088
Calder Casino	77,003	78,951	77,864
Fair Grounds Slots	40,774	42,156	42,881
VSI	34,369	35,931	35,433
Harlow’s Casino	50,199	52,440	56,604
Oxford Casino	76,526	34,350	—
Riverwalk Casino	50,139	53,645	10,330
Total Casinos	329,010	297,473	223,112
TwinSpires	190,333	184,541	183,279
Big Fish Games	13,855	—	—
Other Investments	17,125	21,899	21,785
Corporate	1,158	1,143	1,032
Net revenues from external customers	$ 812,934	$ 779,325	$ 731,296
Intercompany net revenues:			
Churchill Downs	$ 7,038	$ 6,686	$ 5,592
Arlington	5,767	3,395	4,712
Calder	707	1,263	1,583
Fair Grounds	1,089	1,151	1,270
Total Racing	14,601	12,495	13,157
TwinSpires	958	853	836
Other Investments	4,130	4,409	3,466
Eliminations	(19,689)	(17,757)	(17,459)
Net revenues	$ —	$ —	$ —

	Year Ended December 31,		
	2014	2013	2012
Reconciliation of segment Adjusted EBITDA to net earnings:			
Racing	$ 61,160	$ 50,275	$ 54,357
Casinos	101,106	80,631	64,231
TwinSpires	45,282	49,122	44,618
Big Fish Games	3,837	—	—
Other Investments	(3,857)	809	(117)
Total segment Adjusted EBITDA	207,528	180,837	163,089
Corporate Adjusted EBITDA	(5,037)	(4,606)	(4,834)
Insurance recoveries, net of losses	431	375	7,006
Big Fish Games acquisition charges	(3,826)	—	—
Big Fish Games transaction expenses	(6,367)	—	—
Big Fish Games changes in deferred revenue	(4,497)	—	—
HRE Trust Fund proceeds	—	4,541	—
Share-based compensation expense	(11,932)	(21,482)	(13,993)
Pre-opening expenses	(27)	(3,620)	—
MVG interest expense, net	(2,546)	(170)	—
Asset impairment charges	(4,843)	—	—
Other charges	(3,287)	(2,500)	—
Depreciation and amortization	(68,257)	(61,750)	(55,600)
Interest income (expense), net	(20,822)	(6,119)	(4,441)
Income tax provision	(30,161)	(30,473)	(33,075)
Earnings from continuing operations	46,357	55,033	58,152
Discontinued operations, net of income taxes	—	(133)	124
Net earnings	46,357	54,900	58,276
Foreign currency translation, net of tax	(125)	—	—
Comprehensive income	$ 46,232	$ 54,900	$ 58,276

The table below presents information about equity in (losses) earnings of unconsolidated investments included in the Company's reported segments for the years ended December 31, 2014, 2013 and 2012 (in thousands):

	Year Ended December 31,		
	2014	2013	2012
Casinos	$ 8,900	$ (3,718)	$ (610)
TwinSpires	(68)	(848)	(1,413)
Other Investments	(2,504)	424	322
	$ 6,328	$ (4,142)	$ (1,701)

The tables below present total asset information about reported segments as of December 31, 2014 and 2013 and capital expenditures for the years ended December 31, 2014, 2013 and 2012 (in thousands):

	As of December 31,	
	2014	2013
Total assets:		
Racing	$ 518,517	$ 513,345
Casinos	621,240	622,038
TwinSpires	182,322	186,621
Big Fish Games	1,007,438	—
Other Investments	30,757	30,257
	$ 2,360,274	$ 1,352,261

	Year Ended December 31,		
	2014	2013	2012
Capital expenditures, net:			
Racing	$ 35,637	$ 20,184	$ 14,027
Casinos	7,715	13,643	14,524
TwinSpires	5,778	5,908	4,427
Big Fish Games	116	—	—
Other Investments	5,240	9,036	8,320
	$ 54,486	$ 48,771	$ 41,298

NOTE 20—RELATED PARTY TRANSACTIONS

Directors and employees of the Company may from time to time own or have interests in horses racing at the Company's racetracks. All such races are conducted, as applicable, under the regulations of each state's respective regulatory agency, and no director receives any extra or special benefit with regard to having his or her horses selected to run in races or in connection with the actual running of races. There is no material financial statement impact attributable to directors who may have interests in horses racing at our racetracks.

In its ordinary course of business, the Company may enter into transactions with certain of its officers and directors for the sale of personal seat licenses and suite accommodations at its racetracks, and tickets for its live racing events. The Company believes that each such transaction has been on terms no less favorable for the Company than could have been obtained in a transaction with a third party and no such person received any extra or special benefit in connection with such transactions.

NOTE 21— HRE TRUST FUND PROCEEDS

Under legislation enacted in 1999, the HRE Trust Fund was scheduled to receive amounts equal to 15% of the adjusted gross receipts generated by a tenth riverboat casino license to be granted in Illinois. The funds were to be distributed to racetracks in Illinois for purses as well as racetrack discretionary spending. During December 2008, the Illinois Gaming Board awarded the tenth riverboat license to a casino in Des Plaines, Illinois. This casino opened during July 2011, entitling the Illinois racing industry to receive an amount equal to 15% of the adjusted gross receipts of this casino from the gaming taxes generated by that casino, once the accumulated funds were appropriated by the state.

On July 10, 2013, the Governor of Illinois signed Illinois House Bill 214 into law, providing for the release of $23.0 million of funds collected from the tenth riverboat licensee since its opening during 2011. During the year ended December 31, 2013, Arlington received $7.9 million as its share of the proceeds, of which $3.6 million was designated for Arlington purses. The remaining $4.2 million was recognized as miscellaneous other income in the Company's Consolidated Statements of Comprehensive Income during the year ended December 31, 2013. No additional proceeds related to future funds of the tenth riverboat are expected to be distributed to Illinois racetracks under the provisions of House Bill 214.

NOTE 22— SUBSEQUENT EVENT - HRTV EQUITY INVESTMENT DIVESTITURE

As part of the TSG agreement related to the cessation of Calder pari-mutuel operations, the Company modified its HRTV operating and ownership agreement with TSG resulting in the divestiture of the Company's interest in HRTV effective January 2, 2015.

During January 2015, we received $6.0 million in proceeds from the sale of the ownership interest. The Company recorded a gain of $5.8 million during January 2015 from the sale of its remaining investment in HRTV.

Supplementary Financial Information — Results of Operations (Unaudited)

Summarized unaudited consolidated quarterly information for the years ended December 31, 2014 and 2013 is provided below (in thousands, except per common share data):

	For the Year Ended December 31, 2014			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net revenues	$ 167,310	$ 303,651	$ 173,665	$ 168,308
Earnings (loss) from operations	$ (700)	$ 57,333	$ 3,531	$ (13,807)
Net earnings per common share:				
Basic:				
Net earnings (loss)	$ (0.04)	$ 3.23	$ 0.21	$ (0.81)
Diluted:				
Net earnings (loss)	$ (0.04)	$ 3.21	$ 0.20	$ (0.81)

	For the Year Ended December 31, 2013			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net revenues	$ 147,876	$ 283,593	$ 185,496	$ 162,360
Earnings from continuing operations	$ 1,089	$ 50,308	$ 9,208	$ (5,573)
Discontinued operations, net of income taxes:				
(Loss) earnings from operations	$ (31)	$ (10)	$ 41	$ (49)
Loss on sale of assets	$ —	$ —	$ —	$ (83)
Net earnings	$ 1,058	$ 50,298	$ 9,249	$ (5,705)
Net earnings per common share:				
Basic:				
Earnings from continuing operations	$ 0.06	$ 2.85	$ 0.52	$ (0.32)
Discontinued operations	—	—	—	(0.01)
Net earnings (loss)	$ 0.06	$ 2.85	$ 0.52	$ (0.33)
Diluted:				
Earnings from continuing operations	$ 0.06	$ 2.81	$ 0.51	$ (0.32)
Discontinued operations	—	—	0.01	(0.01)
Net earnings (loss)	$ 0.06	$ 2.81	$ 0.52	$ (0.33)

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Included in this Annual Report on Form 10-K are certifications of our Chief Executive Officer and Chief Financial Officer, which are required in accordance with Rule 13a-14 of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”). This section includes information concerning the controls and controls evaluation referred to in the certifications.

(a) Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that the Company files or submits to the Securities and Exchange Commission is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to the Company’s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required financial disclosure.

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's Disclosure Committee and management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b). Based upon this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2014.

(b) Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

(i) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(ii) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

(iii) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2014. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework (2013).*

We have excluded Big Fish Games, Inc. ("Big Fish Games") from our assessment of internal control over financial reporting as of December 31, 2014, because it was acquired by us in a business acquisition during 2014. Big Fish Games is a wholly-owned subsidiary whose total assets were 4.1% and total revenues were 1.7% of the related consolidated financial statement amounts as of and for the year ended December 31, 2014.

Based on our assessment using those criteria, management has concluded that the Company maintained effective internal control over financial reporting as of December 31, 2014.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2014, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report, which appears under Item 8.

(c) Changes in Internal Control Over Financial Reporting

Management of the Company has evaluated, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the fourth quarter of 2014. There have not been any changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the quarter ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required herein is incorporated by reference from sections of the Company's Proxy Statement titled "Section 16(a) Beneficial Ownership Reporting Compliance," "Election of Directors," "Executive Officers of the Company," "Corporate Governance" and "Audit Committee," to be filed with the Securities and Exchange Commission in connections with the

Company's 2015 Annual Meeting of Shareholders ("the Proxy Statement") pursuant to instruction G(3) of the General Instructions to Form 10-K.

The Company has adopted a Code of Ethics that applies to its Chief Executive Officer, Chief Financial Officer and employees performing similar functions. This Code of Ethics is available on the Company's corporate website, www.churchilldownsincorporated.com, under the "Investors" heading. A copy of this Code of Ethics is also available and will be sent to shareholders free of charge upon request to the Company's Secretary.

ITEM 11. EXECUTIVE COMPENSATION

The information required herein is incorporated by reference from sections of the Company's Proxy Statement titled "Election of Directors — Director Compensation for the year ended December 31, 2014," "Compensation Committee Interlocks and Insider Participation," "Corporate Governance," "Certain Relationships and Related Transactions," "Executive Compensation," "Compensation Committee Report" and "Compensation Discussion and Analysis," pursuant to instruction G(3) of the General Instructions to Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required herein is incorporated by reference from the sections of the Company's Proxy Statement titled "Security Ownership of Certain Beneficial Owners and Management," "Election of Directors," "Executive Officers of the Company" and "Equity Compensation Plan Information," pursuant to instruction G(3) of the General Instructions to Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required herein is incorporated by reference from the section of the Company's Proxy Statement titled "Certain Relationships and Related Transactions" and "Corporate Governance," pursuant to instruction G(3) of the General Instructions to Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required herein is incorporated by reference from the section of the Company's Proxy Statement titled "Independent Public Accountants," pursuant to instruction G(3) of the General Instructions to Form 10-K.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULE

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHURCHILL DOWNS INCORPORATED

/s/ William C. Carstanjen
William C. Carstanjen
Chief Executive Officer
(Principal Executive Officer)
February 25, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Robert L. Evans
Robert L. Evans
Chairman of the Board
February 25, 2015
(Chairman of the Board)

/s/ William C. Carstanjen
William C. Carstanjen
Chief Executive Officer
February 25, 2015
(Principal Executive Officer)

/s/ William E. Mudd
William E. Mudd
President and
Chief Financial Officer
February 25, 2015
(Principal Financial and Accounting Officer

/s/ Ulysses L. Bridgeman
Ulysses L. Bridgeman
February 25, 2015
(Director)

/s/ Craig J. Duchossois
Craig J. Duchossois
February 25, 2015
(Director)

/s/ Richard L. Duchossois
Richard L. Duchossois
February 25, 2015
(Director)

/s/ Robert L. Fealy
Robert L. Fealy
February 25, 2015
(Director)

/s/ Daniel P. Harrington
Daniel P. Harrington
February 25, 2015
(Director)

/s/ G. Watts Humphrey, Jr.
G. Watts Humphrey, Jr.
February 25, 2015
(Director)

/s/ James F. McDonald
James F. McDonald
February 25, 2015
(Director)

/s/ R. Alex Rankin
R. Alex Rankin
February 25, 2015
(Director)

CHURCHILL DOWNS INCORPORATED
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

Description	Balance Beginning of Year	Acquired Balances	Charged to Expenses	Deductions	Balance End of Year
Allowance for doubtful accounts:					
2014	$ 4,338	$ —	$ 1,710	$ (1,802)	$ 4,246
2013	$ 1,885	$ —	$ 3,785	$ (1,332)	$ 4,338
2012	$ 2,408	$ —	$ 1,937	$ (2,460)	$ 1,885

Description	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Deferred income tax asset valuation allowance:				
2014	$ 1,213	$ 75	$ (14)	$ 1,274
2013	$ 1,334	$ 168	$ (289)	$ 1,213
2012	$ 1,487	$ 33	$ (186)	$ 1,334

EXHIBIT INDEX

Numbers		Description	By Reference To
2	(a)	Purchase Agreement dated as of September 10, 2010 among Churchill Downs Incorporated, SWG Holdings, LLC and HCRH, LLC	Exhibit 10.1 to Current Report on Form 8-K filed September 13, 2010
	(b)	Agreement and Plan of Merger, dated as of November 12, 2014, by and among Churchill Downs Incorporated, Ocean Acquisition Corp., Big Fish Games, Inc., and the security holders' agent party thereto	Exhibit 2.1 to Current Report on Form 8-K filed November 13, 2014
	(c)	Shareholder Agreement, dated as of November 12, 2014, by and between Churchill Downs Incorporated and Paul J. Thelen	Exhibit 2.2 to Current Report on Form 8-K filed November 13, 2014
3	(a)	Amended and Restated Articles of Incorporation of Churchill Downs Incorporated, as amended July 3, 2012	Exhibit 3.1 to Current Report on Form 8-K filed July 10, 2012
	(b)	Amended and Restated Bylaws of Churchill Downs Incorporated, as amended July 3, 2012	Exhibit 3.1 to Current Report on Form 8-K filed July 10, 2012
4	(a)	Rights Agreement, dated as of March 19, 2008 by and between Churchill Downs Incorporated and National City Bank	Exhibit 4.1 to Current Report on Form 8-K filed March 17, 2008
	(b)	Second Amended and Restated Credit Agreement dated December 22, 2009, among Churchill Downs Incorporated, the guarantors party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A., as agent and collateral agent, with PNC Bank, National Association, as Syndication Agent, and Fifth Third Bank, U.S. Bank, National Association and Wells Fargo Bank, National Association, as Documentation Agents	Exhibit 10.1 to Current Report on Form 8-K filed December 29, 2009
	(c)	Amendment No. 1 to the Second Amended and Restated Credit Agreement, dated November 1, 2010 among Churchill Downs Incorporated, the guarantors party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A., as agent and collateral agent, with PNC Bank, National Association, as Syndication Agent, and Fifth Third Bank, U.S. Bank, National Association and Wells Fargo Bank, National Association, Documentation Agents	Exhibit 10.1 to Current Report on Form 8-K filed November 1, 2010
	(d)	Third Amendment and Restated Credit Agreement, dated May 17, 2013 among Churchill Downs Incorporated, the guarantors party thereto, the Lenders party thereto and JP Morgan Chase Bank, N.A., as agent and collateral agent, with PNC Bank, National Association, as Syndication Agent, and Fifth Third Bank, U.S. Bank, National Association and Wells Fargo Bank, National Association, Documentation Agents	Exhibit 10(a) to Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2013.
	(e)	Amendment and Restatement Agreement dated December 1, 2014 with Fourth Amended and Restated Credit Agreement	Exhibit 4(e) to Annual Report on Form 10-K for the fiscal year ended December 31, 2014
10	(a)	Churchill Downs Incorporated Amended and Restated Supplemental Benefit Plan dated December 1, 1998*	Exhibit 10(a) to Annual Report on Form 10-K for the fiscal year ended December 31, 1998
	(b)	Churchill Downs Incorporated 2003 Stock Option Plan*	Exhibit 4(e) to the Registration Statement on Form S-8 dated June 20, 2003 (No. 333-106310)
	(c)	Fourth Amended and Restated Churchill Downs Incorporated 1997 Stock Option Plan*	Exhibit 10(a) to Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2002
	(d)	Amended and Restated Lease Agreement dated January 31, 1996	Exhibit 10(i) to Annual Report on Form 10-K for the fiscal year ended December 31, 1995

Numbers	Description	By Reference To
(e)	Churchill Downs Incorporated Amended and Restated Deferred Compensation Plan for Employees and Directors*	Exhibit 10(a) to Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2001
(f)	Form of Stockholder's Agreement, dated September 8, 2000 among Churchill Downs Incorporated and Duchossois Industries, Inc.	Annex C of the Proxy Statement for a Special Meeting of Shareholders of Churchill Downs Incorporated held September 8, 2000
(g)	Lease Agreement between the City of Louisville, Kentucky and Churchill Downs Incorporated dated January 1, 2003	Exhibit 2.1 to Current Report on Form 8-K filed January 6, 2003
(h)	Form of Restricted Stock Agreement*	Exhibit 10.1 to Current Report on Form 8-K filed November 30, 2004
(i)	Stock Redemption Agreement dated as of October 19, 2004, between Churchill Downs Incorporated and Brad M. Kelley	Exhibit 10.2 to Current Report on Form 8-K filed October 25, 2004
(j)	Churchill Downs Incorporated Amended and Restated Convertible Promissory Note dated March 7, 2005	Exhibit 10.1 to Current Report on Form 8-K filed March 11, 2005
(k)	2005 Churchill Downs Incorporated Deferred Compensation Plan, as amended*	Exhibit 10.1 to Current Report on Form 8-K filed June 21, 2005
(l)	Reinvestment Agreement dated as of September 23, 2005, among Bay Meadows Land Company, LLC, Stockbridge HP Holdings Company, LLC, Stockbridge Real Estate Fund II-A, LP, Stockbridge Real Estate Fund II-B, LP, Stockbridge Real Estate Fund II-T, LP, Stockbridge Hollywood Park Co-Investors, LP and Churchill Downs Investment Company	Exhibit 10.3 to Current Report on Form 8-K filed September 29, 2005
(m)	2006 Amendment to 2005 Churchill Downs Incorporated Deferred Compensation Plan*	Exhibit 10.1 to Current Report on Form 8-K filed June 8, 2006
(n)	Churchill Downs Incorporated 2007 Omnibus Stock Incentive Plan*	Exhibit A to Schedule 14A filed April 30, 2007
(o)	Amendment to Churchill Downs Incorporated 2005 Deferred Compensation Plan Adopted June 28, 2007*	Exhibit 10(b) to Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2007
(p)	Amended and Restated Terms and Conditions of Performance Share Awards Issued Pursuant to the Churchill Downs Incorporated 2007 Omnibus Stock Incentive Plan	Exhibit 10.1 to Current Report on Form 8-K filed December 19, 2008
(q)	First Amendment to the Churchill Downs Incorporated Amended and Restated Incentive Compensation Plan (1997), effective November 14, 2008*	Exhibit 10 (vv) to Annual Report on Form 10-K for the fiscal year ended December 31, 2008
(r)	2005 Churchill Downs Incorporated Deferred Compensation Plan (As Amended as of December 1, 2008)*	Exhibit 10 (ww) to Annual Report on Form 10-K for the fiscal year ended December 31, 2008
(s)	Churchill Downs Incorporated Executive Severance Policy (Amended Effective as of November 12, 2008)*	Exhibit 10 (xx) to Annual Report on Form 10-K for the fiscal year ended December 31, 2008
(t)	Agreement and Sale of Purchase, dated as of November 30, 2009, between The Duchossois Group, Inc. and Arlington Park Racecourse, LLC	Exhibit 10.1 to Current Report on Form 8-K filed December 4, 2009
(u)	Promissory Note, dated as of December 3, 2009, made by Arlington Park Racecourse, LLC to The Duchossois Group, Inc.	Exhibit 10.2 to Current Report on Form 8-K filed December 4, 2009
(v)	Dissolution Agreement for TrackNet Media Group, LLC by and between Churchill Downs Incorporated and MI Developments, Inc, entered May 14, 2010	Exhibit 99.1 to Current Report on Form 8-K dated May 19, 2010

Numbers		Description	By Reference To
	(w)	Amended and Restated Employment Agreement dated as of September 27, 2010, by and between Churchill Downs Incorporated and Robert L. Evans	Exhibit 10(a) to Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2010
	(x)	Form of Churchill Downs Incorporated Restricted Stock Agreement*	Exhibit 10(ll) to Annual Report on Form 10-K for the fiscal year ended December 31, 2011
	(y)	Limited Liability Company Agreement of Miami Valley Gaming & Racing, LLC, dated as of March 1, 2012, among Miami Valley Gaming & Racing, LLC, Churchill Downs Incorporated, MVGR, LLC (a wholly-owned subsidiary of Churchill Downs Incorporated), Delaware North Companies Gaming & Entertainment, Inc. and DNC Ohio Gaming, Inc. (a wholly-owned subsidiary of Delaware North Companies Gaming & Entertainment, Inc.)	Exhibit 10.1 to Current Report on Form 8-K filed March 5, 2012
	(z)	Asset Purchase Agreement, dated as of March 1, 2012, between Miami Valley Gaming & Racing LLC; Lebanon Trotting Club, Inc.; Miami Valley Trotting, Inc.; Keith Nixon Jr. and John Carlo	Exhibit 10.2 to Current Report on Form 8-K filed March 5, 2012
	(aa)	Indenture dated as of December 16, 2013 by and among Churchill Downs Incorporated, the Guarantors, and US Bank National Association	Exhibit (4.1) to Current Report on Form 8-K dated December 16, 2013.
	(bb)	Registration Rights Agreement dated December 16, 2013 by and among Churchill Downs Incorporated, the Guarantors and the representatives of the initial purchasers	Exhibit (4.2) to Current Report on Form 8-K dated December 16, 2013.
	(cc)	Churchill Downs Incorporated Executive Annual Incentive Plan	Exhibit A of the Proxy Statement for a Meeting of Shareholders of Churchill Downs Incorporated held June 14, 2012.
	(dd)	Amendment to the Churchill Downs Incorporated 2007 Omnibus Stock Incentive Plan	Exhibit B of the Proxy Statement for a Meeting of Shareholders of Churchill Downs Incorporated held June 14, 2012.
	(ee)	Form of Executive Change in Control, Severance and Indemnity Agreement dated as of August 27, 2014 executed between Churchill Downs Incorporated and Robert L. Evans, William C. Carstanjen, William E. Mudd, and Alan K. Tse*	Exhibit 10.1 to Current Report on Form 8-K filed August 28, 2014
	(ff)	Form of Executive Change in Control, Severance and Indemnity Agreement dated as of February 9, 2015 executed between Churchill Downs Incorporated and Robert L. Evans, William C. Carstanjen, William E. Mudd, and Alan K. Tse*	Exhibit 10.1 to Current Report on Form 8-K filed February 12, 2015
14		Churchill Downs Incorporated Code of Ethics as of December 31, 2003	Exhibit 14 to Annual Report on Form 10-K for the fiscal year ended December 31, 2003
21		Subsidiaries of the Registrant	Exhibit 21 to Annual Report on Form 10-K for the fiscal year ended December 31, 2014
23		Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm	Exhibit 23 to Annual Report on Form 10-K for the fiscal year ended December 31, 2014
31	(a)	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Exhibit 31(a) to Annual Report on Form 10-K for the fiscal year ended December 31, 2014
	(b)	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Exhibit 31(b) to Annual Report on Form 10-K for the fiscal year ended December 31, 2014

Numbers	Description	By Reference To
32	Certification of Chief Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished pursuant to Rule 13a-14(b))	Exhibit 32 to Annual Report on Form 10-K for the fiscal year ended December 31, 2014
101 INS	XBRL Instance Document	
101 SCH	XBRL Taxonomy Extension Schema Document	
101 CAL	XBRL Taxonomy Extension Calculation Linkbase Document	
101 DEF	XBRL Taxonomy Extension Definition Linkbase Document	
101 LAB	XBRL Taxonomy Extension Label Linkbase Document	
101 PRE	XBRL Taxonomy Extension Presentation Linkbase Document	

* Management contract or compensatory plan or arrangement.

EXECUTION COPY

AMENDMENT AND RESTATEMENT AGREEMENT

Dated as of December 1, 2014

THIS AMENDMENT AND RESTATEMENT AGREEMENT (this "Agreement") is made as of December 1, 2014 (the "Restatement Effective Date") by and among Churchill Downs Incorporated (the "Borrower"), the subsidiaries of the Borrower signatory hereto (the "Guarantors", and together with the Borrower, the "Loan Parties", and each individually a "Loan Party"), the financial institutions listed on the signature pages hereof and JPMorgan Chase Bank, N.A., in its capacity as administrative agent for the Lenders (the "Agent") and as collateral agent (the "Collateral Agent"), under that certain Third Amended and Restated Credit Agreement dated as of May 17, 2013 by and among the Borrower, the Lenders party thereto and the Agent (as in effect on the date hereof, the "Existing Credit Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to them in the Restated Credit Agreement (as defined below).

WHEREAS, the Borrower, the Lenders party hereto and the Agent have agreed to (i) add a term credit facility to the Existing Credit Agreement pursuant to Section 8.2 thereof and (ii) amend and restate the Existing Credit Agreement to effect the addition of such term credit facility and the other modifications described herein;

WHEREAS, the parties hereto have agreed to such amendment and restatement on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto have agreed to enter into this Agreement.

1. Amendment and Restatement of the Existing Credit Agreement. (a) Effective on the Restatement Effective Date (as defined below), the Existing Credit Agreement is hereby amended and restated in its entirety to read as set forth in Exhibit A hereto (the "Restated Credit Agreement") and the Commitment Schedule and Pricing Schedule to the Existing Credit Facility are hereby amended and restated in the form of the corresponding Commitment Schedule and Pricing Schedule to the Restated Credit Agreement. From and after the effectiveness of such amendment and restatement, the terms "Agreement", "this Agreement", "herein", "hereinafter", "hereto", "hereof" and words of similar import, as used in the Restated Credit Agreement, shall, unless the context otherwise requires, refer to the Restated Credit Agreement, and the term "Credit Agreement", as used in the other Loan Documents, shall mean the Restated Credit Agreement.

(b) All "Commitments" as defined in, and in effect under, the Existing Credit Agreement on the Restatement Effective Date shall continue in effect under the Restated Credit Agreement, and all "Loans" and "Facility LCs" as defined in, and outstanding under, the Existing Credit Agreement on the Restatement Effective Date shall continue to be outstanding under the Restated Credit Agreement, and on and after the Restatement Effective Date the terms of the Restated Credit Agreement will govern the rights and obligations of the Borrower, the Lenders and the Agent with respect thereto.

(c) The amendment and restatement of the Existing Credit Agreement as contemplated hereby shall not be construed to discharge or otherwise affect any obligations of the Loan Parties accrued or otherwise owing under the Existing Credit Agreement that have not been paid, it being understood that such obligations will constitute obligations under the Restated Credit Agreement.

2. Classification of Commitments; Term Lenders. Effective upon the Restatement Effective Date (a) each "Commitment" as defined in, and in effect under, the Existing Credit Agreement shall be a "Revolving Commitment" under the Restated Credit Agreement and (b) each Lender holding a Term Loan Commitment that, on or prior to the requisite time on the date hereof, has executed and delivered to the Agent (or its counsel) a counterpart of this Agreement pursuant to Section 3 of this Agreement agrees to become, and does hereby become, a Term Lender

under the Restated Credit Agreement and agrees to be bound by such Restated Credit Agreement as of the Restatement Effective Date.

3. Conditions of Effectiveness. The effectiveness of the amendment and restatement of the Existing Credit Agreement pursuant to Section 1 of this Agreement shall be subject to the satisfaction of the following conditions precedent:

(a) The Agent (or its counsel) shall have received from each of the Borrower, each Guarantor, the Agent, the Required Lenders under the Existing Credit Agreement and each of the Term Lenders (as defined in the Restated Credit Agreement) either a counterpart of this Agreement signed on behalf of such party or written evidence satisfactory to the Agent (which may include facsimile or other electronic transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

(b) The Agent (or its counsel) shall have received the General Reaffirmation and Modification Agreement duly executed by each of the Loan Parties and the Collateral Agent.

(c) The Agent shall have received a favorable written opinion (addressed to the Agent and the Lenders and dated the Restatement Effective Date) of Stites & Harbison PLLC, counsel for the Loan Parties, covering such other matters relating to the Loan Parties, the Loan Documents or the transactions hereby or thereby as the Agent shall reasonably request. The Borrower hereby requests such counsel to deliver such opinion.

(d) The Agent shall have received such documents and certificates as the Agent or its counsel may reasonably request relating to the organization, existence and good standing of the Loan Parties, the authorization of the transactions contemplated hereby and by the Restated Credit Agreement and any other legal matters relating to such Loan Parties, the Loan Documents or the transactions contemplated hereby or thereby, all in form and substance satisfactory to the Agent and its counsel.

(e) The Agent shall have received a certificate, dated the Restatement Effective Date and signed by the Chief Financial Officer of the Borrower certifying the following: (i) no Material Adverse Effect has occurred since December 31, 2013 or is occurring, and all of the representations and warranties made by or on behalf of any of the Loan Parties relating to the Credit Agreement and/or any of the other Loan Documents remain true, correct and complete and (ii) no Default or Unmatured Default has occurred and is continuing.

(f) The Agent shall have received (i) for the account of each Lender that executes and delivers its signature page hereto by such time as is requested by the Agent, an amendment fee in an amount previously disclosed to the Lenders, (ii) for account of each Term Lender, an upfront fee in an amount previously disclosed to the Term Lenders, (iii) all other fees and other amounts due and payable on or prior to the Restatement Effective Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses (including reasonable documented out-of-pocket fees and expenses of counsel for the Agent) in connection with this Agreement and as otherwise required to be reimbursed or paid by the Borrower under the Loan Documents and (iv) all accrued and unpaid interest under the Existing Credit Agreement and all accrued and unpaid fees under Sections 2.3.4 and 2.7 of the Existing Credit Agreement. If any LC Disbursements are outstanding as of the Restatement Effective Date, such LC Disbursements shall be repaid, together with any interest accrued thereon.

The Agent shall notify the Borrower and the Lenders of the Restatement Effective Date, and such notice shall be conclusive and binding.

4. Representations and Warranties of the Loan Parties. Each Loan Party hereby represents and warrants as follows:

(a) This Agreement and the Restated Credit Agreement constitute legal, valid and binding obligations of such Loan Party enforceable against the such Loan Party in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally.

(b) As of the date hereof and giving effect to the terms of this Agreement, (i) no Default or Unmatured Default has occurred and is continuing and (ii) the representations and warranties of each Loan Party set

forth in Article V of the Restated Credit Agreement are true and correct in all material respects (or, in the case of any representation or warranty qualified by materiality or Material Adverse Effect, in all respects) on and as of the date hereof, except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty is true and correct in all material respects (or, in the case of any representation or warranty qualified by materiality or Material Adverse Effect, in all respects) on and as of such earlier date.

5. No Novation. This Agreement shall not extinguish the Loans, Advances, Facility LCs or other obligations outstanding under the Existing Credit Agreement. This Agreement shall be a Loan Document for all purposes.

6. **Governing Law**. **THIS AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (WITHOUT REGARD TO THE CONFLICT OF LAWS PROVISIONS) OF THE COMMONWEALTH OF KENTUCKY, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS**.

7. Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

8. Counterparts. This Agreement may be executed by one or more of the parties hereto on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Signatures delivered by facsimile or PDF shall have the same force and effect as manual signatures delivered in person.

[Signature Pages Follow]

IN WITNESS WHEREOF, this Agreement has been duly executed as of the day and year first above written.

CHURCHILL DOWNS INCORPORATED,

as the Borrower

By _____
Name:
Title:

CHURCHILL DOWNS MANAGEMENT COMPANY, LLC, as a Guarantor

By _____
Name:
Title:

CHURCHILL DOWNS INVESTMENT COMPANY, as a Guarantor

By _____ Name:
Title:

CALDER RACE COURSE, INC., as a Guarantor

By _____ Name:
Title:

TROPICAL PARK, LLC, as a Guarantor

By _____ Name:
Title:

ARLINGTON PARK RACECOURSE, LLC, as a Guarantor

By _____ Name:
Title:

ARLINGTON OTB CORP., as a Guarantor

By _____ Name:
Title:

QUAD CITY DOWNS, INC., as a Guarantor

By _____ Name:
Title:

CHURCHILL DOWNS LOUISIANA HORSERACING COMPANY, L.L.C., as a Guarantor

By _____ Name:
Title:

CHURCHILL DOWNS LOUISIANA VIDEO POKER COMPANY, L.L.C., as a Guarantor

By _____ Name:
Title:

VIDEO SERVICES, L.L.C., as a Guarantor

By _____ Name:
Title:

CHURCHILL DOWNS TECHNOLOGY INITIATIVES COMPANY, as a Guarantor

By _____ Name:
Title:

HCRH, LLC, as a Guarantor

By _____ Name:
Title:

SW GAMING LLC, as a Guarantor

By _____ Name:
Title:

UNITED TOTE COMPANY, as a Guarantor

By _____ Name:
Title:

YOUBET.COM, LLC, as a Guarantor

By _____ Name:
Title:

MAGNOLIA HILL, LLC, as a Guarantor

By _____ Name:
Title:

CHURCHILL DOWNS RACETRACK, LLC, as a Guarantor

By _____ Name:
Title:

CDTC LLC, as a Guarantor

By _____ Name:
Title:

MVGR, LLC, as a Guarantor

By _____ Name:
Title:

BB DEVELOPMENT LLC, as a Guarantor

By _____ Name:
Title:

JPMORGAN CHASE BANK, N.A., individually as a Lender and as Agent

By _____

Name:

Title:

Name of Lender:

By _____
Name:
Title:

For any Lender requiring a second signature line:

By _____
Name:
Title:

EXHIBIT A

FOURTH AMENDED AND RESTATED
CREDIT AGREEMENT

DATED AS OF MAY 17, 2013,
as amended and restated as of December 1, 2014

AMONG

CHURCHILL DOWNS INCORPORATED,

THE LENDERS,

THE GUARANTORS,

AND

JPMORGAN CHASE BANK, N.A.
AS AGENT AND COLLATERAL AGENT

WITH

PNC BANK, NATIONAL ASSOCIATION
AS SYNDICATION AGENT

AND

FIFTH THIRD BANK, U.S. BANK NATIONAL ASSOCIATION AND WELLS FARGO BANK, NATIONAL ASSOCIATION
AS DOCUMENTATION AGENTS

J.P. MORGAN SECURITIES LLC AND PNC CAPITAL MARKETS LLC
AS JOINT LEAD ARRANGERS AND JOINT BOOK RUNNERS
IN RESPECT OF THE REVOLVING CREDIT FACILITY

J.P. MORGAN SECURITIES LLC, PNC CAPITAL MARKETS LLC AND
U.S. BANK NATIONAL ASSOCIATION
AS JOINT LEAD ARRANGERS AND JOINT BOOK RUNNERS
IN RESPECT OF THE TERM LOAN FACILITY

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Schedule 5.24 **Operating Locations**

Schedule 5.25 **Licenses**

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Schedule 6(a) **Louisiana Mortgages**

Schedule 6.22 **Existing Rate Management Transactions**

FOURTH AMENDED AND RESTATED CREDIT AGREEMENT

This Fourth Amended and Restated Credit Agreement, dated as of May 17, 2013, as amended and restated as of December 1, 2014, is among CHURCHILL DOWNS INCORPORATED, the GUARANTORS party hereto, the LENDERS party hereto and JPMORGAN CHASE BANK, N.A., a national banking association, as AGENT and as COLLATERAL AGENT to amend and restate the Previous Credit Agreement, which is hereby amended and restated in its entirety.

WHEREAS, the Borrower has requested, and the Agent, the Required Lenders and the Term Lenders have agreed, to amend and restate the Previous Credit Agreement pursuant to the Amendment and Restatement Agreement;

WHEREAS, the Borrower, the Lenders party to the Amendment and Restatement Agreement and the Agent have agreed to enter into the Amendment and Restatement Agreement in order to amend and restate the Previous Credit Agreement in its entirety and provide a term loan facility hereunder as permitted under Section 8.2; and

WHEREAS, it is the intention of the parties to this Agreement that this Agreement not constitute a novation and that, from and after the Restatement Effective Date, the Previous Credit Agreement shall be amended and restated hereby and all references herein to "hereunder," "hereof," or words of like import and all references in any other Loan Document to the "Credit Agreement" or words of like import shall mean and be a reference to the Previous Credit Agreement as amended and restated hereby (and any section references to the Previous Credit Agreement shall refer to the applicable equivalent provision set forth herein although the section number thereof may have changed);

NOW, THEREFORE, in consideration of the terms and conditions contained herein, and of any loans or extensions of credit heretofore, now or hereafter made to or for the benefit of the Borrower by the Lenders and the Agent, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

1.1 Certain Defined Terms. As used in this Agreement:

"Acquisition" means any transaction, or any series of related transactions, consummated on or after the Closing Date, by which the Borrower or any other Loan Party (i) acquires any going business or all or substantially all of the assets of any Person, or division thereof, whether through purchase of assets, merger or otherwise or (ii) directly or indirectly acquires (in one transaction or as the most recent transaction in a series of transactions) at least a majority (in number of votes) of the securities of a corporation which have ordinary voting power for the election of directors (other than securities having such power only by reason of the happening of a contingency) or a majority (by percentage or voting power) of the outstanding ownership interests of a partnership or limited liability company.

"Adjusted EBITDA" of any Person for any period means the EBITDA for that Person for that period adjusted as set forth in the following sentence. For the purposes of calculating Adjusted EBITDA for any period of four consecutive fiscal quarters (each, a "Reference Period") solely in respect of determining the Total Leverage Ratio and the Senior Secured Leverage Ratio, (i) if at any time during such Reference Period the Borrower or any Subsidiary shall have made any Material Disposition, the EBITDA of such Person for such Reference Period shall be reduced by an amount equal to the EBITDA (if positive) attributable to the property that is the subject of such Material Disposition for such Reference Period or increased by an amount equal to the EBITDA (if negative) attributable thereto for such Reference Period, and (ii) if during such Reference Period the Borrower or any Subsidiary shall have made a Material Acquisition, EBITDA for such Person for such Reference Period shall be calculated (a) after giving pro forma effect thereto as if such Material Acquisition occurred on the first day of such Reference Period and (b) without giving effect to any material impairment charges made by the Person that is the target in any such Material Acquisition during such Reference Period. As used in this definition, "Material Acquisition" means any Acquisition that (a) constitutes (i) assets comprising all or substantially all or any significant portion of a business or operating unit of a business, or (ii)

all or substantially all of the common stock or other Equity Interests of a Person, and (b) involves the payment of consideration by the Borrower and its Subsidiaries in excess of $50,000,000; and "Material Disposition" means any sale, transfer or disposition of property or series of related sales, transfers, or dispositions of property that yields gross proceeds to the Borrower or any of its Subsidiaries in excess of $50,000,000.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Agent.

"Advance" means a borrowing hereunder, (i) made by the Lenders on the same Borrowing Date, or (ii) converted or continued by the Lenders on the same date of conversion or continuation, consisting, in either case, of the aggregate amount of the several Loans of the same Class, Type and, in the case of Eurodollar Loans, for the same Interest Period. The term "Advance" shall include Swing Line Loans unless otherwise expressly provided.

"Advance Wagering Deposits" means refundable deposits and amounts held by a Loan Party for the benefit of persons who made such deposits for the purpose of future wagering or gaming (including Internet Gaming), ownership of which deposits and amounts is vested in such persons.

"Affected Lender" has the meaning given it in Section 2.21.

"Affiliate" of any Person means any other Person directly or indirectly controlling, controlled by or under common control with such Person. A Person shall be deemed to control another Person if the controlling Person owns 10% or more of any class of voting securities (or other ownership interests) of the controlled Person or possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of stock, by contract or otherwise.

"Agent" means JPMorgan in its capacity as contractual representative of the Lenders pursuant to Article X, and not in its individual capacity as a Lender, and any successor Agent appointed pursuant to Article X.

"Aggregate Outstanding Credit Exposure" means, at any time, the aggregate of the Outstanding Credit Exposures of all the Lenders at such time.

"Agreement" means this Fourth Amended and Restated Credit Agreement, as it may be amended or modified and in effect from time to time.

"Agreement Accounting Principles" means generally accepted accounting principles as in effect from time to time, applied in a manner consistent with that used in preparing the financial statements referred to in Section 5.4.

"Alternate Base Rate" means, for any day, a rate of interest per annum equal to the highest of (a) the Prime Rate in effect for such date, (b) the sum of the Federal Funds Effective Rate in effect for such day plus 1/2% per annum and (c) the sum of (i) the quotient of (x) the Eurodollar Base Rate for a one month Interest Period on such day (or if such day is not a Business Day, the immediately preceding Business Day), divided by (y) one minus the Reserve Requirement (expressed as a decimal) applicable to such one month Interest Period, plus (ii) 1% per annum; provided that, for the avoidance of doubt, the Eurodollar Base Rate for any day shall be based on the Eurodollar Base Rate at approximately 11:00 a.m. (London time) on such day, subject to the interest rate floors set forth in the definition of Eurodollar Base Rate. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Federal Funds Effective Rate or the Eurodollar Base Rate shall be effective from and including the effective date of such change in the Prime Rate, the Federal Funds Effective Rate or the Eurodollar Base Rate, respectively.

"Amendment and Restatement Agreement" means the Amendment and Restatement Agreement, dated as of December 1, 2014, among the Borrower, the other Loan Parties, the Lenders party thereto and the Agent.

"Amendment No. 2 Effective Date" means November 12, 2014.

"Anti-Corruption Laws" means all laws, rules, and regulations of any jurisdiction applicable to the Borrower or its Affiliates from time to time concerning or relating to bribery or corruption.

"Applicable Fee Rate" means, at any time, the percentage rate per annum at which the Commitment Fee is accruing on the unused portion of the aggregate Revolving Commitments at such time as set forth in the Pricing Schedule.

"Applicable Margin" means, with respect to Advances of any Type at any time, the percentage rate per annum which is applicable at such time with respect to Advances of such Type as set forth in the Pricing Schedule.

"Approved Fund" means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"Arrangers" means collectively, (i) J.P. Morgan Securities LLC, and its successors, and PNC Capital Markets LLC, and its successors, in their capacity as Joint Lead Arrangers and Joint Book Runners for the Revolving Credit Facility and (ii) J.P. Morgan Securities LLC, and its successors, PNC Capital Markets LLC, and its successors, and U.S. Bank National Association, and its successors, in their capacity as Joint Lead Arrangers and Joint Book Runners for the Term Loan Facility.

"Assignment of Patents, Trademarks and Copyrights" shall mean the Assignment of Patents, Trademarks and Copyrights from time to time executed by the Loan Parties in favor of the Collateral Agent, as amended, restated, supplemented or otherwise modified from time to time.

"Article" means an article of this Agreement unless another document is specifically referenced.

"Authorized Officer" means any of the chief executive officer, chief financial officer, any executive vice president, any senior vice president, the treasurer, and any other officer designated as such by the board of directors of the Borrower, acting singly.

"Available Aggregate Revolving Commitment" means, at any time, the aggregate Revolving Commitments then in effect minus the aggregate Outstanding Revolving Credit Exposures of all Revolving Lenders at such time.

"Banking Services" means the Working Cash Sweep Rider and each and any of the following bank services provided to the Borrower or any of its Subsidiaries by any Lender or any of its Affiliates: (a) credit cards for commercial customers (including, without limitation, commercial credit cards and purchasing cards), (b) stored value cards and (c) treasury management services (including, without limitation, controlled disbursement, automated clearinghouse transactions, return items, overdrafts and interstate depository network services).

"Banking Services Obligations" means any and all obligations of the Borrower or any of its Subsidiaries to the Lenders and their Affiliates, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor) in connection with Banking Services.

"Bankruptcy Event" means, with respect to any Person, such Person becomes the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or custodian, appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment or has a parent company that has become the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or custodian appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment.

"Benefit Arrangement" shall mean at any time an "employee benefit plan," within the meaning of Section 3(3) of ERISA, which is neither a Plan nor a Multiemployer Plan and which is maintained, sponsored or otherwise contributed to by any member of the Controlled Group.

"Borrower" means Churchill Downs Incorporated, a Kentucky corporation, and its successors and assigns.

"Borrowing Date" means a date on which an Advance is made hereunder.

"Borrowing Notice" is defined in Section 2.10, and shall be in a form satisfactory to the Agent, generally in the form of Exhibit R.

"Business Day" means (i) with respect to any borrowing, payment or rate selection of Eurodollar Advances, a day (other than a Saturday or Sunday) on which banks generally are open in Louisville and New York City for the conduct of substantially all of their commercial lending activities, interbank wire transfers can be made on the Fedwire system and dealings in United States dollars are carried on in the London interbank market and (ii) for all other purposes, a day (other than a Saturday or Sunday) on which banks generally are open in Louisville for the conduct of substantially all of their commercial lending activities and interbank wire transfers can be made on the Fedwire system.

"CDMC" shall mean Churchill Downs Management Company, LLC, a Kentucky limited liability company, and wholly owned subsidiary of the Borrower.

"Calder" means Calder Race Course, Inc., a Florida corporation.

"Calder Financing Statements" is defined in Section 6.21.

"Calder Mortgage" means the Mortgage executed by Calder in favor of the Collateral Agent with respect to the Real Property owned by Calder. Calder executed the Calder Mortgage and delivered such Calder Mortgage to the Agent on the 2003 Closing Date in a form sufficient for recordation and the Agent may hereafter record such Mortgage at any time pursuant to Section 6.21.

"Capitalized Lease" of a Person means any lease of Property by such Person as lessee which would be capitalized on a balance sheet of such Person prepared in accordance with Agreement Accounting Principles.

"Capitalized Lease Obligations" of a Person means the amount of the obligations of such Person under Capitalized Leases which would be shown as a liability on a balance sheet of such Person prepared in accordance with Agreement Accounting Principles.

"Cash Equivalent Investments" means (i) short-term obligations of, or fully guaranteed by, the United States of America, (ii) commercial paper rated A-1 or better by S&P or P-1 or better by Moody's, (iii) demand deposit accounts maintained in the ordinary course of business, (iv) certificates of deposit issued by and time deposits with commercial banks (whether domestic or foreign) (a) having capital and surplus in excess of $100,000,000, (b) a certificate of deposit issued by Louisville Community Development Bank in an amount not to exceed $125,000 and (c) other certificates of deposit with other financial institutions for the purpose of securing amounts due to various other Persons in an aggregate amount not to exceed $5,000,000 at any one time; provided in each case that the same provides for payment of both principal and interest (and not principal alone or interest alone) and is not subject to any contingency regarding the payment of principal or interest and (v) any other investments permitted by the Borrower's investment policy as such policy is in effect, and as disclosed to the Agent, prior to the Closing Date and as such policy may be amended, restated, supplemented or otherwise modified from time to time with the consent of the Agent.

"Change in Control" means the occurrence of any of the following: Any person (as such term is used in Section 13(d) and Section 14(d)(2) of the Exchange Act as in effect on the date of the Closing Date) or related Persons constituting a group (as such term is used in Rule 13d-5 under the Exchange Act), other than a group including, and under the general supervision of, the Excluded Group: (i) become the "beneficial owners" (as such term is used in Rule 13d-3 under the Exchange Act as in effect on the date of the Closing Date), directly or indirectly, of more than 50% of the total voting power of all classes then outstanding of the voting stock or membership or other equity interests of the Borrower, or (ii) acquire after the date of the Closing Date (x) the power to elect, appoint or cause the election or appointment of at least a majority of the members of the board of directors of the Borrower, through beneficial ownership of the capital stock of the Borrower or otherwise, or (y) all or substantially all of the properties and assets of the Borrower.

"Change in Circumstances" has the meaning given it in Section 3.2.

"Change in Law" has the meaning given it in Section 3.1.

"Class", (i) when used in reference to any Loan or Advance, refers to whether such Loan, or the Loans comprising such Advance, are Revolving Loans, Term Loans or Swing Line Loans and (ii) when used in reference to any Lender, refers to whether such Lender is a Revolving Lender or a Term Lender.

"Closing Date" means May 17, 2013.

"Code" means the Internal Revenue Code of 1986, as amended, reformed or otherwise modified from time to time.

"Collateral" means and includes, collectively but without limitation, all property and assets in which the Loan Parties grant (or are required to grant pursuant to the terms hereof) the Collateral Agent for the benefit of the Lenders an interest as collateral or other security for all or any of the Secured Obligations, whether real or personal property, whether granted directly or indirectly, whether granted now or in the future, and whether granted in the form of a security interest, mortgage, deed of trust, assignment, pledge, chattel mortgage, chattel trust, factor's lien, equipment trust, conditional sale, trust receipt, lien, charge, lien or title retention, contract, lease or consignment agreement intended as a security device, or any other security or lien interest whatsoever, whether created by law, contract or otherwise and is intended to and shall include all real and personal property, tangible and intangible, of the Loan Parties; provided, however, the term Collateral shall not include (i) the Horseman's Account, (ii) Advance Wagering Deposits, (iii) the bond issued under the Master Plan Bond Transaction and payments owed by one Loan Party to another Loan Party in connection with the Master Plan Bond Transaction, (iv) ownership interests of any Loan Party in any (a) Excluded Subsidiary, (b) any Excluded Entity, and (c) those Persons listed on Schedule 3 hereto in which, as of the Closing Date, a Loan Party directly or indirectly owns less than 100% of the outstanding interest of such Person and in which the organizational agreements governing such Person prohibit the applicable Loan Party from granting a security interest in such ownership interest, and (v) any chattel paper, contract rights or other general intangibles which are now held or hereafter acquired by any Loan Party to the extent that such chattel paper, contract rights or other general intangibles (including, but not limited to, licenses) are not assignable or capable of being encumbered (a) as a matter of law or (b) under the terms of any agreement applicable thereto (but solely to the extent that any such restriction is enforceable and not ineffective under applicable law) without the consent of the other party to such agreement where such consent has not been obtained after the applicable Loan Party has made a reasonably diligent effort satisfactory to the Agent to obtain such consent.

"Collateral Agent" means JPMorgan in its capacity as contractual representative of the Lenders as Collateral Agent hereunder, and not in its individual capacity as a Lender.

"Collateral Documents" means, collectively, all of the instruments, documents and agreements executed in connection with this Agreement, the Previous Credit Agreement, the 2009 Credit Agreement, the 2005 Credit Agreement or the 2003 Credit Agreement by which any Person grants a security interest in Collateral, including without limitation, those documents referenced in Section 6.25 of this Agreement, which in turn includes without limitation, the Pledge and Security Agreement, the Mortgages, the Mortgage Instruments, the Negative Pledge Agreement, the Assignment of Patents, Trademarks and Copyrights, the Intercompany Subordination Agreement, the 2004B Collateral Documents, and all other documents or instruments executed as security for the Secured Obligations from time to time, including, without limitation, those entered into pursuant to Section 6.29 of this Agreement.

"Collateral Shortfall Amount" is defined in Section 8.1.

"Commitment" means, with respect to each Lender, the sum of such Lender's Revolving Commitment and Term Loan Commitment.

"Commitment Fee" is defined in Section 2.7.

"Commitment Schedule" means the Schedule identifying each Lender's Commitments as of the Restatement Effective Date attached hereto and identified as such.

"Commodity Exchange Act" means the Commodity Exchange Act (7 U.S.C. § 1 et seq.), as amended from time to time, and any successor statute.

"Communications" has the meaning assigned to such term in Section 13.1(d).

"Connection Income Taxes" means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

"Consolidated Adjusted EBITDA" for any Reference Period (as defined in the definition of "Adjusted EBITDA") means the consolidated Adjusted EBITDA of all of the Loan Parties for that period, consolidated in accordance with Agreement Accounting Principles. The EBITDA of the Excluded Subsidiaries shall not be included in Consolidated Adjusted EBITDA.

"Consolidated Funded Indebtedness" means at any time the aggregate dollar amount of Consolidated Indebtedness which has actually been funded and is outstanding at such time, whether or not such amount is due or payable at such time; provided that, notwithstanding the foregoing, and solely for purposes of calculating the Senior Secured Leverage Ratio and the Total Leverage Ratio, Consolidated Funded Indebtedness shall include any obligations representing the deferred purchase price (other than any earn-out obligations) payable in connection with the acquisition by the Borrower of Big Fish Games, Inc. and its Subsidiaries.

"Consolidated Indebtedness" means at any time the Indebtedness of the Loan Parties calculated on a consolidated basis as of such time in accordance with Agreement Accounting Principles. The Indebtedness of MVGR described in Schedule 2 and any Excluded Subsidiary shall not be included in Consolidated Indebtedness.

"Consolidated Interest Expense" means, with reference to any period, the interest expense of the Loan Parties calculated on a consolidated basis for such period in accordance with Agreement Accounting Principles. The interest expense paid by an Excluded Subsidiary shall not be included in Consolidated Interest Expense.

"Consolidated Net Income" means, with reference to any period, the net income (or loss) of all of the Loan Parties calculated on a consolidated basis for such period in accordance with Agreement Accounting Principles; provided that there shall be excluded any income (or loss) of any Excluded Entity, but any such income so excluded may be included in such period or any later period to the extent of any cash dividends or distributions actually received by a Loan Party in the relevant period from such Excluded Entity. Except to the extent set forth in the immediately preceding sentence, the net income (or loss) of any Excluded Subsidiary shall not be included in Consolidated Net Income.

"Consolidated Net Worth" means as of any date of determination total shareholders' equity of all of the Loan Parties as of such date determined and consolidated in accordance with Agreement Accounting Principles. The total shareholders' equity of any Excluded Subsidiary shall not be included in Consolidated Net Worth.

"Consolidated Senior Secured Funded Indebtedness" means at any time the aggregate dollar amount of Consolidated Funded Indebtedness (including, without limitation, the Secured Obligations) that is secured by a Lien on any assets of the Borrower or any Subsidiary.

"Contingent Obligation" of a Person means any agreement, undertaking or arrangement by which such Person assumes, guarantees, endorses, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes or is contingently liable upon, the obligation or liability of any other Person, or agrees to maintain the net worth or working capital or other financial condition of any other Person, or otherwise assures any creditor of such other Person against loss, including, without limitation, any guaranty, comfort letter, operating agreement, take-or-pay

contract or the obligations of any such Person as general partner of a partnership with respect to the liabilities of the partnership.

"Controlled Group" means all members of a controlled group of corporations or other business entities and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower or any of its Subsidiaries, are treated as a single employer under Section 414 of the Code.

"Conversion/Continuation Notice" is defined in Section 2.11, and shall be in a form satisfactory to the Agent, generally in the form of Exhibit S.

"Credit Extension" means the making of an Advance or the issuance of a Facility LC hereunder.

"Credit Extension Date" means the Borrowing Date for an Advance or the issuance date for a Facility LC.

"Current Fields of Enterprise" means those fields of enterprise that each Loan Party is engaged in as of the Closing Date, and activities related thereto, including, but not limited to the acquisition of Persons that provide wagering platforms and Internet Gaming, the acquisition of entertainment event Persons and the improvement of existing facilities to allow expanded entertainment venues and such other fields of enterprise as are similar or reasonably related to the foregoing (or ancillary or complementary thereto), which, in each case, is conducted in full compliance with applicable law.

"Default" means one or more of the events described in Article VII.

"Defaulting Lender" means any Lender, as determined by the Agent, that has (a) failed to fund any portion of its Loans (unless such Lender notifies the Agent in writing that such failure is the result of such Lender's good faith determination that a condition precedent to funding (specifically identified and including the particular default, if any) has not been satisfied) or participations in Facility LCs or Swing Line Loans within three (3) Business Days of the date required to be funded by it hereunder, (b) notified the Borrower, the Agent, any LC Issuer, the Swing Line Lender or any Lender in writing that it does not intend to comply with any of its funding obligations under this Agreement or has made a public statement to the effect that it does not intend to comply with its funding obligations under this Agreement or under other agreements in which it commits to extend credit, (c) failed, within three (3) Business Days after request by the Agent, to confirm that it will comply with the terms of this Agreement relating to its obligations to fund prospective Loans and participations in then outstanding Facility LCs and Swing Line Loans, (d) otherwise failed to pay over to the Agent or any other Lender any other amount required to be paid by it hereunder within three (3) Business Days of the date when due, unless the subject of a good faith dispute, or (e) (i) become or is insolvent or has a parent company that has become or is insolvent or (ii) become the subject of a Bankruptcy Event.

"Domestic Subsidiary" means a Subsidiary organized under the laws of a jurisdiction located in the United States of America.

"EBITDA" for any Person for any period of determination means that Person's Consolidated Net Income plus, without duplication and to the extent deducted from revenues in determining Consolidated Net Income, (i) interest expense, (ii) expense for taxes paid or accrued, (iii) depreciation, (iv) amortization, (v) extraordinary losses incurred other than in the ordinary course of business, (vi) the one-time contribution by the Borrower of up to $10,000,000 to the Churchill Downs Foundation, (vii) non-cash expenses related to stock-based compensation, (viii) non-cash losses, charges or expenses (including (a) non-cash losses on discontinued operations and asset sales, disposals or abandonments, (b) any non-cash impairment charge or asset write-off including, without limitation, those related to intangible assets, long-lived assets, and investments in debt and equity securities, in each case, pursuant to Agreement Accounting Principles, (c) all non-cash losses from investments recorded using the equity method, and (d) other non-cash charges including, without limitation, the amortization of up-front bonuses) (excluding any such non-cash losses, charges or expenses to the extent that such loss, charge or expense represents an accrual of, or reserve for, a future cash loss, charge or expense), (ix) Pre-Opening Expenses in an aggregate amount not to exceed $10,000,000 for each capital project giving rise to such Pre-Opening Expenses during such period and (x)(a) the net amount, if any, by which the consolidated deferred revenues of such Person and its Subsidiaries increased in accordance with Agreement

Accounting Principles during such period (provided, that this clause (a) shall only be applicable to 75% of the deferred revenues attributable to Big Fish Games, Inc. and its Subsidiaries) and (b) write-off of non-cash deferred revenue in connection with purchase accounting applied in respect of any Permitted Acquisition or any other acquisition (it being understood that such non-cash deferred revenue shall be recognized in such period(s) as it would have been recognized but for such Permitted Acquisition or other acquisition); *minus*, to the extent included in Consolidated Net Income, (1) that Person's extraordinary gains realized other than in the ordinary course of business for such period, (2) any cash payments made during such period in respect of items described in clauses (vii) and (viii) above subsequent to the fiscal quarter in which the relevant non-cash expenses were incurred, all determined in accordance with Agreement Accounting Principles and (3) the net amount, if any, by which the consolidated deferred revenues of such Person and its Subsidiaries decreased in accordance with Agreement Accounting Principles during such period (provided, that this clause (3) shall only be applicable to 75% of the deferred revenues attributable to Big Fish Games, Inc. and its Subsidiaries).

"ECP" means an "eligible contract participant" as defined in Section 1(a)(18) of the Commodity Exchange Act or any regulations promulgated thereunder and the applicable rules issued by the Commodity Futures Trading Commission and/or the SEC.

"Effective Period" is defined in Section 6.24.2.

"Electronic Signature" means an electronic sound, symbol, or process attached to, or associated with, a contract or other record and adopted by a Person with the intent to sign, authenticate or accept such contract or record.

"Electronic System" means any electronic system, including e-mail, e-fax, Intralinks®, ClearPar®, Debt Domain, Syndtrak and any other Internet or extranet-based site, whether such electronic system is owned, operated or hosted by the Agent and any LC Issuer and any of its respective Related Parties or any other Person, providing for access to data protected by passcodes or other security system.

"Environmental Laws" means all applicable federal, provincial, state and local laws, rules, regulations, reported and publicly available orders, reported judicial determinations, and reported and publicly available decisions of an executive body or any governmental or quasi-governmental entity, whether in the past, the present or the future, pertaining to health and/or the environment in effect in any and all jurisdictions in which the Borrowers are at any time leasing equipment pursuant to a lease or otherwise doing business. The Environmental Laws shall include, but shall not be limited to, the following: (1) the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. Sections 9601, et seq.; the Superfund Amendments and Reauthorization Act, Public Law 99-499, 100 Stat. 1613; the Resource Conservation and Recovery Act, 42 U.S.C. Sections 6901, et seq.; the National Environmental Policy Act, 42 U.S.C. Section 4321; the Safe Drinking Water Act, 42 U.S.C. Sections 300F, et seq.; the Toxic Substances Control Act, 15 U.S.C. Section 2601; the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801; the Federal Water Pollution Control Act, 33 U.S.C. Sections 1251; et seq.; the Clean Air Act, 42 U.S.C. Section 7401, et seq.; and the regulations promulgated in connection therewith; and (2) Environmental Protection Agency regulations pertaining to asbestos (including 40 C.F.R. Part 61, Subpart M); Occupational Safety and Health Administration regulations pertaining to asbestos (including 29 C.F.R. Sections 1910.1001 and 1926.58); and any state, province and local laws and regulations pertaining to Hazardous Materials and/or asbestos.

"Equity Interests" means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any of the foregoing.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any rule or regulation issued thereunder.

"Eurodollar Advance" means an Advance which, except as otherwise provided in Section 2.13, bears interest at the applicable Eurodollar Rate.

"Eurodollar Base Rate" means, with respect to a Eurodollar Advance for the relevant Interest Period, the London interbank offered rate as administered by ICE Benchmark Administration (or any other Person that takes over the administration of such rate) for U.S. dollars for a period equal in length to such Interest Period as displayed on page LIBOR01 of the Reuters screen or, in the event such rate does not appear on either of such Reuters pages, on any successor or substitute page on such screen that displays such rate, or on the appropriate page of such other information service that publishes such rate as shall be selected by the Administrative Agent from time to time in its reasonable discretion (in each case the "LIBOR Screen Rate") at approximately 11:00 a.m., London time, two (2) Business Days prior to the commencement of such Interest Period; provided that, if the LIBOR Screen Rate shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement; provided, further, that if a LIBOR Screen Rate shall not be available at such time for such Interest Period (the "Impacted Interest Period"), then the Eurodollar Base Rate for such Interest Period shall be the Interpolated Rate; provided, that, if any Interpolated Rate shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement. It is understood and agreed that all of the terms and conditions of this definition of "Eurodollar Base Rate" shall be subject to Section 3.3.

"Eurodollar Loan" means a Loan which, except as otherwise provided in Section 2.13, bears interest at the applicable Eurodollar Rate.

"Eurodollar Rate" means, with respect to a Eurodollar Advance for the relevant Interest Period, the sum of (i) the quotient of (a) the Eurodollar Base Rate applicable to such Interest Period, divided by (b) one minus the Reserve Requirement (expressed as a decimal) applicable to such Interest Period, plus (ii) the Applicable Margin.

"Exchange Act" means the Securities Exchange Act of 1934.

"Excluded Entities" means any corporation, partnership, limited liability company or other Person in which the Loan Parties hold an ownership interest, either directly or indirectly, and which is not a Loan Party.

"Excluded Group" means and includes Duchossois Industries, Inc. and its Affiliates.

"Excluded Subsidiaries" means any Excluded Entity which is a Subsidiary of any of the Loan Parties. The Excluded Subsidiaries on the Closing Date are: Tracknet, LLC, Bluff Holdings Georgia, Inc., Bluff Holdings Company, LLC, Velocity Wagering HC, LLC, Velocity Wagering Ltd., CD HRTV HC, LLC and United Tote Company Canada.

"Excluded Swap Obligation" means, with respect to any Guarantor, any Swap Obligation if, and to the extent that, all or a portion of the guarantee of such Guarantor of, or the grant by such Guarantor of a security interest to secure, such Swap Obligation (or any guarantee thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) (a) by virtue of such Guarantor's failure for any reason to constitute an ECP at the time the guarantee of such Guarantor or the grant of such security interest becomes or would become effective with respect to such Swap Obligation or (b) in the case of a Swap Obligation subject to a clearing requirement pursuant to Section 2(h) of the Commodity Exchange Act (or any successor provision thereto), because such Guarantor is a "financial entity," as defined in Section 2(h)(7)(C)(i) the Commodity Exchange Act (or any successor provision thereto), at the time the guarantee of such Subsidiary Guarantor becomes or would become effective with respect to such related Swap Obligation. If a Swap Obligation arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to swaps for which such guarantee or security interest is or becomes illegal.

"Excluded Taxes" means, in the case of each Lender or applicable Lending Installation and the Agent, (i) Taxes imposed on its overall net income, and franchise and branch profits Taxes imposed on it, by (a) the jurisdiction under the laws of which such Lender or the Agent is incorporated or organized or (b) the jurisdiction in which the Agent's or such Lender's principal executive office or such Lender's applicable Lending Installation is located or (c) that are Other Connection Taxes, (ii) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date on which (a) such Lender acquires such interest in the Loan or Commitment (other than pursuant to an assignment request by the Borrower under Section 2.21) or (b) such Lender changes its Lending Installation, except

in each case to the extent that, pursuant to Section 3.5, amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender acquired the applicable interest in a Loan or Commitment or to such Lender immediately before it changed its Lending Installation, (iii) Taxes attributable to such recipient's failure to comply with Section 3.5(v) and (iv) any U.S. federal withholding Taxes imposed under FATCA.

"Exhibit" refers to an exhibit to the Previous Credit Agreement, unless another document is specifically referenced.

"Facility LC" is defined in Section 2.3.1.

"Facility LC Application" is defined in Section 2.3.3.

"Facility LC Collateral Account" is defined in Section 2.3.11.

"Facility Termination Date" means the Revolving Facility Termination Date or the Term Loan Facility Termination Date, as applicable.

"Fair Grounds Assignment and Subordination of Lease and Management Agreement" shall mean the Assignment and Subordination of Lease and Management Agreement, dated as of October 14, 2004, between Churchill Downs Louisiana Horseracing Company, L.L.C., as Landlord, and Fair Grounds Corporation, as Tenant.

"FATCA" means Sections 1471 through 1474 of the Code, as of the Restatement Effective Date (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreement entered into pursuant to Section 1471(b)(1) of the Code.

"Federal Funds Effective Rate" means, for any day, an interest rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published on the next succeeding day (or, if such day is not a Business Day, for the immediately preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 10:00 a.m. (Louisville time) on such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by the Agent in its sole discretion; provided, that, if the Federal Funds Effective Rate shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

"Financial Contract" of a Person means (i) any exchange-traded or over-the-counter futures, forward, swap or option contract or other financial instrument with similar characteristics, and/or (ii) any Rate Management Transaction.

"First Tier Foreign Subsidiary" means each Foreign Subsidiary with respect to which any one or more of the Borrower or its Domestic Subsidiaries (other than a Domestic Subsidiary which is an Excluded Subsidiary or which is owned by a Foreign Subsidiary) directly owns or Controls more than 50% of such Foreign Subsidiary's issued and outstanding Equity Interests.

"Floating Rate" means, for any day, a rate per annum equal to (i) the Alternate Base Rate for such day plus (ii) the Applicable Margin, in each case changing when and as the Alternate Base Rate changes.

"Floating Rate Advance" means an Advance which, except as otherwise provided in Section 2.13, bears interest at the Floating Rate.

"Floating Rate Loan" means a Loan which, except as otherwise provided in Section 2.13, bears interest at the Floating Rate.

"Foreign Lender" means a Lender that is not a U.S. Person for U.S. federal income tax purposes.

"Foreign Subsidiary" means any Subsidiary which is not a Domestic Subsidiary.

"Fund" means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"Guarantor Joinder" is defined in Section 9.14.

"Guarantors" means, subject to Section 6.12(iii) collectively, Churchill Downs Management Company, LLC, Churchill Downs Investment Company , Calder Race Course, Inc., Tropical Park, LLC., Arlington Park Racecourse, LLC, Arlington OTB Corp., Quad City Downs, Inc., Churchill Downs Louisiana Horseracing Company, L.L.C., Churchill Downs Louisiana Video Poker Company, L.L.C., Video Services, L.L.C., Churchill Downs Technology Initiatives Company, HCRH, LLC, SW Gaming LLC, United Tote Company, Youbet.com, LLC, Magnolia Hill, LLC, Churchill Downs Racetrack, LLC, CDTC LLC, MVGR, any Person who becomes a Guarantor under Section 9.14, and the successors and assigns of any of them, and "Guarantor" means any one or more of these.

"Guaranty" means that certain Third Amended and Restated Guaranty dated as of the Closing Date, executed by the Guarantors in favor of the Collateral Agent, entered into pursuant to this Agreement, as amended, restated, supplemented or otherwise modified and in effect from time to time.

"Hazardous Materials" means any substance, chemical, wastes (medical or otherwise), or con-taminants, including, without limitation, asbestos, polychlorinated biphenyls ("PCBs"), paint containing lead, gasoline or other petroleum products, radioactive material, urea formaldehyde foam insulation, and discharges of sewage or effluent that is designated or defined (either by inclusion in a list of materials or by reference to exhibited characteristics) as hazardous, toxic or dangerous, or as a designated or prohibited substance, in any federal, state, provincial, municipal or local law, by-law, code having the force of law, or ordinance, including, without limitation, the applicable Environmental Laws, now existing or hereafter in effect, and all rules having the force of law and regulations promulgated thereunder.

"Horseman's Account" means refundable deposits and amounts held by a Loan Party for the benefit of horsemen, ownership of which deposits and amounts is vested in such horsemen.

"Impacted Interest Period" has the meaning assigned to such term in the definition of "Eurodollar Base Rate".

"Incremental Term Loan" is defined in Section 2.22.

"Incremental Term Loan Amendment" is defined in Section 2.22.

"Indebtedness" of a Person means (without duplication) such Person's (i) obligations for borrowed money, (ii) obligations representing the deferred purchase price of Property or services (other than accounts payable arising in the ordinary course of such Person's business payable on terms customary in the trade), (iii) obligations, whether or not assumed, secured by Liens or payable out of the proceeds or production from Property now or hereafter owned or acquired by such Person, (iv) obligations which are evidenced by notes, acceptances, or other instruments, (v) obligations of such Person to purchase securities or other Property arising out of or in connection with the sale of the same or substantially similar securities or Property, (vi) Capitalized Lease Obligations, (vii) LC Obligations, (viii) aggregate undrawn stated amount under Letters of Credit that are not Facility LCs, plus the aggregate amount of all reimbursement obligations in connection therewith, and (ix) any other obligation for borrowed money or other financial accommodation which in accordance with Agreement Accounting Principles would be shown as a liability on the consolidated balance sheet of such Person, but the term "Indebtedness" does not include trade payables and accrued expenses, deferred revenue related to the annual running of the Kentucky Derby, deferred revenue from the leasing or licensing of PSLs, and obligations under outstanding pari-mutuel tickets that are payable with respect to races run not more than one year prior to the date of determination which were incurred in the ordinary course of business, which are not represented by a promissory note or other evidence of indebtedness and (other than pari-mutuel tickets) which are not more than thirty (30) days past due, all determined in accordance with Agreement Accounting Principles.

"Indemnified Taxes" means (i) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of the Borrower under any Loan Document and (ii) to the extent not otherwise described in (i), Other Taxes.

"Indemnity Agreement" shall mean the Environmental Indemnity Agreement, dated as of the 2003 Closing Date, among the Agent, the Borrower and the Guarantors party thereto.

"Ineligible Institution" means (a) a natural person, (b) the Borrower or any Subsidiary or Affiliate of the Borrower, (c) a Defaulting Lender or its Lender Parent or (d) a company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural person or relative(s) thereof.

"Intercompany Subordination Agreement" shall mean a subordination agreement among the Loan Parties in the form attached hereto as Exhibit H.

"Interest Coverage Ratio" means, as of any date of calculation, the ratio of (a) Consolidated Adjusted EBITDA to (b) Consolidated Interest Expense, in each instance computed as provided in Section 6.24.1 and in accordance with Agreement Accounting Principles.

"Interest Period" means, with respect to a Eurodollar Advance, a period of one, two, three or six (or, with the consent of each Lender, twelve) months commencing on a Business Day selected by the Borrower pursuant to this Agreement. Such Interest Period shall end on the day which corresponds numerically to such date one, two, three or six (or, with the consent of each Lender, twelve) months thereafter, provided, however, that if there is no such numerically corresponding day in such next, second, third or sixth succeeding month (or, with the consent of each Lender, twelfth succeeding month), such Interest Period shall end on the last Business Day of such next, third or sixth (or, with the consent of each Lender, twelfth) succeeding month. If an Interest Period would otherwise end on a day which is not a Business Day, such Interest Period shall end on the next succeeding Business Day, provided, however, that if said next succeeding Business Day falls in a new calendar month, such Interest Period shall end on the immediately preceding Business Day.

"Internet Gaming" means wagering platforms conducted primarily through the use of the internet.

"Interpolated Rate" means, at any time, for any Interest Period, the rate per annum determined by the Agent (which determination shall be conclusive and binding absent manifest error) to be equal to the rate that results from interpolating on a linear basis between: (a) the LIBOR Screen Rate for the longest period (for which the LIBOR Screen Rate is available) that is shorter than the Impacted Interest Period and (b) the LIBOR Screen Rate for the shortest period (for which the LIBOR Screen Rate is available) that exceeds the Impacted Interest Period, in each case, at such time.

"Investment" of a Person means any loan, advance (other than commission, travel and similar advances to officers and employees made in the ordinary course of business), extension of credit (other than accounts receivable arising in the ordinary course of business on terms customary in the trade) or contribution of capital by such Person; stocks, bonds, mutual funds, partnership interests, notes, debentures or other securities owned by such Person; any deposit accounts and certificate of deposit owned by such Person; and structured notes, derivative financial instruments and other similar instruments or contracts owned by such Person.

"Jazz Fest Subordination Agreement and Estoppel" shall mean the Subordination, Non-Disturbance and Attornment Agreement dated October 13, 2004, between The New Orleans Jazz and Heritage Foundation, Inc., as Tenant, and the Collateral Agent as mortgagee under the Mortgage defined therein, together with the Estoppel Certificate by The New Orleans Jazz and Heritage Foundation, Inc. in favor of the Agent and the Collateral Agent.

"JPMorgan" means JPMorgan Chase Bank, N.A., a national banking association, in its individual capacity, and its successors.

"LC Disbursement" means a payment made by a LC Issuer pursuant to a Facility LC.

"LC Exposure" means, at any time, the aggregate principal amount of all LC Obligations at such time. The LC Exposure of any Revolving Lender at any time shall be its Pro Rata Share of the total LC Exposure at such time.

"LC Fee" is defined in Section 2.3.4.

"LC Issuer" means each of PNC Bank and JPMorgan (or any Subsidiary or Affiliate of either such Person designated by such Person) in its capacity as issuer of Facility LCs hereunder.

"LC Obligations" means, at any time, the sum, without duplication, of (i) the aggregate undrawn stated amount under all Facility LCs outstanding at such time (including without limitation increases, if any, in the stated amount provided in any Facility LC, whether or not the time for such increase has occurred) plus (ii) the aggregate unpaid amount at such time of all Reimbursement Obligations.

"LC Payment Date" is defined in Section 2.3.5.

"LC Reimbursement Agreement" is defined in Section 2.3.3.

"Lender Parent" means, with respect to any Lender, any Person as to which such Lender is, directly or indirectly, a subsidiary.

"Lenders" means the lending institutions listed on Commitment Schedule and their respective successors and assigns, together with any lending institution that becomes a Lender under Section 12.3. Unless otherwise specified, the term "Lenders" includes PNC Bank in its capacity as Swing Line Lender.

"Lending Installation" means, with respect to a Lender or the Agent, the office, branch, subsidiary or Affiliate of such Lender or the Agent listed in the Administrative Questionnaire delivered to the Agent by such entity or on a Schedule or otherwise selected by such Lender or the Agent pursuant to Section 2.19.

"Letter of Credit" of a Person means a letter of credit or similar instrument which is issued upon the application of such Person or upon which such Person is an account party or for which such Person is in any way liable.

"LIBOR Screen Rate" has the meaning assigned to such term in the definition of "Eurodollar Base Rate".

"Lien" means any lien (statutory or other), mortgage, pledge, hypothecation, security interest, assignment, deposit arrangement, encumbrance or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, the interest of a vendor or lessor under any conditional sale, Capitalized Lease or other title retention agreement).

"Loan" means a Revolving Loan, a Term Loan or a Swing Line Loan.

"Loan Documents" means this Agreement, the Facility LC Applications, the LC Reimbursement Agreement, any Notes issued pursuant to Section 2.15, the Collateral Documents, the Guaranty, the Amendment and Restatement Agreement and all other documents (excluding the Working Cash Sweep Rider) and/or instruments executed and delivered pursuant to and/or in connection with the 2003 Credit Agreement, the 2005 Credit Agreement, the 2009 Credit Agreement, the Previous Credit Agreement or this Agreement.

"Loan Parties" means the Borrower and the Guarantors from time to time.

"Louisiana Mortgages" means the Mortgages, Assignments of Rents and Security Agreements and the Leasehold Mortgages, Assignments of Rents and Security Agreements and Deeds of Trust encumbering the Loan Parties' fee or leasehold interest in those properties listed on 6(a) of the 2004B Amendment and delivered by each of the applicable Loan Parties with respect to each of the parcels of real property listed on Schedule 6(a) to the Collateral Agent for the benefit of the Lenders, as they may be amended and/or supplemented from time to time.

"Majority in Interest" means, at any time (i) in the case of the Revolving Lenders, Lenders having Outstanding Revolving Credit Exposures and unused Revolving Commitments representing more than 50% of the sum of the aggregate Outstanding Revolving Credit Exposures and the aggregate unused Revolving Commitments at such time and (ii) in the case of the Term Lenders, Lenders having outstanding Term Loans and unused Term Loan Commitments representing more than 50% of the sum of the aggregate outstanding principal amount of Term Loans and the aggregate unused Term Loan Commitments at such time. Notwithstanding anything in this Agreement to the contrary, no amendment or other agreement entered into pursuant to Section 8.2 shall change the percentage with respect to any Class of Lenders in this definition of "Majority in Interest" without the consent of each Lender directly affected thereby.

"Master Plan Bond Transaction" means the transaction through which the City of Louisville, Kentucky (n/k/a Louisville/Jefferson County Metro Government) Taxable Industrial Building Revenue Bond, Series 2002 (Churchill Downs Incorporated Project) was issued.

"Material Adverse Effect" means a material adverse effect on (i) the business, Property, condition (financial or otherwise), results of operations, or prospects, of the Loan Parties taken as a whole, (ii) the ability of the Borrower to perform its obligations under the Loan Documents to which it is a party, or (iii) the validity or enforceability of any of the Loan Documents or the rights or remedies of the Agent, the LC Issuers, the Collateral Agent or the Lenders thereunder.

"Material Disposition" has the meaning set forth in the definition of Adjusted EBITDA.

"Material Indebtedness" means Indebtedness in an outstanding principal amount of $30,000,000 or more in the aggregate (or the equivalent thereof in any currency other than U.S. dollars).

"Material Indebtedness Agreement" means any agreement under which any Material Indebtedness was created or is governed or which provides for the incurrence of Indebtedness in an amount which would constitute Material Indebtedness (whether or not an amount of Indebtedness constituting Material Indebtedness is outstanding thereunder).

"Modify" and "Modification" are defined in Section 2.3.1.

"Money Service Business Laws" means all applicable federal, provincial, state and local laws, rules, regulations, reported and publicly available orders, reported judicial determinations, and reported and publicly available decisions of an executive body or any governmental or quasi-governmental entity, whether in the past, the present or the future, pertaining to any Money Service Business Provider in effect in any and all jurisdictions in which the Borrower or any of its Subsidiaries are at any time doing business.

"Money Service Business Provider" means a Person that provides any of the following services: (1) currency dealer or exchanger, (2) check casher, (3) issuer of traveler's checks, money orders or open stored value cards, (4) seller or redeemer of traveler's checks, money orders, or open stored value cards or (5) money transmitter.

"Moody's" means Moody's Investors Service, Inc., and any successor thereto.

"Mortgages" shall mean the Mortgages and Deeds of Trust in substantially the form of collective Exhibit I previously executed and delivered by each of the applicable Loan Parties with respect to each of the parcels of Real Property Collateral to the Collateral Agent for the benefit of the Lenders. The Calder Mortgage with respect to the Real Property in Florida was not recorded on the 2003 Closing Date, but the Agent may cause the Collateral Agent to record the Calder Mortgage at any time pursuant to Section 6.21.

"Mortgage Instruments" means such title reports, ALTA title insurance policy (with endorsements), evidence of zoning compliance, property insurance, opinions of counsel, ALTA surveys, appraisals, flood certifications and flood insurance (and, if applicable, FEMA form acknowledgements of insurance), environmental assessments and reports and mortgage tax affidavits and declarations as are requested by, and in form and substance reasonably acceptable to, the Agent from time to time.

"Multiemployer Plan" means a Plan maintained pursuant to a collective bargaining agreement or any other arrangement to which the Borrower or any member of the Controlled Group is a party to which more than one employer is obligated to make contributions.

"MVGR" means MVGR, LLC, a Delaware limited liability company.

"Negative Pledge Agreement" means that certain Negative Pledge Agreement in substantially the form of Exhibit J executed and delivered by Calder and all the Loan Parties in favor of the Agent with respect to all interest of the Loan Parties in any Property of Calder, including without limitation any Property subject to the Calder Mortgage and/or any Calder Financing Statements.

"Net Proceeds" means, with respect to any event, (a) the cash proceeds received in respect of such event including any cash received in respect of any non-cash proceeds (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or purchase price adjustment receivable or otherwise, but excluding any interest payments), but only as and when received, net of (b) the sum of (i) all reasonable fees and out-of-pocket expenses paid to third parties (other than Affiliates) in connection with such event, (ii) the amount of all payments required to be made as a result of such event to repay Indebtedness (other than Loans) secured by such asset or otherwise subject to mandatory prepayment as a result of such event and (iii) the amount of all taxes paid (or reasonably estimated to be payable) and the amount of any reserves established to fund contingent liabilities reasonably estimated to be payable, in each case during the year that such event occurred or the next succeeding year and that are directly attributable to such event (as determined reasonably and in good faith by an Authorized Officer).

"Note" is defined in Section 2.15(iv).

"Notice of Acquisition" is defined in Section 6.13(iii)(d).

"Obligations" means, collectively, all unpaid principal of and accrued and unpaid interest on the Loans, all obligations, contingent or otherwise, under and/or in connection with any Notes and/or to or for the benefit of any Lender and/or any LC Issuer under and/or in connection with the other Loan Documents, all Reimbursement Obligations, all accrued and unpaid fees and all expenses, reimbursements, indemnities and other obligations (including interest and fees accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) of the Borrower to the Lenders or to any Lender, the Agent, the Collateral Agent for the benefit of any Lender or any LC Issuer, any LC Issuer or any indemnified party arising under the Loan Documents, whether they exist on the Restatement Effective Date, the Previous Credit Agreement, the 2009 Credit Agreement, the 2005 Credit Agreement or the 2003 Credit Agreement, or arise or are created or acquired after the Restatement Effective Date, the Previous Credit Agreement, the 2009 Credit Agreement, the 2005 Credit Agreement or the 2003 Credit Agreement.

"OFAC" means Office of Foreign Assets Control of the United States Department of the Treasury.

"Off-Balance Sheet Liability" of a Person means (i) any repurchase obligation or liability of such Person with respect to accounts or notes receivable sold by such Person, (ii) any liability under any Sale and Leaseback Transaction which is not a Capitalized Lease, (iii) any liability under any so-called "synthetic lease" transaction entered into by such Person, or (iv) any obligation arising with respect to any other transaction which is the functional equivalent of or takes the place of borrowing but which does not constitute a liability on the balance sheets of such Person, but excluding from this clause (iv) Operating Leases.

"Operating Lease" of a Person means any lease of Property (other than a Capitalized Lease) by such Person as lessee which has an original term (including any required renewals and any renewals effective at the option of the lessor) of one year or more.

"Other Connection Taxes" means, with respect to any recipient, Taxes imposed as a result of a present or former connection between such recipient and the jurisdiction imposing such Tax (other than connections arising from

such recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

"Other Taxes" is defined in Section 3.5(ii).

"Outstanding Credit Exposure" means, as to any Lender at any time, the sum of (a) the Outstanding Revolving Credit Exposure of such Lender at such time, plus (b) an amount equal to the aggregate principal amount of such Lender's Term Loans outstanding at such time.

"Outstanding Revolving Credit Exposure" means, as to any Revolving Lender at any time, the sum of (i) the aggregate principal amount of its Revolving Loans outstanding at such time, plus (ii) an amount equal to its Pro Rata Share of the LC Obligations at such time, plus (iii) an amount equal to its Pro Rata Share of the aggregate principal amount of Swing Line Loans outstanding at such time.
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"Participant Register" is defined in Section 12.2.1.

"Participants" is defined in Section 12.2.1.

"Patriot Act" means the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), as amended, and any successor statute.

"Payment Date" means the last day of each calendar quarter and the applicable Facility Termination Date.

"PBGC" means the Pension Benefit Guaranty Corporation, or any successor thereto.

"Permitted Acquisitions" has the meaning given it in Section 6.13(iii).

"Permitted Investment" means a possible investment in Black Bear Development Holdings, LLC in order to acquire Oxford Casino (Oxford) in Oxford, Maine.

"Permitted Liens" is defined in Section 6.16.

"Permitted Pro Rata Secured Financings" means those certain issuances of Indebtedness of the Borrower or any Domestic Subsidiary pursuant to a note offering to institutional investors or other term loan financing from banks and/or institutional investors, in each case with a maturity date that is no earlier than the Facility Termination Date and otherwise pursuant to such terms and conditions as are approved by the Agent from time to time and in an aggregate cumulative principal amount acceptable to the Required Lenders.

"Permitted Pro Rata Secured Obligations" means the Indebtedness and other obligations, if any, of the Borrower and its Subsidiaries under the Permitted Pro Rata Secured Financings.

"Permitted Secured Rate Management Transaction" has the meaning given it in Section 6.16(vii).

"Person" means any natural person, corporation, firm, joint venture, partnership, limited liability company, association, enterprise, trust or other entity or organization, or any government or political subdivision or any agency, department or instrumentality thereof.

"Plan" means an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code as to which the Borrower or any member of the Controlled Group may have any liability.

"Pledge and Security Agreement" means the Third Amended and Restated Pledge and Security Agreement in substantially the form of Exhibit K dated as of the Closing Date and executed and delivered by each of the applicable

Loan Parties to the Collateral Agent for the ratable benefit of the Lenders, as amended, restated, supplemented or otherwise modified and in effect from time to time.

"PNC Bank" means PNC Bank, National Association, a national banking association having its principal office in Pittsburgh, Pennsylvania, and having an office in Louisville, Kentucky, in its individual capacity, and its successors.

"Pre-Opening Expenses" shall mean, with respect to any fiscal period, the amount of expenses (including interest expense) incurred with respect to capital projects which are appropriately classified as "pre-opening expenses" on the applicable financial statements of the Borrower and the Loan Parties for such period.

"Previous Credit Agreement" means that certain Third Amended and Restated Credit Agreement dated as of the Closing Date by and among the Borrower, the Guarantors party thereto, the Lenders party thereto and the Agent, as the same has been amended prior to the Restatement Effective Date.

"Pricing Schedule" means the Pricing Schedule attached to this Agreement.

"Prime Rate" means the rate of interest per annum publicly announced from time to time by JPMorgan as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"Prohibited Transaction" shall mean any prohibited transaction as defined in Section 4975 of the Internal Revenue Code or Section 406 of ERISA for which neither an individual nor a class exemption has been issued by the United States Department of Labor.

"Pro Rata Share" means, with respect to any Lender, (a) with respect to Revolving Loans, LC Obligations or Swing Line Loans, the percentage obtained by dividing (i) such Lender's Revolving Commitment at such time by (ii) the aggregate Revolving Commitments at such time; provided, however, (1) in the case of Section 2.23 when a Defaulting Lender shall exist, "Pro Rata Share" shall mean the percentage obtained by dividing (x) such Lender's Revolving Commitment at such time by (y) the aggregate Revolving Commitments (disregarding any Defaulting Lender's Revolving Commitment) at such time and (2) if all of the Revolving Commitments are terminated pursuant to the terms of this Agreement, then "Pro Rata Share" means the percentage obtained by dividing (x) such Revolving Lender's Outstanding Revolving Credit Exposure at such time by (y) the aggregate Outstanding Revolving Credit Exposures of all Revolving Lenders (giving effect to any assignments and to any Revolving Lender's status as a Defaulting Lender at the time of determination) at such time and (b) with respect to the Term Loans, a percentage equal to a fraction the numerator of which is such Lender's outstanding principal amount of the Term Loans and the denominator of which is the aggregate outstanding principal amount of the Term Loans of all Term Lenders.

"Property" of a Person means any and all property, whether real, personal, tangible, intangible, or mixed, of such Person, or other assets owned, leased or operated by such Person.

"PSL" means any agreement between any Loan Party and a Person providing for a right to purchase or otherwise use seating accommodations in certain seating locations at the Borrower's Property located on Central Avenue in Louisville, Kentucky, known as the Churchill Downs racetrack facility, and which agreement does not conflict with any of the Loan Documents, and/or result in a Default or Unmatured Default, and expressly does not result in, or require, the creation or imposition of any Lien in, leasehold interest in, rights in, claim to, easement or easement by estoppel over, or similar rights or interests in any Property of any such Loan Party, or result in, or require, the creation or imposition of any right to possess specific property (other than the contractual right to purchase or otherwise use the subject seating accommodations subject to the terms of such agreement).

"PSL Buyback/Guarantee" means any promise to repurchase or buy back, guarantee or otherwise provide credit support, directly or indirectly, given by any Loan Party in favor of any financial institution or other Person in connection with an obligation arising under a PSL Financing.

"PSL Financing" means any instance in which, pursuant to a PSL Financing Program, a PSL Purchaser finances its obligations under a PSL, in whole or in part, and which does not conflict with any of the Loan Documents, and/or result in a Default or Unmatured Default.

"PSL Financing Program" means a financing arrangement program established by any Loan Party with a financial institution or other Person pursuant to which such financial institution or other Person agrees to finance, in whole or in part, PSL Purchasers' obligations under the PSLs, and which arrangement does not conflict with any of the Loan Documents, and/or result in a Default or Unmatured Default.

"PSL Purchaser" means the Person who enters into a PSL with any Loan Party.

"Purchasers" is defined in Section 12.3.1.

"Rate Management Obligations" means any and all obligations of the Borrower or any of its Subsidiaries to the Lenders or their Affiliates, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor), under (i) any and all Rate Management Transactions, and (ii) any and all cancellations, buy backs, reversals, terminations or assignments of any Rate Management Transactions.

"Rate Management Transaction" means any transaction (including an agreement with respect thereto) now existing including, without limitation, those transactions described on Schedule 6.22 or hereafter entered by the Borrower which is a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, forward transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions) or any combination thereof, whether linked to one or more interest rates, foreign currencies, commodity prices, equity prices or other financial measures.

"Real Property" means, collectively, each of the parcels of owned and/or leased real property of any of the Loan Parties, all of which is listed on Schedule 5.23.

"Real Property Collateral" means each of the parcels of owned Real Property listed on Schedule 5.23 except as set forth on such Schedule.

"Recorded Mortgages" means each of the Mortgages, except for the Calder Mortgage, but if the Calder Mortgage is subsequently recorded in accordance with Section 6.21, Recorded Mortgage shall include such Calder Mortgage on and after the date of such recordation.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor thereto or other regulation or official interpretation of said Board of Governors relating to reserve requirements applicable to member banks of the Federal Reserve System.

"Regulation U" means Regulation U, T, G or X of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor or other regulation or official interpretation of said Board of Governors relating to the extension of credit by banks for the purpose of purchasing or carrying margin stocks applicable to member banks of the Federal Reserve System.

"Reimbursement Obligations" means, at any time, the aggregate of all obligations of the Borrower then outstanding under Section 2.3 to reimburse each LC Issuer for amounts paid by such LC Issuer in respect of any one or more drawings under Facility LCs.

"Related Parties" means, with respect to any specified Person, such Person's Affiliates and the respective partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of such Person and of such Person's Affiliates.

"Reportable Event" means a reportable event as defined in Section 4043 of ERISA and the regulations issued under such section, with respect to a Plan, excluding, however, such events as to which the PBGC has by regulation waived the requirement of Section 4043(a) of ERISA that it be notified within 30 days of the occurrence of such event, provided, however, that a failure to meet the minimum funding standard of Section 412 of the Code and of Section 302 of ERISA shall be a Reportable Event regardless of the issuance of any such waiver of the notice requirement in accordance with either Section 4043(a) of ERISA or Section 412(d) of the Code.

"Reports" is defined in Section 9.6(i).

"Required Lenders" means, at any time, Lenders in the aggregate having greater than fifty percent (50%) of the Aggregate Outstanding Credit Exposure and unused Commitments at such time.

"Reserve Requirement" means, with respect to an Interest Period, the maximum aggregate reserve requirement (including all basic, supplemental, marginal and other reserves) which is imposed under Regulation D on Eurocurrency liabilities.

"Restatement Effective Date" has the meaning assigned to such term in the Amendment and Restatement Agreement.

"Restricted Assets" has the meaning given it in Section 6.13(iii)(f)(2).

"Restricted Payment" means any dividend or other distribution (whether in cash, securities or other property) with respect to any Equity Interests in the Borrower or any Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such Equity Interests in the Borrower or any Subsidiary or any option, warrant or other right to acquire any such Equity Interests in the Borrower or any Subsidiary.

"Revolving Commitment" means, for each Lender, the obligation of such Lender to make Revolving Loans to, and participate in Facility LCs issued upon the application of, the Borrower in an aggregate amount not exceeding the amount set forth for such Lender on the Commitment Schedule as such Lender's Revolving Commitment, as it may be modified as a result of any assignment that has become effective pursuant to Section 12.3.3 or as otherwise modified from time to time pursuant to the terms hereof.

"Revolving Credit Facility" means the revolving credit facility provided hereunder by the Revolving Lenders pursuant to the Revolving Commitments.

"Revolving Facility Termination Date" means May 17, 2018, or any earlier date on which the aggregate Revolving Commitments are reduced to zero or otherwise terminated pursuant to the terms hereof.

"Revolving Lender" means, as of any date of determination, each Lender that has a Revolving Commitment or, if the Revolving Commitments have terminated or expired, a Lender with Outstanding Revolving Credit Exposure.

"Revolving Loan" means, with respect to a Revolving Lender, such Lender's Loan made pursuant to its Revolving Commitment to lend set forth in Section 2.1(a) (or any conversion or continuation thereof) and includes any "Revolving Loan" made pursuant to the Previous Credit Agreement and outstanding on the Restatement Effective Date.

"Risk-Based Capital Guidelines" has the meaning given it in Section 3.2

"S&P" means Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, and any successor thereto.

"Sale and Leaseback Transaction" means any sale or other transfer of Property by any Person with the intent to lease such Property as lessee.

"Sanctioned Country" means, at any time, a country or territory which is itself the subject or target of any Sanctions (at the time of this Agreement, Cuba, Iran, North Korea, Sudan and Syria).

"Sanctioned Person" means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by OFAC, the U.S. Department of State, the United Nations Security Council, the European Union or any EU member state, (b) any Person operating, organized or resident in a Sanctioned Country or (c) any Person owned or controlled by any such Person or Persons described in the foregoing clauses (a) or (b).

"Sanctions" means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (a) the U.S. government, including those administered by OFAC or the U.S. Department of State or (b) the United Nations Security Council, the European Union, any European Union member state or Her Majesty's Treasury of the United Kingdom.

"Schedule" refers to a specific schedule to the Previous Credit Agreement, unless another document is specifically referenced.

"SEC" means the Securities and Exchange Commission, or any governmental authority succeeding to any of its principal functions.

"Section" means a numbered section of this Agreement, unless another document is specifically referenced.

"Secured Obligations" means, collectively, (i) all Obligations, (ii) all Rate Management Obligations owing to one or more Lenders or any Affiliate of any Lender, (iii) all Banking Services Obligations, (iv) any and all other indebtedness and/or obligations under the Loan Documents to or for the benefit of the Agent and/or one or more Lenders and/or the LC Issuers secured by and/or pursuant to all or any of the Collateral Documents, in each case whether they exist on the Restatement Effective Date, or arise or are created or acquired after the Restatement Effective Date and (v) Permitted Pro Rata Secured Obligations; provided, however, that the definition of 'Secured Obligations' shall not create any guarantee by any Loan Party of (or grant of security interest by any Loan Party to support, as applicable) any Excluded Swap Obligations of such Loan Party for purposes of determining any obligations of any Loan Party.

"Senior Secured Leverage Ratio" is defined in Section 6.24.3.

"Single Employer Plan" means a Plan maintained by the Borrower or any member of the Controlled Group for employees of the Borrower or any member of the Controlled Group.

"Subsidiary" of a Person means (i) any corporation more than 50% of the outstanding securities having ordinary voting power of which shall at the time be owned or controlled, directly or indirectly, by such Person or by one or more of its direct or indirect Subsidiaries or by such Person and one or more of its direct or indirect Subsidiaries, or (ii) any partnership, limited liability company, association, joint venture or similar business organization more than 50% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled. Unless otherwise expressly provided, all references herein to a "Subsidiary" shall mean a Subsidiary of the Borrower.

"Swap Obligation" means, with respect to any Loan Party, any obligation to pay or perform under any agreement, contract or transaction that constitutes a "swap" within the meaning of section 1a(47) of the Commodity Exchange Act or any rules or regulations promulgated thereunder.

"Swing Line Borrowing Notice" is defined in Section 2.2.2.

"Swing Line Commitment" means the obligation of the Swing Line Lender in Section 2.2 to make Swing Line Loans up to a maximum principal amount of $45,000,000.

"Swing Line Exposure" means, at any time, the aggregate principal amount of all Swing Line Loans outstanding at such time. The Swing Line Exposure of any Revolving Lender at any time shall be its Pro Rata Share of the total Swing Line Exposure at such time.

"Swing Line Lender" means PNC Bank, or such other Lender which may succeed to its rights and obligations as Swing Line Lender pursuant to the terms of this Agreement.

"Swing Line Loan" means a Loan made available to the Borrower by the Swing Line Lender pursuant to Section 2.2.3 and includes any "Swing Line Loan" made pursuant to the Previous Credit Agreement and outstanding on the Restatement Effective Date.

"Taxes" means any and all present or future taxes, duties, levies, imposts, deductions, fees, assessments, charges or withholdings, and any and all liabilities with respect to the foregoing, including any interest, additions to tax or penalties applicable thereto.

"Term Lender" means, as of any date of determination, each Lender having a Term Loan Commitment or that holds Term Loans.

"Term Loan Commitment" means (a) as to any Term Lender, the aggregate commitment of such Term Lender to make Term Loans as set forth on the Commitment Schedule as such Lender's Term Loan Commitment, as it may be modified as a result of any assignment that has become effective pursuant to Section 12.3.3 or as otherwise modified from time to time pursuant to the terms hereof, and (b) as to all Term Lenders, the aggregate commitment of all Term Lenders to make Term Loans, which aggregate commitment shall be $200,000,000 on the Restatement Effective Date. After advancing the Term Loan, each reference to a Term Lender's Term Loan Commitment shall refer to that Term Lender's Pro Rata Share of the Term Loans.

"Term Loan Facility" means the term loan facility provided hereunder by the Term Lenders pursuant to the Term Loan Commitments.

"Term Loan Facility Termination Date" means December 1, 2019; provided however, in the event the Revolving Facility Termination Date has not, prior to May 17, 2018, been extended to a date that is December 1, 2019 or later, the Term Loan Facility Termination Date shall mean the Revolving Facility Termination Date.

"Term Loans" the term loans made by the Term Lenders to the Borrower pursuant to Section 2.1(b).

"Term Substantial Portion" means, with respect to the Property of the Borrower and the other Loan Parties, collectively, Property which represents 20% or more of Consolidated Net Worth or Property which is responsible for 20% of the Consolidated Net Income, in each case, as would be shown in the consolidated financial statements of the Loan Parties as at the end of the fiscal month next preceding the Closing Date (or if financial statements have not been delivered hereunder for that month, then the financial statements delivered hereunder for the quarter ending immediately prior to that month).

"Total Leverage Ratio" is defined in Section 6.24.2.

"Transferee" is defined in Section 12.4.

"Trigger Date" means the first date following the commencement of an Effective Period on which the Borrower delivers to the Agent a certificate of the chief financial officer or treasurer of the Borrower pursuant to Section 6.1(i) or (ii) (a) demonstrating that the Total Leverage Ratio as of the then most recently ended fiscal quarter of the Borrower is equal to or less than 4.50 to 1.00 and (b) requesting that the Trigger Date be activated.

"Twelve Month Substantial Portion" means, with respect to the Property of the Borrower and the other Loan Parties, collectively, Property which represents 10% or more of Consolidated Net Worth or Property which is responsible for 10% of the Consolidated Net Income, in each case, as would be shown in the consolidated financial statements of

the Loan Parties as at the beginning of the twelve-month period ending with the month in which such determination is made (or if financial statements have not been delivered hereunder for that month which begins the twelve-month period, then the financial statements delivered hereunder for the quarter ending immediately prior to that month).

"2003 Closing Date" means April 3, 2003.

"2003 Credit Agreement" means that certain Credit Agreement dated as of April 3, 2003 by and among the Borrower, the Guarantors party thereto, the Lenders party thereto and the Agent, as the same has been amended prior to September 23, 2005.

"2004B Amendment" means the 2004B Amendment to Loan Documents, dated as of October 14, 2004, among the Agent, the Guarantors party thereto and the Borrower.

"2004B Amendment to Pledge and Security Agreement" means the 2004B Amendment to Pledge and Security Agreement, dated as of October 14, 2004, among the applicable Loan Parties and the Collateral Agent, as they may be amended and/or supplemented from time to time.

"2004B Assignments of Patent, Trademarks and Copyrights" shall mean the Assignment of Patent, Trademarks and Copyrights, dated as of October 14, 2004, executed by CDIP, L.L.C. in favor of the Collateral Agent and the Assignment of Patent, Trademarks and Copyrights, dated as of October 14, 2004, executed by Churchill Downs Louisiana Horseracing Company, L.L.C. in favor of the Collateral Agent.

"2004B Collateral Documents" means, collectively, all of the instruments, documents and agreements by which any Person grants a security interest in any Collateral pursuant to the 2004B Amendment, including without limitation, those documents referenced in Sections 6.25 and 6.29 of this Agreement, which in turn includes without limitation, the 2004B Amendment to the Pledge and Security Agreement, the 2004B Louisiana Addendum to Pledge and Security Agreement (as defined in the 2004B Amendment to Pledge and Security Agreement), the 2004B Consent Joinder and Reaffirmation, the Louisiana Mortgages, the 2004B Assignments of Patents, Trademarks and Copyrights, the Fair Grounds Assignment and Subordination of Lease and Management Agreement, the Jazz Fest Subordination Agreement and Estoppel, and all other documents or instruments executed as security for the Secured Obligations in connection with the 2004B Amendment from time to time, as they may be amended and/or supplemented from time to time.

"2004B Consent Joinder and Reaffirmation" shall mean the Consent Joinder and Reaffirmation, dated October 14, 2004, among the Collateral Agent, the Borrower and the Guarantors party thereto.

"2004B Guarantor Joinder" shall mean the Guarantor Joinder, dated October 14, 2004, among the Collateral Agent, the Borrower and the Guarantors party thereto.

"2005 Credit Agreement" means that certain Amended and Restated Credit Agreement dated as of September 23, 2005 by and among the Borrower, the Guarantors party thereto, the Lenders party thereto and the Agent, as the same has been amended prior to December 22, 2009.

"2009 Credit Agreement" means that certain Second Amended and Restated Credit Agreement dated as of December 22, 2009 by and among the Borrower, the Guarantors party thereto, the Lenders party thereto and the Agent, as the same has been amended prior to the Closing Date.

"Type" means, with respect to any Advance, its nature as a Floating Rate Advance or a Eurodollar Advance and with respect to any Loan, its nature as a Floating Rate Loan or a Eurodollar Loan.

"UBET" means Youbet.com, LLC, a Delaware limited liability company.

"Unfunded Liabilities" means the amount (if any) by which the present value of all vested and unvested accrued benefits under all Single Employer Plans exceeds the fair market value of all such Plan assets allocable to such benefits,

all determined as of the then most recent valuation date for such Plans using PBGC actuarial assumptions for single employer plan terminations.

"Unmatured Default" means an event which but for the lapse of time or the giving of notice, or both, would constitute a Default.

"Wholly-Owned Subsidiary" of a Person means (i) any Subsidiary all of the outstanding voting securities of which shall at the time be owned or controlled, directly or indirectly, by such Person or one or more Wholly-Owned Subsidiaries of such Person, or by such Person and one or more Wholly-Owned Subsidiaries of such Person, or (ii) any partnership, limited liability company, association, joint venture or similar business organization 100% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled.

"Working Cash Sweep Rider" is defined in Section 2.2.5.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms.

1.2 Amendment and Restatement of Previous Credit Agreement. The parties to this Agreement agree that, upon the occurrence of the Restatement Effective Date, the terms and provisions of the Previous Credit Agreement shall be and hereby are amended, superseded and restated in their entirety by the terms and provisions of this Agreement. This Agreement is not intended to and shall not constitute a novation. All "Loans" made and "Secured Obligations" under the Previous Credit Agreement which are outstanding on the Restatement Effective Date shall continue as Loans and Secured Obligations under (and shall be governed by the terms of) this Agreement. Without limiting the foregoing, upon the effectiveness hereof: (a) all Letters of Credit issued (or deemed issued) under the Previous Credit Agreement which remain outstanding on the Restatement Effective Date shall continue as Facility LCs under (and shall be governed by the terms of) this Agreement, (b) all Secured Obligations constituting Rate Management Obligations with any Lender or any Affiliate of any Lender which are outstanding on the Restatement Effective Date shall continue as Secured Obligations under this Agreement and the other Loan Documents, (c) the Agent shall make such reallocations of each Lender's "Outstanding Credit Exposure" under the Previous Credit Agreement as are necessary in order that each such Lender's Outstanding Revolving Credit Exposure hereunder reflects such Lender's Pro Rata Share of the aggregate Outstanding Revolving Credit Exposures of all Revolving Lenders and (d) the Borrower hereby agrees to compensate each Lender for any and all losses, costs and expenses incurred by such Lender (unless waived by such Lender in its sole discretion) in connection with the sale, assignment or repayment of any Eurodollar Loans in accordance with the foregoing, on the terms and in the manner set forth in Section 3.4 hereof.

THE CREDITS

2.1 Commitments. Prior to the Restatement Effective Date, revolving loans were previously made to the Borrower under the Previous Credit Agreement which remain outstanding as of the Restatement Effective Date (such outstanding revolving loans being hereinafter referred to as the "Previous Revolving Loans"). Subject to the terms and conditions set forth in this Agreement, the Borrower and each of the Lenders agree that on the Restatement Effective Date but subject to the satisfaction of the conditions precedent set forth in Section 4.1 and 4.2 (as applicable), the Previous Revolving Loans shall be reevidenced as Revolving Loans under this Agreement, the terms of the Previous Revolving Loans shall be restated in their entirety and shall be evidenced by this Agreement. Subject to the terms and conditions set forth herein, (a) from and including the Restatement Effective Date and prior to the Revolving Facility Termination Date, each Revolving Lender (severally and not jointly) agrees to make Revolving Loans to the Borrower from time to time in amounts not to exceed in the aggregate at any one time outstanding the amount of its Revolving Commitment and (b) each Term Lender with a Term Loan Commitment (severally and not jointly) agrees to make a Term Loan to the Borrower on the Restatement Effective Date, in an amount equal to such Lender's Term Loan Commitment by making immediately available funds available to the Agent's designated account, not later than the time specified by the Agent. Subject to the terms of this Agreement, the Borrower may borrow, repay and reborrow Revolving Loans at any time prior to the Revolving Facility Termination Date. Amounts repaid or prepaid in respect of Term Loans may not be reborrowed. Unless previously terminated, (i) the Revolving Commitments to lend hereunder shall expire on the Revolving Facility Termination Date and (ii) the Term Loan Commitments to lend hereunder shall expire at 3:00 p.m. (Louisville time) on the Restatement Effective Date. The aggregate Revolving Commitments may

be increased as described in, and upon compliance with, Section 2.22 below. No Lender shall have any obligation to increase its Revolving Commitment; any such increase shall be at the sole discretion of such Lender.

2.2 Swing Line Loans.

2.2.1 Amount of Swing Line Loans. Upon the satisfaction of the conditions precedent set forth in Section 4.2 and, if such Swing Line Loan is to be made on the date of the initial Advance hereunder, the satisfaction of the conditions precedent set forth in Section 4.1 as well, from and including the Restatement Effective Date and prior to the Revolving Facility Termination Date, the Swing Line Lender agrees, on the terms and conditions set forth in this Agreement, to make Swing Line Loans to the Borrower from time to time in an aggregate principal amount not to exceed the Swing Line Commitment, *provided* that the aggregate Outstanding Revolving Credit Exposures of all Revolving Lenders (including without limitation Swing Line Loans) shall not at any time exceed the aggregate Revolving Commitments, and *provided further* that at no time shall the sum of (i) the Swing Line Lender's Pro Rata Share of the Swing Line Loans, *plus* (ii) the outstanding Revolving Loans made by the Swing Line Lender pursuant to Section 2.1(a), exceed the Swing Line Lender's Revolving Commitment at such time. Subject to the terms of this Agreement, the Borrower may borrow, repay and reborrow Swing Line Loans at any time prior to the Revolving Facility Termination Date.

2.2.2 Borrowing Notice. The Borrower shall deliver to the Agent and the Swing Line Lender irrevocable notice (a "Swing Line Borrowing Notice") not later than noon (Louisville time) on the Borrowing Date of each Swing Line Loan, specifying (i) the applicable Borrowing Date (which date shall be a Business Day), and (ii) the aggregate amount of the requested Swing Line Loan which shall be an amount not less than $100,000. The Swing Line Loans shall bear interest at a rate per annum equal to the Alternate Base Rate, plus the Applicable Margin set forth in the Pricing Schedule for the Floating Rate at that time or such other rate agreed to between the Swing Line Lender and the Borrower.

2.2.3 Making of Swing Line Loans. Promptly after receipt of a Swing Line Borrowing Notice, the Agent shall notify each Revolving Lender by fax, or other similar form of transmission, of the requested Swing Line Loan. Not later than 2:00 p.m. (Louisville time) on the applicable Borrowing Date, the Swing Line Lender shall make available the Swing Line Loan, in funds immediately available in Louisville, to the Agent at its address specified pursuant to Article XIII. The Agent will promptly make the funds so received from the Swing Line Lender available to the Borrower on the Borrowing Date at the Agent's aforesaid address.

2.2.4 Repayment of Swing Line Loans. Each Swing Line Loan shall be paid in full by the Borrower on or before the fifth (5th) Business Day after the Borrowing Date for such Swing Line Loan. In addition, the Swing Line Lender (i) may, at any time in its sole discretion with respect to any outstanding Swing Line Loan, or (ii) shall, except when a Working Cash Sweep Rider is in effect, on the fifth (5th) Business Day after the Borrowing Date of any Swing Line Loan, require each Revolving Lender (including the Swing Line Lender) to make a Revolving Loan in the amount of such Lender's Pro Rata Share of such Swing Line Loan (including, without limitation, any interest accrued and unpaid thereon), for the purpose of repaying such Swing Line Loan. Not later than noon (Louisville time) on the date of any notice received pursuant to this Section 2.2.4, each Revolving Lender shall make available its required Revolving Loan, in funds immediately available in Louisville to the Agent at its address specified pursuant to Article XIII. Revolving Loans made pursuant to this Section 2.2.4 shall initially be Floating Rate Loans and thereafter may be continued as Floating Rate Loans or converted into Eurodollar Loans in the manner provided in Section 2.11 and subject to the other conditions and limitations set forth in this Article II. Unless a Revolving Lender shall have notified the Swing Line Lender, prior to its making any Swing Line Loan, that any applicable condition precedent set forth in Sections 4.1 or 4.2 had not then been satisfied, such Lender's obligation to make Revolving Loans pursuant to this Section 2.2.4 to repay Swing Line Loans shall be unconditional, continuing, irrevocable and absolute and shall not be affected by any circumstance, including, without limitation, (a) any setoff, counterclaim, recoupment, defense or other right which such Lender may have against the Agent, the Swing Line Lender or any other Person, (b) the occurrence or continuance of a Default or Unmatured Default, (c) any adverse change in the

condition (financial or otherwise) of the Borrower, or (d) any other circumstance, happening or event whatsoever. In the event that any Revolving Lender fails to make payment to the Agent of any amount due under this Section 2.2.4, the Agent shall be entitled to receive, retain and apply against such obligation the principal and interest otherwise payable to such Lender hereunder until the Agent receives such payment from such Lender or such obligation is otherwise fully satisfied. In addition to the foregoing, if for any reason any Revolving Lender fails to make payment to the Agent of any amount due under this Section 2.2.4, such Lender shall be deemed, at the option of the Agent, to have unconditionally and irrevocably purchased from the Swing Line Lender, without recourse or warranty, an undivided interest and participation in the applicable Swing Line Loan in the amount of such Revolving Loan, and such interest and participation may be recovered from such Lender together with interest thereon at the Federal Funds Effective Rate for each day during the period commencing on the date of demand and ending on the date such amount is received. On the Revolving Facility Termination Date, the Borrower shall repay in full the outstanding principal balance of the Swing Line Loans.

2.2.5 Working Cash Sweep Rider. Any provision of this Section 2.2 to the contrary notwithstanding, the Agent and each Revolving Lender acknowledges that, at the request of the Borrower, the Swing Line Lender has linked the Swing Line Loans to the Borrower's demand deposit account with the Swing Line Lender. The Agent and the Revolving Lenders further acknowledge that the Borrower has entered into a Working Cash, Line of Credit, Investment Sweep Rider ("Working Cash Sweep Rider") with the Swing Line Lender, pursuant to which certain cash management activities, including the making of Swing Line Loans, will occur automatically in amounts that may be less than the stated minimum Swing Line Loan set forth in Section 2.2.2 above, and without the need for a Swing Line Borrowing Notice. Each Revolving Lender agrees that it shall be obligated, pursuant to and in accordance with Section 2.2.4, to fund such Revolving Lender's Pro Rata Share of any such automatically-made Swing Line Loans on the fifth (5^{th}) Business Day following the day such advances are made, unless the Agent shall have given the Swing Line Lender written notice prior to the date the Swing Line Loan was made that any applicable condition precedent set forth in Sections 4.1 or 4.2 had not then been satisfied, and the Swing Line Lender has had a reasonable amount of time, not to exceed two (2) Business Days from such notice, within which to act. In the event of termination of the Working Cash Sweep Rider by either the Borrower or the Swing Line Lender, the Swing Line Lender will promptly notify the Agent of such termination.

2.3 Letter of Credit Subfacility.

2.3.1 Issuance. Each LC Issuer hereby agrees, on the terms and conditions set forth in this Agreement, to issue standby and commercial letters of credit (each such Letter of Credit, together with each Letter of Credit issued or deemed to be issued pursuant to the Previous Credit Agreement and outstanding on the Restatement Effective Date, a "Facility LC") and to renew, extend, increase, decrease or otherwise modify each Facility LC ("Modify," and each such action a "Modification"), from time to time from and including the Restatement Effective Date and prior to the Revolving Facility Termination Date; provided that immediately after each such Facility LC is issued or Modified, (i) the aggregate amount of the outstanding LC Obligations shall not exceed $40,000,000 and (ii) the aggregate Outstanding Revolving Credit Exposures of all Revolving Lenders shall not exceed the aggregate Revolving Commitments. No Facility LC shall have an expiry date later than the earlier of (x) the fifth Business Day prior to the Revolving Facility Termination Date and (y) one year after its issuance; provided that (1) any Facility LC with an expiry date one year after issuance may provide for the renewal thereof for additional one-year periods (which shall in no event extend beyond the date referred to in clause (x) above but subject to the immediately succeeding clause (2)) including pursuant to customary automatic renewal provisions agreed upon by the Borrower and the applicable LC Issuer, subject to a right on the part of such LC Issuer to prevent any such renewal from occurring by giving notice to the beneficiary of such Facility LC in advance of any such renewal and (2) any Facility LC may expire up to one year beyond the Revolving Facility Termination Date so long as the Borrower cash collateralizes an amount equal to 105% of the face amount of such Facility LC in the manner described in Section 2.3.11 no later than thirty (30) days prior to the Revolving Facility Termination Date. Notwithstanding anything herein to the contrary, no LC Issuer shall have any obligation hereunder to issue, and shall not issue, any Facility LC the proceeds of which would be made available to any Person (i) to fund any activity or business of or with any

Sanctioned Person, or in any country or territory that, at the time of such funding, is the subject of any Sanctions or (ii) in any manner that would result in a violation of any Sanctions by any party to this Agreement.

2.3.2 Participations.. Upon (a) the Restatement Effective Date with respect to each Facility LC issued and outstanding under the Previous Credit Agreement and (b) the issuance or Modification by an LC Issuer of each other Facility LC in accordance with this Section 2.3, such LC Issuer shall be deemed, without further action by any party hereto, to have unconditionally and irrevocably sold to each Revolving Lender, and each Revolving Lender shall be deemed, without further action by any party hereto, to have unconditionally and irrevocably purchased from such LC Issuer, a participation in such Facility LC (and each Modification thereof) and the related LC Obligations in proportion to its Pro Rata Share. In consideration and in furtherance of the foregoing, each Revolving Lender hereby absolutely and unconditionally agrees to pay to the Agent, for the account of the applicable LC Issuer, such Revolving Lender's Pro Rata Share of each LC Disbursement made by such LC Issuer and not reimbursed by the Borrower on the date due as provided in Section 2.3.5, or of any reimbursement payment required to be refunded to the Borrower for any reason. Each Revolving Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Facility LCs is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Facility LC or the occurrence and continuance of an Unmatured Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

2.3.3 Notice. Subject to Section 2.3.1, the Borrower shall give the applicable LC Issuer and the Agent notice prior to 10:00 a.m. (Louisville time) at least three Business Days, or such shorter period of time as may be acceptable to such LC Issuer in its discretion, prior to the proposed date of issuance or Modification of each Facility LC, specifying the beneficiary, the proposed date of issuance (or Modification) and the expiry date of such Facility LC, and describing the proposed terms of such Facility LC and the nature of the transactions proposed to be supported thereby and such other information as shall be necessary to prepare, issue or Modify such Letter of Credit. Upon Agent's receipt of such notice, the Agent shall promptly notify the applicable LC Issuer if the proposed amount of such Facility LC will cause the aggregate Outstanding Revolving Credit Exposures of all Revolving Lenders to equal or exceed the aggregate Revolving Commitments. The issuance or Modification by an LC Issuer of any Facility LC shall, in addition to the conditions precedent set forth in Article IV (the satisfaction of which such LC Issuer shall have no duty to ascertain), be subject to the conditions precedent that such Facility LC shall be satisfactory to the applicable LC Issuer and that the Borrower shall have executed and delivered a Reimbursement Agreement ("LC Reimbursement Agreement") in the form of Exhibit Q, and such application agreement and/or such other instruments and agreements relating to such Facility LC as such LC Issuer shall have reasonably requested (each, a "Facility LC Application"). The terms of the LC Reimbursement Agreement and Facility LC Application shall supplement the terms of this Agreement, but in the event of any conflict between the terms of this Agreement and the terms of any LC Reimbursement Agreement and/or any Facility LC Application, the terms of this Agreement shall control. On the date of issuance or Modification by any LC Issuer of any Facility LC, such LC Issuer shall notify the Agent, and the Agent shall promptly notify each Revolving Lender of the issuance or Modification of each Facility LC, specifying the beneficiary, the date of issuance (or Modification) and the expiry date of such Facility LC, the terms of the Facility LC and the nature of the transactions supported by the Facility LC.

2.3.4 LC Fees. The Borrower shall pay to the Agent, for the account of the Revolving Lenders ratably in accordance with their respective Pro Rata Shares, with respect to each Facility LC, a letter of credit fee at a per annum rate equal to the Applicable Margin for Eurodollar Loans in effect from time to time on the average daily amount of such Lender's LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements), such fee to be payable in arrears on each Payment Date, and such fee to be payable on the date of such issuance or increase (each such fee described in this sentence an "LC Fee"). In addition, the Borrower shall pay to each LC Issuer for its own account a fronting fee equal to 12.5 basis points (0.125%) multiplied by the daily average Letters of Credit Outstanding attributable to such LC Issuer, payable quarterly in arrears commencing on the last Business Day of each March, June, September and December following issuance of each Facility LC and on the Revolving Facility Termination Date. As used herein,

"Letters of Credit Outstanding" means, for each LC Issuer, the aggregate amount available to be drawn on all Facility LCs issued by such LC Issuer and outstanding (including any amounts drawn thereunder and not reimbursed, regardless of the existence or satisfaction of any conditions or limitations on drawing). The Borrower will pay each LC Issuer's standard fees and commissions with respect to the issuance, amendment, cancellation, negotiation, transfer, presentment, renewal or extension of any Facility LC issued by such LC Issuer or processing of drawings thereunder. Any fees other than LC Fees and fronting fees payable to the applicable LC Issuer pursuant to this paragraph shall be payable within ten (10) days after demand.

2.3.5 Administration; Reimbursement by Revolving Lenders. Upon receipt from the beneficiary of any Facility LC of any demand for payment in connection with a presentation of documents under such Facility LC, the LC Issuer of such Facility LC shall notify the Agent and the Agent shall promptly notify the Borrower and each other Revolving Lender as to the amount to be paid by such LC Issuer as a result of such demand and the proposed payment date (the "LC Payment Date"); provided that any failure to give or delay in giving such notice shall not relieve the Borrower of its obligation to reimburse the applicable LC Issuer and the Revolving Lenders with respect to any such LC Disbursement. The responsibility of each LC Issuer to the Borrower and each Revolving Lender shall be only to determine that the documents (including each demand for payment) delivered under each Facility LC issued by such LC Issuer in connection with such presentment shall be in conformity in all material respects with such Facility LC. Each LC Issuer shall endeavor to exercise the same care in the issuance and administration of its Facility LCs as it does with respect to letters of credit in which no participations are granted, it being understood that in the absence of any gross negligence or willful misconduct by any LC Issuer (as determined in a final non-appealable judgment by a court of competent jurisdiction), each Revolving Lender shall be unconditionally and irrevocably liable without regard to the occurrence of any Default or any condition precedent whatsoever, to reimburse such LC Issuer on demand for (i) such Revolving Lender's Pro Rata Share of the amount of each payment made by such LC Issuer under each Facility LC to the extent such amount is not reimbursed by the Borrower pursuant to Section 2.3.6 below, plus (ii) interest on the foregoing amount to be reimbursed by such Lender, for each day from the date of such LC Issuer's demand for such reimbursement (or, if such demand is made after 11:00 a.m. (Louisville time) on such date, from the next succeeding Business Day) to the date on which such Lender pays the amount to be reimbursed by it, at a rate of interest per annum equal to the Federal Funds Effective Rate for the first three days and, thereafter, at a rate of interest equal to the rate applicable to Floating Rate Advances.

2.3.6 Reimbursement by Borrower. The Borrower shall be irrevocably and unconditionally obligated to reimburse each LC Issuer on or before the applicable LC Payment Date for any amounts to be paid by such LC Issuer upon any drawing under any Facility LC, without presentment, demand, protest or other formalities of any kind (but subject to the terms of Section 2.3.7). All such amounts paid by any LC Issuer and remaining unpaid by the Borrower shall bear interest, payable on demand, for each day until paid at a rate per annum equal to (x) the rate applicable to Floating Rate Advances for such day if such day falls on or before the applicable LC Payment Date and (y) the sum of 2% plus the rate applicable to Floating Rate Advances for such day if such day falls after such LC Payment Date. Each LC Issuer will pay to each Revolving Lender ratably in accordance with its Pro Rata Share all amounts received by it from the Borrower for application in payment, in whole or in part, of the Reimbursement Obligation in respect of any Facility LC issued by such LC Issuer, but only to the extent such Lender has made payment to such LC Issuer in respect of such Facility LC pursuant to Section 2.3.5. Subject to the terms and conditions of this Agreement (including without limitation the submission of a Borrowing Notice in compliance with Section 2.10 and the satisfaction of the applicable conditions precedent set forth in Article IV), the Borrower may request a Revolving Loan or Swing Line Loan hereunder for the purpose of satisfying any Reimbursement Obligation.

2.3.7 Obligations Absolute. The Borrower's obligations under this Section 2.3 shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Facility LC or this Agreement, or any term or provision therein, (ii) any draft or other document presented under a Facility LC proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by the applicable LC Issuer under a Facility LC against

presentation of a draft or other document that does not comply with the terms of such Facility LC, or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section 2.3, constitute a legal or equitable discharge of, or provide a right of setoff against, the Borrower's obligations hereunder. Neither the Agent, the Revolving Lenders nor any LC Issuer, nor any of their related parties, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Facility LC or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Facility LC (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the applicable LC Issuer; provided that the foregoing shall not be construed to excuse such LC Issuer from liability to the Borrower to the extent of any direct damages (as opposed to special, indirect, consequential or punitive damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable law) suffered by the Borrower that are caused by such LC Issuer's failure to exercise care when determining whether drafts and other documents presented under a Facility LC comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or willful misconduct on the part of the applicable LC Issuer (as finally determined by a court of competent jurisdiction), such LC Issuer shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Facility LC, the applicable LC Issuer may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Facility LC.

2.3.8 Actions of LC Issuer. Each LC Issuer shall be entitled to rely, and shall be fully protected in relying, upon any Facility LC, draft, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, PDF, telex or teletype message, statement, order or other document believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by such LC Issuer. Each LC Issuer shall be fully justified in failing or refusing to take any action under this Agreement unless it shall first have received such advice or concurrence of the Majority in Interest of the Revolving Lenders as it reasonably deems appropriate or it shall first be indemnified to its reasonable satisfaction by the Revolving Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Notwithstanding any other provision of this Section 2.3, each LC Issuer shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement in accordance with a request of the Majority in Interest of the Revolving Lenders, and such request and any action taken or failure to act pursuant thereto shall be binding upon the Revolving Lenders and any future holders of a participation in any Facility LC.

2.3.9 Indemnification. The Borrower hereby agrees to indemnify and hold harmless each Revolving Lender, each LC Issuer and the Agent, and their respective directors, officers, agents and employees from and against any and all claims and damages, losses, liabilities, costs or expenses which such Lender, such LC Issuer or the Agent may incur (or which may be claimed against such Lender, such LC Issuer or the Agent by any Person whatsoever) by reason of or in connection with the issuance, execution and delivery or transfer of or payment or failure to pay under any Facility LC or any actual or proposed use of any Facility LC, including, without limitation, any claims, damages, losses, liabilities, costs or expenses which each LC Issuer may incur by reason of or in connection with (i) the failure of any other Lender to fulfill or comply with its obligations to such LC Issuer hereunder (but nothing herein contained shall affect any rights the Borrower may have against any Defaulting Lender) or (ii) by reason of or on account of such LC Issuer issuing any Facility LC which specifies that the term "Beneficiary" included therein includes any successor by operation of law of the named Beneficiary, but which Facility LC does not require that any drawing by any such successor Beneficiary be accompanied by a copy of a legal document, satisfactory to such LC Issuer, evidencing the appointment of such successor Beneficiary; *provided* that the Borrower shall not be required to indemnify any Revolving

Lender, any LC Issuer or the Agent for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or gross negligence of any LC Issuer (as determined in a final non-appealable judgment by a court of competent jurisdiction) in determining whether a request presented under any Facility LC complied with the terms of such Facility LC. Nothing in this Section 2.3.9 is intended to limit the obligations of the Borrower under any other provision of this Agreement.

2.3.10 Revolving Lenders' Indemnification. Each Revolving Lender shall, ratably in accordance with its Pro Rata Share, indemnify each LC Issuer, its Affiliates and their respective directors, officers, agents and employees (to the extent not reimbursed by the Borrower) against any cost, expense (including reasonable counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from such indemnitees' gross negligence or willful misconduct, as determined in a final non-appealable judgment by a court of competent jurisdiction) that such indemnitees may suffer or incur in connection with this Section 2.3 or any action taken or omitted by such indemnitees hereunder.

2.3.11 Facility LC Collateral Account. The Borrower agrees that it will, upon the request of the Agent or the Majority in Interest of the Revolving Lenders and until the final expiration date of any Facility LC and thereafter as long as any amount is payable to any LC Issuer or the Lenders in respect of any Facility LC, maintain a special collateral account pursuant to arrangements satisfactory to the Agent (the "Facility LC Collateral Account") at the Agent's office at the address specified pursuant to Article XIII, in the name of the Borrower but under the sole dominion and control of the Agent, for the benefit of the Revolving Lenders and the LC Issuers and in which the Borrower shall have no interest other than as set forth in Section 8.1. The Borrower hereby pledges, assigns and grants to the Agent, on behalf of and for the ratable benefit of the Revolving Lenders, and the LC Issuers, a security interest in all of the Borrower's right, title and interest in and to all funds which may from time to time be on deposit in the Facility LC Collateral Account to secure the prompt and complete payment and performance of the Obligations. The Agent will, at its option, invest any funds on deposit from time to time in the Facility LC Collateral Account in certificates of deposit of JPMorgan having a maturity not exceeding 30 days. Nothing in this Section 2.3.11 shall either obligate the Agent to require the Borrower to deposit any funds in the Facility LC Collateral Account or limit the right of the Agent to release any funds held in the Facility LC Collateral Account in each case other than as required by Section 8.1.

2.3.12 Rights as a Revolving Lender. In its capacity as a Revolving Lender, each LC Issuer shall have the same rights and obligations as any other Revolving Lender.

2.3.13 Replacement of an LC Issuer. Any LC Issuer may be replaced at any time by written agreement among the Borrower, the Agent, the replaced LC Issuer and the successor LC Issuer. The Agent shall notify the Revolving Lenders of any such replacement of a LC Issuer. At the time any such replacement shall become effective, the Borrower shall pay all unpaid fees accrued for the account of the replaced LC Issuer pursuant to Section 2.3.4. From and after the effective date of any such replacement, (i) the successor LC Issuer shall have all the rights and obligations of a LC Issuer under this Agreement with respect to Facility LCs to be issued thereafter and (ii) references herein to the term "LC Issuer" shall be deemed to refer to such successor or to any previous LC Issuer, or to such successor and all previous LC Issuers, as the context shall require. After the replacement of a LC Issuer hereunder, the replaced LC Issuer shall remain a party hereto and shall continue to have all the rights and obligations of an LC Issuer under this Agreement with respect to Facility LCs then outstanding and issued by it prior to such replacement, but shall not be required to issue additional Facility LCs.

2.3.14 LC Issuer Agreements. Each LC Issuer agrees that, unless otherwise requested by the Agent, such LC Issuer shall report in writing to the Agent (i) on the first Business Day of each week, to the extent that there was any activity in respect of Facility LCs during the immediately preceding week, such daily activity (set forth by day), including all issuances, all Modifications, all expirations and cancellations and all disbursements and reimbursements, (ii) on or prior to each Business Day on which such LC Issuer expects to issue or Modify any Facility LC, the date of such issuance or Modification, and the aggregate face amount of

the Facility LCs to be issued or Modified by it and outstanding after giving effect to such issuance or Modification (and whether the amount thereof changed), it being understood that such LC Issuer shall not permit any issuance or Modification resulting in an increase in the amount of any Facility LC to occur without first obtaining written confirmation from the Agent that it is then permitted under this Agreement, (iii) on each Business Day on which such LC Issuer makes any LC Disbursement, the date of such LC Disbursement and the amount of such LC Disbursement, (iv) on any Business Day on which the Borrower fails to reimburse an LC Disbursement required to be reimbursed to such LC Issuer on such day, the date of such failure and the amount and currency of such LC Disbursement and (v) on any other Business Day, such other information as the Agent shall reasonably request.

2.4 Required Payments; Termination.

2.4.1 The Borrower shall repay Term Loans on each date set forth below in the aggregate principal amount set forth opposite such date (as adjusted from time to time pursuant to Section 2.9.1 and 2.9.2):

Date	Amount
March 31, 2015	$2,500,000
June 30, 2015	$2,500,000
September 30, 2015	$2,500,000
December 31,2015	$3,750,000
March 31, 2016	$3,750,000
June 30, 2016	$3,750,000
September 30, 2016	$3,750,000
December 31,2016	$5,000,000
March 31, 2017	$5,000,000
June 30, 2017	$5,000,000
September 30, 2017	$5,000,000
December 31,2017	$6,250,000
March 31, 2018	$6,250,000
June 30, 2018	$6,250,000
September 30, 2018	$6,250,000
December 31,2018	$7,500,000
March 31, 2019	$7,500,000
June 30, 2019	$7,500,000
September 30, 2019	$7,500,000

2.4.2 To the extent not previously repaid, any outstanding Advances of any Class and all other unpaid Obligations in respect of such Class shall be paid in full by the Borrower on the Facility Termination Date applicable to such Class.

2.5 Ratable Loans. Each Advance hereunder shall consist of Loans of the same Class made from the several Lenders of such Class ratably according to their Pro Rata Shares.

2.6 Types and Number of Eurodollar Advances. The Advances (other than Swing Line Loans) may be Floating Rate Advances or Eurodollar Advances, or a combination thereof, selected by the Borrower in accordance with Sections 2.10 and 2.11. Swing Line Loans shall be selected by the Borrower in accordance with Section 2.2. The Borrower may have no more than eight (8) Eurodollar Advances outstanding at any one time.

2.7 Commitment Fee; Reductions in Revolving Commitments. The Borrower agrees to pay to the Agent for the account of each Revolving Lender according to its Pro Rata Share a commitment fee (the “Commitment Fee”) in arrears at a per annum rate equal to the Applicable Fee Rate in effect from time to time on the average daily Available

Aggregate Revolving Commitment of such Revolving Lender from the Closing Date to and including the Revolving Facility Termination Date, payable on each Payment Date hereafter. Swing Line Loans shall not count as usage of any Revolving Lender's Revolving Commitment for the purpose of calculating the commitment fee due hereunder. In addition, on the Restatement Effective Date, the Borrower shall pay to the Agent for the ratable account of the lenders then party to the Previous Credit Agreement, the accrued and unpaid commitment fees under the Previous Credit Agreement through Restatement Effective Date. The Borrower may permanently reduce the aggregate Revolving Commitments in whole, or in part ratably among the Revolving Lenders in integral multiples of $5,000,000, upon at least one Business Days' written notice to the Agent, which notice shall specify the amount of any such reduction, *provided*, *however*, that the amount of the aggregate Revolving Commitments may not be reduced below the aggregate Outstanding Revolving Credit Exposure of all Revolving Lenders. All accrued Commitment Fees shall be payable on the effective date of any termination of the obligations of the Revolving Lenders to make Credit Extensions hereunder.

2.8 Minimum Amount of Each Advance. Each Eurodollar Advance shall be in the minimum amount of $500,000 (and in multiples of $100,000 if in excess thereof), and each Floating Rate Advance (other than an Advance to repay Swing Line Loans) shall be in the minimum amount of $500,000 (and in multiples of $100,000 if in excess thereof), provided, however, that any Floating Rate Revolving Loan or Swing Line Loan may be in the amount of the Available Aggregate Revolving Commitment.

2.9 Principal Payments

. 2.9.1 Optional Principal Payments. The Borrower may from time to time pay, without penalty or premium, all outstanding Floating Rate Advances (other than Swing Line Loans), or, in a minimum aggregate amount of $1,000,000 or any integral multiple of $1,000,000 in excess thereof, any portion of the outstanding Floating Rate Advances (other than Swing Line Loans) upon one Business Day's prior notice to the Agent. The Borrower may at any time pay, without penalty or premium, all outstanding Swing Line Loans, or, in a minimum amount of $100,000 and increments of $50,000 in excess thereof, any portion of the outstanding Swing Line Loans, with notice to the Agent and the Swing Line Lender by 11:00 a.m. (Louisville Time) on the date of repayment. The Borrower may from time to time pay, subject to the payment of any funding indemnification amounts required by Section 3.4 but without penalty or premium, all outstanding Eurodollar Advances or any portion of the outstanding Eurodollar Advances upon three (3) Business Days' prior notice to the Agent. Each prepayment of a Revolving Loan shall be applied ratably to the Revolving Loans included in the borrowing of Revolving Loans being prepaid, each voluntary prepayment of the Term Loans shall be applied ratably to the Term Loans included in the borrowing of Term Loans being prepaid in such order of application as directed by the Borrower and each mandatory prepayment of the Term Loans shall be applied in accordance with Section 2.9.2.

2.9.2 Mandatory Principal Payments. In the event and on each occasion that any Net Proceeds are received by or on behalf of the Borrower or any of its Subsidiaries in respect of any Material Disposition, the Borrower shall, within five (5) Business Days after such Net Proceeds are received, prepay the Obligations as set forth in this Section 2.9.2 below in an aggregate amount equal to 50% of such Net Proceeds. All such amounts pursuant to this Section 2.9.2 shall be applied to prepay the Term Loans in the inverse order of maturity.

2.10 Method of Selecting Types and Interest Periods for New Advances. Each Advance shall bear interest according to its Type, from the date the Advance is made until it is repaid. The Borrower shall select the Type and Class of an Advance and, in the case of each Eurodollar Advance, the Interest Period applicable thereto from time to time. The Borrower shall give the Agent irrevocable notice (a "Borrowing Notice") not later than 11:00 a.m. (Louisville time) at least one Business Day before the Borrowing Date of each Floating Rate Advance and three Business Days before the Borrowing Date for each Eurodollar Advance, specifying:

(i) the Borrowing Date, which shall be a Business Day, of such Advance,

(ii) the aggregate amount of such Advance,

(iii) the Type and Class of Advance selected,

(iv) in the case of each Eurodollar Advance, the Interest Period applicable thereto, and

(v) the location and number of the Borrower's account to which funds are to be disbursed.

Not later than 1:00 p.m. (Louisville time) on each Borrowing Date, each applicable Lender shall make available its Loan or Loans in funds immediately available in Louisville to the Agent at its address specified pursuant to Article XIII; provided that (i) Term Loans shall be made as provided in Section 2.1(b) and (ii) Swing Line Loans shall be made in accordance with the procedures set forth in Section 2.2. The Agent will make the funds so received from the applicable Lenders available to the Borrower at the Agent's aforesaid address.

2.11 Conversion and Continuation of Outstanding Advances. Floating Rate Advances (other than Swing Line Loans) shall continue as Floating Rate Advances unless and until such Floating Rate Advances are converted into Eurodollar Advances of the same Class pursuant to this Section 2.11 or are repaid in accordance with Section 2.9. Each Eurodollar Advance shall continue as a Eurodollar Advance until the end of the then applicable Interest Period therefor, at which time such Eurodollar Advance shall be automatically converted into a Floating Rate Advance of the same Class unless (x) such Eurodollar Advance is or was repaid in accordance with Section 2.9 or (y) the Borrower shall have given the Agent a Conversion/Continuation Notice (as defined below) requesting that, at the end of such Interest Period, such Eurodollar Advance continue as a Eurodollar Advance for the same or another Interest Period. Subject to the terms of Section 2.10, the Borrower may elect from time to time to convert all or any part of a Floating Rate Advance (other than a Swing Line Loan) into a Eurodollar Advance of the same Class. The Borrower shall give the Agent irrevocable notice (a "Conversion/Continuation Notice") of each conversion of a Floating Rate Advance (other than a Swing Line Loan) into a Eurodollar Advance or continuation of a Eurodollar Advance not later than 11:00 a.m. (Louisville time) at least three Business Days prior to the date of the requested conversion or continuation, specifying:

(i) the requested date, which shall be a Business Day, of such conversion or continuation,

(ii) the aggregate amount and Type of the Advance which is to be converted or continued, and

(iii) the amount of such Advance which is to be converted into or continued as a Eurodollar Advance and the duration of the Interest Period applicable thereto.

2.12 Changes in Interest Rate, etc. Each Floating Rate Advance (other than a Swing Line Loan) shall bear interest on the outstanding principal amount thereof, for each day from and including the date such Advance is made or is automatically converted from a Eurodollar Advance into a Floating Rate Advance pursuant to Section 2.11, to but excluding the date it is paid or is converted into a Eurodollar Advance pursuant to Section 2.11 hereof, at a rate per annum equal to the Floating Rate for such day. Each Swing Line Loan shall bear interest on the outstanding principal amount thereof, for each day from and including the day such Swing Line Loan is made to but excluding the date it is paid, at a rate per annum equal to the Floating Rate for such day. Changes in the rate of interest on that portion of any Advance maintained as a Floating Rate Advance will take effect simultaneously with each change in the Alternate Base Rate. Each Eurodollar Advance shall bear interest on the outstanding principal amount thereof from and including the first day of the Interest Period applicable thereto to (but not including) the last day of such Interest Period at the interest rate determined by the Agent as applicable to such Eurodollar Advance based upon the Borrower's selections under Sections 2.10 and 2.11 and otherwise in accordance with the terms hereof. No Interest Period for any Loan may end after the Facility Termination Date applicable to such Class of Loans.

2.13 Rates Applicable After Default. Notwithstanding anything to the contrary contained in Section 2.10, 2.11 or 2.12, during the continuance of a Default or Unmatured Default the Majority in Interest of any Class of Lenders may, at their option, by notice to the Borrower (which notice may be revoked at the option of such Majority in Interest of such Class of Lenders notwithstanding any provision of Section 8.2 requiring unanimous consent of the Lenders to changes in interest rates), declare that no Advance may be made as, converted into or continued as a Eurodollar Advance of such Class. During the continuance of a Default the Required Lenders may, at their option, by notice to the Borrower (which notice may be revoked at the option of the Required Lenders notwithstanding any provision of Section 8.2 requiring unanimous consent of the Lenders to changes in interest rates), declare that (i) each Eurodollar Advance

shall bear interest for the remainder of the applicable Interest Period at the rate otherwise applicable to such Interest Period plus 2% per annum, and (ii) each Floating Rate Advance shall bear interest at a rate per annum equal to the Floating Rate in effect from time to time plus 2% per annum and (iii) the LC Fee shall be increased by 2% per annum, provided that, during the continuance of a Default under Section 7.6 or 7.7, the interest rates set forth in clauses (i) and (ii) above and the increase in the LC Fee set forth in clause (iii) above shall be applicable to all Credit Extensions without any election or action on the part of the Agent or any Lender.

2.14 Method of Payment. All payments of the Obligations hereunder shall be made, without setoff, deduction, or counterclaim, in immediately available funds to the Agent at the Agent's address specified pursuant to Article XIII, or at any other Lending Installation of the Agent specified in writing by the Agent to the Borrower, by noon (local time) on the date when due and shall (except with respect to repayments of Swing Line Loans, and in the case of Reimbursement Obligations for which the LC Issuers have not been fully indemnified by the Revolving Lenders, or as otherwise specifically required hereunder) be applied ratably by the Agent among the applicable Lenders. Each payment delivered to the Agent for the account of any Lender shall be delivered promptly by the Agent to such Lender, in the same type of funds that the Agent received, at such Lender's address specified pursuant to Article XIII or at any Lending Installation specified in a notice received by the Agent from such Lender. The Agent is hereby authorized to charge the account of the Borrower maintained with JPMorgan for each payment of principal, interest, Reimbursement Obligations and fees as it becomes due hereunder. Each reference to the Agent in this Section 2.14 shall also be deemed to refer, and shall apply equally, to the LC Issuers, in the case of payments required to be made by the Borrower to the LC Issuers pursuant to Section 2.3.6.

2.15 Noteless Agreement; Evidence of Indebtedness.

(i) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(ii) The Agent shall also maintain accounts in which it will record (a) the amount of each Loan made hereunder, the Type and Class thereof and the Interest Period (if applicable) with respect thereto, (b) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each applicable Lender hereunder, (c) the original stated amount of each Facility LC and the amount of LC Obligations outstanding at any time, and (d) the amount of any sum received by the Agent hereunder from the Borrower and each applicable Lender's share thereof.

(iii) The entries maintained in the accounts maintained pursuant to paragraphs (i) and (ii) above shall be *prima facie* evidence of the existence and amounts of the Obligations therein recorded; provided, however, that the failure of the Agent or any Lender to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Obligations in accordance with their terms.

(iv) Any Lender may request that its Loans be evidenced by a promissory note or, in the case of the Swing Line Lender, promissory notes representing its Revolving Loans and Swing Line Loans, respectively, substantially in the form of Exhibit E, with appropriate changes for notes evidencing Swing Line Loans (each, a "Note"). In such event, the Agent shall prepare and forward to the Borrower for execution and delivery to such Lender a Note or Notes payable to the order of such Lender. Thereafter, the Loans evidenced by each such Note and interest thereon shall at all times (prior to any assignment pursuant to Section 12.3) be represented by one or more Notes payable to the order of the payee named therein, except to the extent that any such Lender subsequently returns any such Note for cancellation and requests that such Loans once again be evidenced as described in paragraphs (i) and (ii) above.

2.16 Telephonic Notices. The Borrower hereby authorizes the Lenders and the Agent to extend, convert or continue Advances, effect selections of Types and Classes of Advances and to transfer funds based on telephonic notices made by any person or persons the Agent or any Lender in good faith believes to be acting on behalf of the

Borrower, it being understood that the foregoing authorization is specifically intended to allow Borrowing Notices and Conversion/Continuation Notices to be given telephonically. The Borrower agrees to deliver promptly to the Agent a written confirmation signed by an Authorized Officer, if such confirmation is requested by the Agent or any applicable Lender, of each telephonic notice. If the written confirmation differs in any material respect from the action taken by the Agent and the Lenders, the records of the Agent and the Lenders shall govern absent manifest error.

2.17 Interest Payment Dates; Interest and Fee Basis. Interest accrued on each Floating Rate Advance shall be payable on each Payment Date, commencing with the first such date to occur after the Closing Date, on each date set forth in the Working Cash Sweep Rider, and on any date on which the Floating Rate Advance is prepaid, whether due to acceleration or otherwise. Interest accrued on that portion of the outstanding principal amount of any Floating Rate Advance converted into a Eurodollar Advance on a day other than a Payment Date shall be payable on the date of conversion. Interest accrued on each Eurodollar Advance shall be payable on the last day of its applicable Interest Period, on any date on which the Eurodollar Advance is prepaid, whether by acceleration or otherwise, and on the applicable Facility Termination Date. Interest accrued on each Eurodollar Advance having an Interest Period longer than three months shall also be payable on the last day of each three-month interval during such Interest Period. Interest, Commitment Fees, LC Fees and fronting fees in respect of Facility LCs shall be calculated for actual days elapsed on the basis of a 360-day year, except for interest payable on Advances at the Alternate Base Rate (to the extent based on the Prime Rate) which shall accrue on the basis of the actual number of days elapsed over a year of 365 or 366 days, as appropriate. Interest shall be payable for the day an Advance is made but not for the day of any payment on the amount paid if payment is received prior to noon (local time) at the place of payment. If any payment of principal of or interest on an Advance shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and, in the case of a principal payment, such extension of time shall be included in computing interest in connection with such payment; provided, however, that, in respect of a Eurodollar Advance, if said next succeeding Business Day falls in a new calendar month, the Interest Period applicable to such Eurodollar Advance shall end on the immediately preceding Business Day.

2.18 Notification of Advances, Interest Rates, Prepayments and Commitment Reductions. Promptly after receipt thereof, the Agent will notify each applicable Lender of the contents of each Revolving Commitment reduction notice, Borrowing Notice, Conversion/Continuation Notice, and repayment notice received by it hereunder. Promptly after notice from any LC Issuer, the Agent will notify each Revolving Lender of the contents of each request for issuance of a Facility LC hereunder. The Agent will notify each applicable Lender of the interest rate applicable to each Eurodollar Advance promptly upon determination of such interest rate and will give each applicable Lender prompt notice of each change in the Alternate Base Rate.

2.19 Lending Installations. Each Lender may book its Loans and, in the case of Revolving Lenders, its participation in any LC Obligations and each LC Issuer may book the Facility LCs at any Lending Installation selected by such Lender or such LC Issuer, as the case may be, and may change its Lending Installation from time to time. All terms of this Agreement shall apply to any such Lending Installation and the Loans, Facility LCs, participations in LC Obligations and any Notes issued hereunder shall be deemed held by each Lender or each LC Issuer, as the case may be, for the benefit of any such Lending Installation. Each Lender and each LC Issuer may, by written notice to the Agent and the Borrower in accordance with Article XIII, designate replacement or additional Lending Installations through which Loans will be made by it or Facility LCs will be issued by it and for whose account Loan payments or payments with respect to Facility LCs are to be made.

2.20 Non-Receipt of Funds by the Agent. Unless the Borrower or a Lender, as the case may be, notifies the Agent prior to the date on which it is scheduled to make payment to the Agent of (i) in the case of a Lender, the proceeds of a Loan or (ii) in the case of the Borrower, a payment of principal, interest or fees to the Agent for the account of the Lenders, that it does not intend to make such payment, the Agent may assume that such payment has been made. The Agent may, but shall not be obligated to, make the amount of such payment available to the intended recipient in reliance upon such assumption. If such Lender or the Borrower, as the case may be, has not in fact made such payment to the Agent, the recipient of such payment shall, on demand by the Agent, repay to the Agent the amount so made available together with interest thereon in respect of each day during the period commencing on the date such amount was so made available by the Agent until the date the Agent recovers such amount at a rate per annum equal

to (x) in the case of payment by a Lender, the greater of the Federal Funds Effective Rate for such day and a rate determined by the Agent in accordance with banking industry rules on interbank compensation for the first three days and, thereafter, the interest rate applicable to the relevant Loan or (y) in the case of payment by the Borrower, the interest rate applicable to the relevant Loan.

2.21 Replacement of Lender. If the Borrower is required pursuant to Section 3.1, 3.2 or 3.5 to make any additional payment to any Lender, if any Lender becomes a Defaulting Lender or if any Lender's obligation to make or continue, or to convert Floating Rate Advances into, Eurodollar Advances shall be suspended pursuant to Section 3.3 (any Lender so affected an "Affected Lender"), the Borrower may elect, if such amounts continue to be charged, if such Lender continues to be a Defaulting Lender or such suspension is still effective, to replace such Affected Lender as a Lender party to this Agreement, *provided* that no Default or Unmatured Default shall have occurred and be continuing at the time of such replacement, and *provided further* that, concurrently with such replacement, (i) another bank or other entity which is reasonably satisfactory to the Borrower and the Agent shall agree, as of such date, to purchase for cash the Advances and other Obligations due to the Affected Lender pursuant to an assignment substantially in the form of Exhibit C and to become a Lender of the applicable Class for all purposes under this Agreement and to assume all obligations of the Affected Lender to be terminated as of such date and to comply with the requirements of Section 12.3 applicable to assignments, and (ii) the Borrower shall pay to such Affected Lender in same day funds on the day of such replacement (A) all interest, fees and other amounts then accrued but unpaid to such Affected Lender by the Borrower hereunder to and including the date of termination, including without limitation payments due to such Affected Lender under Sections 3.1, 3.2 and 3.5, and (B) an amount, if any, equal to the payment which would have been due to such Lender on the day of such replacement under Section 3.4 had the Loans of such Affected Lender been prepaid on such date rather than sold to the replacement Lender.

2.22 Expansion Option.

2.22.1 Amount of Increase. The Borrower may at any time after the Restatement Effective Date, with the consent of the Agent but without the consent of the Lenders except as provided in Sections 2.22.2 and 2.22.5(i), increase the aggregate Revolving Commitments or enter into one or more tranches of term loans (each an "Incremental Term Loan"), so long as, after giving effect thereto, the aggregate amount of all such increases and Incremental Term Loans after the Restatement Effective Date does not exceed $225,000,000, subject to satisfaction of each and all of the requirements contained in this Section 2.22.

2.22.2 Eligibility. Each Lender who provides an increase in the aggregate Revolving Commitments or an Incremental Term Loan (each an "Increasing Lender") shall be either an existing Lender at the time of the increase (each an "Existing Lender") or a financial institution reasonably acceptable to the Agent and the Borrower (and the Borrower's acceptance shall not be unreasonably withheld) that is not then currently a Lender (each a "New Lender"; provided that no New Lender shall be an Ineligible Institution).

2.22.3 Notice. The Borrower and/or the Agent shall notify the Lenders at least one (1) Business Day before the date ("Increase Effective Date") any increase in the aggregate Revolving Commitments or incurrence of Incremental Term Loans shall become effective. Such notice shall state the amount of the increase in the aggregate Revolving Commitments or Incremental Term Loans, the names of the Lenders providing the additional Revolving Commitments or Incremental Term Loans and the Increase Effective Date.

2.22.4 Minimum Amount. Any increase in the aggregate Revolving Commitments or Incremental Term Loans provided by any individual Lender shall be in an amount not less than $5,000,000 and integral multiples of $1,000,000 in excess thereof (unless otherwise agreed by the Borrower and the Agent).

2.22.5 Implementation of Increase. On the Increase Effective Date:

(i) Joinder. Each Increasing Lender shall execute and deliver to the Agent on or prior to the Increase Effective Date a Joinder in the form attached as Exhibit L ("Lender Joinder"), which shall become effective on the Increase Effective Date. The Lender

Joinder shall set forth the Revolving Commitment or amount of Incremental Term Loans provided by the Increasing Lender if it is a New Lender and either the new amount of the Revolving Commitment and the increase in the Revolving Commitment or the amount of Incremental Term Loans to be provided if it is an Existing Lender. If the Increasing Lender is a New Lender it shall on the Increase Effective Date join and become a party to this Agreement and the other Loan Documents as a Lender of the applicable Class for all purposes hereunder and thereunder, subject to the provisions of this Section 2.22, having a Revolving Commitment, if any, as set forth in the Lender Joinder tendered by the same. Any Lender whose Revolving Commitment shall remain unaffected shall be deemed to have consented and agreed to such Lender Joinder.

(ii) Revolving Loans. On each Increase Effective Date, (i) each relevant Increasing Lender shall make available to the Agent such amounts in immediately available funds as the Agent shall determine, for the benefit of the other Lenders, as being required in order to cause, after giving effect to such increase and the use of such amounts to make payments to such other Lenders, each Lender's portion of the outstanding Revolving Loans of all the Lenders to equal its Pro Rata Share of such outstanding Revolving Loans, and (ii) the Borrower shall be deemed to have repaid and reborrowed all outstanding Revolving Loans as of any Increase Effective Date (with such reborrowing to consist of the Types of Revolving Loans, with related Interest Periods if applicable, specified in a notice delivered by the Borrower, in accordance with the requirements of Section 2.10). The deemed payments made pursuant to clause (ii) of the immediately preceding sentence shall be accompanied by payment of all accrued interest on the amount prepaid and, in respect of each Eurodollar Loan, shall be subject to indemnification by the Borrower pursuant to the provisions of Section 3.4 if the deemed payment occurs other than on the last day of the related Interest Periods.

(iii) Facility LCs. Each Increasing Lender providing a Commitment Increase shall participate in all Facility LCs outstanding on the Increase Effective Date according to its Pro Rata Share and in accordance with the terms of this Agreement.

(iv) Limit on Amount. Any increase in the Revolving Commitments or incurrence of Incremental Term Loans pursuant to this Section 2.22 may not cause the total amount of the Revolving Commitments to exceed the amount specified in Section 2.22.1.

(v) No Default or Unmatured Default; Representations and Warranties. There shall exist no Default or Unmatured Default on the Increase Effective Date. Without limiting that sentence, the representations and warranties contained in Article V must be true and correct in all material respects as of such Increase Effective Date except to the extent any such representation is stated to relate solely to an earlier date, in which case such representation shall have been true and correct on and as of such earlier date. If a Default or Unmatured Default exists on such Increase Effective Date, or such representations and warranties are not true and correct to the extent and as required in the second sentence of this Section 2.22.5(v), the Borrower shall not (x) request an increase of, and may not increase, the aggregate Revolving Commitments or (y) request an Incremental Term Loan, and may not obtain an Incremental Term Loan.

(vi) Incremental Term Loan Features. The Incremental Term Loans (a) shall rank pari passu in right of payment with the Revolving Loans and the Term Loans, (b) shall not mature earlier than the latest Facility Termination Date in effect at such time (but may have amortization prior to such date) and (c) shall be treated substantially the same as (and in any event no more favorably than) the Revolving Loans and the Term Loans; provided that (i) the terms and conditions applicable to any tranche of Incremental Term Loans maturing after the latest Facility Termination Date in effect

at such time may provide for material additional or different financial or other covenants or prepayment requirements applicable only during periods after the latest Facility Termination Date in effect at such time and (ii) the Incremental Term Loans may be priced differently than the Revolving Loans and the Term Loans.

(vii) No Obligation. No Existing Lender shall be required to increase its Revolving Commitment or provide an Incremental Term Loan in the event that the Borrower asks such Existing Lender to provide all or a portion of any increase in the aggregate Revolving Commitments or Incremental Term Loan desired by the Borrower. Nothing contained in this Section 2.22 shall constitute, or otherwise be deemed to be, a commitment on the part of any Lender to increase its Revolving Commitment hereunder, or provide Incremental Term Loans, at any time.

2.22.6 Incremental Term Loan Amendment. Notwithstanding the foregoing, Incremental Term Loans may be made hereunder pursuant to an amendment or restatement (an "Incremental Term Loan Amendment") of this Agreement and, as appropriate, the other Loan Documents, executed by the Borrower, each Increasing Lender participating in such tranche, if any, and the Agent. The Incremental Term Loan Amendment may, without the consent of any other Lenders, effect such amendments to this Agreement and the other Loan Documents as may be necessary or appropriate, in the reasonable opinion of the Agent, to effect the provisions of this Section 2.22.

2.23 Defaulting Lenders. Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

(a) fees shall cease to accrue on the unfunded portion of the Commitment of such Defaulting Lender pursuant to Section 2.7;

(b) the Commitment and Outstanding Revolving Credit Exposure of such Defaulting Lender shall not be included in determining whether all Lenders or the Required Lenders or a Majority in Interest of any Class of Lenders have taken or may take any action hereunder (including any consent to any amendment or waiver pursuant to Section 8.2); provided that any waiver, amendment or modification requiring the consent of all Lenders or each affected Lender which affects such Defaulting Lender differently than other affected Lenders shall require the consent of such Defaulting Lender;

(c) if any Swing Line Exposure or LC Exposure exists at the time a Lender becomes a Defaulting Lender then:

(i) all or any part of such Swing Line Exposure and LC Exposure shall be reallocated among the non-Defaulting Lenders that are Revolving Lenders in accordance with their respective Pro Rata Shares but only to the extent (x) the sum of all non-Defaulting Lenders' Outstanding Revolving Credit Exposures plus such Defaulting Lender's Swing Line Exposure and LC Exposure does not exceed the total of all non-Defaulting Lenders' Revolving Commitments and (y) the conditions set forth in Section 4.2 are satisfied at such time;

(ii) if the reallocation described in clause (i) above cannot, or can only partially, be effected, the Borrower shall within one (1) Business Day following notice by the Agent (x) first, prepay such Swing Line Exposure and (y) second, cash collateralize such Defaulting Lender's LC Exposure (after giving effect to any partial reallocation pursuant to clause (i) above) in accordance with the procedures set forth in Section 2.3.11 for so long as such LC Exposure is outstanding;

(iii) if the Borrower cash collateralizes any portion of such Defaulting Lender's LC Exposure pursuant to Section 2.23(c), the Borrower shall not be required to pay any fees to such Defaulting Lender pursuant to Section 2.7 with respect to such Defaulting Lender's LC Exposure during the period such Defaulting Lender's LC Exposure is cash collateralized;

(iv) if the LC Exposure of the non-Defaulting Lenders is reallocated pursuant to Section 2.23(c), then the fees payable to the Revolving Lenders pursuant to Sections 2.7 and 2.3.4 shall be adjusted in accordance with such non-Defaulting Lenders' Pro Rata Shares; or

(v) if any Defaulting Lender's LC Exposure is neither cash collateralized nor reallocated pursuant to Section 2.23(c), then, without prejudice to any rights or remedies of any LC Issuer or any Lender hereunder, all letter of credit fees payable under Section 2.3.4 with respect to such Defaulting Lender's LC Exposure shall be payable to the LC Issuers until such LC Exposure is cash collateralized and/or reallocated; and

(d) so long as any Lender is a Defaulting Lender, the Swing Line Lender shall not be required to fund any Swing Line Loan and no LC Issuer shall be required to issue, amend or increase any Facility LC, unless it is satisfied that the related exposure will be 100% covered by the Commitments of the non-Defaulting Lenders and/or cash collateral will be provided by the Borrower in accordance with Section 2.23(c), and participating interests in any such newly issued or increased Facility LC or newly made Swing Line Loan shall be allocated among non-Defaulting Lenders in a manner consistent with Section 2.23(c)(i) (and Defaulting Lenders shall not participate therein).

If (i) a Bankruptcy Event with respect to a Lender Parent shall occur following the Closing Date and for so long as such event shall continue or (ii) the Swing Line Lender or any LC Issuer has a good faith belief that any Lender has defaulted in fulfilling its obligations under one or more other agreements in which such Lender commits to extend credit, the Swing Line Lender shall not be required to fund any Swing Line Loan and no LC Issuer shall be required to issue, amend or increase any Facility LC, unless the Swing Line Lender or the applicable LC Issuer, as the case may be, shall have entered into arrangements with the Borrower or such Lender, satisfactory to the Swing Line Lender or such LC Issuer, as the case may be, to defease any risk to it in respect of such Lender hereunder.

In the event that the Agent, the Borrower, the LC Issuers and the Swing Line Lender each agrees that a Defaulting Lender has adequately remedied all matters that caused such Lender to be a Defaulting Lender, then the Swing Line Exposure and LC Exposure of the Lenders shall be readjusted to reflect the inclusion of such Lender's Commitment and on such date such Lender shall purchase at par such of the Loans of the other Lenders (other than Swing Line Loans) as the Agent shall determine may be necessary in order for such Lender to hold such Loans in accordance with its Pro Rata Share.

ARTICLE III

YIELD PROTECTION; TAXES

3.1 Yield Protection. If, on or after the Closing Date, the adoption of any law or any governmental or quasi-governmental rule, regulation, policy, guideline or directive (whether or not having the force of law), or any change in the interpretation or administration thereof by any governmental or quasi-governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender or applicable Lending Installation or any LC Issuer with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency (all of the foregoing being referred to as a "Change in Law"; provided however, that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines, requirements and directives thereunder, issued in connection therewith or in implementation thereof, and (y) all requests, rules, guidelines, requirements and directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law" regardless of the date enacted, adopted, issued or implemented):

(i) subjects the Agent, any Lender or any applicable Lending Installation or any LC Issuer to any Taxes (other than (a) Indemnified Taxes, (b) Taxes described in clauses (ii) through (iv) of the definition of Excluded Taxes and (c) Connection Income Taxes) on its loans, loan principal,

letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto, or

(ii) imposes or increases or deems applicable any reserve, assessment, insurance charge, special deposit , liquidity or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender or any applicable Lending Installation or any LC Issuer (other than reserves and assessments taken into account in determining the interest rate applicable to Eurodollar Advances), or

(iii) imposes any other condition (other than Taxes) the result of which is to increase the cost to any Lender or any applicable Lending Installation or any LC Issuer of making, funding or maintaining its Eurodollar Loans, or of issuing or participating in Facility LCs, or reduces any amount receivable by any Lender or any applicable Lending Installation or any LC Issuer in connection with its Eurodollar Loans, Facility LCs or participations therein, or requires any Lender or any applicable Lending Installation or any LC Issuer to make any payment calculated by reference to the amount of Eurodollar Loans, Facility LCs or participations therein held or interest received by it, by an amount deemed material by such Lender or any LC Issuer, as the case may be,

and the result of any of the foregoing is to increase the cost to the Agent, such Lender or applicable Lending Installation Lender or such LC Issuer, as the case may be, of making or maintaining its Loans or Commitment or of issuing or participating in Facility LCs or to reduce the return received by the Agent, such Lender or applicable Lending Installation or such LC Issuer, as the case may be, in connection with such Loans, Commitment, Facility LCs or participations therein, then, within 15 days of demand by the Agent, such Lender or such LC Issuer, as the case may be, the Borrower shall pay the Agent, such Lender or such LC Issuer, as the case may be, such additional amount or amounts as will compensate the Agent, such Lender, or such LC Issuer, as the case may be, for such increased cost or reduction in amount received.

3.2 Changes in Capital Adequacy Regulations. If a Lender or an LC Issuer determines the amount of capital or liquidity required or expected to be maintained by such Lender or such LC Issuer, any Lending Installation of such Lender or such LC Issuer or any corporation controlling such Lender or such LC Issuer is increased as a result of a Change in Circumstance, then, within 15 days of demand by such Lender or such LC Issuer, the Borrower shall pay such Lender or such LC Issuer the amount necessary to compensate for any shortfall in the rate of return on the portion of such increased capital which such Lender or such LC Issuer determines is attributable to this Agreement, its Outstanding Credit Exposure or its Commitment to make Loans and issue or participate in Facility LCs, as the case may be, hereunder (after taking into account such Lender or such LC Issuer's policies as to capital adequacy and liquidity). "Change in Circumstance" means (i) any change after the Closing Date in the Risk-Based Capital Guidelines or (ii) any adoption of or change in any other law, governmental or quasi-governmental rule, regulation, policy, guideline, interpretation, or directive (whether or not having the force of law) after the Closing Date which affects the amount of capital required or expected to be maintained by any Lender or any LC Issuer or any Lending Installation or any corporation controlling any Lender or any LC Issuer; provided however, that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines, requirements and directives thereunder, issued in connection therewith or in implementation thereof, and (y) all requests, rules, guidelines, requirements and directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Circumstance" regardless of the date enacted, adopted, issued or implemented. "Risk-Based Capital Guidelines" means (i) the risk-based capital guidelines of any court, central bank, regulator or other governmental authority that are in effect in the United States on the Closing Date, including transition rules, and (ii) the corresponding capital and liquidity regulations promulgated by regulatory authorities outside the United States.

3.3 Availability of Types of Advances. If any Lender determines that maintenance of its Eurodollar Loans at a suitable Lending Installation would violate any applicable law, rule, regulation, or directive, whether or not having the force of law, or if the Majority in Interest of the Lenders of any Class determine that (i) deposits of a type and

maturity appropriate to match fund Eurodollar Advances are not available or (ii) the interest rate applicable to Eurodollar Advances does not accurately reflect the cost of making or maintaining Eurodollar Advances, then the Agent shall suspend the availability of Eurodollar Advances and require any affected Eurodollar Advances to be repaid or converted to Floating Rate Advances, subject to the payment of any funding indemnification amounts required by Section 3.4.

3.4 Funding Indemnification. If any payment of a Eurodollar Advance occurs on a date which is not the last day of the applicable Interest Period, whether because of acceleration, prepayment or otherwise, or a Eurodollar Advance is not made on the date specified by the Borrower for any reason other than default by the Lenders, the Borrower will indemnify each Lender for any loss or cost incurred by it resulting therefrom, including, without limitation, any loss or cost in liquidating or employing deposits acquired to fund or maintain such Eurodollar Advance.

3.5 Taxes.

(i) All payments by the Borrower to or for the account of any Lender, any LC Issuer or the Agent hereunder or under any Note or Facility LC Application shall be made free and clear of and without deduction for any and all Taxes, except as required by applicable law. If the Borrower shall be required by applicable law to deduct any Indemnified Taxes from or in respect of any sum payable hereunder to any Lender, any LC Issuer or the Agent, (a) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 3.5) such Lender, such LC Issuer or the Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (b) the Borrower shall make such deductions, (c) the Borrower shall pay the full amount deducted to the relevant authority in accordance with applicable law and (d) the Borrower shall furnish to the Agent the original copy of a receipt evidencing payment thereof, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Agent within 30 days after such payment is made.

(ii) In addition, the Borrower hereby agrees to pay any present or future stamp or documentary taxes and any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or under any Note or Facility LC Application or from the execution or delivery of, or otherwise with respect to, this Agreement or any Note or any Facility LC Application ("Other Taxes").

(iii) The Borrower hereby agrees to indemnify the Agent, each LC Issuer and each Lender for the full amount of Indemnified Taxes (including, without limitation, any Indemnified Taxes imposed on amounts payable under this Section 3.5) paid by the Agent, such LC Issuer or such Lender as a result of its Commitment, any Loans made by it hereunder, or otherwise in connection with its participation in this Agreement and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. Payments due under this indemnification shall be made within 30 days of the date the Agent, such LC Issuer or such Lender makes demand therefor pursuant to Section 3.6.

(iv) Each Lender shall severally indemnify the Agent, within ten days after demand therefor, for (a) any Indemnified Taxes attributable to such Lender (but only to the extent that the Borrower has not already indemnified the Agent for such Indemnified Taxes and without limiting the obligation of the Borrower to do so), (b) any Taxes attributable to such Lender's failure to comply with the provisions of Section 12.2.1 relating to the maintenance of a Participant Register and (c) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant governmental authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable

by the Agent to the Lender from any other source against any amount due to the Agent under this paragraph (iv).

(v) (a) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrower and the Agent, at the time or times reasonably requested by the Borrower or the Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower or the Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Agent as will enable the Borrower or the Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 3.5(v)(b)(1), (b)(2) and (b)(4) below) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(b) Without limiting the generality of the foregoing,

(1) any Lender that is a U.S. Person for U.S. federal income tax purposes shall deliver to the Borrower and the Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Agent), executed originals of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(2) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Agent), whichever of the following is applicable:

(A) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed originals of IRS Form W-8BEN or IRS Form W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN or IRS Form W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(B) executed originals of IRS Form W-8ECI;

(C) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate to the effect that such Foreign Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10 percent shareholder" of the Borrower within the meaning of Section 881(c)(3)(B) of the Code, or a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code and (y) executed originals of IRS Form W-8BEN or IRS Form W-8BEN-E; or

(D) to the extent a Foreign Lender is not the beneficial owner, executed originals of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN or IRS Form W-8BEN-E, an IRS Form W-9, and/or other certification from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide certificates on behalf of each such direct and indirect partner;

(3) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Agent), executed originals of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower or the Agent to determine the withholding or deduction required to be made; and

(4) if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Agent as may be necessary for the Borrower and the Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this paragraph (4), "FATCA" shall include any amendments made to FATCA after the Closing Date.

Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Agent in writing of its legal inability to do so.

(vi) If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 3.5 (including by the payment of additional amounts pursuant to this Section 3.5), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section 3.5 with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant governmental authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (vi) (plus any penalties, interest or other charges imposed by the relevant governmental authority) in the event that such indemnified party is required to repay such refund to such governmental authority. Notwithstanding anything to the contrary in this paragraph (vi), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (vi) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This paragraph shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(vii) Each party's obligations under this Section 3.5 shall survive the resignation or replacement of the Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all obligations under any Loan Document.

(viii) For purposes of this Section 3.5, the term "Lender" includes any LC Issuer and the term "applicable law" includes FATCA.

(ix) For purposes of determining withholding Taxes imposed under FATCA, from and after the Restatement Effective Date, the Borrower and the Agent shall treat (and the Lenders hereby authorize the Agent to treat) the Loans and other Obligations under this Agreement as not qualifying as a "grandfathered obligation" within the meaning of Treasury Regulation Section 1.1471-2(b)(2)(i).

3.6 Lender Statements; Survival of Indemnity. To the extent reasonably possible, each Lender shall designate an alternate Lending Installation with respect to its Eurodollar Loans to reduce any liability of the Borrower to such Lender under Sections 3.1, 3.2 and 3.5 or to avoid the unavailability of Eurodollar Advances under Section 3.3, so long as such designation is not, in the judgment of such Lender, disadvantageous to such Lender. Each Lender shall deliver a written statement of such Lender to the Borrower (with a copy to the Agent) as to the amount due, if any, under Section 3.1, 3.2, 3.4 or 3.5. Such written statement shall set forth in reasonable detail the calculations upon which such Lender determined such amount and shall be final, conclusive and binding on the Borrower in the absence of manifest error. Determination of amounts payable under such Sections in connection with a Eurodollar Loan shall be calculated as though each Lender funded its Eurodollar Loan through the purchase of a deposit of the type and maturity corresponding to the deposit used as a reference in determining the Eurodollar Rate applicable to such Loan, whether in fact that is the case or not. Unless otherwise provided herein, the amount specified in the written statement of any Lender shall be payable on demand after receipt by the Borrower of such written statement. The obligations of the Borrower under Sections 3.1, 3.2, 3.4 and 3.5 shall survive payment of the Obligations and termination of this Agreement.

ARTICLE IV

CONDITIONS PRECEDENT

4.1 Restatement Effective Date. The effectiveness of the amendment and restatement of the Previous Credit Agreement in the form of this Agreement is subject to the satisfaction of the conditions precedent set forth in Section 3 of the Amendment and Restatement Agreement.

4.1 Each Credit Extension. The Lenders shall not be required to make any Credit Extension unless on the applicable Credit Extension Date:

(i) There exists no Default or Unmatured Default.

(ii) The representations and warranties contained in Article V are true and correct in all material respects as of such Credit Extension Date except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty shall have been true and correct on and as of such earlier date.

Each Borrowing Notice or request for issuance of a Facility LC with respect to each such Credit Extension shall constitute a representation and warranty by the Borrower that the conditions contained in Sections 4.2(i) and (ii) have been satisfied.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

The Loan Parties jointly and severally represent and warrant to the Agent and the Lenders that:

5.1 Existence and Standing. Each of the Loan Parties and its Subsidiaries is a corporation, partnership (in the case of Subsidiaries only) or limited liability company duly and properly incorporated or organized, as the case may be, validly existing and (to the extent such concept applies to such entity) in good standing under the laws of its jurisdiction of incorporation or organization and has all requisite authority to conduct its respective business in each jurisdiction in which its respective business is conducted and where the failure to do so would cause a Material Adverse Effect.

5.2 Authorization and Validity. Each Loan Party has the power and authority and legal right to execute and deliver the Loan Documents to which it is a party and to perform its obligations thereunder. The execution and delivery by the Loan Party of the Loan Documents to which it is a party and the performance of its obligations thereunder have been duly authorized by proper corporate or limited liability company proceedings, and the Loan Documents to which the Loan Party is a party constitute legal, valid and binding obligations of the applicable Loan Party enforceable against the applicable Loan Party in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally.

5.3 No Conflict; Government Consent. Neither the execution and delivery by a Loan Party of the Loan Documents to which it is a party, nor the consummation by it of the transactions therein contemplated, nor compliance with the provisions thereof by it will violate (i) any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on any such Loan Party or (ii) any such Loan Party's articles or certificate of incorporation, partnership agreement, certificate of partnership, articles or certificate of organization, by-laws, or operating or other management agreement, as the case may be, or (iii) the provisions of any indenture, instrument or agreement to which any such Loan Party is a party or is subject, or by which it, or its Property, is bound, or conflict with or constitute a default thereunder, or except for the Liens required by the terms of Loan Documents, result in, or require, the creation or imposition of any Lien in, of or on the Property of any such Loan Party pursuant to the terms of any such indenture, instrument or agreement. Except for the recordation of any applicable Collateral Documents with any applicable governmental authority, no order, consent, adjudication, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, or other action in respect of any governmental or public body or authority, or any subdivision thereof, which has not been obtained by any Loan Party, is required to be obtained by any Loan Party in connection with the execution and delivery of the Loan Documents, the borrowings under this Agreement, the payment and performance by the Borrower of the Obligations or the legality, validity, binding effect or enforceability of any of the Loan Documents. Notwithstanding anything in this Agreement or the other Loan Documents to the contrary, the parties to this Agreement and the other Loan Documents acknowledge that (i) the transfer, assignment, change of ownership or interest, foreclosure or realization on any of the Collateral or the membership interests of CDMC or (ii) any transfer, assignment, or change of ownership or interest in any pari-mutuel permits or licenses must comply with applicable law, which may require prior approval by the Florida Division of Pari-Mutuel Wagering or comparable governmental authority in the applicable State.

5.4 Financial Statements. The December 31, 2013 consolidated financial statements of the Loan Parties heretofore delivered to the Lenders were prepared in accordance with generally accepted accounting principles in effect on the date such statements were prepared and fairly present the consolidated financial condition and operations of the Loan Parties at such date and the consolidated results of their operations for the period then ended.

5.5 Material Adverse Change. Since December 31, 2013 there has been no change in the business, Property, prospects, condition (financial or otherwise) or results of operations of the Loan Parties taken as a whole, which could reasonably be expected to have a Material Adverse Effect.

5.6 Taxes. Each Loan Party has filed all United States federal and state income Tax returns and all other material Tax returns which are required to be filed and has paid all taxes due pursuant to said returns or pursuant to

any assessment received by such Loan Party, except such Taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided in accordance with Agreement Accounting Principles and as to which no Lien exists. The United States income Tax returns of each Loan Party and the other Loan Parties have been audited by the Internal Revenue Service through the fiscal year ended December 31, 2008 and an audit for fiscal years 2009, 2010 and 2011 is ongoing. No Tax liens have been filed except those permitted by the terms of this Agreement and, except as more particularly described in the Borrower's Form 10-K for the quarterly period ended December 31, 2012, no claims are being asserted with respect to any such Taxes. The Illinois State Tax returns of the Borrower are currently being audited for fiscal years 2009 and 2010, the California Tax returns of the Borrower are currently being audited for fiscal year 2008, and taxes paid to the State of Illinois for fiscal years 2002, 2003, 2004 and 2005 are being contested in good faith by the Borrower. The charges, accruals and reserves on the books of each Loan Party in respect of any Taxes or other governmental charges are adequate.

5.7 Litigation and Contingent Obligations. There is no litigation, arbitration, governmental investigation, proceeding or inquiry pending or, to the knowledge of any of their officers, threatened against or affecting any Loan Party which could reasonably be expected to have a Material Adverse Effect or which seeks to prevent, enjoin or delay the making of any Credit Extensions. Other than any liability incident to any litigation, arbitration or proceeding which could not reasonably be expected to have a Material Adverse Effect, the Loan Parties have no material contingent obligations not provided for or disclosed in the financial statements referred to in Section 5.4.

5.8 Subsidiaries. Schedule 1 contains an accurate list of all Subsidiaries of the Loan Parties as of the Amendment No. 2 Effective Date, setting forth their respective jurisdictions of organization and the percentage of their respective capital stock or other ownership interests owned by each Loan Party. All of the issued and outstanding shares of capital stock or other ownership interests of such Subsidiaries have been (to the extent such concepts are relevant with respect to such ownership interests) duly authorized and issued and are fully paid and non-assessable.

5.9 ERISA. Except for any Multiemployer Plan, none of the Loan Parties sponsors or contributes to a Plan that is covered by Title IV of ERISA or that is subject to the minimum funding standards under Section 412 of the Code. Neither any Loan Party nor any other member of the Controlled Group has incurred, or is reasonably expected to incur, any withdrawal liability to Multiemployer Plans in excess of an amount that could reasonably be expected to result in a Material Adverse Effect. No Loan Party has any knowledge that any Plan fails to comply in all material respects with all applicable requirements of law and regulation. Neither the Borrower nor any other member of the Controlled Group has withdrawn from any Plan or initiated steps to do so, and no steps have been taken to reorganize or terminate any Plan.

5.10 Accuracy of Information. No information, exhibit or report furnished by the Borrower or any of the other Loan Parties to the Agent or to any Lender in connection with the negotiation of, or compliance with, the Loan Documents contained any misstatement of material fact or omitted to state a material fact necessary to make the statements contained therein not misleading.

5.11 Regulation U. Margin stock (as defined in Regulation U) constitutes less than 25% of the value of those assets of the Loan Parties which are subject to any limitation on sale, pledge, or other restriction hereunder.

5.12 Material Agreements. Neither the Borrower nor any Subsidiary is a party to any agreement or instrument or subject to any charter or other corporate restriction which could reasonably be expected to have a Material Adverse Effect. Neither the Borrower nor any Subsidiary is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in (i) any agreement to which it is a party, which default could reasonably be expected to have a Material Adverse Effect or (ii) any agreement or instrument evidencing or governing Indebtedness.

5.13 Compliance With Laws. The Loan Parties have complied with all applicable statutes, rules, regulations, orders and restrictions of any domestic or foreign government or any instrumentality or agency thereof having jurisdiction over the conduct of their respective businesses or the ownership of their respective Property except for

any failure to comply with any of the foregoing which could not reasonably be expected to have a Material Adverse Effect.

5.14 Ownership of Properties. Except as set forth on Schedule 2, on the Closing Date, the Loan Parties will have good title, free of all Liens other than Permitted Liens, to all of the Property and assets reflected in the Borrower's most recent consolidated financial statements provided to the Agent as owned by the Loan Parties. Except for the Permitted Liens, liens granted to the Collateral Agent for the benefit of the Lenders pursuant to the Mortgages do constitute and will constitute valid first priority Liens under applicable law. Borrower will take all such action as will be necessary or advisable to establish such Lien of the Collateral Agent and its priority as described in the preceding sentence at or prior to the time required for such purpose, and there will be as of the date of execution and delivery of the Mortgages no necessity for any further action in order to protect, preserve and continue such Lien and such priority except for (i) the filing of continuation statements to continue financing statements (filed as fixture filings) upon the expiration thereof and (ii) for the recordation of the Calder Mortgage and for the recording of the Mortgages (other than the Calder Mortgage) all of which recordation of such Mortgages (other than the Calder Mortgage and Mortgages entered into after the 2003 Closing Date) shall have occurred on the 2003 Closing Date (or within one Business Day following the 2003 Closing Date provided that the title insurance policy relating to such Mortgages (other than the Calder Mortgage and Mortgages entered into after the 2003 Closing Date) provides coverage as of the 2003 Closing Date based on pro forma policies delivered and accepted on or before the 2003 Closing Date).

5.15 Plan Assets; Prohibited Transactions. The Borrower (a) is not an entity deemed to hold "plan assets" within the meaning of 29 C.F.R. § 2510.3-101 of an employee benefit plan (as defined in Section 3(3) of ERISA) which is subject to Title I of ERISA or any plan (within the meaning of Section 4975 of the Code), and assuming the source of the Loans does not in any case include the assets of any employee benefit plan, neither the execution of this Agreement nor the making of Credit Extensions hereunder gives rise to a prohibited transaction within the meaning of Section 406 of ERISA or Section 4975 of the Code, and (b) the Borrower is an "operating company" as defined in 29 C.F.R 2510-101 (c) or "benefit plan investors" (as defined in 29 C.F.R. § 2510.3-101(f)) do not own 25% or more of the value of any class of equity interests in the Borrower.

5.16 Environmental Matters. In the ordinary course of its business, the officers of the Borrower consider the effect of Environmental Laws on the business of the Loan Parties, in the course of which they identify and evaluate potential risks and liabilities accruing to the Borrower due to Environmental Laws. On the basis of this consideration, the Borrower has concluded that Environmental Laws cannot reasonably be expected to have a Material Adverse Effect. Neither the Borrower nor any Subsidiary has received any notice to the effect that its operations are not in material compliance with any of the requirements of applicable Environmental Laws or are the subject of any federal or state investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, which non-compliance or remedial action could reasonably be expected to have a Material Adverse Effect.

5.17 Investment Company Act. Neither the Borrower nor any Subsidiary is an "investment company" or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

5.18 [Intentionally Omitted].

5.19 Post-Retirement Benefits. The present value of the expected cost of post-retirement medical and insurance benefits payable by the Loan Parties to their employees and former employees, as estimated by the Borrower in accordance with procedures and assumptions deemed reasonable by the Required Lenders, does not exceed an amount that could reasonably be expected to result in a Material Adverse Effect.

5.20 Insurance. The certificate signed by the President or chief financial officer of the Borrower, that attests to the existence and adequacy of, and summarizes, the property and casualty insurance program carried by the Borrower with respect to itself and the other Loan Parties and that has been furnished by the Borrower to the Agent and the Lenders, is complete and accurate. This summary includes the insurer's or insurers' name(s), policy number(s),

expiration date(s), amount(s) of coverage, type(s) of coverage, exclusion(s), and deductibles. This summary also includes similar information, and describes any reserves, relating to any self-insurance program that is in effect.

5.21 Solvency. (i) Immediately after the consummation of the transactions to occur on the Closing Date and immediately following the making of each Loan, if any, made on the Closing Date and after giving effect to the application of the proceeds of such Loans, (a) the fair value of the assets of the Loan Parties on a consolidated basis, at a fair valuation, will exceed the debts and liabilities, subordinated, contingent or otherwise, of the Loan Parties on a consolidated basis; (b) the present fair saleable value of the Property of the Loan Parties on a consolidated basis will be greater than the amount that will be required to pay the probable liability of the Loan Parties on a consolidated basis on their debts and other liabilities, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured; (c) the Loan Parties on a consolidated basis will be able to pay their debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured; and (d) the Loan Parties on a consolidated basis will not have unreasonably small capital with which to conduct the businesses in which they are engaged as such businesses are now conducted and are proposed to be conducted after the Closing Date.

(ii) The Borrower does not intend to, or to permit any of the other Loan Parties to, and does not believe that it or any of the other Loan Parties will, incur debts beyond such Person's ability to pay such debts as they mature, taking into account the timing of and amounts of cash to be received by it or any such Loan Party and the timing of the amounts of cash to be payable on or in respect of its Indebtedness or the Indebtedness of any such Loan Party.

5.22 Intellectual Property. Schedule 5.22 sets forth a true and complete list, differentiated by each Loan Party, of all of the patents, trademarks, licenses not included in Schedule 5.25, copyrights and other intellectual property owned by any of the Loan Parties or which any of them has an interest.

5.23 Properties. Schedule 5.23 sets forth a true and complete list, differentiated by each Loan Party, of the addresses of all Real Property.

5.24 Operating Locations. Schedule 5.24 sets forth a true and complete list, differentiated by each Loan Party, of the street addresses of each of the Loan Parties' operating locations.

5.25 Certain Licenses. Schedule 5.25 sets forth a true and complete list, differentiated by each Loan Party of all licenses or other authorities under which any Loan Party is a licensee from any racing commission or authority or holder of other racing rights.

5.26 Predecessor Entities of the Loan Parties. Schedule 5.26 sets forth a list of any and all predecessors and/or prior names of any Loan Party within the past five (5) years, including any entity or entities which may no longer exist, whether by reason of merger, acquisition, consolidation, sale of its material assets, dissolution, bankruptcy, reorganization, which may have or had an interest in the Collateral or any part thereof, together with such predecessor's (1) state of incorporation, (2) the jurisdictional location of all of such entities offices and locations and (3) all jurisdictional locations where any Collateral may have been kept.

5.27 Anti-Corruption Laws and Sanctions. The Borrower has implemented and maintains in effect policies and procedures designed to ensure compliance by the Borrower, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions, and the Borrower, its Subsidiaries and their respective officers and employees and to the knowledge of the Borrower its directors and agents, are in compliance with Anti-Corruption Laws and applicable Sanctions in all material respects. None of (a) the Borrower, any Subsidiary or to the knowledge of the Borrower or such Subsidiary any of their respective directors, officers or employees, or (b) to the knowledge of the Borrower, any agent of the Borrower or any Subsidiary that will act in any capacity in connection with or benefit from the credit facility established hereby, is a Sanctioned Person. No Loan, Advance or Facility LC, use of proceeds or other transactions contemplated hereby will violate any Anti-Corruption Law or applicable Sanctions. Neither the making of the Loans hereunder nor the use of the proceeds thereof will violate the Patriot Act, the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 C.F.R., Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto or successor statute thereto. The Borrower and its Subsidiaries are in compliance in all material respects with

the Patriot Act. The Borrower shall, and shall cause each Subsidiary to, provide such information and take such actions as are reasonably requested by the Agent or any Lender in order to assist the Agent and the Lenders in maintaining compliance with the Patriot Act.

ARTICLE VI

COVENANTS

From and after the Closing Date, unless the Required Lenders shall otherwise consent in writing:

6.1 Financial Reporting. The Borrower will maintain, for itself and each Subsidiary, a system of accounting established and administered in accordance with Agreement Accounting Principles, and furnish to the Lenders:

(i) Within ninety (90) days after the close of each of Borrower's fiscal years, an unqualified (except for qualifications relating to changes in Agreement Accounting Principles or practices reflecting changes in generally accepted accounting principles and required or approved by the Borrower's independent certified public accountants) audit report certified by PricewaterhouseCoopers LLP or such other independent certified public accountants acceptable to the required Lenders, prepared in accordance with Agreement Accounting Principles on a consolidated basis for itself and the other Loan Parties, including consolidated balance sheets as of the end of such period, related consolidated profit and loss and reconciliation of surplus statements, and a consolidated statement of cash flows, accompanied by any management letter prepared by said accountants, *provided* that satisfaction of the requirements of this Section 6.1(i) shall be deemed to have been met by delivery within the time frame specified above of (a) copies of the Borrower's Annual Report on Form 10-K for such fiscal year prepared in accordance with the requirements therefor and filed with the SEC, and (b) the financial statements and reports otherwise required in this Section 6.1(i), consolidated as to the Borrower and the other Loan Parties, except that such financial statements and reports need not be audited and may be internally prepared.

(ii) Within forty-five (45) days after the close of the first three quarterly periods of each of its fiscal years, for itself and the other Loan Parties, consolidated unaudited balance sheets as at the close of each such period and consolidated profit and loss statements and a consolidated statement of cash flows for the period from the beginning of such fiscal year to the end of such quarter, all certified by its chief financial officer, provided that satisfaction of the requirements of this Section 6.1(ii) shall be deemed to have been met by delivery within the time frame specified above of copies of (a) the Borrower's Quarterly Report on Form 10-Q prepared in accordance with the requirements therefor and filed with the SEC, and (b) the financial statements and reports otherwise required in this Section 6.1(ii), consolidated as to the Borrower and the other Loan Parties.

(iii) As soon as available, but in any event within ninety (90) days after the beginning of each fiscal year of the Borrower, a copy of the plan and budget (including, at a minimum, a projected consolidated balance sheet for the following fiscal year end and projected quarterly income statements) of the Borrower and the other Loan Parties for such fiscal year.

(iv) Together with the financial statements required under Sections 6.1(i) and (ii), a compliance certificate, in substantially the form of Exhibit B attached hereto, signed by its chief financial officer or treasurer showing the calculations necessary to determine compliance with this Agreement and stating that no Default or Unmatured Default exists, or if any Default or Unmatured Default exists, stating the nature and status thereof.

(v) Intentionally Omitted.

(vi) If the Borrower has established a Plan, as soon as possible and in any event within 10 days after the Borrower knows that any Reportable Event has occurred with respect to any Plan, a

statement, signed by the chief financial officer of the Borrower, describing said Reportable Event and the action which the Borrower proposes to take with respect thereto.

(vii) As soon as possible and in any event within 10 days after receipt by the Borrower, a copy of (a) any notice or claim to the effect that the Borrower or any of the other Loan Parties is or may be liable to any Person as a result of the release by the Borrower, any of the other Loan Parties, or any other Person of any Hazardous Materials into the environment, and (b) any notice alleging any violation of any Environmental Laws by the Borrower or any of the other Loan Parties, which, in either case, could reasonably be expected to have a Material Adverse Effect.

(viii) Promptly upon request, copies of all annual reports to shareholders (including without limitation annual reports to shareholders, if any, prepared pursuant to Rule 14a-3 under the Exchange Act), financial statements, reports and proxy statements so furnished and which are not otherwise available on the SEC's Edgar (or its successor) system.

(ix) Promptly upon request, copies of all registration statements and annual, quarterly, monthly or other regular reports which any of the Loan Parties files with the SEC and which are not otherwise available on the SEC's Edgar (or its successor) system.

(x) Such other information (including non-financial information) as the Agent or any Lender may from time to time reasonably request.

6.2 Use of Proceeds. The Borrower and each other Loan Party will, and will cause each Subsidiary to, use the proceeds of the Credit Extensions for general corporate purposes, including for working capital, Acquisition needs and to make any Restricted Payments permitted under this Agreement. The Borrower will not, nor will it permit any Subsidiary to, use any of the proceeds of the Advances to purchase or carry any "margin stock" (as defined in Regulation U). The Borrower will not request any Loan, Advance or Facility LC, and the Borrower shall not use, and shall procure that its Subsidiaries and its or their respective directors, officers, employees and agents shall not use, the proceeds of any Loan, Advance or Facility LC (i) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws, (ii) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country or (iii) in any manner that would result in the violation of any Sanctions applicable to any party hereto.

6.3 Notice of Default. The Borrower and each other Loan Party will give prompt notice in writing to the Agent of the occurrence of any Default or Unmatured Default and of any other development, financial or otherwise, which could reasonably be expected to have a Material Adverse Effect.

6.4 Conduct of Business. The Borrower and each other Loan Party will, and will cause each Subsidiary (other than the Excluded Subsidiaries) to, carry on and conduct all of its respective business in substantially the same manner and in substantially the Current Fields of Enterprise, and in any other mode of gambling, which, in each case, is conducted in full compliance with applicable law, and do all things necessary to remain duly incorporated or organized, validly existing and (to the extent such concept applies to such entity) in good standing as a domestic corporation, partnership or limited liability company in its jurisdiction of incorporation or organization, as the case may be, and maintain all requisite authority to conduct its business in each jurisdiction in which its respective business is conducted in each case in which the failure to so maintain such authority would have a Material Adverse Effect.

6.5 Taxes. The Borrower and each other Loan Party will, and will cause each Subsidiary to, timely file complete and correct United States federal and applicable foreign, state and local Tax returns required by law and pay when due all Taxes, assessments and governmental charges and levies upon such Loan Party or such Loan Party's income, profits or Property, except those which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves have been set aside in accordance with Agreement Accounting Principles.

6.6 Insurance

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(i) The Borrower and each other Loan Party will, and will cause each Subsidiary to, maintain with financially sound and reputable insurance companies insurance on all their Property in such amounts and covering such risks as is consistent with sound business practice, and the Borrower will furnish to any Lender upon request full information as to the insurance carried.

(ii) All insurance which the Loan Parties are required to maintain shall be satis-factory to the Agent in form, amount and insurer. Such insur-ance shall provide that any loss thereun-der shall be payable notwithstanding any action, inaction, breach of warranty or condition, breach of declarations, misrepresentation or negligence of any of the Loan Parties. Each policy shall contain an agreement by the insurer that, notwithstanding lapse of a policy for any reason, or right of cancellation by the insurer or any cancellation by any Loan Party such policy shall continue in full force for the benefit of the Collateral Agent for at least thirty (30) days after written notice thereof to the Agent and the applicable Loan Party, and no alteration in any such policy shall be made except upon thirty (30) days written notice of such proposed alteration to the Agent and the applicable Loan Party and written approval by the Agent. At or before the Closing Date, each Loan Party shall provide the Agent with certificates evidencing its due compliance with the requirements of this Section.

6.7 Compliance with Laws. The Borrower and each other Loan Party will, and will cause each Subsidiary to, comply with all laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which such party may be subject including, without limitation, all Environmental Laws and Money Service Business Laws, provided that it shall not be deemed to be a violation of this Section 6.7 if any failure to comply with any law would not result in fines, penalties, remediation costs, other similar liabilities or injunctive relief which in the aggregate would constitute a Material Adverse Effect. The Borrower will maintain in effect and enforce policies and procedures designed to ensure compliance by the Borrower, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions.

6.8 Maintenance of Properties. The Borrower and each other Loan Party will, and will cause each Subsidiary (other than the Excluded Subsidiaries) to, do all things necessary to maintain, preserve, protect and keep its Property in good repair, working order and condition, normal wear and tear excepted and taking into account the age and condition of such Property and make all necessary and proper repairs, renewals and replacements so that its business carried on in connection therewith may be properly conducted at all times.

6.9 Inspection. The Borrower and each other Loan Party will, and will cause each Subsidiary (other than the Excluded Subsidiaries) to, permit the Agent, the Collateral Agent and the Lenders, by their respective representatives and agents, to inspect any of the Property, books and financial records of the Borrower and each Subsidiary, to examine and make copies of the books of accounts and other financial records of the Borrower and each Subsidiary, and to discuss the affairs, finances and accounts of the Borrower and each Subsidiary with, and to be advised as to the same by, their respective officers at such reasonable times and intervals as the Agent, the Collateral Agent or any Lender may designate; provided, however, so long as no Default or Unmatured Default has occurred or is continuing, no such inspections, examinations, or discussions shall occur during the two week period preceding, or on the day of, the running of the (i) Kentucky Derby or (ii) Breeder's Cup, if the Breeder's Cup is to be held at Churchill Downs.

6.10 Indebtedness. The Borrower and the other Loan Parties will not, nor will they permit any Subsidiary (other than Excluded Subsidiaries) to, create, incur or suffer to exist any Indebtedness, except:

(i) The Loans and the Reimbursement Obligations.

(ii) Indebtedness existing on the Closing Date and described in Schedule 2.

(iii) Indebtedness arising under Rate Management Transactions related to the Loans to the extent permitted under Section 6.22.

(iv) Indebtedness secured by any purchase money security interests not exceeding $5,000,000;

(v) Capitalized Lease Obligations in an amount not exceeding $30,000,000;

(vi) Indebtedness to sellers in connection with Permitted Acquisitions in an aggregate amount not to exceed $10,000,000; provided that such Indebtedness is subordinated to the Indebtedness hereunder pursuant to subordination provisions acceptable to the Agent in its reasonable discretion;

(vii) Indebtedness secured by any Lien permitted pursuant to Section 6.16;

(viii) Unsecured Indebtedness in an aggregate amount not to exceed $1,000,000 in connection with credit cards issued to the Borrower and the Loan Parties.

(ix) Indebtedness under Permitted Pro Rata Secured Financings;

(x) Indebtedness of not greater than $153,000,000 under the Master Plan Bond Transaction.

(xi) Additional unsecured Indebtedness (including unsecured subordinated indebtedness) of the Borrower, to the extent not otherwise permitted under this Section 6.10, and any Indebtedness constituting refinancings, renewals or replacements of any such Indebtedness; provided that (i) both immediately prior to and after giving effect (including pro forma effect) thereto, no Unmatured Default or Default shall exist or would result therefrom, (ii) such Indebtedness matures after, and does not require any scheduled amortization or other scheduled payments of principal prior to, the date that is 181 days after the latest Facility Termination Date in effect at such time (it being understood that any provision requiring an offer to purchase such Indebtedness as a result of change of control or asset sale shall not violate the foregoing restriction), (iii) such Indebtedness is not guaranteed by any Subsidiary of the Borrower other than the Guarantors and (iv) the covenants applicable to such Indebtedness are not more onerous or more restrictive (taken as a whole) than the applicable covenants set forth in this Agreement.

(xii) Additional unsecured Indebtedness in an aggregate amount not to exceed $435,000,000 at any time.

6.11 Merger. Without the consent of the Required Lenders, the Borrower will not, nor will it permit any Subsidiary (other than the Excluded Subsidiaries) to, merge or consolidate with or into any other Person, except that a Loan Party may merge into the Borrower or a Wholly-Owned Subsidiary that is or becomes a Loan Party; provided that at least ten (10) Business Days before the date of such consolidation or merger (or such shorter period as is acceptable to the Collateral Agent in its discretion), the applicable parties shall have delivered to the Agent all of the new Mortgages, amendments to Mortgages, the Mortgage Instruments, financing statements, amendments thereto and other amendments to the Loan Documents and the schedules thereto required to reflect such consolidation or merger and to perfect or confirm the Liens of the Collateral Agent for the benefit of the Lenders in the assets of the Loan Parties which are parties thereto.

6.12 Sale of Assets

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(i) The Borrower will not, nor will it permit any Subsidiary (other than the Excluded Subsidiaries) to, lease, sell or otherwise dispose of its Property to any other Person, except:

(a.) Sales of inventory in the ordinary course of business.

(b.) Leases, sales or other dispositions of its Property (including ownership interests in Guarantors described in Subsection 6.12(iii)(b)) that, together with all other Property of the Loan Parties previously leased, sold or disposed of (other than inventory in the ordinary course of business) as permitted by this Section, in the aggregate, (1) during

the twelve-month period ending with the month in which any such lease, sale or other disposition occurs, do not constitute a Twelve Month Substantial Portion of the Property of the Loan Parties, or (2) from and after the Closing Date does not constitute a Term Substantial Portion of the Property of the Loan Parties, in each case (subject to subsection (ii) below); provided that prior to and upon completion of such lease, sale or other disposition no Default or Unmatured Default would exist, including after giving effect to such sale, transfer or other disposition.

(c.) Intentionally Omitted.

(ii) Any Subsidiary may sell, transfer, lease or otherwise dispose of its assets to a Loan Party.

(iii) (a) Intentionally Omitted.

(b) Upon consummation of the sale or other disposition of Property that (1) consists of (A) all of the interests of all Loan Parties in a Guarantor, including, without limitation, all of the capital stock, LLC or partnership (as applicable) and other equity interests in that Guarantor, or (B) all of the Property of a Guarantor, and (2) is permitted under and consummated in accordance with Subsections 6.12(i)(b) and (ii) above, the Agent is hereby authorized by the Lenders to instruct the Collateral Agent to cause that particular Guarantor to be released from its obligations under the Guaranty without the need for any further authorization from the Lenders, provided that no Default or Unmatured Default shall exist and be continuing or result from that sale or other disposition of that Property and/or the release of that Guarantor from its obligations under the Guaranty.

Notwithstanding the foregoing provisions of this Section 6.12, nothing contained in this Section 6.12 or this Agreement shall prevent the Borrower nor any other Loan Party or any Subsidiary from conducting its revenue producing activities in the ordinary course of its respective business, including, but not limited to, the (a) leasing or licensing of parking facilities, banquet facilities, boxes, suites or other facilities to the patrons of the Borrower, each Loan Party and each Subsidiary (collectively, the "Patrons"), (b) staging entertainment events (i.e., concerts, etc.) for Patrons, (c) granting of PSLs to Patrons, (d) granting of licenses to Patrons to use other similar facilities, (e) the license or use for a fee of simulcast signals, trademarks, copyrights, and other similar assets, (f) prepaying and/or forgiving any amounts owed under or canceling the bond or the lease issued or entered into in connection with the Master Plan Bond Transaction and (g) such other revenue producing activities as determined by the management of the Borrower and permitted under this Agreement.

6.13 Investments and Acquisitions. The Borrower will not, nor will it permit any other Loan Party to, make or suffer to exist any Investments (including without limitation, loans and advances to, and other Investments in, Subsidiaries), or commitments therefor, or to create any Subsidiary or to become or remain a partner in any partnership or joint venture, or to make any Acquisition of any Person, except:

(i) (a) Cash Equivalent Investments and (b) Permitted Investments.

(ii) Any Investment (a) in existence on the Amendment No. 2 Effective Date (including without limitation existing Investments in Subsidiaries) and described in Schedule 1, (b) in any Subsidiary that is a Loan Party if such Investment is not an Acquisition, and (c) so long as no Default or Unmatured Default has occurred and is continuing, in an Excluded Entity that is not an Acquisition if, but only if, the aggregate amount of all Investments in all Excluded Entities under this clause (ii)(c) after the Amendment No. 2 Effective Date, when aggregated with all of the Acquisitions and/or Investments under clause (iii)(g) of this Section 6.13 made after the Amendment No. 2 Effective Date (including such proposed Investment), shall not exceed 25% of Consolidated Net Worth at the time of the proposed Investment in such Excluded Entity.

(iii) The Borrower or any Loan Party may effect an Acquisition through a merger, consolidation or by purchase, lease or otherwise of the capital stock or ownership interest of another Person, or of Property of another Person (each a "Permitted Acquisition"), to the extent, but only to the extent, such Loan Party shall have complied with all of the applicable following provisions:

(a) (1) No Default or Unmatured Default shall exist prior to and/or after giving effect (including pro forma effect) to such Permitted Acquisition, (2) the aggregate consideration paid in respect of such Permitted Acquisition, when taken together with the aggregate consideration paid in respect of all other Permitted Acquisitions, does not exceed $25,000,000 during any fiscal year of the Borrower; provided that such dollar limitation shall not apply so long as at the time of the consummation of such Permitted Acquisition and immediately after giving effect (including giving effect on a pro forma basis) thereto, (A) the Senior Secured Leverage Ratio does not exceed the maximum Senior Secured Leverage Ratio permitted under Section 6.24.3 and (B) the Total Leverage Ratio does not exceed a ratio equal to (x) the numerator of the maximum Total Leverage Ratio permitted under Section 6.24.2 at such time minus 0.25 to (y) 1.00 (provided that, notwithstanding the foregoing clause (iii)(a)(2), any consideration paid in respect of a Permitted Acquisition of an Excluded Entity is at all times also subject to the terms and conditions of clause (iii)(g) below) and (3) if the aggregate consideration paid in respect of any Permitted Acquisition exceeds $100,000,000, the Borrower shall have delivered to the Agent a certificate of the chief financial officer of the Borrower demonstrating compliance with the foregoing clause (iii)(a)(2), together with all relevant financial information, statements and projections requested by the Agent.

(b) The board of directors or other equivalent governing body of such Person shall have approved such Permitted Acquisition.

(c) In the case of a Permitted Acquisition by the Borrower, the Borrower shall be the surviving entity in any merger or consolidation.

(d) At least five (5) Business Days before the date of the proposed Acquisition, the Borrower shall have delivered to the Agent a notice of acquisition substantially in the form of Exhibit F attached hereto (a "Notice of Acquisition") describing in detail the proposed Acquisition.

(e) (1) Such Person is either (A) an existing Guarantor or (B) has executed a Guarantor Joinder to join this Agreement as a Guarantor pursuant to Section 9.14, or shall have done so on the date of such Permitted Acquisition (or such later date as the Agent may agree in the exercise of its reasonable discretion with respect thereto), or, (2) in the alternative, upon request provided in the Notice of Acquisition of the Loan Party acquiring such Person, on or before the date of closing of such Permitted Acquisition, the Required Lenders shall have consented, in their discretion, in writing, to permit such acquired Person to be an Excluded Entity.

(f) If the Person to be acquired is not an Excluded Entity, then clauses (1) and (2) of this subsection apply:

(1) The Loan Party which acquires such ownership interest in such Person shall pledge such ownership interests to the Collateral Agent pursuant to the Pledge and Security Agreement and Section 9.14 on the date of the closing of such Permitted Acquisition (or such later date as the Agent may agree in the exercise of its reasonable discretion with respect thereto), except as provided

in clauses (iii)(f)(2) or (iii)(h) below; and such Person shall, on the date of the closing of such Permitted Acquisition (or such later date as the Agent may agree in the exercise of its reasonable discretion with respect thereto) execute and deliver a Guarantor Joinder and otherwise comply with the requirements of Section 9.14; and

(2) If the organizational documents of such Person or applicable laws relating to horse racing or gaming prohibit the pledge of the ownership interests of such Person or the grant of Liens in one or more assets of such Person (such stock and assets, collectively, the "Restricted Assets"), such Person and its owners shall not be obliged to grant Liens in the Restricted Assets, provided that the Loan Parties shall use their best efforts with respect to the matters within their respective control to obtain, within ninety (90) days after the date of such Permitted Acquisition (A) the consent of the other party to such organizational documents to the pledge or grant of first and prior Liens in the Restricted Assets, (B) the consent of the applicable regulatory authority to the pledge or grant of first and prior Liens in the Restricted Assets of such Person to the Collateral Agent, or (C) the acknowledgement by such regulatory authority that such a pledge or grant of security interests does not require such consent; and the applicable Loan Parties shall within ten (10) days after receiving any such acknowledgement or consent take all steps necessary or appropriate to pledge and grant first and prior Liens, other than Permitted Liens, in favor of the Collateral Agent in, as applicable, the Restricted Assets pursuant to the Pledge and Security Agreement and any other applicable Collateral Documents, other Loan Documents, and/or other documents in the form of the Collateral Documents except for the name of the applicable Loan Party and the description of the Property. For the avoidance of doubt, MVGR shall not be required to pledge any Restricted Assets of MVGR.

(g) If the acquired Person is an Excluded Entity, the aggregate consideration paid for the Acquisition of and Investment in all Persons pursuant to this clause (iii)(g), when aggregated with all other consideration paid for the Acquisition of and Investments in any Person under this clause (iii)(g) and when aggregated with all Investments under clause (ii)(c) of this Section, shall not exceed 25% of Consolidated Net Worth at the time of the Proposed Acquisition of such Person.

(h) If the Permitted Acquisition is through purchase, lease or other acquisition of Property of a Person by a Loan Party, then that Loan Party shall pledge such Property pursuant to the Pledge and Security Agreement and/or Mortgage(s), as appropriate, and Section 6.29, unless (x) the Agent shall have determined, in the exercise of its reasonable discretion, that the costs and burdens of obtaining a security interest therein or perfection thereof outweigh the value of the security afforded thereby, or (y) such Loan Party is engaged in a Current Field of Enterprise and applicable laws relating to horse racing or gaming cause the Property, or some part of it, being acquired to be Restricted Assets, in which case such Loan Party shall not be obliged to grant Liens in the Restricted Assets, *provided* that the Loan Parties shall use their best efforts with respect to the matters within their respective control to obtain, within ninety (90) days after the date of such Permitted Acquisition (A) the consent of the applicable regulatory authority to the pledge or grant of first and prior Liens, other than Permitted Liens, in the Restricted Assets of such Loan Party to the Collateral Agent, or (B) the acknowledgement by such regulatory authority that such a pledge or grant of security interests does not require such consent, and that Loan Party shall within ten (10) days after receiving any such acknowledgement or consent take all steps necessary or appropriate to pledge and grant first and prior Liens, other than Permitted Liens, in

favor of the Collateral Agent in, as applicable, the Restricted Assets pursuant to the Pledge and Security Agreement and any other applicable Collateral Documents, other Loan Documents, and/or documents consistent with the Collateral Documents.

6.14 Subsidiaries. Each Loan Party shall not, and shall not permit any of its Subsidiaries to, own or create, directly or indirectly, any Subsidiaries other than (a) any Subsidiary on the Closing Date, and (b) any Subsidiary formed after the Closing Date which complies with the requirements of this Section 6.14, or acquired after the Closing Date pursuant to a Permitted Acquisition. Unless the Subsidiary so acquired is an Excluded Entity with respect to which the Loan Parties have complied with Section 6.13, such newly formed or acquired Subsidiary and the applicable Loan Party, as applicable, shall grant and cause to be perfected first priority (other than Permitted Liens) Liens in favor of the Collateral Agent in the assets held by, and stock of or other ownership interest in, such Subsidiary, subject to any applicable exceptions in Section 6.13. Except as otherwise permitted under Section 6.13 of this Agreement, each of the Loan Parties shall not become or agree to become (1) a general or limited partner in any general or limited partnership, except that Loan Parties may be general or limited partners in other Loan Parties, (2) become a member or manager of, or hold a limited liability company interest in, a limited liability company, except that the Loan Parties may be members or managers of, or hold limited liability company interest in, other Loan Parties, or (3) become a joint venturer or hold a joint venture interest in any joint venture.

6.15 Certain Transactions. The Borrower and the other Loan Parties collectively, in the aggregate, may not incur Off Balance Sheet Liabilities under Section 6.23(ii), which, at any one time, aggregate for the Borrower and all of the other Loan Parties, collectively, in an amount more than $50,000,000.

6.16 Liens. The Borrower will not, nor will it permit any Subsidiary to, create, incur, or suffer to exist any Lien in, of or on the Property of the Borrower or any of its Subsidiaries, except (collectively, “Permitted Liens”):

(i) Liens for taxes, assessments or governmental charges or levies on such Loan Party’s Property if the same shall not at the time be delinquent or thereafter can be paid without penalty, or are being contested in good faith and by appropriate proceedings and for which adequate reserves in accordance with Agreement Accounting Principles shall have been set aside on such Loan Party’s books.

(ii) Liens imposed by law, such as carriers’, warehousemen’s and mechanics’ liens and other similar Liens arising in the ordinary course of business which secure payment of obligations not more than sixty (60) days past due or which are being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with Agreement Accounting Principles shall have been set aside on such Loan Party’s books.

(iii) Liens arising out of pledges or deposits under worker’s compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits, or similar legislation.

(iv) Utility easements, building restrictions and such other encumbrances or charges against real property as are of a nature generally existing with respect to properties of a similar character and which do not in any material way affect the marketability of the same or interfere with the use thereof in the business of the Borrower or its Subsidiaries.

(v) Liens existing on the Closing Date and described in Schedule 2 and any Lien filed or which arises, at any time solely against Property of any Excluded Subsidiary.

(vi) Liens in favor of the Collateral Agent granted pursuant to any Collateral Document.

(vii) Liens, security interests and mortgages for the benefit of any individual Lender which provides a Rate Management Transaction permitted under Section 6.22 (each a “Permitted Secured Lender Rate Management Transaction”) between one or more of the Loan Parties and such

Lender, provided that any such Liens shall be pari passu with the Liens securing the other Secured Obligations hereunder. The parties to a "Permitted Secured Rate Management Transaction" shall state in the documentation governing such agreement that such agreement is intended to be a "Permitted Secured Rate Management Transaction" hereunder, and upon doing so such agreement shall be treated as a "Permitted Secured Rate Management Transaction" for all purposes hereunder and under each of the other Loan Documents and such agreement shall be entitled to share in the Collateral as more fully provided for herein and therein.

(viii) Liens created in connection with assets leased under Capitalized Leases described in and permitted under Section 6.10(v).

(ix) Purchase money security interests described in and permitted under Section 6.10(iv).

(x) So long as, (A) the validity or amount thereof is being contested in good faith by appropriate and lawful proceedings diligently conducted and so long as levy and execution thereon have been stayed and continue to be stayed or (B) if a final judgment is entered, such judgment is discharged within thirty (30) days of entry, and in either case they do not in the aggregate, materially impair the ability of the Borrower to perform its Obligations hereunder and under the other Loan Documents, then the following:

(a) Claims or Liens for taxes, assessments or charges due and payable and subject to interest or penalty, provided that the applicable Loan Party maintains such reserves or other appropriate provisions as shall be required by Agreement Accounting Principles and pays all such taxes, assessments or charges forthwith upon the commencement of proceedings to foreclose any such Lien provided that, notwithstanding any such reserves, the Loan Parties shall pay any Liens related to recording or related taxes (including documentary stamp taxes or intangible taxes), immediately upon the existence of any Default or immediately upon the request of the Agent if the Collateral Agent has recorded or is recording a Mortgage with respect to such realty;

(b) Claims, Liens or encumbrances upon, and defects of title to, real or personal property other than the Collateral, including any attachment of personal or real property or other legal process prior to adjudication of a dispute on the merits;

(c) Claims or Liens of mechanics, materialmen, warehousemen, carriers, or other statutory nonconsensual Liens; or

(d) Claims or Liens resulting from judgments or orders which, in the aggregate, do not exceed $5,000,000.

(xi) Liens permitted under the title policies delivered to the Collateral Agent.

(xii) Liens on assets (other than Collateral) securing Indebtedness and other obligations in an aggregate outstanding amount not in excess of $25,000,000.

Notwithstanding the foregoing, no Real Property shall be permitted to be subject to any Liens pursuant to the foregoing clauses (iii), (vii), (viii), (ix), or (xii).

6.17 Intentionally Omitted.

6.18 Intentionally Omitted.

6.19 Affiliates. The Borrower will not, and will not permit any Subsidiary to, enter into any transaction (including, without limitation, the purchase or sale of any Property or service) with, or make any payment or transfer to, any Affiliate except (i) in the ordinary course of business and pursuant to the reasonable requirements of the Borrower's or such Subsidiary's business and (ii) upon fair and reasonable terms no less favorable to the Borrower or such Subsidiary than the Borrower or such Subsidiary would obtain in a comparable arms-length transaction.

6.20 No Prepayment of Material Subordinated Indebtedness. The Loan Parties shall not, nor will any of them permit any Subsidiary to, prepay, anticipate, defease, purchase, redeem or acquire any Material Indebtedness (other than Obligations hereunder) that is expressly subordinated to the Obligations hereunder, either in whole or in part, directly or indirectly, prior to the scheduled maturity thereof, except for payment of regularly scheduled installments of principal and/or interest thereon as and when those installments come due in the regular course, and not by acceleration thereof, provided that nothing in this Section 6.20 shall prohibit an Excluded Subsidiary to prepay any Indebtedness with respect to which it, but not any Loan Party, is obligated.

6.21 Recordation of Calder Mortgage. The Agent may, and at the direction of the Required Lenders shall, direct the Collateral Agent to record the Calder Mortgage; and appropriate UCC fixture filings. The other financing statements for filing in Florida (the "Calder Financing Statements") have been filed concurrently with the 2003 Closing Date. The Loan Parties shall take all such steps as the Agent, the Collateral Agent or the Required Lenders request and shall otherwise cooperate in connection with the recordation of the Calder Mortgage, and related documents pursuant to the preceding sentence, including (i) obtaining title insurance for the benefit of the Collateral Agent and the Lenders in an amount not less than the appraised value of the property covered by such Calder Mortgage (which the Loan Parties shall be required to pay for) and providing all other Mortgage Instruments and (ii) if a Default exists at the time of such recordation or if a Default should occur following such recordation, the Loan Parties shall pay (or reimburse the Agent for) all documentary stamp taxes, intangible asset taxes or other fees and expenses associated with such recordation. The Calder Mortgage shall be treated as a "Recorded Mortgage" for purposes of this Agreement including the warranty in Section 5.14 relating to the Recorded Mortgages.

6.22 Financial Contracts. The Borrower has entered into the transactions of the type described in the definition of "Rate Management Transactions" described on Schedule 6.22, and may enter into one or more transactions of the type described in the definition of "Rate Management Transactions" with one or more of the Lenders after the Closing Date, but the Borrower shall not, nor will it permit any Subsidiary to enter into or remain liable under any Financial Contract that is speculative in nature.

6.22 Sale and Leaseback Transactions and other Off-Balance Sheet Liabilities. The Borrower will not, nor will it permit any Subsidiary to, enter into or suffer to exist any (i) Sale and Leaseback Transaction or (ii) any other transaction pursuant to which it incurs or has incurred Off-Balance Sheet Liabilities, except for (a) Rate Management Obligations permitted to be incurred under the terms of Section 6.22 and (b) as provided in Section 6.15.

6.23 Financial Covenants

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6.24.1 Interest Coverage Ratio. The Borrower will maintain the Interest Coverage Ratio, determined as of the end of each of its fiscal quarters for the then most-recently ended four fiscal quarters, of (i) Consolidated Adjusted EBITDA, to (ii) Consolidated Interest Expense, all calculated for the Loan Parties on a consolidated basis and in accordance with Agreement Accounting Principles, to be greater than or equal to 3.00 to 1.00.

6.24.2 Total Leverage Ratio. The Borrower will not permit the ratio, determined as of the end of each of its fiscal quarters, of (i) Consolidated Funded Indebtedness to (ii) Consolidated Adjusted EBITDA (the "Total Leverage Ratio") for the then most-recently ended four fiscal quarters to be greater than 4.50 to 1.00; provided that, upon the Agent's receipt of a written request from the Borrower, so long as the Borrower certifies and demonstrates to the Agent's reasonable satisfaction that the Consolidated Adjusted EBITDA as of the end of the then most recently ended fiscal quarter of the Borrower for the period of four consecutive fiscal quarters then ended equals or exceeds $200,000,000, the maximum Total Leverage Ratio permitted

under this Section 6.24.2 will be increased to 5.00 to 1.00 for a period beginning with the fiscal quarter of the Borrower in which such notice was received by the Agent and for each fiscal quarter of the Borrower thereafter until and ending on the first Trigger Date occurring after such notice was received by the Agent (any such period an "Effective Period"). For the avoidance of doubt, if the conditions set forth in this Section 6.24.2 are satisfied, more than one Effective Period may occur during the term of this Agreement.

6.24.3 Senior Secured Leverage Ratio. The Borrower will not permit the ratio, determined as of the end of each of its fiscal quarters, of (i) Consolidated Senior Secured Funded Indebtedness to (ii) Consolidated Adjusted EBITDA (the "Senior Secured Leverage Ratio") for the then most-recently ended four fiscal quarters to be greater than 3.50 to 1.00.

6.24.4 Minimum Adjusted EBITDA. For each of the fiscal quarters of the Borrower ending during an Effective Period, the Consolidated Adjusted EBITDA as of the end of such fiscal quarter for the period of four consecutive fiscal quarters then ending shall not be less than $150,000,000.

6.25 Loan Parties shall enter into Collateral Documents. The Borrower and each of the other Loan Parties shall grant to the Collateral Agent, for the benefit of the Lenders, a first priority perfected security interest in all of the Property of the Borrower and each of the Loan Parties, provided that (x) recordation of the Calder Mortgage and UCC fixture filings for filing in Florida may be delayed pursuant to and in accordance with Section 6.21 and (y) no Property shall be required to be secured to the extent that the Agent, in the exercise of its reasonable discretion, shall have determined that the costs and burdens of obtaining a security interest therein or perfection thereof outweigh the value of the security afforded thereby. To that end, each of the Loan Parties shall duly authorize, execute and promptly deliver the Guaranty to the Agent and deliver to the Collateral Agent the Mortgages, the Mortgage Instruments, the Pledge and Security Agreement, the Assignments of Patents, Trademarks and Copyrights, the Intercompany Subordination Agreement and any and all other Collateral Documents, including without limitation all documents or instruments necessary or appropriate to create and/or perfect or otherwise protect the Liens in the Collateral in favor of the Collateral Agent for the benefit of the Lenders.

6.26 Maintenance of Patents, Trademarks, Etc. Each Loan Party shall, and shall cause each of its Subsidiaries (except for the Excluded Subsidiaries) to, maintain in full force and effect all patents, trademarks, service marks, trade names, copyrights, licenses, franchises, permits and other authorizations necessary for the ownership and operation of its properties and business if the failure so to maintain the same would constitute a Material Adverse Effect.

6.27 Plans and Benefit Arrangements. The Borrower shall, and shall cause each other member of the Controlled Group to, comply with ERISA, the Code and other applicable Laws applicable to Plans, or Benefit Arrangements except where such failure, alone or in conjunction with any other failure, would not result in a Material Adverse Effect. Without limiting the generality of the foregoing, the Borrower shall make, and cause each member of the Controlled Group to make, in a timely manner, all contributions due to Plans, Benefit Arrangements and Multiemployer Plans.

6.28 Compliance with Laws. Each Loan Party shall, and shall cause each of its Subsidiaries to, comply with all applicable all applicable statutes, rules, regulations, orders and restrictions of any domestic or foreign government or any instrumentality or agency thereof having jurisdiction over the conduct of their respective businesses or the ownership of their respective Property, including all Environmental Laws and Money Service Business Laws, in all respects, provided that it shall not be deemed to be a violation of this Section 6.28 if any failure to comply with any of the foregoing would not result in fines, penalties, remediation costs, other similar liabilities or injunctive relief which in the aggregate would constitute a Material Adverse Effect.

6.29 Further Assurances. Each Loan Party shall, from time to time, at its expense, (i) take such steps as may be necessary and/or appropriate to faithfully preserve and protect the Lien in favor of the Collateral Agent, for the benefit of the Lenders, on and security interest in the Collateral more fully described in the Collateral Documents as a continuing first priority perfected Lien, subject only to Permitted Liens, (ii) shall do such other acts and things as

the Agent in its sole discretion may deem necessary or advisable from time to time in order to preserve, perfect and protect the Liens granted under the Loan Documents and to exercise and enforce its rights and remedies thereunder with respect to the Collateral (including without limitation the execution and/or delivery of such amendments and supplements to the Collateral Documents and related instruments and documents to the extent, and within such time periods, as are reasonably requested by the Collateral Agent), and (iii) unless the Agent, in the exercise of its reasonable discretion, shall have determined that the costs and burdens of obtaining a security interest therein or perfection thereof outweigh the value of the security afforded thereby, as Property is acquired and as required by the other provisions of this Agreement, enter into additional documents from time to time in the form of the Collateral Documents (except as to the applicable Loan Party and the Property subject thereto) and take such other steps to grant and perfect first priority Liens on those assets to the Collateral Agent, for the benefit of the Lenders.

6.30 Subordination of Intercompany Loans. Each Loan Party shall cause any intercompany Indebtedness, and loans or advances owed by any Loan Party to any other Loan Party to be subordinated pursuant to the terms of the Intercompany Subordination Agreement.

6.31 Plans and Benefit Arrangements. Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to:

(i) engage in a Prohibited Transaction with any Plan, Benefit Arrangement or Multiemployer Plan which, alone or in conjunction with any other circumstances or set of circumstances resulting in liability under ERISA, would constitute a Material Adverse Effect;

(ii) fail to make when due any contribution to any Multiemployer Plan that the Borrower or any member of the Controlled Group may be required to make under any agreement relating to such Multiemployer Plan, or any Law pertaining thereto;

(iii) withdraw (completely or partially) from any Multiemployer Plan where any such withdrawal is likely to result in a material liability under Section 4063 of ERISA of the Borrower or any member of the Controlled Group that would constitute a Material Adverse Effect;

(iv) terminate, or institute proceedings to terminate, any Plan, where such termination is likely to result in a material liability to the Borrower or any member of the Controlled Group that would constitute a Material Adverse Effect;

(v) make any amendment to any Plan with respect to which security is required under Section 307 of ERISA;

(vi) fail to give any and all notices and make all disclosures and governmental filings required under ERISA or the Code, where such failure is likely to result in a Material Adverse Effect; or

(vii) create or enter into any Plan subject to the minimum funding requirements of ERISA, without the prior written consent of the Agent.

6.32 Issuance of Stock. Except as may be permitted in Section 6.13, each of the Loan Parties other than the Borrower shall not issue any additional shares of such Loan Party's capital stock or any options, warrants or other rights in respect thereof to any Person not a Loan Party, *provided* that the Borrower shall deliver stock powers and the original certificates evidencing such new shares in such Loan Party and shall take any other steps necessary to grant security interests in such shares in favor of the Collateral Agent prior to issuing such shares.

6.33 Changes in Organizational Documents. Except as provided in the next sentence, each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, amend in any respect its certificate of incorporation (including any provisions or resolutions relating to capital stock), by-laws, certificate of limited partnership, partnership agreement, articles or certificate of formation, limited liability company agreement or other organizational documents without providing at least ten (10) calendar days' prior written notice to the Agent and, in the event such change would be materially adverse to the Lenders as determined by the Agent in its sole discretion, obtaining the prior written consent of the Required Lenders. The Borrower may amend its articles of incorporation to do any or all of the following: (1) in connection with a public offering of shares of its capital stock to provide for an increase in the number of authorized shares of such stock or (2) in connection with such a public offering to increase the total number of shares issuable as Series 1998 Preferred Stock to reflect the increase in the number of shares of the Borrower's common stock

outstanding, and (3) delete any provisions related to cumulative voting by shareholders in the election or removal of directors.

6.34 Contingent Obligations. The Borrower will not, nor will it permit any Subsidiary (except for the Excluded Subsidiaries) to, make or suffer to exist any Contingent Obligation (including, without limitation, any Contingent Obligation with respect to the obligations of a Subsidiary), except (i) by endorsement of instruments for deposit or collection in the ordinary course of business, (ii) the Reimbursement Obligations, (iii) for the Guaranty; (iv) for PSL Buyback/Guarantee(s) not to exceed $20,000,000 at any one time in the aggregate for all such PSL Buyback/Guarantees; (v) guaranties of the obligations of Loan Parties not to exceed $10,000,000 at any one time in the aggregate for all such guaranties; and (vi) other Contingent Obligations permitted by Section 6.10.

6.35 Other Agreements. The Loan Parties will not enter into any agreement containing any provision which would be violated or breached by the performance of their obligations hereunder or under any instrument or document delivered or to be delivered by them hereunder or in connection herewith.

6.36 Preservation of Existence. Each Loan Party shall, and shall cause each of its Subsidiaries (other than the Excluded Subsidiaries) to maintain its legal existence as a corporation, limited partnership or limited liability company and its license or qualification and good standing in each jurisdiction in which its ownership or lease of property or the nature of its business makes such license or qualification necessary, except (i) as otherwise may be expressly be permitted in Sections 6.11, 6.12. 6.13 and/or 6.14 and (ii) where such failure to do so shall not have a Material Adverse Effect.

6.37 Restricted Payments. The Borrower will not, and will not permit any of its Subsidiaries to, declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, except (a) the Borrower may declare and pay dividends with respect to its Equity Interests payable solely in additional shares of its common stock, (b) Subsidiaries may declare and pay dividends ratably with respect to their Equity Interests, (c) the Borrower may make Restricted Payments pursuant to and in accordance with stock option plans or other benefit plans for management or employees of the Borrower and its Subsidiaries and (d) so long as no Default exists immediately prior and after giving effect (including giving pro forma effect) thereto, the Borrower and its Subsidiaries may make Restricted Payments so long as the ratio calculated, in each case calculated after giving pro forma effect to any such Restricted Payment, (i) pursuant to Section 6.24.1 is greater than or equal to the minimum ratio required by Section 6.24.1 at such time, (ii) pursuant to Section 6.24.2 is less than or equal to the maximum ratio permitted by Section 6.24.2 at such time and (iii) pursuant to Section 6.24.3 is less than or equal to the maximum ratio permitted by Section 6.24.3 at such time.

ARTICLE VII

DEFAULTS

The occurrence of any one or more of the following events shall constitute a Default:

7.1 Any representation or warranty made or deemed made by or on behalf of the Loan Parties to the Lenders or the Agent under or in connection with this Agreement, any Credit Extension, or any certificate or information delivered in connection with this Agreement or any other Loan Document shall be materially false on the date as of which made.

7.2 Nonpayment of principal of any Loan when due, or nonpayment of any Reimbursement Obligation in or of any interest upon any Loan or Reimbursement Obligation within one Business Day after the same becomes due, or of any commitment fee, LC Fee or other obligations under any of the Loan Documents within five days after the same becomes due.

7.3 The breach by the Borrower and/or any Loan Party of any of the terms or provisions of Sections 6.2, 6.3, 6.10, 6.11, 6.12, 6.13, 6.14, 6.15, 6.16, 6.19, 6.20, 6.22, 6.23, 6.24, 6.25, 6.26, 6.27, 6.28, 6.29, 6.30, 6.31, 6.32, 6.33, 6.34, 6.35, 6.36 and/or 6.37.

7.4 The breach by the Borrower and/or any Loan Party (other than a breach which constitutes a Default under another Section of this Article VII) of any of the terms or provisions of this Agreement and/or any other Loan Document which is not remedied within five days after written notice from the Agent or any Lender.

7.5 Failure of the Borrower or any of the other Loan Parties to pay when due any Material Indebtedness; or the default by the Borrower or any of the other Loan Parties in the performance (beyond the applicable grace period with respect thereto, if any) of any term, provision or condition contained in any Material Indebtedness Agreement, or any other event shall occur or condition exist, the effect of which default, event or condition is to cause, or to permit the holder(s) of such Material Indebtedness or the lender(s) under any Material Indebtedness Agreement to cause, such Material Indebtedness to become due prior to its stated maturity or any commitment to lend under any Material Indebtedness Agreement to be terminated prior to its stated expiration date; or any Material Indebtedness of the Borrower or any of the other Loan Parties shall be declared to be due and payable or required to be prepaid or repurchased (other than by a regularly scheduled payment) prior to the stated maturity thereof; or the Borrower or any of its Subsidiaries or any Guarantor shall not pay, or admit in writing its inability to pay, its debts generally as they become due.

7.6 The Borrower or any of the other Loan Parties shall (i) have an order for relief entered with respect to it under the Federal bankruptcy laws as now or hereafter in effect, (ii) make an assignment for the benefit of creditors, (iii) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any Term Substantial Portion or Twelve Month Substantial Portion of its Property, (iv) institute any proceeding seeking an order for relief under the Federal bankruptcy laws as now or hereafter in effect or seeking to adjudicate it a bankrupt or insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (v) take any corporate or partnership action to authorize or effect any of the foregoing actions set forth in this Section 7.6 or (vi) fail to contest in good faith any appointment or proceeding described in Section 7.7.

7.7 Without the application, approval or consent of the Borrower or any of the other Loan Parties, a receiver, trustee, examiner, liquidator or similar official shall be appointed for the Borrower or any of the other Loan Parties or any Term Substantial Portion or Twelve Month Substantial Portion of its Property, or a proceeding described in Section 7.6(iv) shall be instituted against the Borrower or any of the other Loan Parties and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of 60 consecutive days.

7.8 Any court, government or governmental agency shall condemn, seize or otherwise appropriate, or take custody or control of, all or any portion of the Property of any of the Loan Parties which, when taken together with all other Property of the Loan Parties so condemned, seized, appropriated, or taken custody or control of, during the twelve-month period ending with the month in which any such action occurs, constitutes a Term Substantial Portion or Twelve Month Substantial Portion.

7.9 The Borrower or any of the other Loan Parties shall fail within thirty (30) days to pay, bond or otherwise discharge one or more (i) judgments or orders for the payment of money in excess of $30,000,000 (or the equivalent thereof in currencies other than U.S. Dollars) in the aggregate, or (ii) nonmonetary judgments or orders which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect, which judgment(s), in any such case, is/are not stayed on appeal or otherwise being appropriately contested in good faith.

7.10 Nonpayment by the Borrower or any Loan Party of any Rate Management Obligation when due or the breach by the Borrower or any Subsidiary of any term, provision or condition contained in any Rate Management Transaction or any transaction of the type described in the definition of “Rate Management Transactions,” whether or not any Lender or Affiliate of a Lender is a party thereto, and in each case in respect of obligations in an amount of $30,000,000 or more.

7.11 Any Change in Control shall occur.

7.12 The Borrower or any other member of the Controlled Group shall have been notified by the sponsor of a Multiemployer Plan that it has incurred withdrawal liability to such Multiemployer Plan in an amount which, when aggregated with all other amounts required to be paid to Multiemployer Plans by the Borrower or any other member of the Controlled Group as withdrawal liability (determined as of the date of such notification), exceeds an amount that could reasonably be expected to result in a Material Adverse Effect or requires payments in an amount that could reasonably be expected to result in a Material Adverse Effect.

7.13 The Borrower or any other member of the Controlled Group shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, if as a result of such reorganization or termination the aggregate annual contributions of the Borrower and the other members of the Controlled Group (taken as a whole) to all Multiemployer Plans which are then in reorganization or being terminated have been or will be increased over the amounts contributed to such Multiemployer Plans for the respective plan years of each such Multiemployer Plan immediately preceding the plan year in which the reorganization or termination occurs by an amount that could reasonably be expected to result in a Material Adverse Effect.

7.14 The Borrower or any of the other Loan Parties shall (i) be the subject of any proceeding or investigation pertaining to the release by the Borrower, any of the other Loan Parties or any other Person of any toxic or hazardous waste or substance into the environment, or (ii) violate any Environmental Law, which, in the case of an event described in clause (i) or clause (ii), could reasonably be expected to have a Material Adverse Effect.

7.15 The occurrence of any "default," as defined in any Loan Document (other than this Agreement) or the breach of any of the terms or provisions of any Loan Document (other than this Agreement), which default or breach continues beyond any period of grace therein provided.

7.16 Any Guaranty shall fail to remain in full force or effect or any action shall be taken to discontinue or to assert the invalidity or unenforceability of any Guaranty, or any Guarantor shall fail to comply with any of the terms or provisions of any Guaranty to which it is a party, or any Guarantor shall deny that it has any further liability under any Guaranty to which it is a party, or shall give notice to such effect.

7.17 Any Collateral Document shall for any reason fail to create a valid and perfected first priority security interest in any Collateral purported to be covered thereby, except as permitted by the terms of any Collateral Document, or any Collateral Document shall fail to remain in full force or effect or any action shall be taken to discontinue or to assert the invalidity or unenforceability of any Collateral Document, or the Borrower shall fail to comply with any of the terms or provisions of any Collateral Document.

7.18 The Borrower or any Loan Party shall fail to pay when due any Operating Lease Obligation, obligation with respect to a Letter of Credit, obligation under a Sale and Leaseback Transaction or Contingent Obligation which in any of those cases involves a Material Indebtedness.

ARTICLE VIII

ACCELERATION, WAIVERS, AMENDMENTS AND REMEDIES

8.1 Acceleration; Facility LC Collateral Account.

(i) If any Default described in Section 7.6 or 7.7 occurs with respect to the Borrower, the obligations of the Lenders to make Loans hereunder and the obligation and power of each LC Issuer to issue Facility LCs shall automatically terminate and the Obligations shall immediately become due and payable without any election or action on the part of the Agent, the Collateral Agent, any LC Issuer or any Lender and the Borrower will be and become thereby unconditionally obligated, without any further notice, act or demand, to pay to the Collateral Agent an amount in immediately available funds, which funds shall be held in the Facility

LC Collateral Account, equal to the difference of (x) the amount of LC Obligations at such time, less (y) the amount on deposit in the Facility LC Collateral Account at such time which is free and clear of all rights and claims of third parties and has not been applied against the Obligations (such difference, the "Collateral Shortfall Amount"). If any other Default occurs, the Required Lenders (or the Agent with the consent of the Required Lenders) may (a) terminate or suspend the obligations of the Lenders to make Loans hereunder and the obligation and power of each LC Issuer to issue Facility LCs, or declare the Obligations to be due and payable, or both, whereupon the Obligations shall become immediately due and payable, without presentment, demand, protest or notice of any kind, all of which the Borrower hereby expressly waives, and (b) upon notice to the Borrower and in addition to the continuing right to demand payment of all amounts payable under this Agreement, make demand on the Borrower to pay, and the Borrower will, forthwith upon such demand and without any further notice or act, pay to the Collateral Agent the Collateral Shortfall Amount, which funds shall be deposited in the Facility LC Collateral Account.

(ii) If at any time while any Default is continuing, the Agent determines that the Collateral Shortfall Amount at such time is greater than zero, the Agent may make demand on the Borrower to pay, and the Borrower will, forthwith upon such demand and without any further notice or act, pay to the Collateral Agent the Collateral Shortfall Amount, which funds shall be deposited in the Facility LC Collateral Account.

(iii) The Collateral Agent may at any time or from time to time after funds are deposited in the Facility LC Collateral Account, apply such funds to the payment of the Obligations and any other amounts as shall from time to time have become due and payable by the Borrower to the Revolving Lenders or the LC Issuers.

(iv) At any time while any Default is continuing, neither the Borrower nor any Person claiming on behalf of or through the Borrower shall have any right to withdraw any of the funds held in the Facility LC Collateral Account. After all of the Obligations have been indefeasibly paid in full and the Revolving Commitments have been terminated, any funds remaining in the Facility LC Collateral Account shall be distributed to Borrower or paid to whomever may be legally entitled thereto at such time.

(v) If, within 30 days after acceleration of the maturity of the Obligations or termination of the obligations of the Lenders to make Loans and the obligation and power of the LC Issuers to issue Facility LCs hereunder as a result of any Default (other than any Default as described in Section 7.6 or 7.7 with respect to the Borrower) and before any judgment or decree for the payment of the Obligations due shall have been obtained or entered, the Required Lenders (in their sole discretion) shall so direct, the Agent shall, by notice to the Borrower, rescind and annul such acceleration and/or termination.

(vi) The Collateral Agent shall have the right to exercise the remedies and other rights with respect to the Collateral provided in and subject to the Collateral Documents and the Uniform Commercial Code or at law or equity.

8.2 Amendments. Except as provided in Section 2.22 with respect to an Incremental Term Loan Amendment, and subject to the provisions of this Section 8.2, the Required Lenders (or the Agent with the consent in writing of the Required Lenders) and the Borrower may enter into agreements supplemental hereto for the purpose of adding or modifying any provisions hereof or changing in any manner the rights of the Lenders or the Borrower hereunder or waiving any Default hereunder; provided, however, that no such supplemental agreement shall, (a) without the consent of each Lender directly affected thereby, extend the final maturity of any Loan applicable to such Lender to a date after the Facility Termination Date or postpone any regularly scheduled payment of principal of any Loan of such Lender or forgive all or any portion of the principal amount thereof or any Reimbursement Obligation related thereto, or reduce the rate or extend the time of payment of interest or fees thereon or Reimbursement Obligation

related thereto, or increase the amount of the Commitment of such Lender hereunder or the commitment of such Lender (if such Lender is an LC Issuer) to issue Facility LCs, or permit the Borrower to assign its rights under this Agreement, and (b) without the consent of each Lender, (i) reduce the percentage specified in the definition of Required Lenders (it being understood that, solely with the consent of the parties prescribed by Section 2.22 to be parties to an Incremental Term Loan Amendment, Incremental Term Loans may be included in the determination of Required Lenders on substantially the same basis as the Commitments and the Revolving Loans are included on the Closing Date), (ii) amend this Section 8.2, (iii) release all or substantially all of the Guarantors except as provided in Section 6.12(iii) or, except as provided in the Collateral Documents, agree to subordinate the Lenders' Liens with respect to all or substantially all of the Collateral or (iv) release all or substantially all of the Collateral, provided that the Lenders acknowledge that the Agent may alone instruct the Collateral Agent to release any Collateral as and to the extent provided in Section 10.16.
No amendment of any provision of this Agreement relating to the Agent shall be effective without the written consent of the Agent, and no amendment of any provision relating to any LC Issuer shall be effective without the written consent of such LC Issuer. The Agent may waive payment of the fee required under Section 12.3.3).

Notwithstanding the foregoing, this Agreement and any other Loan Document may be amended (or amended and restated) with the written consent of the Required Lenders, the Agent and the Borrower (x) to add one or more credit facilities (in addition to the Incremental Term Loans pursuant to an Incremental Term Loan Amendment) to this Agreement and to permit extensions of credit from time to time outstanding thereunder and the accrued interest and fees in respect thereof to share ratably in the benefits of this Agreement and the other Loan Documents with the Revolving Loans, Incremental Term Loans and the accrued interest and fees in respect thereof and (y) to include appropriately the Lenders holding such credit facilities in any determination of the Required Lenders and Lenders. Nothing contained in this paragraph shall constitute, or otherwise be deemed to be, a commitment on the part of any Lender to increase its Commitment hereunder, or to provide or participate in any additional credit facilities or extensions of credit hereunder, at any time.

Notwithstanding anything to the contrary herein the Agent may, with the consent of the Borrower only, amend, modify or supplement this Agreement or any of the other Loan Documents to cure any ambiguity, omission, mistake, defect or inconsistency.

8.3 Preservation of Rights. No delay or omission of the Lenders, the LC Issuers, the Agent or the Collateral Agent to exercise any right under the Loan Documents shall impair such right or be construed to be a waiver of any Default or an acquiescence therein, and the making of a Credit Extension notwithstanding the existence of a Default or the inability of the Borrower to satisfy the conditions precedent to such Credit Extension shall not constitute any waiver or acquiescence. Any single or partial exercise of any such right shall not preclude other or further exercise thereof or the exercise of any other right, and no waiver, amendment or other variation of the terms, conditions or provisions of the Loan Documents whatsoever shall be valid unless in writing signed by the Lenders required pursuant to Section 8.2, and then only to the extent in such writing specifically set forth. All remedies contained in the Loan Documents or by law afforded shall be cumulative and all shall be available to the Agent, the LC Issuers, the Lenders and the Collateral Agent until the Secured Obligations have been paid in full.

ARTICLE IX

GENERAL PROVISIONS

9.1 Survival of Representations. All representations and warranties of the Borrower contained in this Agreement shall survive the making of the Credit Extensions herein contemplated.

9.2 Governmental Regulation. Anything contained in this Agreement to the contrary notwithstanding, neither any LC Issuer nor any Lender shall be obligated to extend credit to the Borrower in violation of any limitation or prohibition provided by any applicable statute or regulation.

9.3 Headings. Section headings in the Loan Documents are for convenience of reference only, and shall not govern the interpretation of any of the provisions of the Loan Documents.

9.4 Entire Agreement. The Loan Documents embody the entire agreement and understanding among the Borrower, the Agent, the Collateral Agent, the LC Issuers and the Lenders and supersede all prior agreements and understandings among the Borrower, the Agent, the LC Issuers and the Lenders relating to the subject matter thereof other than those contained in the fee letter described in Section 10.13, all of which survives and remains in full force and effect during the term of this Agreement.

9.5 Several Obligations; Benefits of this Agreement. The respective obligations of the Lenders hereunder are several and not joint and no Lender shall be the partner or agent of any other (except to the extent to which the Agent is authorized to act as such). The failure of any Lender to perform any of its obligations hereunder shall not relieve any other Lender from any of its obligations hereunder. This Agreement shall not be construed so as to confer any right or benefit upon any Person other than the parties to this Agreement and their respective successors and assigns, *provided*, *however*, that the parties hereto expressly agree that the Arrangers shall enjoy the benefits of the provisions of Sections 9.6, 9.10 and 10.11 to the extent specifically set forth therein and shall have the right to enforce such provisions on its own behalf and in its own name to the same extent as if it were a party to this Agreement.

9.6 Expenses; Indemnification.

(i) The Borrower shall reimburse the Agent (the term "Agent" in this Section 9.6 also being used to refer to the Agent in its capacity as Collateral Agent) and the Arrangers for any costs, internal charges and out-of-pocket expenses (including reasonable attorneys' fees and time charges of attorneys for the Agent, which attorneys may be employees of the Agent) paid or incurred by the Agent or the Arrangers in connection with the preparation, negotiation, execution, delivery, syndication, distribution (including, without limitation, via the internet), review, amendment, modification, and administration of the Loan Documents. The Borrower also agrees to reimburse the Agent, the Arrangers, the LC Issuers and the Lenders for any costs, internal charges and out-of-pocket expenses (including reasonable attorneys' fees and time charges of attorneys for the Agent, the Arrangers, the LC Issuers and the Lenders, which attorneys may be employees of the Agent, the Arrangers, or the Lenders) paid or incurred by the Agent, any Arranger, any LC Issuer or any Lender in connection with the collection and enforcement of the Loan Documents. Expenses being reimbursed by the Borrower under this Section include, without limitation, the cost and expense of obtaining an appraisal, if any, of any parcel of real property or interest in real property described in any relevant Collateral Documents which appraisal, if any, shall be in conformity with the applicable requirements of any law or any governmental rule, regulation, policy, guideline or directive (whether or not having the force of law), or any interpretation thereof, including, without limitation, the provisions of Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, as amended, reformed or otherwise modified from time to time, and any rules promulgated to implement such provisions and costs and expenses incurred in connection with the Reports described in the following sentence. The Borrower acknowledges that from time to time the Agent may prepare and may distribute to the Lenders (but shall have no obligation or duty to prepare or to distribute to the Lenders) certain audit reports (the "Reports") and/or the Collateral Agent may prepare and distribute Reports to the Agent (but the Collateral Agent shall have no obligation or duty to prepare or distribute such Reports, nor shall the Agent have any obligation or duty to distribute such Reports to the Lenders as it may receive from the Collateral Agent) pertaining to the Borrower's Property for internal use by the Agent from information furnished to it by or on behalf of the Borrower, after the Agent or the Collateral Agent has exercised its rights of inspection pursuant to this Agreement.

(ii) The Borrower hereby further agrees to indemnify the Agent, the Arrangers, each LC Issuer and each Lender, their respective Affiliates, and each of their Related Parties against all losses, claims, damages, penalties, judgments, liabilities and expenses (including, without limitation, all expenses of litigation or preparation therefor whether or not the Agent, the Arrangers, any

LC Issuer any Lender or any Affiliate is a party thereto) which any of them may pay or incur arising out of or relating to this Agreement, the other Loan Documents, the transactions contemplated hereby or the direct or indirect application or proposed application of the proceeds of any Credit Extension hereunder except to the extent that they are determined in a final non-appealable judgment by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the party seeking indemnification.

(iii) The Agent, the Arrangers, each LC Issuer and each Lender, their respective Affiliates, and each of their Related Parties shall not be liable for, and the Loan Parties agree that they shall immediately pay to the Agent, the Arrangers, each LC Issuer and each Lender, their respective Affiliates, and each of their Related Parties when incurred and shall indemnify, defend and hold the Agent, the Arrangers, each LC Issuer and each Lender, their respective Affiliates, and each of their Related Parties harmless from and against, all loss, cost, liability, damage and expense (including, without limitation, reasonable attorneys' fees and costs incurred in the investigation, defense and settlement of claims) that the Agent, the Arrangers, each LC Issuer and each Lender, their respective Affiliates, or each of their Related Parties may suffer or incur as mortgagees as a result of, or in connection in any way with any applicable Environmental Laws (including the assertion that any lien existing pursuant to the Environmental Laws takes priority over the lien or security interests of the Collateral Agent or Lenders), or any environmental assessment or study from time to time reasonably undertaken or requested by the Agent or any Lenders or breach of any covenant or undertaking by the Loan Parties. The obligations of the Loan Parties under this Section 9.6 shall survive the termination of this Agreement.

9.7 Numbers of Documents. All statements, notices, closing documents, and requests hereunder shall, to the extent requested by the Agent, be furnished to the Agent with sufficient counterparts so that the Agent may furnish one to each of the Lenders.

9.8 Accounting. Except as provided to the contrary herein, all accounting terms used herein shall be interpreted and all accounting determinations hereunder shall be made in accordance with Agreement Accounting Principles, except that any calculation or determination which is to be made on a consolidated basis shall be made for the Borrower and the other Loan Parties. Notwithstanding any other provision contained herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made (i) without giving effect to any election under Accounting Standards Codification 825-10-25 (or any other Accounting Standards Codification or Financial Accounting Standard having a similar result or effect) to value any Indebtedness or other liabilities of the Borrower or any Subsidiary at "fair value", as defined therein, (ii) without giving effect to any treatment of Indebtedness in respect of convertible debt instruments under Accounting Standards Codification 470-20 (or any other Accounting Standards Codification or Financial Accounting Standard having a similar result or effect) to value any such Indebtedness in a reduced or bifurcated manner as described therein, and such Indebtedness shall at all times be valued at the full stated principal amount thereof and (iii) in a manner such that any obligations relating to a lease that was accounted for by such Person as an Operating Lease as of the Closing Date and any similar lease entered into after the Closing Date by such Person shall be accounted for as obligations relating to an Operating Lease and not as Capitalized Lease Obligations.

9.9 Severability of Provisions. Any provision in any Loan Document that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of that provision in any other jurisdiction, and to this end the provisions of all Loan Documents are declared to be severable.

9.10 Nonliability of Lenders. The relationship between the Borrower on the one hand and the Lenders, the LC Issuers and the Agent on the other hand shall be solely that of borrower and lender. Neither the Agent, the Arrangers, any LC Issuer nor any Lender shall have any fiduciary responsibilities to the Borrower. Neither the Agent, the Arrangers, any LC Issuer nor any Lender undertakes any responsibility to the Borrower to review or inform the Borrower of any

matter in connection with any phase of the Borrower's business or operations. The Borrower agrees that neither the Agent, the Collateral Agent, the Arrangers, any LC Issuer nor any Lender shall have liability to the Borrower (whether sounding in tort, contract or otherwise and whether brought by a third party or by the Borrower or any of its Subsidiaries) for losses suffered by the Borrower in connection with, arising out of, or in any way related to, the transactions contemplated and the relationship established by the Loan Documents, or any act, omission or event occurring in connection therewith, unless it is determined in a final nonappealable judgment by a court of competent jurisdiction that such losses resulted from the gross negligence or willful misconduct of the party from which recovery is sought. Neither the Agent, the Collateral Agent, the Arrangers, any LC Issuer nor any Lender shall have any liability with respect to, and the Borrower hereby waives, releases and agrees not to sue for, any special, indirect, consequential or punitive damages suffered by the Borrower in connection with, arising out of, or in any way related to the Loan Documents or the transactions contemplated thereby.

9.11 Confidentiality. Each of the Agent, the LC Issuers and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' Related Parties, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies under this Agreement or any other Loan Document or any suit, action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower and its obligations, (g) with the consent of the Borrower or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Agent, any LC Issuer or any Lender on a nonconfidential basis from a source other than the Borrower. For the purposes of this Section, "Information" means all information received from the Borrower relating to the Borrower or its business, other than any such information that is available to the Agent, any LC Issuer or any Lender on a nonconfidential basis prior to disclosure by the Borrower; provided that, in the case of information received from the Borrower after the Closing Date, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

9.12 Nonreliance. Each Lender hereby represents that it is not relying on or looking to any margin stock (as defined in Regulation U of the Board of Governors of the Federal Reserve System) for the repayment of the Credit Extensions provided for herein.

9.13 Disclosure. The Borrower and each Lender hereby acknowledge and agree that the Agent and/or its Affiliates from time to time may hold investments in, make other loans to or have other relationships with the Borrower and its Affiliates.

9.14 Joinder of Guarantors. If a Subsidiary is required to join this Agreement as a Guarantor pursuant to Section 6.14 (regarding Subsidiaries) and/or 6.13 (regarding Permitted Acquisitions), including without limitation the acquisition of Big Fish Games, Inc. and its Subsidiaries, then (a) such Subsidiary shall execute and deliver to the Agent (1) a Guarantor Joinder in substantially the form attached hereto as Exhibit N (a "Guarantor Joinder") pursuant to which it shall join as a Guarantor each of the documents to which the Guarantors are parties; (2) documents in the forms described in Section 4.1 modified as appropriate to relate to such Subsidiary, including opinions of counsel with respect to each Subsidiary; (3) documents necessary to grant and perfect first and prior Liens (other than Permitted Liens) in favor of the Collateral Agent in all property and assets held by such Subsidiary and in the ownership interests in such Subsidiary, and (b) to the extent required under this Agreement, the Loan Party which holds the ownership interest in such Subsidiary shall take such steps as are necessary to pledge such interests pursuant to the Pledge and

Security Agreement and grant to the Collateral Agent first and prior Liens (other than Permitted Liens) therein, except to the extent such grant of security interests is excused or delayed under Section 6.13 of this Agreement. In the case of any Subsidiary formed after the Closing Date, the Loan Parties shall deliver such Guarantor Joinder and related documents to the Agent within five (5) Business Days after the date of the filing of such Subsidiary's Articles of Incorporation if the Subsidiary is a corporation, the date of the filing of its certificate of limited partnership if it is a limited partnership, or the date of its organization if it is an entity other than a limited partnership or corporation, or the closing date of the acquisition agreement in the case of a Permitted Acquisition. Notwithstanding anything in this Agreement to the contrary, no Subsidiary that is a Foreign Subsidiary (or a Domestic Subsidiary owned by a Foreign Subsidiary) shall be required to become a Guarantor hereunder or to otherwise comply with the requirements of this Section 9.14 to the extent such Subsidiary acting as a Guarantor would create adverse tax consequences for the Borrower, provided, that unless the Collateral Agent determines that such pledge would not, in light of the cost and expense associated therewith, provide material credit support for the benefit of the Lenders pursuant to legally valid, binding and enforceable pledge agreements, each First Tier Foreign Subsidiary shall be required (by such time as is requested by the Collateral Agent) to have 65% of its ownership interests pledged by the Loan Party which holds the ownership interest in such First Tier Foreign Subsidiary.

9.15 Business Days. Except as provided in the definition of "Interest Period" in Article I above, if any provision of this Agreement or any of the other Loan Documents requires that the Borrower perform any act (other than to make a payment) on a day that is not a Business Day, then the action shall be deemed to be due on the first day thereafter that is a Business Day; and in the case of a payment, shall be due on the last Business Day prior to the date that is not a Business Day but upon which the payment is due.

9.16 No Course of Dealing. No course of dealing between the Borrower and the Lenders, the Agent or the Collateral Agent shall operate as a waiver of any of the rights of the Lenders, the Agent and the Collateral Agent under any of the Loan Documents.

9.17 Waivers by the Borrower. The Borrower hereby waives, to the extent permitted by applicable law, (a) all presentments, demands for performances, notices of nonperformance (except to the extent specifically required by this Agreement or any other of the Loan Documents), protests, notices of protest and notices of dishonor in connec-tion with this Agreement or any Notes, (b) any requirement of diligence or promptness on the part of any Lender in enforcement of rights under the provisions of any of the Loan Documents, and (c) any requirement of marshaling assets or proceed-ing against Persons or assets in any particular order.

9.18 Incorporation by Reference. All schedules, annexes or other attachments to this Agreement are incorporated into this Agreement as if set out in full at the first place in this Agreement that reference is made thereto.

9.19 Appointment for Perfection. Each Lender hereby appoints each other Lender as its agent for the purpose of perfecting Liens, for the benefit of the Agent, the Collateral Agent and the Secured Parties, in assets which, in accordance with Article 9 of the UCC or any other applicable law can be perfected only by possession. Should any Lender (other than the Collateral Agent) obtain possession of any such Collateral, such Lender shall notify the Collateral Agent thereof, and, promptly upon the Collateral Agent's request therefor shall deliver such Collateral to the Collateral Agent or otherwise deal with such Collateral in accordance with the Collateral Agent's instructions.

9.20 Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

9.21 No Advisory or Fiduciary Responsibility. In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document), the Borrower acknowledges and agrees that: (i) (A) the arranging and other services regarding this Agreement provided by the Lenders are arm's-length commercial transactions between the Borrower and its Affiliates, on the one hand, and the Lenders and their Affiliates, on the other hand, (B) the Borrower has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (C) the Borrower is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; (ii) (A) each of the Lenders and their Affiliates is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for the Borrower or any of its Affiliates, or any other Person and (B) no Lender or any of its Affiliates has any obligation to the Borrower or any of its Affiliates with respect to the transactions contemplated hereby except, in the case of a Lender, those obligations expressly set forth herein and in the other Loan Documents; and (iii) each of the Lenders and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Borrower and its Affiliates, and no Lender or any of its Affiliates has any obligation to disclose any of such interests to the Borrower or its Affiliates. To the fullest extent permitted by law, the Borrower hereby waives and releases any claims that it may have against each of the Lenders and their Affiliates with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby

9.22 USA Patriot Act Notification.The following notification is provided to the Borrower pursuant to Section 326 of the Patriot Act:IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT. To help the government of the United States of America fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each Person that opens an account, including any deposit account, treasury management account, loan, other extension of credit, or other financial services product. Accordingly, when the Borrower opens an account, the Agent and the Lenders will ask for the Borrower's name, tax identification number, business address, and other information that will allow the Agent and the Lenders to identify the Borrower. The Agent and the Lenders may also ask to see the Borrower's legal organizational documents or other identifying documents.

ARTICLE X

THE AGENT

10.1 Appointment; Nature of Relationship. JPMorgan is hereby re-appointed by each of the Lenders as its contractual representative and as Collateral Agent (herein referred to collectively in this Article X as the "Agent") hereunder and under each other Loan Document, and each of the Lenders irrevocably authorizes the Agent to act as the contractual representative of such Lender with the rights and duties expressly set forth herein and in the other Loan Documents, and each of the Lenders and the LC Issuers authorizes the Agent and Collateral Agent to enter into an intercreditor agreement, on behalf of such Lender and such LC Issuer (each Lender and each LC Issuer hereby agreeing to be bound by the terms of such intercreditor agreement, as if it were a party thereto) and to take such actions on its behalf, including execution of the other Loan Documents, and to exercise such powers as are delegated to the Agent and the Collateral Agent by the terms hereof and the terms of the other Loan Documents, together with such actions and powers as are reasonably incidental thereto. The Agent agrees to act as such contractual representative upon the express conditions contained in this Article X. Notwithstanding the use of the defined term "Agent," it is expressly understood and agreed that the Agent shall not have any fiduciary responsibilities to any Lender by reason of this Agreement or any other Loan Document and that the Agent is merely acting as the contractual representative of the Lenders with only those duties as are expressly set forth in this Agreement and the other Loan Documents. In its capacity as the Lenders' contractual representative, the Agent (i) does not hereby assume any fiduciary duties to any of the Lenders, and (ii) is acting as an independent contractor, the rights and duties of which are limited to those expressly set forth in this Agreement and the other Loan Documents. Each of the Lenders hereby agrees to assert no claim against the Agent on any agency theory or any other theory of liability for breach of fiduciary duty, all of which claims each Lender hereby waives. Except as expressly set forth herein, the Agent shall not have any duty to disclose,

and shall not be liable for the failure to disclose, any information relating to the Borrower or any other Loan Party that is communicated to or obtained by the bank servicing as Agent or any of its Affiliates in any capacity.

10.2 Powers. The Agent shall have and may exercise such powers under the Loan Documents as are specifically delegated to the Agent by the terms of each thereof, together with such powers as are reasonably incidental thereto. The Agent shall have no implied duties to the Lenders, or any obligation to the Lenders to take any action thereunder except any action specifically provided by the Loan Documents to be taken by the Agent.

10.3 General Immunity. Neither the Agent nor any of its directors, officers, agents or employees shall be liable to the Borrower, the Lenders or any Lender for any action taken or omitted to be taken by it or them hereunder or under any other Loan Document or in connection herewith or therewith except to the extent such action or inaction is determined in a final non-appealable judgment by a court of competent jurisdiction to have arisen from the gross negligence or willful misconduct of such Person.

10.4 No Responsibility for Loans, Recitals, etc. Neither the Agent nor any of its directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into, or verify (a) any statement, warranty or representation made in connection with any Loan Document or any borrowing hereunder; (b) the performance or observance of any of the covenants or agreements of any obligor under any Loan Document, including, without limitation, any agreement by an obligor to furnish information directly to each Lender; (c) the satisfaction of any condition specified in Article IV, except receipt of items required to be delivered solely to the Agent; (d) the existence or possible existence of any Default or Unmatured Default; (e) the validity, enforceability, effectiveness, sufficiency or genuineness of any Loan Document or any other instrument or writing furnished in connection therewith; (f) the value, sufficiency, creation, perfection or priority of any Lien in any collateral security; or (g) the financial condition of the Borrower or any Guarantor of any of the Obligations or of any of the Borrower's or any such Guarantor's respective Subsidiaries. The Agent shall have no duty to disclose to the Lenders information that is not required to be furnished by the Borrower to the Agent at such time, but is voluntarily furnished by the Borrower to the Agent (either in its capacity as Agent, or as Collateral Agent, or in its individual capacity).

10.5 Action on Instructions of Lenders. The Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder and under any other Loan Document in accordance with written instructions signed by the Required Lenders, and such instructions and any action taken or failure to act pursuant thereto shall be binding on all of the Lenders. The Lenders hereby acknowledge that the Agent shall be under no duty to take any discretionary action permitted to be taken by it pursuant to the provisions of this Agreement or any other Loan Document unless it shall be requested in writing to do so by the Required Lenders. The Agent shall be fully justified in failing or refusing to take any action hereunder and under any other Loan Document unless it shall first be indemnified to its satisfaction by the Lenders pro rata against any and all liability, cost and expense that it may incur by reason of taking or continuing to take any such action.

10.6 Employment of Agents and Counsel. The Agent may execute any of its duties as Agent hereunder and under any other Loan Document by or through employees, agents, and attorneys-in-fact and shall not be answerable to the Lenders, except as to money or securities received by it or its authorized agents, for the default or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. The Agent shall be entitled to advice of counsel concerning the contractual arrangement between the Agent and the Lenders and all matters pertaining to the Agent's duties hereunder and under any other Loan Document.

10.7 Reliance on Documents; Counsel. The Agent shall be entitled to rely upon any Note, notice, consent, certificate, affidavit, letter, telegram, statement, paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons, and, in respect to legal matters, upon the opinion of counsel selected by the Agent, which counsel may be employees of the Agent.

10.8 Agent's Reimbursement and Indemnification. The Lenders agree to reimburse and indemnify the Agent ratably in proportion to their respective Commitments (or, if the Commitments have been terminated, in proportion to their Commitments immediately prior to such termination) (i) for any amounts not reimbursed by the Borrower for which the Agent is entitled to reimbursement by the Borrower under the Loan Documents, (ii) for any

other expenses incurred by the Agent on behalf of the Lenders, in connection with the preparation, execution, delivery, administration and enforcement of the Loan Documents (including, without limitation, for any expenses incurred by the Agent in connection with any dispute between the Agent and any Lender or between two or more of the Lenders) and (iii) for any liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of the Loan Documents or any other document delivered in connection therewith or the transactions contemplated thereby (including, without limitation, for any such amounts incurred by or asserted against the Agent in connection with any dispute between the Agent and any Lender or between two or more of the Lenders), or the enforcement of any of the terms of the Loan Documents or of any such other documents, *provided* that (i) no Lender shall be liable for any of the foregoing to the extent any of the foregoing is found in a final non-appealable judgment by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the Agent and (ii) any indemnification required pursuant to Section 3.5(iv) shall, notwithstanding the provisions of this Section 10.8, be paid by the relevant Lender in accordance with the provisions thereof. The obligations of the Lenders under this Section 10.8 shall survive payment of the Obligations and termination of this Agreement.

10.9 Notice of Default. The Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Unmatured Default hereunder unless the Agent has received written notice from a Lender or the Borrower referring to this Agreement describing such Default or Unmatured Default and stating that such notice is a "notice of default". In the event that the Agent receives such a notice, the Agent shall give prompt notice thereof to the Lenders.

10.10 Rights as a Lender. In the event the Agent is a Lender, the Agent shall have the same rights and powers hereunder and under any other Loan Document with respect to its Commitments and its Loans as any Lender and may exercise the same as though it were not the Agent, and the term "Lender" or "Lenders" shall, at any time when the Agent is a Lender, unless the context otherwise indicates, include the Agent in its individual capacity. The Agent and its Affiliates may accept deposits from, lend money to, and generally engage in any kind of trust, debt, equity or other transaction, in addition to those contemplated by this Agreement or any other Loan Document, with the Borrower or any of its Subsidiaries in which the Borrower or such Subsidiary is not restricted hereby from engaging with any other Person. The Agent, in its individual capacity, is not obligated to be remain a Lender.

10.11 Lender Credit Decision. Each Lender acknowledges and agrees that the extensions of credit made hereunder are commercial loans and letters of credit and not investments in a business enterprise or securities. Each Lender further represents that it is engaged in making, acquiring or holding commercial loans in the ordinary course of its business and has, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement as a Lender, and to make, acquire or hold Loans hereunder. Each Lender shall, independently and without reliance upon the Agent or any other Lender and based on such documents and information (which may contain material, non-public information within the meaning of the United States securities laws concerning the Borrower and its Affiliates) as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder and in deciding whether or to the extent to which it will continue as a lender or assign or otherwise transfer its rights, interests and obligations hereunder.

10.12 Successor Agent. The Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower, such resignation to be effective upon the appointment of a successor Agent or, if no successor Agent has been appointed, forty-five days after the retiring Agent gives notice of its intention to resign. Upon any such resignation, the Required Lenders shall have the right to appoint, on behalf of the Borrower and the Lenders, a successor Agent. If no successor Agent shall have been so appointed by the Required Lenders within thirty days after the resigning Agent's giving notice of its intention to resign, then the resigning Agent may appoint, on behalf of the Borrower and the Lenders, a successor Agent. Notwithstanding the previous sentence, the Agent may at any time without the consent of the Borrower or any Lender, appoint any of its Affiliates which is a commercial bank as a successor Agent hereunder. If the Agent has resigned and no successor Agent has been appointed, the Lenders may perform all the duties of the Agent hereunder and the Borrower shall make all payments in respect of the Obligations to the applicable Lender and for all other purposes shall deal directly with the Lenders. No successor Agent shall be deemed to be appointed

hereunder until such successor Agent has accepted the appointment. Any such successor Agent shall be a commercial bank having capital and retained earnings of at least $100,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the resigning Agent. Upon the effectiveness of the resignation of the Agent, the resigning Agent shall be discharged from its duties and obligations hereunder and under the Loan Documents. After the effectiveness of the resignation of an Agent, the provisions of this Article X shall continue in effect for the benefit of such Agent in respect of any actions taken or omitted to be taken by it while it was acting as the Agent hereunder and under the other Loan Documents. In the event that there is a successor to the Agent by merger, or the Agent assigns its duties and obligations to an Affiliate pursuant to this Section 10.12, then the term "Prime Rate" as used in this Agreement shall mean the prime rate, base rate or other analogous rate of the new Agent.

10.13 Agent and Arranger Fees. The Borrower agrees to pay to the Agent and the Arrangers, for their respective accounts, the fees agreed to by such parties pursuant to letter agreement agreed to by such parties from time to time.

10.14 Delegation to Affiliates. The Borrower and the Lenders agree that the Agent may delegate any of its duties under this Agreement to any of its Affiliates. Any such Affiliate (and such Affiliate's directors, officers, agents and employees) which performs duties in connection with this Agreement shall be entitled to the same benefits of the indemnification, waiver and other protective provisions to which the Agent is entitled under Articles IX and X.

10.15 Execution of Collateral Documents. The Lenders hereby empower and authorize the Agent to cause the Collateral Agent, to execute and deliver to the Borrower on their behalf the Security Agreement(s) and all related financing statements and any financing statements, agreements, documents or instruments as shall be necessary or appropriate to effect the purposes of the Security Agreement(s).

10.16 Collateral Releases. The Lenders acknowledge that the Collateral Agent is authorized to execute and deliver to the Borrower on their behalf any agreements, documents or instruments as shall be necessary or appropriate to effect any releases of Collateral which shall be permitted by the terms of this Agreement (including, for example, lease, sale or other disposition of Property permitted in Section 6.12) or of any other Loan Document or which shall otherwise have been approved by the Required Lenders (or, if required by the terms of Section 8.2, all of the Lenders) in writing, without further authorization or consent from the Lenders; and without limiting any other consents or authorizations provided by the Lenders, the Lenders hereby consent to the Collateral Agent having and exercising that authority.

10.17 Co-Agents, Documentation Agents, Syndication Agent, etc. Neither any of the Lenders identified in this Agreement as a "co-agent" nor any Documentation Agent or the Syndication Agent shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than those applicable to all Lenders as such. Without limiting the foregoing, none of such Lenders shall have or be deemed to have a fiduciary relationship with any Lender. Each Lender hereby makes the same acknowledgments with respect to such Lenders as it makes with respect to the Agent in Section 10.11.

ARTICLE XI

SETOFF; RATABLE PAYMENTS

11.1 Setoff. In addition to, and without limitation of, any rights of the Lenders under applicable law, if the Borrower becomes insolvent, however evidenced, or any Default occurs, any and all deposits (including all account balances, whether provisional or final and whether or not collected or available, but not including funds held by a Loan Party which are held by that Loan Party only as custodian or trustee (and in which that Loan Party does not have a beneficial interest) such as, (by way of example and not limitation), Horseman's Accounts, and which are clearly labeled to indicate that such funds are so held by the Loan Party) and any other Indebtedness at any time held or owing by any Lender or any Affiliate of any Lender to or for the credit or account of the Borrower may be offset and applied

toward the payment of the Obligations owing to such Lender, whether or not the Obligations, or any part thereof, shall then be due.

11.2 Ratable Payments. If any Lender, whether by setoff or otherwise, has payment made to it upon its Outstanding Credit Exposure (other than payments received pursuant to Section 3.1, 3.2, 3.4 or 3.5) in a greater proportion than that received by any other Lender, such Lender agrees, promptly upon demand, to purchase a portion of the Aggregate Outstanding Credit Exposure held by the other Lenders so that after such purchase each Lender will hold its Pro Rata Share of the Aggregate Outstanding Credit Exposure. If any Lender, whether in connection with setoff or amounts which might be subject to setoff or otherwise, receives collateral or other protection for its Obligations or such amounts which may be subject to setoff, such Lender agrees, promptly upon demand, to take such action necessary such that all Lenders share in the benefits of such collateral ratably in proportion to their respective Pro Rata Shares of the Aggregate Outstanding Credit Exposure. In case any such payment is disturbed by legal process, or otherwise, appropriate further adjustments shall be made.

ARTICLE XII

BENEFIT OF AGREEMENT; ASSIGNMENTS; PARTICIPATIONS

12.1 Successors and Assigns. The terms and provisions of the Loan Documents shall be binding upon and inure to the benefit of the Borrower, each other Loan Party, the Agent and the Lenders and their respective successors and assigns permitted hereby, except that (i) the Borrower shall not have the right to assign its rights or obligations under the Loan Documents without the prior written consent of each Lender, (ii) any assignment by any Lender must be made in compliance with Section 12.3, and (iii) any transfer by Participation must be made in compliance with Section 12.2. Any attempted assignment or transfer by any party not made in compliance with this Section 12.1 shall be null and void, unless such attempted assignment or transfer is treated as a participation in accordance with Section 12.3.3. The parties to this Agreement acknowledge that clause (ii) of this Section 12.1 relates only to absolute assignments and this Section 12.1 does not prohibit assignments creating security interests, including, without limitation, (x) any pledge or assignment by any Lender of all or any portion of its rights under this Agreement and any Note to a Federal Reserve Bank or (y) in the case of a Lender which is a Fund, any pledge or assignment of all or any portion of its rights under this Agreement and any Note to its trustee in support of its obligations to its trustee; *provided, however,* that no such pledge or assignment creating a security interest shall release the transferor Lender from its obligations hereunder unless and until the parties thereto have complied with the provisions of Section 12.3. The Agent may treat the Person which made any Loan or which holds any Note as the owner thereof for all purposes hereof unless and until such Person complies with Section 12.3; *provided, however,* that the Agent may in its discretion (but shall not be required to) follow instructions from the Person which made any Loan or which holds any Note to direct payments relating to such Loan or Note to another Person. Any assignee of the rights to any Loan or any Note agrees by acceptance of such assignment to be bound by all the terms and provisions of the Loan Documents. Any request, authority or consent of any Person, who at the time of making such request or giving such authority or consent is the owner of the rights to any Loan (whether or not a Note has been issued in evidence thereof), shall be conclusive and binding on any subsequent holder or assignee of the rights to such Loan.

12.2 Participations.

12.2.1 Permitted Participants; Effect. Any Lender may at any time sell to one or more banks or other entities ("Participants") participating interests in any Outstanding Credit Exposure of such Lender, any Note held by such Lender, any Commitment of such Lender or any other interest of such Lender under the Loan Documents. In the event of any such sale by a Lender of participating interests to a Participant, such Lender's obligations under the Loan Documents shall remain unchanged, such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, such Lender shall remain the owner of its Outstanding Credit Exposure and the holder of any Note issued to it in evidence thereof for all purposes under the Loan Documents, all amounts payable by the Borrower under this Agreement shall be determined as if such Lender had not sold such participating interests, and the Borrower, the Agent and the Collateral Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and

obligations under the Loan Documents. Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Notes, Commitments, Outstanding Credit Exposure, or other obligations under the Loan Documents (the "Participant Register"); *provided* that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any Notes, Commitments, Outstanding Credit Exposure or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such Notes, Commitments, Outstanding Credit Exposure or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Agent (in its capacity as Agent) shall have no responsibility for maintaining a Participant Register.

12.2.2 Voting Rights. Each Lender shall retain the sole right to approve, without the consent of any Participant, any amendment, modification or waiver of any provision of the Loan Documents other than any amendment, modification or waiver with respect to any Credit Extension or Commitment in which such Participant has an interest which would require consent of all of the Lenders pursuant to the terms of Section 8.2 or of any other Loan Document.

12.2.3 Benefit of Certain Provisions. The Borrower agrees that each Participant shall be deemed to have the right of setoff provided in Section 11.1 in respect of its participating interest in amounts owing under the Loan Documents to the same extent as if the amount of its participating interest were owing directly to it as a Lender under the Loan Documents, *provided* that each Lender shall retain the right of setoff provided in Section 11.1 with respect to the amount of participating interests sold to each Participant. The Lenders agree to share with each Participant, and each Participant, by exercising the right of setoff provided in Section 11.1, agrees to share with each Lender, any amount received pursuant to the exercise of its right of setoff, such amounts to be shared in accordance with Section 11.2 as if each Participant were a Lender. The Borrower further agrees that each Participant shall be entitled to the benefits of and bound by the provisions of Section 2.21 and Sections 3.1, 3.2, 3.4 and 3.5 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 12.3, *provided* that (i) a Participant shall not be entitled to receive any greater payment under Section 3.1, 3.2 or 3.5 than the Lender who sold the participating interest to such Participant would have received had it retained such interest for its own account, unless the sale of such interest to such Participant is made with the prior written consent of the Borrower, and (ii) any Participant not incorporated under the laws of the United States of America or any State thereof agrees to comply with the provisions of Section 3.5 to the same extent as if it were a Lender.

12.3 Assignments.

12.3.1 Permitted Assignments. Any Lender may at any time assign to one or more banks or other entities ("Purchasers") all or any part of its rights and obligations under the Loan Documents; provided that no Purchaser shall be an Ineligible Institution. Such assignment shall be substantially in the form of Exhibit C or in such other form as may be agreed to by the parties thereto. Each such assignment with respect to a Purchaser which is not a Lender or an Affiliate of a Lender or an Approved Fund shall either be in an amount equal to the entire applicable Commitment and Loans of the assigning Lender or (unless each of the Borrower and the Agent otherwise consents) be in an aggregate amount not less than $5,000,000 (in the case of Revolving Commitments and Revolving Loans) or $1,000,000 (in the case of a Term Loan). The amount of the assignment shall be based on the applicable Commitment or outstanding Loans (if the applicable Commitment has been terminated) subject to the assignment, determined as of the date of such assignment or as of the "Trade Date," if the "Trade Date" is specified in the assignment.

12.3.2 Consents. The consent of the Borrower shall be required prior to an assignment becoming effective unless the Purchaser is a Lender, an Affiliate of a Lender or an Approved Fund (and the Borrower shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Agent within five (5) Business Days after having received notice thereof), *provided* that the consent of the Borrower shall not be required if a Default has occurred and is continuing. The consent of the Agent shall be required for each assignment; *provided* that no consent of the Agent shall be required for an assignment of all or any portion of a Term Loan to a Lender, an Affiliate of a Lender or an Approved Fund. Any consent required under this Section 12.3.2 shall not be unreasonably withheld or delayed.

12.3.3 Effect; Effective Date. Upon (i) delivery to the Agent of an assignment, together with any consents required by Sections 12.3.1 and 12.3.2, and (ii) payment of a $3,500 fee to the Agent (payable by a party other than a Loan Party) for processing such assignment (unless such fee is waived by the Agent), such assignment shall become effective on the effective date specified in such assignment. On and after the effective date of such assignment, such Purchaser shall for all purposes be a Lender party to this Agreement and any other Loan Document executed by or on behalf of the Lenders and shall have all the rights and obligations of a Lender under the Loan Documents, to the same extent as if it were an original party thereto, and the transferor Lender shall be released with respect to the Commitments and Outstanding Credit Exposure assigned to such Purchaser without any further consent or action by the Borrower, the Lenders or the Agent. In the case of an assignment covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a Lender hereunder but shall continue to be entitled to the benefits of, and subject to, those provisions of this Agreement and the other Loan Documents which survive payment of the Obligations and termination of the applicable agreement. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 12.3 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with Section 12.2. Upon the consummation of any assignment to a Purchaser pursuant to this Section 12.3.3, the transferor Lender, the Agent and the Borrower shall, if the transferor Lender or the Purchaser desires that its Loans be evidenced by Notes, make appropriate arrangements so that new Notes or, as appropriate, replacement Notes are issued to such transferor Lender and new Notes or, as appropriate, replacement Notes, are issued to such Purchaser, in each case in principal amounts reflecting their respective Commitments, as adjusted pursuant to such assignment.

12.3.4 Register. The Agent, acting solely for this purpose as a non-fiduciary agent of the Borrower, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrower, the Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

12.4 Dissemination of Information. The Borrower authorizes each Lender to disclose to any Participant or Purchaser or any other Person acquiring an interest in the Loan Documents by operation of law (each a "Transferee") and any prospective Transferee any and all information in such Lender's possession concerning the creditworthiness of the Borrower and its Subsidiaries, including without limitation any information contained in any Reports; *provided* that each Transferee and prospective Transferee agrees to be bound by Section 9.11 of this Agreement.

12.5 Tax Treatment. If any interest in any Loan Document is transferred to any Transferee which is not incorporated under the laws of the United States or any State thereof, the transferor Lender shall cause such Transferee, concurrently with the effectiveness of such transfer, to comply with the provisions of Section 3.5(iv).

ARTICLE XIII

NOTICES

13.1 Notices. (a) Except as otherwise permitted by Section 2.10 with respect to borrowing notices, all notices, requests and other communications to any party hereunder shall be in writing (including electronic transmission, facsimile transmission or similar writing) and shall be given to such party: in the case of the Borrower, any other Loan Party, the Lenders, the LC Issuers, the Swing Line Lender or the Agent, at its address or facsimile number set forth below:

(i) if to the Borrower, to it at 600 N. Hurstbourne Parkway, Suite 400, Louisville, Kentucky 40222, Attention of General Counsel (Telecopy No. (502) 394-1160; Telephone No. (502) 636-4429);

(ii) if to any Loan Party (other than the Borrower), to it, c/o the Borrower, at 600 N. Hurstbourne Parkway, Suite 400, Louisville, Kentucky 40222, Attention of General Counsel (Telecopy No. (502) 394-1160; Telephone No. (502) 636-4429);

(iii) if to the Agent, to JPMorgan Chase Bank, N.A., Loan and Agency Services Group, 10 South Dearborn, 7th Floor, Chicago, Illinois 60603, Attention of Awri McKee (Telecopy No. (888) 303-9732),with a copy to JPMorgan Chase Bank, N.A., 416, West Jefferson Street, Louisville, Kentucky 40202 Attention of H. Joseph Brenner (Telecopy No. (502) 566-3614);

(iv) if to JPMorgan as an LC Issuer, to it at JPMorgan Chase Bank, N.A., Loan Operations, 10 South Dearborn, 7th Floor, Chicago, Illinois 60603, Attention of Cristie Pisowicz (Telecopy No. (877) 242-0410);

(v) if to PNC Bank as an LC Issuer, to it at PNC Bank, National Association, 500 West Jefferson Street, Louisville, Kentucky 40202, Attention of Charles Noon (Telecopy No. (502) 581-3355);

(vi) if to the Swing Line Lender, to it at PNC Bank, National Association, 500 West Jefferson Street, Louisville, Kentucky 40202, Attention of Charles Noon (Telecopy No. (502) 581-3355); and

(vii) if to any other Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

(b) Each such notice, request or other communication shall be effective (i) if given by facsimile transmission, when transmitted to the facsimile number specified in this Section and confirmation of receipt is received, (ii) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid, or (iii) if given by any other means, when delivered at the address specified in this Section; provided that notices to the Agent under Article II shall not be effective until received. Notices delivered through Electronic Systems, to the extent provided in paragraph (c) below, shall be effective as provided in said paragraph (c).

(c) Notices and other communications to the Lenders and the LC Issuers hereunder may be delivered or furnished by using Electronic Systems pursuant to procedures approved by the Agent; provided that the foregoing shall not apply to notices pursuant to Article II unless otherwise agreed by the Agent and the applicable Lender. The Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

(d) Electronic Systems:

(i) The Borrower agrees that the Agent may, but shall not be obligated to, make Communications (as defined below) available to the Issuing Bank and the other Lenders by posting the Communications on Debt Domain, Intralinks, Syndtrak, ClearPar or a substantially similar Electronic System.

(ii) Any Electronic System used by the Agent is provided “as is” and “as available.” The Agent Parties (as defined below) do not warrant the adequacy of such Electronic Systems and expressly disclaim liability for errors or omissions in the Communications. No warranty of any kind, express, implied or statutory, including any warranty of merchantability, fitness for a particular purpose, non-infringement of third-party rights or freedom from

viruses or other code defects, is made by any Agent Party in connection with the Communications or any Electronic System. In no event shall the Agent or any of its Affiliates and the respective directors, officers, employees, agents, advisors and representatives of the Agent and the Agent's Affiliates (collectively, the "Agent Parties") have any liability to any Loan Party, any Lender, any LC Issuer or any other Person or entity for damages of any kind, including direct or indirect, special, incidental or consequential damages, losses or expenses (whether in tort, contract or otherwise) arising out of any Loan Party's or the Agent's transmission of Communications through an Electronic System. "Communications" means, collectively, any notice, demand, communication, information, document or other material provided by or on behalf of any Loan Party pursuant to any Loan Document or the transactions contemplated therein which is distributed by the Agent, any Lender or any LC Issuer by means of electronic communications pursuant to this Section, including through an Electronic System.

13.2 Change of Address. The Borrower, any other Loan Party, the Agent and any Lender may each change the address for service of notice upon it by a notice in writing to the other parties hereto.

ARTICLE XIV

COUNTERPARTS; INTEGRATION; EFFECTIVENESS

This Agreement shall become effective on the Restatement Effective Date, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

ARTICLE XV

CHOICE OF LAW; CONSENT TO JURISDICTION; WAIVER OF JURY TRIAL

15.1 **CHOICE OF LAW. THE LOAN DOCUMENTS (OTHER THAN THOSE CONTAINING A CONTRARY EXPRESS CHOICE OF LAW PROVISION) SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (WITHOUT REGARD TO THE CONFLICT OF LAWS PROVISIONS) OF THE COMMONWEALTH OF KENTUCKY, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.**

15.2 **CONSENT TO JURISDICTION. THE BORROWER HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR COMMONWEALTH OF KENTUCKY COURT SITTING IN LOUISVILLE, KENTUCKY IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENTS AND THE BORROWER HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE AGENT, THE COLLATERAL AGENT, ANY LC ISSUER OR ANY LENDER TO BRING PROCEEDINGS AGAINST THE BORROWER IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY THE BORROWER AGAINST THE AGENT, ANY LC ISSUER OR ANY LENDER OR ANY AFFILIATE OF THE AGENT, ANY LC ISSUER OR ANY LENDER INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN DOCUMENT SHALL BE BROUGHT ONLY IN A COURT IN LOUISVILLE, KENTUCKY.**

15.3 **WAIVER OF JURY TRIAL. THE BORROWER, THE AGENT, EACH LC ISSUER AND EACH LENDER HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN DOCUMENT OR THE RELATIONSHIP ESTABLISHED THEREUNDER.**

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COMMITMENT SCHEDULE

LENDER	**REVOLVING COMMITMENT**	**TERM LOAN COMMITMENT**
JPMORGAN CHASE BANK, N.A.	$94,000,000	$75,000,000
PNC BANK, NATIONAL ASSOCIATION	$94,000,000	$37,600,000
U.S. BANK NATIONAL ASSOCIATION	$87,000,000	$49,800,000
FIFTH THIRD BANK	$75,000,000	$0
WELLS FARGO BANK, NATIONAL ASSOCIATION	$75,000,000	$37,600,000
BRANCH BANKING AND TRUST COMPANY	$75,000,000	$0
TOTALS	**$500,000,000**	**$200,000,000**

PRICING SCHEDULE

Applicable Margin	**Level I Status**	**Level II Status**	**Level III Status**	**Level IV Status**	**Level V Status**	**Level VI Status**
Eurodollar Rate	*1.125%*	*1.25%*	*1.50%*	*2.00%*	*2.50%*	*3.00%*
Floating Rate	*0.125%*	*0.25%*	*0.50%*	*1.00%*	*1.50%*	*2.00%*

Applicable Fee Rate	**Level I Status**	**Level II Status**	**Level III Status**	**Level IV Status**	**Level V Status**	**Level VI Status**
Commitment Fee	*0.175%*	*0.20%*	*0.25%*	*0.30%*	*0.35%*	*0.45%*

For the purposes of this Schedule, the following terms have the following meanings, subject to the final paragraph of this Schedule:

"Financials" means the annual or quarterly financial statements of the Borrower delivered pursuant to Section 6.1(i) or (ii).

"Level I Status" exists at any date if, as of the last day of the fiscal quarter of the Borrower referred to in the most recent Financials, the Total Leverage Ratio is less than 1.00 to 1.00.

"Level II Status" exists at any date if, as of the last day of the fiscal quarter of the Borrower referred to in the most recent Financials, (i) the Borrower has not qualified for Level I Status and (ii) the Total Leverage Ratio is greater than or equal to 1.00 to 1.00 and less than 1.75 to 1.00.

"Level III Status" exists at any date if, as of the last day of the fiscal quarter of the Borrower referred to in the most recent Financials, (i) the Borrower has not qualified for Level I Status or Level II Status and (ii) the Total Leverage Ratio is greater than or equal to 1.75 to 1.00 and less than 2.50 to 1.00.

"Level IV Status" exists at any date if, as of the last day of the fiscal quarter of the Borrower referred to in the most recent Financials, (i) the Borrower has not qualified for Level I Status, Level II Status or Level III Status and (ii) the Total Leverage Ratio is greater than or equal to 2.50 to 1.00 and less than 3.25 to 1.00.

"Level V Status" exists at any date if, as of the last day of the fiscal quarter of the Borrower referred to in the most recent Financials, (i) the Borrower has not qualified for Level I Status, Level II Status, Level III Status or Level IV Status and (ii) the Total Leverage Ratio is greater than or equal to 3.25 to 1.00 and less than 4.00 to 1.00.

"Level VI Status" exists at any date if the Borrower has not qualified for Level I Status, Level II Status, Level III Status, Level IV Status or Level V Status.

"Status" means either Level I Status, Level II Status, Level III Status, Level IV Status, Level V Status and Level VI Status.

If at any time the Borrower fails to deliver the Financials to the Agent on or before the date such statements or certificates are due, Level VI Status shall be deemed applicable for the period commencing five (5) business days after such required date of delivery and ending on the date which is five (5) business days after such statements or certificates are actually delivered, after which the Status shall be determined in accordance with the table above as applicable.

Except as otherwise provided in the paragraph below, adjustments, if any, to the Status then in effect shall be effective five (5) business days after the Agent has received the applicable financial statements and certificates (it being understood and agreed that each change in Status shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change).

Notwithstanding the foregoing, Level IV Status shall be deemed to be applicable as of the Restatement Effective Date until the Agent's receipt of the applicable financial statements for the Borrower's fiscal year ending on or about December 31, 2014 (unless such financial statements demonstrate that Level V Status or Level VI Status should have been applicable during such period, in which case such other Status shall be deemed to be applicable during such period) and adjustments to the Status then in effect shall thereafter be effected in accordance with the preceding paragraphs.

SUBSIDIARIES OF THE REGISTRANT

Subsidiary	State/Jurisdiction of Incorporation/Organization
Arlington Park Racecourse, LLC	Illinois
Arlington OTB Corp.	Illinois
Quad City Downs, Inc.	Iowa
Calder Race Course, Inc., d/b/a Calder Casino and Race Course	Florida
Tropical Park, LLC	Florida
Churchill Downs Louisiana Horseracing Company, LLC d/b/a Fair Grounds Race Course & Slots	Louisiana
Churchill Downs Louisiana Video Poker Company, LLC	Louisiana
Video Services, LLC	Louisiana
Churchill Downs Technology Initiatives Company d/b/a Bloodstock Research Information Services and TwinSpires.com	Delaware
Churchill Downs Management Company, LLC	Kentucky
HCRH, LLC	Delaware
Magnolia Hill, LLC d/b/a Riverwalk Casino Hotel, LLC	Delaware
SW Gaming, LLC d/b/a Harlow's Casino Resort & Spa	Mississippi
United Tote Company	Montana
United Tote Canada, Inc.	Ontario
Churchill Downs Racetrack, LLC	Kentucky
Velocity Wagering HC, LLC	Delaware
Velocity Wagering Services Limited	Isle of Man
MVGR, LLC	Delaware
Miami Valley Gaming & Racing, LLC	Delaware
Bluff Holdings Georgia, Inc.	Georgia
Bluff Holding Company, LLC	Delaware
Churchill Downs Interactive Gaming, LLC	Delaware
BB Development, LLC d/b/a Oxford Casino	Maine
Big Fish Games, Inc.	Washington
BFG Holding LLC	Washington
3 Minute Games LLC	Washington
Big Fish Games Ireland Limited	Ireland
Big Fish Games Canada, Inc.	Canada
Big Fish Games do Brasil Participações Ltda.	Brazil
Big Fish Games Luxembourg S.à.r.l	Luxembourg
Self Aware Games, LLC	California
Slots, Slot Machines and Slots Tournaments LLC	Washington

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-197102, 333-182929, 333-182928, 333-62013, 333-41376, 333-43486, 333-100574, 333-106310, 333-116734, 333-127057, 333-135360, 033-61111, 333-116733, 333-144182, 333-144191 and 333-144192) of Churchill Downs Incorporated of our report dated February 25, 2015 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Louisville, Kentucky
February 25, 2015

EXHIBIT 31(a)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, William C. Carstanjen, certify that:

1. I have reviewed this Annual Report on Form 10-K of Churchill Downs Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2015

/s/ William C. Carstanjen

William C. Carstanjen
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31(b)

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, William E. Mudd, certify that:

1. I have reviewed this Annual Report on Form 10-K of Churchill Downs Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2015

/s/ William E. Mudd

William E. Mudd
President and Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 32

Certification of Chief Executive Officer and Chief Financial Officer Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report on Form 10-K of Churchill Downs Incorporated (the "Company") for the year ended December 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), William C. Carstanjen, as Chief Executive Officer (Principal Executive Officer) of the Company, and William E. Mudd, as President and Chief Financial Officer (Principal Financial and Accounting Officer) of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ William C. Carstanjen

William C. Carstanjen
Chief Executive Officer
(Principal Executive Officer)
February 25, 2015

/s/ William E. Mudd

William E. Mudd
President and Chief Financial Officer
(Principal Financial and Accounting Officer)
February 25, 2015

This certification is being furnished to the Securities and Exchange Commission as an exhibit to the Report and shall not be deemed filed by the Company for purposes of § 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Churchill Downs Incorporated and will be retained by Churchill Downs Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.