SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2001

OR

( ) 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 0-1469

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.)

700 Central Avenue, Louisville, KY 40208
Address of principal executive offices)
(Zip Code)

(502) 636-4400
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes __X__ No____

The number of shares outstanding of registrant’s common stock at November 14, 2001 was 13,097,996 shares.

CHURCHILL DOWNS INCORPORATED
I N D E X

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CHURCHILL DOWNS INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

ASSETS	September 30, 2001 (unaudited)	December 31, 2000	September 30, 2000 (unaudited)
Current assests:			
Cash and cash equivalents	$ 15,751	$ 10,807	$ 11,359
Restricted cash	8,389	9,006	9,270
Accounts receivable, net	32,953	32,535	35,777
Other current assets	6,025	2,932	4,627
Total current assets	63,118	55,280	61,033
Other assets	9,664	8,116	7,390
Plant and equipment, net	341,920	342,767	339,593
Intangible assets, net	62,056	63,841	64,346
	$476,758	$470,004	$472,362
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 44,801	$ 34,894	$ 39,740
Accrued expenses	32,369	30,617	32,780
Dividends payable	-	6,508	-
Income taxes payable	11,362	1,091	1,774
Deferred revenue	4,423	11,353	5,386
Long-term debt, current portion	2,308	2,324	2,277
Total current liabilities	95,263	86,787	81,957
Long-term debt, due after one year	134,128	155,716	157,183

Other liabilities	13,255	9,837	11,057
Deferred income taxes	14,761	15,179	15,565
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; issued: 13,098 shares September 30, 2001, 13,019 shares December 31, 2000, and 13,015 shares September 30, 2000	124,750	123,227	123,149
Retained earnings	97,349	79,323	83,545
Accumulated other comprehensive income	(2,683)	-	-
Deferred compensation costs	-	-	(29)
Note receivable for common stock	(65)	(65)	(65)
	$219,351	$202,485	$206,600
	$476,758	$470,004	$472,362

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

CHURCHILL DOWNS INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
for the nine and three months ended September 30, 2001 and 2000
(Unaudited)
(In thousands, except per share data)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2001	2000	2001	2000
Net revenues	$316,219	$261,899	$121,247	$103,796
Operating expenses	253,210	202,614	99,145	80,741
Gross Profit	63,009	59,285	22,102	23,055
Selling, general and administrative expenses	23,295	19,513	7,347	7,231
Operating Income	39,714	39,772	14,755	15,824
Other income (expense):				
Interest income	471	774	139	269
Interest expense	(9,864)	(11,353)	(2,908)	(3,683)
Miscellaneous, net	(29)	(513)	(72)	(97)
	(9,422)	(11,092)	(2,841)	(3,511)
Earnings before provision for income taxes	30,292	28,680	11,914	12,313
Provision for income taxes	(12,266)	(11,802)	(4,823)	(5,010)
Net earnings	$ 18,026	$ 16,878	$ 7,091	$ 7,303
Earnings per common share data:				
Basic	$1.38	$1.67	$0.54	$0.69
Diluted	$1.37	$1.66	$0.54	$0.68
Weighted average shares outstanding:				
Basic	13,075	10,121	13,093	10,649
Diluted	13,198	10,176	13,223	10,707

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

CHURCHILL DOWNS INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
for the nine months ended September 30,
(Unaudited)
(In thousands)

	2001	2000
Cash flows from operating activities:		
Net earnings	$ 18,026	$ 16,878
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization, including amortization of loan costs classified as interest expense of $457 in 2001 and 2000	15,306	12,655
Deferred compensation	-	86
Deferred income taxes	192	283
Increase (decrease) in cash resulting from changes in operating assets and liabilities:		
Restricted cash	617	(9,270)
Accounts receivable	(418)	1,364
Other current assets	(1,996)	(1,899)
Accounts payable	9,907	409
Accrued expenses	(1,214)	3,595
Income taxes payable	10,271	1,438
Deferred revenue	(6,930)	(5,891)
Other assets and liabilities	446	1,150
Net cash provided by operating activities	44,207	20,798
Cash flows from investing activities:		
Additions to plant and equipment, net	(12,674)	(16,776)
Proceeds from the sale of Training Facility assets	-	4,969
Net cash used in investing activities	(12,674)	(11,807)
Cash flows from financing activities:		
(Decrease) increase in long-term debt, net	(143)	2,432
Borrowings on bank line of credit	173,252	66,679
Repayments of bank line of credit	(194,713)	(91,101)
Payment of dividends	(6,508)	(4,927)
Common stock issued	1,523	225
Net cash used in financing activities	(26,589)	(26,692)
Net increase (decrease) in cash and cash equivalents	4,944	(17,701)
Cash and cash equivalents, beginning of period	10,807	29,060
Cash and cash equivalents, end of period	$ 15,751	$ 11,359
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 9,320	$ 10,929
Income taxes	$ 2,131	$ 10,117
Schedule of non-cash activities:		
Accrued merger costs related to Arlington Park	-	$ 2,095
Issuance of common stock related to the merger with Arlington Park	-	$ 51,291

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

CHURCHILL DOWNS INCORPORATED
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the nine months ended September 30, 2001 and 2000 (Unaudited)
($ in thousands, except per share data)

1. Basis of Presentation

The accompanying condensed consolidated financial statements are presented in accordance with the requirements of Form 10-Q and consequently do not include all of the disclosures normally required by accounting principles generally accepted in the United States of America or those normally made in Churchill Downs Incorporated's (the "Company") annual report on Form 10-K. The year end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. Accordingly, the reader of this Form 10-Q may wish to refer to the Company's Form 10-K for the period ended December 31, 2000 for further information. The accompanying condensed consolidated financial statements have been prepared in accordance with the registrant's customary accounting practices and have not been audited. Certain prior period financial statement amounts have been reclassified to conform to the current period presentation. In the opinion of management, all adjustments necessary for a fair presentation of this information have been made and all such adjustments are of a normal recurring nature.

Because of the seasonal nature of our business and recent merger activity, revenues and operating results for any interim quarter are likely not indicative of the revenues and operating results for the year and are not necessarily comparable with results for the corresponding period of the previous year. The accompanying condensed consolidated financial statements reflect a disproportionate share of annual net earnings as we normally earn a substantial portion of our net earnings in the second and third quarters of each year during which all our operations are open for some or all of this period and the Kentucky Derby and Kentucky Oaks are run.

2. Long-Term Debt

The Company has a $250 million line of credit under a revolving loan facility through a syndicate of banks to meet working capital and other short-term requirements and to provide funding for acquisitions. The interest rate on the borrowing is based upon LIBOR plus 75 to 250 additional basis points, which is determined by certain Company financial ratios. The weighted average interest rate was 5.80% on the outstanding balance at September 30, 2001, before consideration of the impact of the Company's interest rate swap contracts. There was $131.7 million outstanding on the line of credit at September 30, 2001, compared to $153.2 million outstanding at December 31, 2000, and $154.6 million outstanding at September 30, 2000. The line of credit is collateralized by substantially all of the assets of the Company and its wholly owned subsidiaries, and matures in 2004.

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3. Financial Instruments

In order to mitigate a portion of the market risk on its variable rate debt, the Company has entered into interest rate swap contracts with major financial institutions. Under terms of these separate contracts we receive a LIBOR based variable interest rate and pay a fixed interest rate of 7.015% and 7.30% on notional amounts of $35.0 million each which mature in March 2003 and May 2002, respectively. The Company has also entered into a contract which pays a fixed interest rate of 6.40% on a notional amount of $30.0 million and matures in November 2002. The variable interest rate on the contracts is determined based on LIBOR on the last day of each month, which is consistent with the variable rate determination on the underlying debt.

Effective January 1, 2001 the Company adopted Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Financial Instruments and Hedging Activities" (FAS 133) which establishes accounting and reporting standards requiring that every derivative financial instrument be recorded on the balance sheet at its fair value. The statement further requires that the gains and losses related to changes in the fair value of the derivative financial instruments be recorded in the income statement unless certain hedge criteria are met. Gains and losses for qualifying hedges can be deferred in accumulated other comprehensive income and recognized in the income statement along with the related results of the hedged item. The statement requires that the Company formally document, designate and assess the effectiveness of such transactions in order to qualify for such hedge accounting treatment.

The Company has designated its interest rate swaps as cash flow hedges of anticipated interest payments under its variable rate agreements. Gains and losses on these swaps that are recorded in accumulated other comprehensive income will be reclassified into net income as net interest expense in the periods in which the related variable interest is paid.

The Company recorded a cumulative-effect-type deferred net loss adjustment of $0.6 million in accumulated other comprehensive income to recognize the fair value of these swaps upon adoption of FAS 133 on January 1, 2001. The Company expects to reclassify approximately $0.2 million of the January 1, 2001 net loss from accumulated other comprehensive income into net income as net interest expense before December 31, 2001. The Company also expects to reclassify approximately $1.8 million of the September 30, 2001 net loss of $2.7 million recorded in accumulated other comprehensive income into net income as net interest expense over the next twelve months.

Comprehensive income consists of the following:

	Nine months ended September 30,		Three months ended September 30,	
	2001	2000	2001	2000
Net earnings	$18,026	$16,878	$ 7,091	$ 7,303
Cash flow hedging (net of related tax benefit of $1,708 and $405 for the nine and three months ended in 2001, respectively)	(2,683)	-	(636)	-
Comprehensive income	$15,343	$16,878	$ 6,455	$ 7,303

4. Acquisitions and Other Transactions

On September 8, 2000, three of the Company's wholly owned subsidiaries merged with Arlington International Racecourse, Inc., Arlington Management Services, Inc. and Turf Club of Illinois, Inc. (collectively referred to as "Arlington Park"). The Company issued 3.15 million shares of its common stock, with a fair value of $51.3 million, to Duchossois Industries, Inc. ("DII") and could issue up to an additional 1.25 million shares of common stock dependent upon the opening of the riverboat casino at Rosemont, Illinois, and the amount of subsidies received by Arlington Park as a result thereof. The purchase price was recorded based upon the fair value of shares issued to DII at the announcement of the mergers on June 23, 2000, plus the estimated fair value of liabilities assumed and approximately $2.2 million in merger-related costs. The acquired tangible and intangible assets of $81.5 million and assumed liabilities of $28.0 million of Arlington Park were recorded at their estimated fair values as of the merger date. The Company also earned $5.8 million in management fees related to the Arlington Park management contract that was in effect from July 1 through the closing of the Arlington Park merger on September 8, 2000. The merger was accounted for by the Company as an asset purchase and, accordingly, the financial position and results of operations of Arlington Park have been included in the Company's consolidated financial statements since the date of merger.

Following are the unaudited pro forma results of operations as if the September 8, 2000 merger with Arlington Park had occurred on January 1, 2000:

	Nine Months Ended September 30, 2000
Net revenues	$324,960
Net earnings	16,270
Earnings per common share:	
Basic	$1.32
Diluted	$1.32
Weighted average shares:	
Basic	12,287
Diluted	12,342

This unaudited pro forma financial information is not necessarily indicative of the operating results that would have occurred had the transactions been consummated as of January 1, 2000, nor is it necessarily indicative of future operating results.

5. Earnings Per Share

The following is a reconciliation of the numerator and denominator of the basic and diluted per share computations:

Nine months	Three months

	Nine months ended September 30,		Three months ended September 30,	
	2001	2000	2001	2000
Net earnings (numerator) amounts used for basic and diluted per share computaions:	$18,026	$16,878	$7,091	$7,303
Weighted average shares (denominator) of common stock outstanding per share:				
Basic	13,075	10,121	13,093	10,649
Plus dilutive effect of stock options	123	55	130	58
Diluted	13,198	10,176	13,223	10,707
Earnings per common share:				
Basic	$1.38	$1.67	$0.54	$0.69
Diluted	$1.37	$1.66	$0.54	$0.68

Options to purchase approximately 64 and 74 shares for the periods ending September 30, 2001 and 2000, respectively, were not included in the computation of earnings per common share-assuming dilution because the options' exercise prices were greater than the average market price of the common shares.

6. Segment Information

The Company has determined that it currently operates in the following seven segments: (1) Churchill Downs racetrack and its off-track betting ("OTB") facility (2) Hollywood Park racetrack and its on-site simulcast facility (3) Calder Race Course (4) Arlington Park and its OTBs (5) Ellis Park racetrack and its on-site simulcast facility (6) Hoosier Park racetrack and its on-site simulcast facility and the other three Indiana OTBs and (7) other investments, including Charlson Broadcast Technologies LLC and the Company's other various equity interests, which are not material. Eliminations include the elimination of management fees and other intersegment transactions.

Most of the Company's recurring revenues are generated from commissions on pari-mutuel wagering at the Company's racetracks and OTBs, plus simulcast fees, Indiana riverboat admissions subsidy revenue, admissions, concessions revenue, sponsorship revenues, licensing rights and broadcast fees, lease income and other sources.

The accounting policies of the segments are the same as those described in the "Summary of Significant Accounting Policies" in the Company's annual report to stockholders for the year ended December 31, 2000. Earnings before interest, taxes, depreciation and amortization ("EBITDA") should not be considered as an alternative to, or more meaningful than, net income (as determined in accordance with accounting principles generally accepted in the United States of America) as a measure of our operating results or cash flows (as determined in accordance with accounting principles generally accepted in the United States of America) or as a measure of our liquidity.

6. Segment Information (cont'd)

The table below presents information about reported segments for the nine months and three months ended September 30, 2001 and 2000:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2001	2000	2001	2000
Net revenues:				
Churchill Downs	$ 76,089	$ 73,639	$ 7,903	$ 8,961
Hollywood Park	71,904	75,003	17,037	24,124

Arlington Park	67,493	9,171	39,832	9,171
Calder Race Course	43,743	42,556	29,563	28,888
Hoosier Park	40,569	38,090	14,251	13,872
Ellis Park	15,447	15,726	12,431	12,524
Other investments	4,753	11,524	2,070	8,011
	319,998	265,709	123,087	105,551
Corporate revenues	1,244	651	381	46
Eliminations	(5,023)	(4,461)	(2,221)	(1,801)
	$316,219	$261,899	$121,247	$103,796
EBITDA:				
Churchill Downs	$ 23,688	$ 21,502	$ (2,688)	$ (2,361)
Hollywood Park	12,922	13,380	1,676	3,909
Arlington Park	9,758	2,093	9,866	2,093
Calder Race Course	6,650	7,001	7,480	7,746
Hoosier Park	4,695	4,939	1,544	1,497
Ellis Park	1,264	1,534	2,591	2,581
Other investments	1,535	7,137	687	6,437
	60,512	57,586	21,156	21,902
Corporate expenses	(5,978)	(6,129)	(1,419)	(1,940)
	$ 54,534	$ 51,457	$ 19,737	$ 19,962
Operating income (loss):				
Churchill Downs	$ 20,328	$ 18,721	$ (3,874)	$ (3,282)
Hollywood Park	9,024	10,082	346	2,767
Arlington Park	8,036	1,960	9,253	1,960
Calder Race Course	4,022	4,307	6,600	6,834
Hoosier Park	3,539	3,942	1,179	1,164
Ellis Park	284	442	2,278	2,211
Other investments	559	6,146	492	6,169
	45,792	45,600	16,274	17,823
Corporate expenses	(6,078)	(5,828)	(1,519)	(1,999)
	$ 39,714	$ 39,772	$ 14,755	$ 15,824

6. Segment Information (cont'd)

	As of September 30,2001	As of December 31, 2000	As of September 30, 2000
Total assets:			
Churchill Downs	$366,407	$358,081	$408,990
Hollywood Park	179,626	174,232	165,913
Arlington Park	81,867	74,554	85,080
Calder Race Course	115,571	127,666	114,857
Hoosier Park	37,729	32,718	37,231
Ellis Park	20,246	21,381	30,606
Other investments	46,957	45,390	47,007
	848,403	834,022	889,684
Eliminations	(371,645)	(364,018)	(417,322)
	$476,758	$470,004	$472,362

Following is a reconciliation of total EBITDA to income before provision for income taxes:

Nine Months ended September 30,	Three Months ended September 30,

	2001	2000	2001	2000
Total EBITDA	$54,534	$51,457	$19,737	$19,962
Depreciation and amortization	(14,849)	(12,198)	(5,054)	(4,235)
Interest income (expense), net	(9,393)	(10,579)	(2,769)	(3,414)
Earnings before provision for income taxes	$30,292	$28,680	$11,914	$12,313

7. Pending Transactions

The Company has entered into a definitive agreement with Centaur Racing, LLC ("Centaur"), a privately held company, to sell a 15 percent interest in Hoosier Park, LP ("HPLP") for a purchase price of $4.5 million. HPLP is an Indiana limited partnership that owns Hoosier Park racetrack and related OTBs. The transaction is subject to certain closing conditions, including the approval of the Indiana Horse Racing Commission and various regulatory agencies. It is also contingent upon Centaur purchasing the entire 10 percent interest in HPLP held by Conseco HPLP, LLC, which is the Company's third existing partner in HPLP. The agreement also provides Centaur an option to purchase additional partnership interests. Upon closing, the Company will retain a 62 percent interest in HPLP and continue to manage its day-to-day operations. Centaur, which already owned a portion of HPLP prior to the agreement, will then hold a 38 percent minority interest in HPLP. Closing is anticipated to occur during the fourth quarter of 2001.

ITEM 2. 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 "Act") provides certain "safe harbor" provisions for forward-looking statements. All forward-looking statements made in this Quarterly Report on Form 10-Q are made pursuant to the Act. These statements represent our judgment concerning the future and are subject to risks and uncertainties that could cause our actual operating results and financial condition to differ materially. 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 our expectations include: the effect of global economic conditions and the impact of the terrorist attacks on September 11, 2001, the effect (including possible increases in the cost of doing business) resulting from war and terrorist activities or political uncertainties; the financial performance of our racing operations; the impact of gaming competition (including lotteries and riverboat, cruise ship and land-based casinos) and other sports and entertainment options in those markets in which we operate; a substantial change in law or regulations affecting our pari-mutuel activities; a substantial change in allocation of live racing days; litigation surrounding the Rosemont, Illinois, riverboat casino; changes in Illinois law that impact revenues of racing operations in Illinois; a decrease in riverboat admissions subsidy revenue from our Indiana operations; the impact of an additional racetrack near our Indiana operations; our continued ability to effectively compete for the country's top horses and trainers necessary to field high-quality horse racing; our continued ability to grow our share of the interstate simulcast market; the impact of interest rate fluctuations; our ability to execute our acquisition strategy and to complete or successfully operate planned expansion projects; the economic environment; our ability to adequately integrate acquired businesses; market reaction to our expansion projects; the loss of our totalisator companies or their inability to keep their technology current; our accountability for environmental contamination; the loss of key personnel and the volatility of our stock price.

You should read this discussion with the financial statements included in this report and the Company's Form 10-K for the period ended December 31, 2000, for further information.

Overview

We conduct pari-mutuel wagering on live Thoroughbred, Quarter Horse and Standardbred horse racing and simulcast signals of races. Additionally, we offer racing services through our other interests.

We own and operate the Churchill Downs racetrack in Louisville, Kentucky, which has conducted Thoroughbred racing since 1875 and is internationally known as the home of the Kentucky Derby. We also own and operate Hollywood Park, a Thoroughbred racetrack in Inglewood, California; Arlington Park, a Thoroughbred racetrack in Arlington Heights, Illinois; Calder Race Course, a Thoroughbred racetrack in Miami, Florida; and Ellis Park, a Thoroughbred racetrack in Henderson, Kentucky. Additionally, we are the majority owner and operator of Hoosier Park in Anderson, Indiana, which conducts Thoroughbred, Quarter Horse and Standardbred horse racing. We conduct simulcast

wagering on horse racing at nine off-track betting (OTB) facilities in Kentucky, Indiana and Illinois, as well as at our six racetracks.

Because of the seasonal nature of our business and recent acquisitions and merger activity, revenues and operating results for any interim quarter are likely not indicative of the revenues and operating results for the year and are not necessarily comparable with results for the corresponding period of the previous year. We normally earn a substantial portion of our net earnings in the second and third quarters of each year during which all our operations are open for some or all of this period and the Kentucky Derby and the Kentucky Oaks are run.

Our revenues are generated from commissions on pari-mutuel wagering at our racetracks and OTB facilities, plus simulcast fees, Indiana riverboat admissions subsidy revenue, admissions, concessions revenue, sponsorship revenues, licensing rights and broadcast fees, lease income and other sources.

RESULTS OF OPERATIONS

Pari-mutuel wagering information, including intercompany transactions, for our six live racing facilities and nine separate OTBs, which are included in their respective racetracks, during the nine months ended September 30, 2001 and 2000 is as follows ($ in thousands):

	Churchill Downs	Hollywood Park	Calder Race Course	Arlington Park*	Hoosier Park	Ellis Park
Live Racing						
2001 handle	$94,787	$135,999	$116,049	$50,662	$11,124	$16,841
2001 no. of days	52	66	97	80	141	41
2000 handle	$100,484	$144,499	$109,426	$65,679	$10,797	$16,686
2000 no. of days	53	65	96	103	119	41
Export simulcasting						
2001 handle	$427,606	$519,522	$271,918	$254,586	$46,583	$108,858
2001 no. of days	52	66	97	80	141	41
2000 handle	$406,253	$505,495	$268,100	$267,432	$39,372	$102,512
2000 no. of days	53	65	96	103	119	41
Import simulcasting						
2001 handle	$75,816	$176,358	-	$323,585	$101,035	$25,534
2001 no. of days	172	213	-	1,355	895	198
2000 handle	$83,479	$191,126	-	$346,095	$105,448	$28,041
2000 no. of days	176	212	-	1,370	908	272
Number of OTBs	1	-	-	5	3	-
Totals						
2001 handle	$598,209	$831,879	$387,967	$628,833	$158,742	$151,233
2000 handle	$590,216	$841,120	$377,526	$679,206	$155,617	$147,239

* Pari-mutuel wagering information for Arlington Park is provided for the nine months ended September 30, 2001 and 2000. Although the summary reflects handle for the first nine months of 2000 as if the merger had taken place at the beginning of the year, only revenues generated since the subsidiaries’ merger date have been included in the Company’s consolidated statements of earnings.

Nine Months Ended September 30, 2001 Compared to Nine Months Ended September 30, 2000

Net Revenues

Net revenues during the nine months ended September 30, 2001 increased $54.3 million (21%) from $261.9 million in 2000 to $316.2 million in 2001. Arlington Park revenues increased $58.3 million during 2001 due to the timing of the September 8, 2000 merger. Churchill Downs racetrack revenues increased $2.4 million primarily due to increased corporate sponsor event ticket prices and admissions and seat revenue for Kentucky Oaks and Kentucky Derby days. Hoosier Park revenues increased $2.5 million due to the increase of 22 days of live racing during 2001. Calder Race Course revenues increased $1.2 million as a result of increased attendance and handle during 2001. Increases were offset by a decrease in revenues at Hollywood Park primarily due to a decrease in attendance and handle as a result of the impact of the energy-related problems on the West Coast and the overall economic slowdown. Other investment revenues decreased as a result of the Arlington Park management contract that was in effect during the third quarter of 2000 prior to the closing of the Arlington Park merger. Corporate revenues increased $0.6 million primarily as a result of an accounting services contract whereby we provide simulcast accounting services to a third party.

Operating Expenses

Operating expenses increased $50.6 million (25%) from $202.6 million in 2000 to $253.2 million in 2001 primarily as a result of Arlington Park's increase in operating expenses of $48.6 million. Calder Race Course and Hoosier Park also had increases and Hollywood Park had a decrease in operating expenses consistent with the increases and decrease in pari-mutuel revenues described above.

Gross Profit

Gross profit increased $3.7 million from $59.3 million in 2000 to $63.0 million in 2001. The increase in gross profit was primarily the result of the merger with Arlington Park and the increase in gross profit for Churchill Downs racetrack as a result of the revenue increases described above.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses increased by $3.8 million (19%) from $19.5 million in 2000 to $23.3 million in 2001 as a result of the 2000 merger with Arlington Park.

Other Income and Expense

Interest expense decreased $1.5 million from $11.4 million in 2000 to $9.9 million in 2001 primarily due to the use of available cash to pay down our line of credit, as well as a reduction in interest rates on the revolving loan facility resulting from the improvement in our leverage ratios.

Income Tax Provision

The increase in our income tax provision of $0.5 million for the nine months ended September 30, 2001 as compared to September 30, 2000 is the result of an increase in pre-tax earnings offset by a decline in the Company's effective income tax rate from 41.2% in 2000 to 40.5% in 2001.

Three Months Ended September 30, 2001 Compared to Three Months Ended September 30, 2000

Net Revenues

Net revenues during the three months ended September 30, 2001 increased $17.4 million (17%) from $103.8 million in 2000 to $121.2 million in 2001. Arlington Park revenues increased $30.7 million due to the timing of the merger during the third quarter of

2000. Hollywood Park revenues decreased $7.1 million primarily as a result of the shift of eight racing days from the third to the second quarter during 2001, as well as the overall economic slowdown. Other investment revenues decreased as a result of the Arlington Park management contract that was in effect during the third quarter of 2000 prior to the closing of the Arlington Park merger. Corporate revenues increased $0.3 million as a result of additional revenues from providing simulcast accounting services to a third party.

Operating Expenses

Operating expenses increased $18.4 million (23%) from $80.7 million in 2000 to $99.1 million in 2001. Arlington Park operating expenses increased $22.6 million due to the timing of the merger. Hollywood Park operating expenses decreased $4.4 million consistent with the decrease in pari-mutuel revenues for the quarter ended September 30, 2001.

Gross Profit

Gross profit decreased $1.0 million from $23.1 million in 2000 to $22.1 million in 2001. The decrease was primarily the result of the overall decrease in Hollywood Park gross profits described above.

Selling, General and Administrative Expenses

SG&A expenses increased by $0.1 million (2%) from $7.2 million in 2000 to $7.3 million in 2001 primarily due to SG&A increased expenses of $0.7 million for Arlington Park due to the timing of the merger offset by decreases at our other racing facilities and corporate expenses.

Other Income and Expense

Interest expense decreased $0.8 million from $3.7 million in 2000 to $2.9 million in 2001 primarily due to the use of available cash to pay down our line of credit, as well as a reduction in interest rates on the revolving loan facility resulting from the improvement in leverage ratios.

Income Tax Provision

Our income tax provision decreased by $0.2 million for the three months ended September 30, 2001 as compared to September 30, 2000 as a result of a decrease in pre-tax earnings and a decline in the Company’s effective income tax rate from 40.7% in 2000 to 40.5% in 2001.

Significant Changes in the Balance Sheet September 30, 2001 to December 31, 2000

Accounts payable increased $9.9 million at September 30, 2001 primarily due to increases in simulcasting payables, purses payable and other expenses related to the operation of live racing at Churchill Downs racetrack, Arlington Park and Hoosier Park. These increases were offset by a decrease in payables at Hollywood Park due to the timing of live racing.

Dividends payable decreased $6.5 million at September 30, 2001 as a result of the payment of dividends of $6.5 million (declared in 2000) in the first quarter of 2001.

Income taxes payable increased by $10.3 million at September 30, 2001 representing the estimated income tax expense attributed to income generated in the nine months of 2001.

Deferred revenue decreased $6.9 million at September 30, 2001, primarily due to the significant amount of admission and seat revenue that was received prior to December 31, 2000 recognized as income in May 2001 for the Kentucky Derby and Kentucky Oaks race days.

The long-term debt decrease of $21.6 million was the result of the use of current cash flow to reduce borrowings under our bank line of credit during 2001.

Significant Changes in the Balance Sheet September 30, 2001 to September 30, 2000

The accounts payable increase of $5.1 million was primarily due to the timing of payments for purses payable for the Hoosier Park live racing meet and simulcast payables for Churchill Downs racetrack.

Income taxes payable increased $9.6 million as a result of the timing of the payment of income taxes to be paid during the fourth quarter of 2001 compared to the payment during the third quarter of 2000. This timing change is a result of the changes to tax laws included in the Economic Growth and Tax Relief Reconciliation Act of 2001, signed into law on June 7, 2001.

The long-term debt net decrease of $23.1 million was the result of the use of current cash flow to reduce borrowings under our bank line of credit during 2001.

Liquidity and Capital Resources

The change in working capital between September 30, 2001 and 2000 is primarily due to the timing of income tax payments during 2001 compared to 2000. Cash flows provided by operations were $44.2 million and $20.8 million for the nine months ended September 30, 2001 and 2000, respectively. The net increase in cash provided by operations as compared to 2000 is primarily a result of the timing of the income tax payments and the separate classification of restricted assets since the second quarter of 2000. Restricted assets represent refundable deposits and amounts due to horsemen for purses, stakes and awards. The increase in depreciation and amortization is primarily due to the timing of the merger with Arlington Park. Management believes cash flows from operations and available borrowings during 2001 will be sufficient to fund our cash requirements for the year, including capital improvements and future acquisitions.

Cash flows used in investing activities were $12.7 million and $11.8 million for the nine months ended September 30, 2001 and 2000, respectively. Capital spending of $12.7 million in 2001 is $4.1 million less than 2000 as a result of the expansion of Churchill Downs' main entrance and corporate offices completed during 2000.

Cash flows used in financing activities were $26.6 million and $26.7 million for the nine months ended September 30, 2001 and 2000, respectively. We borrowed $173.3 million and repaid $194.7 million on our line of credit during 2001.

We have a $250 million line of credit under a revolving loan facility, of which $131.7 million was outstanding at September 30, 2001. This line of credit is secured by substantially all of our assets and matures in 2004. This credit facility is intended to meet working capital and other short-term requirements and to provide funding for future acquisitions.

Pending Transactions

We have entered into a definitive agreement with Centaur Racing, LLC ("Centaur"), a privately held company, to sell a 15 percent interest in Hoosier Park, LP ("HPLP") for a purchase price of $4.5 million. HPLP is an Indiana limited partnership that owns Hoosier Park racetrack and related OTBs. The transaction is subject to certain closing conditions, including the approval of the Indiana Horse Racing Commission and various regulatory agencies. It is also contingent upon Centaur purchasing the entire 10 percent interest in HPLP held by Conseco HPLP, LLC, which is our third existing partner in HPLP. The agreement also provides Centaur an option to purchase additional partnership interests. Upon closing, we will retain a 62 percent interest in HPLP and continue to manage its day-to-day operations. Centaur, which already owned a portion of HPLP prior to the agreement, will then hold a 38 percent minority interest in HPLP. Closing is anticipated to occur during the fourth quarter of 2001.

Impact of Recent Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 141 (FAS 141), "Business Combinations," which provides that all business combinations should be accounted for using the purchase method of accounting and establishes criteria for the initial recognition and measurement of goodwill and other intangible assets recorded in connection with a business combination. The provisions of FAS 141 apply to all business combinations initiated after June 30, 2001 and to all business combinations accounted for by the purchase method that are completed after June 30, 2001, or later. The Company will apply the provisions of FAS 141 to any future business combinations.

In addition, the FASB issued Statement of Financial Accounting Standards No. 142 (FAS 142), "Goodwill and Other Intangible Assets," which establishes the accounting for goodwill and other intangible assets following their recognition. FAS 142 applies to all goodwill and other intangible assets whether acquired singly, as part of a group, or in a business combination. FAS 142 provides that goodwill should not be amortized but should be tested for impairment annually using a fair-value based approach. In addition, FAS 142 provides that other intangible assets other than goodwill should be amortized over their useful lives and reviewed for impairment in accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." FAS 142 is effective for the Company beginning on January 1, 2002. Upon adoption, the Company will be required to perform a transitional impairment test under FAS 142 for all goodwill recorded as of January 1, 2002. Any impairment loss recorded as a result of completing the transitional impairment test will be treated as a change in accounting principle. The impact of the adoption of FAS 142 on the Company's results of operations for all periods beginning on or after January 1, 2002 will be to eliminate amortization of goodwill. Management of the Company is currently analyzing the impact of FAS 142 and cannot estimate the impact of the adoption of FAS 142 as of January 1, 2002 at this time.

In October 2001, the FASB issued Statement of Financial Accounting Standards No. 144 (FAS 144), "Accounting for the Impairment or Disposal of Long-Lived Assets." The Statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This Statement supercedes Statement of Financial Accounting Standards No. 121 (FAS 121), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," and the accounting and reporting provisions of Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations – Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," for the disposal of a segment of a business (as previously defined in that Opinion). This Statement also amends Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to eliminate the exception to consolidation for a subsidiary for which control is likely to be temporary. The objectives of FAS 144 are to address significant issues relating to the implementation of FAS 121 and to develop a single accounting model, based on the framework established in FAS 121, for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired. Management anticipates that the adoption of FAS 144 will not have a material effect on the Company's results of operations or financial position.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

At September 30, 2001, we had $131.7 million of debt outstanding under our revolving loan 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 the LIBOR rate. Assuming the outstanding balance on the revolving loan facility remains constant, a one-percentage point increase in the LIBOR rate would reduce annual pre-tax earnings and cash flows by $1.3 million.

In order to mitigate a portion of the market risk associated with our variable rate debt, we have entered into interest rate swap contracts with major financial institutions. Under terms of these separate contracts we receive a LIBOR based variable interest rate and pay a fixed interest rate of 7.015% and 7.30% on notional amounts of $35.0 million each, which mature in March 2003 and May 2002, respectively. We have also entered into a contract in which we pay a fixed interest rate of 6.40% on a notional amount of $30.0 million which matures in November 2002. Assuming the September 30, 2001 notional amounts under the interest rate swap contracts remain constant, a one-percentage point increase in the LIBOR rate would increase annual pre-tax earnings and cash flows by $1.0 million.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

Not Applicable

ITEM 2. Changes in Securities and Use of Proceeds

Not Applicable

ITEM 3. Defaults Upon Senior Securities

Not Applicable

ITEM 4. Submission of Matters to a Vote of Security Holders

Not Applicable

ITEM 5. Other Information

Not Applicable

ITEM 6. Exhibits and Reports on Form 8-K.

A. Exhibits

See exhibit index on page 24.

B. Reports on Form 8-K

Churchill Downs Incorporated filed a Current Report on Form 8-K dated July 26, 2001, attaching our second quarter earnings release dated July 24, 2001.

Churchill Downs Incorporated filed a Current Report on Form 8-K dated September 17, 2001, attaching our stock repurchase plan press release dated September 17, 2001.

SIGNATURES

Pursuant to the requirements 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

November 14, 2001	\s\Thomas H. Meeker Thomas H. Meeker President and Chief Executive Officer (Principal Executive Officer)
November 14, 2001	\s\Robert L. Decker Robert L. Decker Executive Vice President and Chief Financial Officer (Principal Financial Officer)
November 14, 2001	\s\Michael E. Miller Michael E. Miller Senior Vice President, Finance (Principal Accounting Officer)

EXHIBIT INDEX

Numbers	Description	By Reference To
(2)(a)	Partnership Interest Purchase Agreement dated as of October 16,2001 by and among Anderson Park, Inc., Churchill Downs Management Company and Centaur Racing, LLC	Page 25, Report on Form 10-Q for the fiscal quarter ended September 30, 2001.
(10)(a)	Churchill Downs Incorporated Amended and Restated Incentive Compensation Plan (1997)	Page 60, Report on Form 10-Q for the fiscal quarter ended September 30, 2001

PARTNERSHIP INTEREST PURCHASE AGREEMENT

By and Among

Anderson Park, Inc.,
an Indiana corporation,

Churchill Downs Management Company,
a Kentucky corporation,

and

Centaur Racing, LLC,
an Indiana limited liability company

Dated as of the 16th day of October, 2001

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EXHIBITS

Exhibit A	Form of Participation Agreement
Exhibit B	Form of Consulting Agreement
Exhibit C	Hoosier Park Year-End Financial Statements
Exhibit D	Hoosier Park Interim Financial Statement

PARTNERSHIP INTEREST PURCHASE AGREEMENT

THIS PARTNERSHIP INTEREST PURCHASE AGREEMENT (this "Agreement") is made and entered into as of the 16th day of October, 2001, by and among Anderson Park, Inc., an Indiana corporation ("Seller"), Churchill Downs Management Company, a Kentucky corporation and the parent corporation of Seller ("CDMC") (Seller and CDMC, collectively, the "Selling Parties") and Centaur Racing, LLC, an Indiana limited liability company ("Buyer").

RECITALS:

A Seller is the general partner of Hoosier Park, L.P., an Indiana limited partnership ("Hoosier Park"), and owns a seventy-seven percent (77%) partnership interest therein.

B Hoosier Park operates a horse race track and related pari-mutuel horse wagering facility in Anderson, Indiana, as well as various satellite pari-mutuel horse wagering facilities in the State of Indiana (collectively, the "Gaming Facility").

C Seller's principal asset is its seventy-seven percent (77%) general partnership interest in Hoosier Park.

D Buyer desires to acquire from the Selling Parties, and the Selling Parties desire to sell to Buyer, certain rights of the Selling Parties with respect to Hoosier Park, all on the terms and subject to the conditions set forth in this Agreement.

AGREEMENT:

NOW, THEREFORE, in consideration of the mutual covenants contained in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

ARTICLE I
PURCHASE OF PARTNERSHIP INTEREST

1.1 Acquisition of Transferred Partnership Interest. Upon the terms and subject to the conditions contained herein, Seller shall (and CDMC shall cause Seller to) sell and transfer to Buyer, and Buyer shall purchase and acquire from Seller, at the Closing (as hereinafter defined), all of Seller's right, title and interest in, to and under a portion of Seller's interest as a partner in the Partnership equal to fifteen percent (15%) of all the partnership interests therein as of the date hereof (the "Transferred Partnership Interest"), free and clear of all security interests, liens, restrictions, claims, encumbrances or charges of any kind, other than those set forth in the Partnership Agreement (as hereinafter defined) or restrictions under any federal or state securities laws (collectively, "Encumbrances").

1.2 Participation Agreement. At the Closing, CDMC shall grant to Buyer, by delivery of the Participation Agreement substantially in the form attached hereto as Exhibit A (the "Participation Agreement") a fifteen percent (15%) interest in that certain loan (including all accrued and unpaid interest thereon) owed to CDMC by Hoosier Park in the original principal amount of $28,700,000, evidenced by that certain Second Amended Secured Promissory Note dated November 1, 1994 and executed by Hoosier Park in favor of CDMC (such loan, the "Loan" and such interest therein, the "Transferred Loan Interest").

1.3 Consulting Fee. At the Closing and in consideration for certain advisory services to be performed by Buyer in favor of CDMC (as described in the Consulting Agreement defined below), CDMC shall pay to Buyer an amount equal to twelve percent (12%) of all the management fees (the "Consulting Fee") payable to CDMC (in excess of $400,000 annually and other than any management fees accrued and unpaid at the Closing) under the Amended and Restated Management Agreement dated May 31, 1996, between CDMC and Hoosier Park (the "Existing Management Agreement"), by delivery of the Consulting Agreement substantially in the form attached hereto as Exhibit B (the "Consulting Agreement").

1.4 First Option. The Selling Parties, as applicable, hereby grant Buyer an option (the "First Option") to purchase (a) an additional portion of Seller's interest as a partner in the Partnership equal to eleven percent (11%) of all the partnership interests therein as of the date hereof and (b) an additional 11% interest in the Loan (in the same manner as described in Section 1.2 above). Upon closing of the First Option, the Consulting Fees payable to Buyer under the Consulting Agreement shall be increased from twelve percent (12%) to twenty percent (20%) of all the management fees payable to CDMC (in excess of $400,000 annually and other than any management fees accrued and unpaid at closing of the First Option) under the Existing Management Agreement, such increase to be exclusive of any amounts received pursuant to Buyer's acquisition of the Conseco Interest (as hereinafter defined). The purchase price shall be Eight Hundred Eighty Thousand Dollars ($880,000) plus eleven percent (11%) of the outstanding principal balance of the Loan, plus all accrued and unpaid interest thereon, on the date of closing of the First Option, plus eleven percent (11%) of any equity contributed by the partners of Hoosier Park to Hoosier Park between the date hereof and the date of closing of the First Option, and shall be paid in immediately available funds at the closing of the First Option. Buyer may exercise the First Option by delivering written notice to the Selling Parties of its intention to do so on or before August 31, 2003; provided, however, that Buyer may extend such period until June 30, 2004 by delivering written notice to the Selling Parties on or before August 31, 2003 ("First Option Period") along with a non-refundable payment in the amount of $250,000 in immediately available funds. Closing of the First Option shall occur within thirty days of the date the last required Regulatory Approval (as hereinafter defined)(necessary for the consummation of the First Option) is obtained.

1.5 Second Option. The Selling Parties, as applicable, hereby grant Buyer an option (the "Second Option"), if and only if Buyer exercises the First Option, to purchase (a) an additional portion of Seller's interest as a partner in the Partnership equal to thirty-one percent (31%) of all the

partnership interests therein as of the date hereof, and (b) an additional 31% interest in the Loan (in the same manner as described in Section 1.2 above). The purchase price shall be equal to Twenty-seven Million Five Hundred Ninety Thousand Dollars ($27,590,000) plus thirty-one percent (31%) of the outstanding principal balance of the Loan, plus all accrued and unpaid interest thereon, on the date of closing of the Second Option, plus thirty-one percent (31%) of any equity contributed by the partners of Hoosier Park to Hoosier Park between the date hereof and the date of closing of the Second Option, and shall be paid in immediately available funds at closing of the Second Option. At closing of the Second Option, Buyer shall receive a $2,500,000 credit against the purchase price of the Second Option (thereby reducing the amount payable at closing of the Second Option by such amount). Buyer may exercise the Second Option by delivering written notice to the Selling Parties of its intention to do so between December 1, 2004 and March 1, 2005 ("Second Option Period"). The closing of the Second Option shall occur within thirty days of the date the last required Regulatory Approval (necessary for the consummation of the Second Option) is obtained.

1.6 Terms of Option Sales. The sales of the interests to be conveyed by the First Option and the Second Option shall be made on the terms and conditions set forth in this Agreement with respect to the sale of the Transferred Partnership Interest and the Transferred Loan Interest, except that (a) the purchase price shall be as set forth in this Agreement, (b) the representations and warranties of Buyer and the Selling Parties set forth in this Agreement shall be reaffirmed on the date of closing (it being understood, however, that (i) the representations and warranties made in Sections 4.2(b) through (f) and (j) of this Agreement (the "Updated Representations") shall be updated within thirty (30) days of the date of the option is exercised to reflect events occurring after the Closing Date ("Intervening Events"), and (ii) changes in the Updated Representations and immaterial changes in the other representations and warranties caused by Intervening Events shall not be deemed a breach thereof by the Selling Parties and/or Buyer), (c) the parties' indemnity obligations relating to such transactions shall be extended beyond the date of the consummation of such transactions for the period described in Section 9.2 below (i.e., one year after closing of the First Option and closing of the Second Option, as appropriate), and (d) the Indemnity Limit (as hereinafter defined) shall be One Million Dollars ($1,000,000) and Three Million Five Hundred Thousand Dollars ($3,500,000), after closing of, and with respect to, the First Option and the Second Option, respectively.

1.7 Adjustments. If after the date of this Agreement, one or more new partners are admitted to Hoosier Park, the percentage equity interests to be bought and sold in Sections 1.1, 1.4 and 1.5 shall be ratably reduced to reflect the admission of such partner or partners; and, if such partner or partners, incident to its or their admission as a partner of Hoosier Park, acquires a participation interest in the Loan or the management fees under the Existing Management Agreement, the percentage participation interest in the Loan and in the management fees described in such sections (along with the purchase price attributable thereto) shall be similarly reduced.

ARTICLE II
PURCHASE PRICE

2.1 Purchase Price. In consideration for the Transferred Partnership Interest to be sold and transferred to Buyer, and for the Transferred Loan Interest, and upon the terms and conditions contained herein, Buyer shall pay or cause to be paid to or for the account of Seller (as set forth in Section 2.2 below), Four Million Five Hundred Thousand Dollars ($4,500,000) (the "Purchase Price").

2.2 Payment of Purchase Price. Buyer shall pay the Purchase Price to the Selling Parties in immediately available funds at the Closing by wire transfer to an account or accounts designated by Seller at least forty-eight (48) hours prior to the Closing.

2.3 Taxes and Costs. All taxes, stamp duties, notarial, registration and recording fees resulting from or relating to the sale and transfer of the Transferred Partnership Interest as contemplated hereby shall be paid by Seller.

2.4 Allocation. The parties shall agree at the Closing to the allocation of the Purchase Price among the Transferred Partnership Interest and the Transferred Loan Interest for financial accounting and tax purposes so that the portion of the Purchase Price attributable to the Transferred Loan Interest shall be equal to fifteen percent (15%) of the then principal balance of the Loan and all accrued interest thereon, with all remaining Purchase Price allocated to the Transferred Partnership Interest and the other rights acquired pursuant to this Agreement.

ARTICLE III
CLOSING; CLOSING DELIVERIES

3.1 Closing. The "Closing" means the time at which the Selling Parties consummate the transactions contemplated by Sections 1.1, 1.2 and 1.3 hereby after the satisfaction (or receipt of a duly executed waiver) of each of the conditions precedent to Closing as hereinafter described. The Closing shall take place at the offices of Buyer's counsel, Sommer & Barnard, PC, 4000 Bank One Tower, 111 Monument Circle, Indianapolis, Indiana. Subject to Section 10.11 below, the Closing shall occur at 10:00 a.m., Eastern Standard Time, on the earlier of December 27, 2001, or five days from the satisfaction or waiver of all conditions precedent to Closing set forth below. The date on which the Closing occurs is herein referred to as the "Closing Date". For purposes of this Agreement, Closing and Closing Date when used in reference to the First Option and the Second Option shall mean the respective time and date for the closing of each option as set forth in Section 1.4 and 1.5, as appropriate.

3.2 Closing Deliveries of the Selling Parties. At the Closing, in addition to any other documents specifically required to be delivered pursuant

to this Agreement, the Selling Parties shall, in form and substance reasonably satisfactory to Buyer and its counsel, deliver to Buyer the following:

(a) A Bill of Sale and Assignment, duly executed by Seller, conveying all of Seller's right, title and interest in, to and under the Transferred Partnership Interest to Buyer;

(b) A counterpart to the Participation Agreement, duly executed by CDMC;

(c) A counterpart to the Consulting Agreement, duly executed by CDMC;

(d) A certificate, duly executed by each of the Selling Parties, certifying that each of the Selling Parties has performed and complied with, in all material respects, all of the terms, provisions and conditions of this Agreement to be performed and complied with by each of them at or prior to Closing and that their respective representations and warranties are true in all material respects as of the date of this Agreement and as of the Closing (except as expressly contemplated or permitted by this Agreement);

(e) A certificate of the Secretary or Assistant Secretary of Seller, dated the Closing Date, certifying (i) the resolutions duly adopted by CDMC, as sole shareholder of Seller (if required by Law, as hereinafter defined), and the Board of Directors of Seller authorizing and approving the execution, delivery and performance of this Agreement and the transactions contemplated hereby, and (ii) that such resolutions have not been rescinded or modified and remain in full force and effect as of the Closing Date;

(f) A certificate of the Secretary or Assistant Secretary of CDMC, dated the Closing Date, certifying (i) the resolutions duly adopted the Board of Directors of CDMC authorizing and approving the execution, delivery and performance of this Agreement and the transactions contemplated hereby, and (ii) that such resolutions have not been rescinded or modified and remain in full force and effect as of the Closing Date;

g) A Certificate of Existence of Seller, dated no more than ten days prior to the Closing Date, issued by the Secretary of State of Indiana;

(h) A Certificate of Existence of CDMC, dated no more than ten days prior to the Closing Date, issued by the Secretary of State of Kentucky;

i) An opinion of Wyatt, Tarrant & Combs, LLP, counsel for the Selling Parties, dated the Closing Date and addressed to Buyer, containing customary opinions;

(j) Such other instruments of sale, transfer, conveyance and assignment as Buyer and its counsel may reasonably request to effect the transactions contemplated hereby, including, without limitation, such documents as are required by the Amended and Restated Hoosier Park, L.P. Agreement of Limited Partnership dated as of May 31, 1996, among the partners of Hoosier Park

(the "Partnership Agreement") to cause the sale and transfer of the Transferred Partnership Interest as herein contemplated to be effective and to cause the conveyance of the Transferred Partnership Interest to Buyer to be recognized by Hoosier Park and accurately reflected in Schedule 1 to the Partnership Agreement and in such other of its records as relate to the identity of its partners and the extent of their partnership interests or as otherwise required by applicable agreements; and

(k) All other previously undelivered items required to be delivered by any of the Selling Parties at or prior to Closing pursuant to this Agreement or otherwise required in connection herewith unless waived in writing by Buyer.

3.3 Buyer's Closing Deliveries. At the Closing, in addition to any other documents specifically required to be delivered pursuant to this Agreement, Buyer shall, in form and substance reasonably satisfactory to the Selling Parties and their counsel, deliver to the Selling Parties the following:

(a) The Purchase Price;

(b) A counterpart to the Participation Agreement, duly executed by Buyer;

(c) A counterpart to the Consulting Agreement, duly executed by

Buyer;

(d) A certificate, duly executed by Buyer, certifying that Buyer has performed and complied with, in all material respects, all of the terms, provisions and conditions of this Agreement to be performed and complied with by it at or prior to Closing and that its representations and warranties are true in all material respects as of the date of this Agreement and as of the Closing (except as expressly contemplated or permitted by this Agreement);

(e) A certificate of the sole member of Buyer, dated the Closing Date, certifying (i) the resolutions duly adopted by the sole member of Buyer authorizing and approving the execution, delivery and performance of this Agreement and the transactions contemplated hereby, and (ii) that such resolutions have not been rescinded or modified and remain in full force and effect as of the Closing Date;

(f) A Certificate of Existence of Buyer, dated no more than ten days prior to the Closing Date, issued by the Secretary of State of Indiana;

(g) An opinion of Sommer & Barnard, P.C., counsel for Buyer, dated the Closing Date, addressed to the Selling Parties, containing customary opinions; and

(h) All other previously undelivered items required to be delivered by Buyer at or prior to Closing pursuant to this Agreement or otherwise required in connection herewith unless waived in writing by each of the Selling Parties.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF SELLING PARTIES

As an inducement to Buyer to enter into this Agreement and to consummate the transactions contemplated hereby, the Selling Parties, jointly and severally, represent and warrant to Buyer, and Buyer in agreeing to pay the Purchase Price and to otherwise consummate the transactions contemplated by this Agreement has relied upon such representations and warranties, except as set forth in that certain Disclosure Letter which is referred to herein and which has previously been delivered by the Selling Parties to Buyer, as follows:

4.1 Representations and Warranties Concerning the Selling Parties.

(a) Organization of Seller. Seller is a corporation duly organized and validly existing under the laws of the state of its organization and is qualified to do business as a foreign corporation in good standing in each other state wherein the nature of its business or activities requires such qualification.

(b) Organization of CDMC. CDMC is a corporation duly organized and validly existing under the laws of the state of its organization and is qualified to do business as a foreign corporation in good standing in each other state wherein the nature of its respective business or activities requires such qualification.

(c) Authorization. Each of the Selling Parties has full corporate power and authority to (i) execute and deliver this Agreement and to perform its respective obligations hereunder, and (ii) own and operate its respective assets, properties and business and carry on its respective business as presently conducted. The execution, delivery and performance of this Agreement have been duly authorized by all necessary corporate action on the part of each of the Selling Parties, including director and shareholder (where required) authorization.

(d) Validity; Binding Effect. This Agreement has been duly and validly executed and delivered by each of the Selling Parties and constitutes a valid and legally binding obligation of each of the Selling Parties, enforceable against each of the Selling Parties in accordance with its terms.

(e) Noncontravention. The execution, delivery and performance of this Agreement by each of the Selling Parties, the consummation of the transactions contemplated hereby and the compliance with or fulfillment of the terms and provisions hereof or of any other agreement or instrument contemplated hereby, do not and will not (i) conflict with or result in a breach of any of the provisions of the Articles of Incorporation or Bylaws of any of the Selling Parties, (ii) contravene any Law which affects or binds any of the Selling Parties or any of their respective properties, (iii) except as set forth in the Disclosure Letter, conflict with, result in a breach of, constitute a default under, or give rise to a right of termination or acceleration under any material

contract, agreement, note, deed of trust, mortgage, trust, lease, Governmental (as hereinafter defined) or other license, permit or other authorization, or any other material instrument or restriction to which any of the Selling Parties is a party or by which any of their respective properties may be affected or bound, or (iv) except for the Regulatory Approvals, the consent of Conseco and the consents required by Section 7.6 below, require any of the Selling Parties to obtain the approval, consent or authorization of, or to make any declaration, filing or registration with, any third party or any Governmental authority which has not been obtained in writing prior to the date of this Agreement.

(f) Title to Acquired Assets. Seller has, or will have at Closing, good and marketable title tothe Transferred Partnership Interest, free and clear of any and all Encumbrances.

(g) Legal Compliance. Seller has complied in all material respects with all applicable Laws (including rules, regulation, codes, plans, injunctions, judgments, orders, decrees, rulings, and charges thereunder) of federal, state, local and foreign governments (and all agencies thereof) and no action, suit, proceeding, hearing, investigation, charge, complaint, claim, demand, or notice has been filed or commenced against Seller alleging any failure so to comply.

4.2 Representations and Warranties Concerning Hoosier Park.

(a) Organization of Hoosier Park. Hoosier Park is a limited partnership duly organized and validly existing under the laws of the State of Indiana and is qualified to do business as a foreign limited partnership in good standing in each other state wherein the nature of its business or activities requires such qualification.

(b) Ownership Interest. Hoosier Park is owned seventy-seven percent (77%) by Seller and to Seller's knowledge ten percent (10%) by Conseco HPLP, L.L.C., an Indiana limited liability company ("Conseco"). To Seller's knowledge, other than the interest of Buyer and options issued by Buyer to Kenneth Cragen and Michael Phillips, there are no other holders of any ownership interest in Hoosier Park. There are no outstanding subscriptions, options, warrants, contracts, commitments, convertible securities or other agreements or arrangements of any character or nature whatsoever under which Hoosier Park or Seller is or may become obligated to issue, assign or transfer any ownership interest in Hoosier Park, except as provided in the Partnership Agreement.

(c) Financial Statements. The (i) audited balance sheets and statements of income, changes in partner's equity and cash flow as of and for the three fiscal years ending prior to the Closing Date for Hoosier Park, attached hereto as Exhibit C, and (ii) interim unaudited balance sheets and statements of income, statement of partner's capital and cash flow as of and for the month ending September 30, 2001 (the "Hoosier Park Interim Financial Statements"), for Hoosier Park attached hereto as Exhibit D have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods covered thereby and present fairly the financial condition of Hoosier Park as of such dates and the results of operations of

Hoosier Park for such periods; provided, however, that the Hoosier Park Interim Financial Statements are subject to normal year-end adjustments and lack footnotes and other presentation items required under generally accepted accounting principles.

(d) Subsequent Events. Since the date of the Hoosier Park Interim Financial Statements, to the Selling Parties' knowledge there has not been any material adverse change in the business, financial condition, operations or result of operations of Hoosier Park.

(e) Undisclosed Liabilities. To the Selling Parties' knowledge, Hoosier Park has no liability (and there is no basis for any present or future action, suit, proceeding, hearing, investigation, charge, complaint, claim or demand against it giving rise to any liability), except for (i) liabilities (whether known or unknown, foreseen or unforeseen, contingent or otherwise ("Liabilities")) disclosed in the Hoosier Park Interim Financial Statements, and (ii) Liabilities not required to be so disclosed or which have arisen thereafter in the ordinary course of business.

(f) Notes and Accounts Receivable. Except as set forth in the

Disclosure Letter, all notes and accounts receivable of Hoosier Park are reflected properly on its books and records, and to the knowledge of the Selling Parties, all material notes and accounts receivable of Hoosier Park are valid receivables subject to no setoffs or counterclaims, are current and are collectible in accordance with their terms at their recorded amounts, subject only to the reserve for bad debts set forth on the face of the balance sheet contained in the Hoosier Park Interim Financial Statements (rather than in any notes thereto) as adjusted for the passage of time through the Closing Date in accordance with the past custom and practice of Hoosier Park. At the Closing, Hoosier Park will have no obligations for borrowed money or the deferred purchase price of any asset, other than the Loan and capitalized leases incurred in the ordinary course of business.

(g) Legal Compliance. Hoosier Park has complied in all material respects with all applicable Laws (including rules, regulations, codes, plans, injunctions, judgments, orders, decrees, rulings, and charges thereunder) of federal, state, local and foreign Governments (and all agencies thereof) and no action, suit, proceeding, hearing, investigation, charge, complaint, demand, or notice has been filed or commenced against Hoosier Park alleging any failure so to comply.

(h) Tax Matters.

(i) Hoosier Park has filed all tax returns that it was required to file. All such tax returns were prepared in substantial compliance with applicable rules and instructions. Seller has delivered true and complete copies of all the tax returns of Hoosier Park for the last three (3) years to Buyer. All taxes, penalties, and interest (collectively, "Taxes") owed by Hoosier Park (whether or not shown on any tax return) have been paid, except as being contested in good faith, including the matters set forth in the Disclosure

Letter. Hoosier Park is not currently the beneficiary of any extension of time within which to file any tax return. No claim has ever been made by an authority in a jurisdiction where Hoosier Park does not file tax returns that it is or may be subject to taxation by that jurisdiction.

(ii) Hoosier Park has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder, or other third party.

(iii) Hoosier Park has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.

(i) ERISA; Benefit Plans. The Disclosure Letter describes each employee benefit plan (as such term is defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) and each other material employee benefit plan, program or arrangement maintained, contributed to or required to be contributed to, by Hoosier Park as of the date hereof on account of current or former employees of Hoosier Park (each, a "Benefit Plan").

(i) Each Benefit Plan that is intended to be qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code") has received a determination from the Internal Revenue Service that such Benefit Plan is so qualified and nothing has occurred since the date of such determination that would adversely affect the qualified status of such Benefit Plan.

(ii) Each Benefit Plan has been maintained, funded, and administered in compliance with its terms, the terms of any applicable collective bargaining agreements, and all applicable laws including, but not limited to, ERISA and the Code.

(j) Employees. To the knowledge of each of the Selling Parties, no executive, key employee, or group of employees has any plans to terminate employment with Hoosier Park. Except as set forth in the Disclosure Letter, Hoosier Park is not a party to or bound by any collective bargaining agreement, nor has Hoosier Park experienced any material strikes, grievances, claims of unfair labor practices, or other collective bargaining disputes. To the knowledge of the Selling Parties, Hoosier Park has not committed any unfair labor practice. None of the Selling Parties has any knowledge of any organizational effort presently being made or threatened by or on behalf of any labor union with respect to employees of Hoosier Park.

(k) Litigation. Hoosier Park (i) is not subject to any material outstanding injunction, judgment, order, decree, ruling or charge, and (ii) is not a party to (or to the best of the knowledge of each of the Selling

Parties, threatened to be made a party to) any action, suit, proceeding, hearing or investigation of, in, or before any court or quasi-judicial or administrative agency of any federal, state, local or foreign jurisdiction.

(l) Environmental, Health and Safety Matters.

(i) To the knowledge of the Selling Parties, Hoosier Park is in compliance with all federal, state, local and foreign statutes, regulations and ordinances concerning public health and safety, worker health and safety and pollution or protection of the environment, including, without

limitation, all those relating to the presence, use, production, generation, handling, transportation, treatment, storage, disposal, distribution, labeling, testing, processing, discharge, release, threatened release, control or cleanup of any hazardous materials, substances or wastes (collectively, "Environmental, Health and Safety Requirements").

(ii) Hoosier Park has not received any written notice, report or other information regarding any active or alleged violation of any Environmental, Health and Safety Requirements.

(m) Title to Property. Hoosier Park has good and marketable title to or, as applicable, a valid leasehold interest in all of its assets and properties (or interests therein), real or personal, tangible or intangible, which it owns or leases, free and clear of all Encumbrances except for those (i) Encumbrances set forth in the Disclosure Letter, (ii) liens for real and personal property taxes not yet due and payable, (iii) statutory landlord's liens, or (iv) any liens incurred in the ordinary course of business since December 31, 2000 and which will not have an adverse effect on the operation or use of its property.

(n) Contracts, Agreements, and Commitments. Except for the contracts, agreements and commitments set forth in the Disclosure Letter (true and complete copies of which have been provided to or made available to Buyer), Hoosier Park is not a party to, or bound by any written or oral contract, agreement or commitment which involves the payment or potential payment per annum by or to Hoosier Park of more than Fifty Thousand Dollars ($50,000) individually or One Hundred Thousand Dollars ($100,000) in the aggregate (with respect to contracts relating to the same general subject matter) or that are otherwise material to the business, operations, assets or property of Hoosier Park (including, without limitation, oral or written employment agreements, consulting or deferred compensation agreements). Each contract disclosed or required to be disclosed in the Disclosure Letter is in full force and effect and constitutes a valid and binding obligation of Hoosier Park in accordance with its terms and, to the Selling Parties' knowledge, no party to such contract, has violated, breached or defaulted under such contract, unless such violation, breach or default has been cured or waived, or, with or without notice or lapse of time or both, would be in violation or breach of or default under any such contract.

4.3 Disclosure. None of the representations or warranties of any of the Selling Parties contained in this Article IV, and none of the information contained in the Disclosure Letter referred to in this Article IV, is false or misleading in any material respect or omits to state a fact herein or therein necessary to make the statements made herein or therein not misleading in any material respect.

4.4 No Breach. Notwithstanding anything to the contrary herein contained, no inaccuracy of any of the representations or warranties set forth in Sections 4.2(h), (i), (j) or (l) of this Agreement shall constitute a breach of this Agreement on which a right of action could be maintained against the Selling Parties.

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF BUYER

As an inducement to the Selling Parties to enter into this Agreement and to consummate the transactions contemplated hereby, Buyer represents and warrants to each of the Selling Parties, and each of the Selling parties in agreeing to consummate the transactions contemplated by this Agreement has relied upon such representations and warranties, as follows:

5.1 Organization of Buyer. Buyer is a limited liability company duly organized and validly existing under the laws of the State of Indiana and is qualified to do business as a foreign limited liability company in good standing in each other state wherein the nature of its business or activities requires such qualification.

5.2 Authorization. Buyer has full limited liability company power and authority to (a) execute and deliver this Agreement and to perform its obligations hereunder, and (b) own and operate its assets, properties and business and carry on its business as presently conducted. The execution, delivery and performance of this Agreement have been duly authorized by all necessary corporate action on the part of Buyer, including member authorization.

5.3 Validity; Binding Effect. This Agreement has been duly and validly executed and delivered by Buyer and constitutes a valid and legally binding obligation of Buyer, enforceable against Buyer in accordance with its terms.

5.4 Noncontravention. The execution, delivery and performance of this Agreement by Buyer, the consummation of the transactions contemplated hereby and the compliance with or fulfillment of the terms and provisions hereof or of any other agreement or instrument contemplated hereby, do not and will not (a) conflict with or result in a breach of any of the provisions of the Articles of Organization or Operating Agreement of Buyer, (b) contravene any Law which affects or binds Buyer or any of its properties, (c) other than the existing order of the Indiana Horse Racing Commission ("IHRC") limiting Buyer from increasing its ownership interest in Indiana horse racing, conflict with, result in a breach of, constitute a default under, or give rise to a right of termination or acceleration under any material contract, agreement, note, deed of trust, mortgage, trust, lease, Governmental or other license, permit or other authorization, or any other material instrument or restriction to which Buyer is a party or by which any of its properties may be affected or bound, or (d) except for the Regulatory Approvals and the consent of Conseco, require Buyer to obtain the approval, consent or authorization of, or to make any declaration, filing or registration with, any third party or any Governmental authority which has not been obtained in writing prior to the date of this Agreement.

5.5 Securities Matters

(a) Buyer understands and agrees that the Transferred Partnership Interest has not been registered under the Securities Act of 1933,

as amended (the "Act"), or any state securities act and, therefore, may not be resold unless registered under such acts or unless an exemption from registration is available. Buyer further understands that the certificate evidencing the Transferred Partnership Interest will contain a legend setting forth the restrictions on transferability of such interest.

(b) Buyer is purchasing the Transferred Partnership Interest for investment only for its own account and not with a view to the distribution or resale thereof.

(c) Buyer acknowledges that the Transferred Partnership Interest is a speculative investment which involves a risk of loss by it of its entire investment.

(d) Buyer is an "accredited investor" as defined in Rule 501(a) promulgated under the Act and has sufficient knowledge and experience in business and financial matters to evaluate the merits and risks of an investment in the Transferred Partnership Interest.

(e) Buyer has been afforded access to all material books, records and contracts of Hoosier Park, has had an opportunity to ask questions of and receive answers from Hoosier Park, or a person or persons acting on behalf of Hoosier Park concerning the business and affairs of Hoosier Park and concerning the terms and conditions of an investment in the Transferred Partnership Interest; and all such questions have been answered to its full satisfaction.

5.6 Disclosure. None of the representations or warranties of Buyer contained in this Article V is false or misleading in any material respect or omits to state a fact herein or therein necessary to make the statements made herein or therein not misleading in any material respect.

ARTICLE VI
COVENANTS PENDING CLOSING

The parties agree as follows with respect to the period between the date of the execution of this Agreement and the Closing:

6.1 Reasonable Efforts. Each of the parties hereto shall take all action and do all things reasonably necessary, proper or advisable in order to consummate the transactions contemplated by this Agreement, including, without limitation, (a) obtaining the Regulatory Approvals and resolving any licensing issues before the IHRC, and (b) satisfaction, but not waiver, of the conditions to Closing set forth below.

6.2 Notices and Consents. Each of the parties hereto shall use reasonable efforts to obtain any and all consents of third parties and Governmental authorities (including, without limitation, the Regulatory Approvals and the release or modification of the IHRC order referenced in Section 5.4) as are necessary to consummate the transactions contemplated hereby.

6.3 Full Access. Seller shall, and Seller shall cause Hoosier Park to, permit the representatives of Buyer to have full access at all reasonable times, and in a manner so as not to interfere with the normal business operations of Hoosier Park, to all premises, properties, personnel, books, records (including tax records), contracts and documents of or pertaining to Hoosier Park, the Transferred Partnership Interest, the Transferred Loan Interest and the Consulting Fee. Buyer shall have similar rights, with respect to the assets and interests it is acquiring pursuant to the First Option and the Second Option, one time during each of the First Option Period and Second Option Period, respectively; provided, however, that Seller is only obligated to provide full access to Buyer for ninety (90) days from the date Buyer notifies Seller of its intention to perform a due diligence investigation.

6.4 Operation of Business. From and after the date hereof until the Closing, Hoosier Park and Seller will (and CDMC shall cause Seller, and Seller shall cause Hoosier Park, to): (a) operate their respective businesses in the ordinary course, consistent with past practice; (b) use their best efforts to preserve their operations so that Buyer will obtain the benefits intended to be afforded by this Agreement; (c) not take or permit any action which would result in any representation or warranty of any of the Selling Parties becoming incorrect or untrue in any material respect or result in the failure of any of the Selling Parties to comply with its covenants and agreements herein in any material respect; and (d) notify Buyer in writing promptly after any of the Selling parties becomes aware of the occurrence of any event (other than matters of general knowledge or otherwise known to Buyer) that might have a material adverse effect on the business, operations or financial condition of Hoosier Park. By way of describing the limitations described in Section 6.4(a) above, but without limiting the scope of such provision, Seller will not (nor will CDMC permit Seller nor will Seller permit Hoosier Park to): (x) make any non-customary or extraordinary distributions or payments to any party (including, without limitation, CDMC or Seller) for any purpose whatsoever (the parties acknowledging that payments under the Existing Management Agreement and the Loan are customary and not extraordinary), (y) enter into any material agreement (oral or written) that is likely to continue beyond the Closing Date (without the written consent of Buyer, which consent shall not be unreasonably withheld), except that Hoosier Park may enter into concession agreements in the ordinary course of business and on commercially reasonable terms, or (z) sell, transfer or encumber (or enter into any agreement to sell transfer or encumber) any of the Transferred Partnership Interest, the Transferred Loan Interest or the Consulting Fee (except as contemplated by this Agreement).

6.5 Notices. The parties hereto will promptly notify each other in writing if any of them receives any notice, or otherwise becomes aware, of any action or proceeding instituted or threatened before any court or governmental agency or by any third party to restrain or prohibit, or obtain substantial damages in respect of this Agreement or the consummation of the transactions contemplated hereby.

6.6 Preservation of Business. Hoosier Park will use its best efforts to keep (and Seller will cause Hoosier Park to keep) its business and properties substantially intact, including, its present operations, physical facilities, working conditions, and relationships with lessors, licensors, suppliers, customers, and employees.

6.7 Exclusivity. Seller will not (and CDMC will not cause or permit Seller to) (a) solicit, initiate, or encourage the submission of any

proposal or offer from any third party relating to the acquisition of any interest in Hoosier Park, or any capital stock or other voting securities, or any substantial portion of the assets, of Seller (including any acquisition structured as a merger, consolidation, or share exchange or any acquisition of any interest in Seller's partnership interest in Hoosier Park) or (b) participate in any discussions or negotiations regarding, furnish any information with respect to, assist or participate in, or facilitate in any other manner any effort or attempt by any third party to do or seek any of the foregoing. Seller will notify Buyer immediately if any third party makes any proposal, offer, inquiry, or contact with respect to any of the foregoing.

ARTICLE VII
THE SELLING PARTIES' CONDITIONS PRECEDENT

The obligation of the Selling Parties to effect the transactions contemplated by this Agreement is subject to the fulfillment at or prior to the Closing of each of the following conditions, except to the extent any such condition is waived in writing by all of the Selling Parties:

7.1 Performance by Buyer. Buyer shall have performed and complied in all material respects with all of the terms, provisions and conditions of this Agreement to be performed and complied with by Buyer at or prior to the Closing.

7.2 Accuracy of Representations and Warranties. All of the representations and warranties made by Buyer in this Agreement shall be true in all material respects as of the date of this Agreement and as of the Closing (except as expressly contemplated or permitted by this Agreement).

7.3 No Injunction. No injunction, restraining order, judgment or decree of any court or Governmental authority shall be existing against any of the parties to this Agreement or any of their officers, directors or representatives, which restrains, prevents or materially alters the transactions contemplated hereby.

7.4 Closing Deliveries. Buyer shall have delivered to the Selling Parties each of the documents required of Buyer under Section 3.3 of this Agreement.

7.5 Receipt of Regulatory Approvals. Seller shall have received the approval of the IHRC and the City of Anderson, Indiana, Parks and Recreations Board (to the extent their approval is required by applicable Law or agreement) (collectively, the "Regulatory Approvals").

7.6 Receipt of Additional Approvals. The Selling Parties shall have received approvals from PNC Bank, National Association and from the boards of directors of Churchill Downs Incorporated and CDMC for the transactions contemplated herein. The Selling Parties shall notify Buyer that they are

invoking this condition concerning approvals from the boards of directors of Churchill Downs Incorporated and/or CDMC on or before November 30, 2001. If the Selling Parties fail to so notify Buyer, or notify Buyer that such approvals have been obtained, this condition, with respect to the board approvals, shall automatically be deemed waived by Seller.

7.7 Acquisition of the Conseco Interest. Buyer shall have acquired Conseco's rights in Hoosier Park, including, but not limited to, its partnership interest in Hoosier Park, rights under the Participation Agreement between CDMC and Conseco dated May 31, 1996 (the "Conseco Participation Agreement") and rights under the Financial Advisory Agreement between CDMC and Conseco dated May 31, 1996 (the "Financial Advisory Agreement")(collectively, the "Conseco Interest") on terms and conditions acceptable to Buyer in its sole and absolute discretion.

7.8 New Management Agreement. The parties shall have agreed on the form of the New Management Agreement (as hereinafter defined).

ARTICLE VIII
BUYER'S CONDITIONS PRECEDENT

The obligation of Buyer to effect the transactions contemplated by this Agreement is subject to the fulfillment at or prior to the Closing of each of the following conditions, except to the extent any such condition is waived in writing by Buyer:

8.1 Performance by CDMC and Seller. Each of the Selling Parties shall have performed and complied in all material respects with all of the terms, provisions and conditions of this Agreement to be performed and complied with by it at or prior to the Closing.

8.2 Accuracy of Representations and Warranties. All of the representations and warranties made by the Selling Parties in this Agreement shall be true in all material respects as of the date of this Agreement and as of the Closing (except as expressly contemplated or permitted by this Agreement).

8.3 No Injunction. No injunction, restraining order, judgment or decree of any court or Governmental authority shall be existing against any of the parties to this Agreement or any of their officers, directors or representatives, which restrains, prevents or materially alters the transactions contemplated hereby.

8.4 Closing Deliveries. The Selling Parties shall have delivered to Buyer each of the documents required of them under Section 3.2 of this Agreement.

8.5 Receipt of Consents/Regulatory Approvals. Buyer shall have received all of the Regulatory Approvals.

8.6 No Material Change. There will not have occurred (a) any suspension or revocation of the IHRC license for Hoosier Park or (b) any destruction or disposition (voluntary or involuntary, except as contemplated by this Agreement) of a material part of the assets of Hoosier Park.

8.7 Acquisition of the Conseco Interest. Buyer shall have acquired the Conseco Interest on terms and conditions acceptable to Buyer in its sole and absolute discretion.

8.8 New Management Agreement. The parties shall have agreed on the form of the New Management Agreement.

ARTICLE IX
FURTHER COVENANTS

9.1 Indemnification.

(a) The Selling Parties shall, jointly and severally, indemnify and hold Buyer harmless from and against any and all damages, claims, causes of action, losses and expenses, including reasonable attorneys' fees and expenses (collectively, "Indemnifiable Losses"), incurred in connection with or arising from (i) any nonfulfillment or breach by any of the Selling Parties of any of their agreements or covenants contained in this Agreement, (ii) any breach of any warranty or the inaccuracy of any representation or warranty of any of the Selling Parties contained in this Agreement or in the Disclosure Letter (other than the representations and warranties set forth in Sections 4.2(h), 4.2(i), 4.2 (j) or 4.2(l) of this Agreement), (iii) any Liabilities of any of the Selling Parties, and (iv) ownership of the Transferred Partnership Interest prior to the Closing; provided, however, that Buyer shall not be entitled to make a claim for indemnification (A) under Section 9.1(a) (ii) until Buyer's Indemnifiable Losses in the aggregate equal or exceed One Hundred Thousand Dollars ($100,000) (the "Threshold Level"), provided, however, that once a claim for indemnification exceeds the Threshold Level, such indemnification shall be made from the first dollar of Indemnifiable Losses; (B) for Indemnifiable Losses that exceed One Million Dollars ($1,000,000) (the "Indemnity Limit"); and (C) under Section 9.1(a)(iii), if Buyer's Indemnifiable Losses arise solely as a result of Buyer's status as the general partner of Hoosier Park.

(b) Buyer shall indemnify and hold each of the Selling Parties harmless from and against any and all Indemnifiable Losses incurred in connection with or arising from (i) any nonfulfillment or breach by Buyer of any of its agreements or covenants contained in this Agreement, (ii) any breach of any warranty or the inaccuracy of any representation or warranty of Buyer contained in this Agreement, and (iii) ownership of the Transferred Partnership Interest after the Closing; provided, however, that Seller shall not be entitled to make a claim for indemnification under Section 9.1(b)(ii) until Seller's Indemnifiable Losses in the aggregate equal or exceed the Threshold Level; provided, further, that once a claim for such indemnification exceeds the

Threshold Level, such indemnification shall be made from the first dollar of Indemnifiable Losses and no indemnity shall be provided for such Indemnifiable Losses in excess of the Indemnity Limit.

9.2 Survival Period. Except as otherwise specifically provided herein, the representations and warranties contained in this Agreement or in the Disclosure Letter delivered pursuant to this Agreement (or in any other information delivered to any other party incident to the transactions contemplated hereby) shall survive the Closing and shall remain in full force and effect, regardless of any investigation made by or on behalf of any party hereto, and shall continue for a period of one (1) year after the Closing Date, at which time all of such representations and warranties shall terminate. Notwithstanding anything contained in this Section 9.2 to the contrary, any claim for indemnification made by any party hereto in writing to another party hereto prior to the expiration of the survival period set forth above shall survive until such claim has been resolved.

9.3 No Investment. From the date of this Agreement and for a period of five years thereafter, Buyer and its Affiliates (as hereinafter defined) will not acquire equity securities representing more than five percent (5%) of the issued and outstanding equity securities of Churchill Downs Incorporated, a Kentucky corporation.

9.4 Non-Solicitation and Retention.

(a) From the date of closing for the First Option and for one (1) year thereafter, none of the Selling Parties will (nor will they permit any of their respective Affiliates to), without Buyer's prior written consent, directly or indirectly, recruit, solicit or otherwise induce or influence any employee or sales agent of Hoosier Park (other than Richard B. Moore) to discontinue such employment, agency or other relationship with Hoosier Park.

(b) For a period of one (1) year after the closing of the Second Option, Buyer agrees that it will offer or cause Hoosier Park to continue to offer employment to all of Hoosier Park's employees effective on the closing

of the Second Option (other than such non-union employees Buyer has identified by written notice to the Selling Parties within thirty (30) days of the notice pursuant to which it exercises the Second Option), it being understood that Hoosier Park thereafter will be free to terminate such employees and that Hoosier Park may terminate any employees at any time For Cause (as hereinafter defined).

(c) "For Cause" shall mean (i) any act or omission on the part of an employee that constitutes (A) common law fraud, (B) a felony, or (C) dishonesty, or (ii) any act or omission on the part of an employee that jeopardizes Hoosier Park's continuing ability to conduct its business or is otherwise injurious to Hoosier Park, or (iii) any neglect by an employee in connection with his or her duties.

9.5 Put Right. Subject to Regulatory Approval, but notwithstanding anything to the contrary contained in the Partnership Agreement, and in addition to the rights provided therein:

(a) If Buyer closes on the First Option and the Second Option, beginning three years from the date the Second Option is closed, and for one hundred eighty days thereafter, the Selling Parties shall have the right (the "Put Right") to sell all, but not less than all, of their respective interests in Hoosier Park (including, without limitation, Seller's then remaining partnership interest, CDMC's interest under the Loan, and CDMC's rights under the Existing Management Agreement and the New Management Agreement, if any, to Buyer for an amount equal to (i) the difference between (A) the product of Hoosier Park's trailing twelve month EBITDA (determined according to generally accepted accounting principles, consistently applied) multiplied by six; less (B) the amount of Hoosier Park's debt (other than accounts payable incurred in the ordinary course of business); multiplied by Seller's then percentage partnership interest in Hoosier Park (e.g. (((EBITDA x 6) - Debt) x % interest)). The Selling Parties may only exercise the Put Right by delivering written notice of their intention to do so to Buyer within such one hundred eighty day period. The consummation of such sale shall be conditioned upon receipt of all necessary regulatory approvals and consents, including, without limitation, the approval and consent of the IHRC.

(b) The parties shall use commercially reasonable efforts to agree on the purchase price for Put Right, based on the above formula, within thirty days of the date on which the Selling Parties exercise the Put Right. If they are unable to do so each of the Selling Parties on the one hand, and Buyer on the other hand, shall (within thirty days from the date such initial thirty day period expires) each engage an independent accounting firm of national recognition to calculate the purchase price based on the above formula, which calculation shall be completed within fifteen days of the date on which such accounting firm is engaged. In the event that the lower calculation is not less than ninety percent (90%) of the higher calculation, the average of the two calculations shall be the purchase price. If the lower calculation is less than ninety percent (90%) of the higher calculation, the two accounting firms shall jointly (and within thirty days of the date on which the last calculation is made) engage a third independent accounting firm who shall be similarly qualified and who shall calculate the purchase price based on the above formula within fifteen days of the date it is engaged. In the event a third accounting firm is obtained, the purchase price shall be the average of the two closest calculations. All parties shall forthwith deliver to each of accounting firms all documents and information requested and, even if not requested, necessary or helpful in making a calculation of the purchase price. The Selling Parties shall pay the cost of the accounting firm engaged by them and one-half of the cost of the third accounting firm (if engaged) and Buyer shall pay the cost of the accounting firm engaged by it and one-half of the cost of the third accounting firm (if engaged).

(c) If Buyer fails or refuses to consummate the transactions contemplated by the Put Right after the Selling Parties properly and timely exercise the Put Right, the parties agree that Hoosier Park shall be sold (by asset sale, merger, sale of equity interests, or otherwise) to the highest and best bidder; provided, however, that such sale shall be subject to Hoosier Park obtaining an opinion from a financial institution of national reputation ("Financial Institution") that the consideration to be received and terms of such transaction are fair to the selling parties. Within ten days of the date Buyer notifies the Selling Parties of its intention not to consummate the Put Right (the "Trigger Date"), the partner controlling the sale (as determined

below) shall take all necessary steps to solicit independent purchasers of Hoosier Park, or all of its assets, which may include engaging brokers, finders and/or investment bankers to market Hoosier Park, and to cause Hoosier Park to be sold to the highest and best bidder in one or more transactions to be consummated within twelve months of the Trigger Date. All costs associated with the sale of Hoosier Park shall be borne by Hoosier Park. For purposes of this Section 9.5(c), the "highest and best bidder" shall be deemed to be the bidder that presents a bona fide written offer to acquire Hoosier Park, pursuant to a tender or exchange offer, a merger, consolidation or other business combination or a sale of all or substantially all of assets of Hoosier Park on terms which the partner controlling the sale determines in its good faith reasonable judgment (based on the advice of independent financial advisors) to be more favorable than the offer or offers provided by any other person or entity, provided that in making such determination the partner controlling the sale considers the likelihood that such bidder is able to consummate such proposed transaction. In the event that such sale is not consummated because Hoosier Park is unable to obtain a fairness opinion from a Financial Institution, then the parties have no further rights or obligations under this Section 9.5(c) and Hoosier Park shall not be sold. If Hoosier Park is not so sold, the parties

shall immediately have the rights described in Section 9.6 below. Each party shall execute such agreements and assignments and provide such customary representations, warranties, indemnities and covenants as the highest and best bidder may reasonably request to document and effect a sale and purchase of Hoosier Park as contemplated by this Section 9.5(c). It is expressly agreed that any partner of Hoosier Park may make one or more bids to purchase Hoosier Park, or its assets; provided, however, that such partner must (if it desires to be a bidder) notify the remaining partners of its intention to be a bidder before bids are solicited from third parties and if a partner so notifies the other partner, the other partner shall from and after the date of such notice (a) control the process to cause Hoosier Park, or its assets, to be sold, and (b) determine (based upon the criteria described above) the identity of the highest and best bidder. In the absence of such notice, no partner may bid and the general partner shall control the sale.

9.6 Shootout. Subject to Regulatory Approval, but notwithstanding anything to the contrary contained in the Partnership Agreement, and in addition to the rights provided therein:

(a) If Buyer closes on the First Option but fails to close on the Second Option or if Hoosier Park is not sold for the reason set forth in Section 9.5(c), either Seller or Buyer shall have the right to offer to either (i) sell the entire interest it then owns as a partner in Hoosier Park, including its rights, if any, under the Participation Agreement, Existing Management Agreement, the New Management Agreement, and any related or similar agreements, to the other for an amount equal to the result of (A) the total value of Hoosier Park as a going concern (which shall include the value of all equity, the value of the Loan and the value of any other agreements, including the management agreements), as determined by the offering party (the "Total Enterprise Value") multiplied by (B) the percentage interest the offering party then owns as a partner in Hoosier Park (the "Offered Sales Price"), or (ii) purchase the entire interest the other party then owns as a partner in Hoosier Park for an amount equal to the result of (A) the Total Enterprise Value multiplied by (B) the percentage interest the other party then owns as a partner in Hoosier Park (the "Offered Purchase Price") (such right to either purchase or sell, the "Shootout Right"). If the offering party so desires to exercise its Shootout Right, it shall do so by written notice (the "Shootout Notice"). A Shootout Notice may only be delivered between June 1 and August 31 during any

calendar year. The non-offering party shall then be obligated to either sell its partnership interest for the Offered Purchase Price, or purchase the offering party's partnership interest for the Offered Sales Price. The non-offering party shall have sixty (60) days from delivery of the Shootout Notice (the "Shootout Period") to notify the offering party as to whether it will sell its partnership interest or purchase the offering party's partnership interest. If the non-offering party fails to respond to the Shootout Notice during the Shootout Period, the non-offering party shall be deemed to have elected to sell its partnership interest as set forth above. The closing date for a purchase pursuant to this Section 9.6 shall be within thirty days of the date the last required Regulatory Approval necessary for the consummation of the purchase is obtained.

(b) Upon expiration of the Shootout Period, the parties shall be obligated to sell or purchase their respective interests as hereinabove provided in Section 9.6(a), on the terms and conditions set forth herein relating to the sale of the Transferred Partnership Interest, subject to the provisions of Section 1.6 above.

9.7 Additional Interests Acquired. Any sale of the partnership interestin Hoosier Park of Seller or Buyer pursuant to exercise of the First Option or econd Option or pursuant to Section 9.5 or Section 9.6 shall include the sale of such party's (and its Affiliates') rights under the Loan, the Existing Management Agreement, and the New Management Agreement, if any. The allocation of the price shall be allocated as set forth in Section 2.4 above such that the price shall first be allocated to the principal amount of the Loan, if any, being acquired, plus accrued and unpaid interest, and second shall be allocated to the partnership interest and other rights acquired by Buyer.

9.8 Acquisition of the Conseco Interest. The Selling Parties acknowledge that on or before the Closing, Buyer may acquire (by purchase, stock purchase, merger, consolidation, share exchange, or otherwise) the Conseco Interest. Seller hereby waives any and all rights of first refusal it may have under the Partnership Agreement if Buyer seeks to so acquire such interest of Conseco, and CDMC gives any and all consents required under the Financial Advisory Agreement, the Conseco Participation Agreement, and the Conseco Pledge Agreement between CDMC and Conseco dated May 31, 1996 (the "Conseco Pledge Agreement") necessary to cause the Financial Advisory Agreement and Conseco Participation Agreement to be assigned to Buyer and to otherwise permit transfer

of the Conseco Interest to Buyer. At the closing of the acquisition of the Conseco Interest by Buyer, (a) the Conseco Pledge Agreement shall be terminated and the Pegasus Pledge Agreement between Buyer's predecessor in interest, Pegasus Group, Inc., and CDMC dated August 30,1994, as amended ("the "Pegasus Pledge Agreement"), shall be amended and restated to reflect a pledge by Buyer with respect to all of its then existing partnership interests in Hoosier Park, and (b) the Selling Parties shall fully and completely release and discharge Conseco from any further obligations under the Partnership Agreement, the Financial Advisory Agreement, and the Conseco Participation Agreement. After the assignment of the Financial Advisory Agreement and the Conseco Participation Agreement to Buyer, such agreements shall be construed so as to substitute Buyer for Conseco in each reference to Conseco therein.

9.9 Financial Advisory Agreement. If Buyer acquires Conseco's rights under the Financial Advisory Agreement, from and after the Closing of the

transaction described in Section 1.1, Buyer shall be entitled to the payment of fees otherwise payable to Conseco under the Financial Advisory Agreement during the entire term of the Existing Management Agreement, notwithstanding Section 4 of the Financial Advisory Agreement terminating the Financial Advisory Agreement in the event the Loan is repaid. Further, notwithstanding the last paragraph of Section 2(a) of the Financial Advisory Agreement, Buyer's right to determine the location of the fourth satellite wagering facility in Indiana shall be subject to approval by Seller.

9.10 Additional Consents. If the options previously granted to Kenneth Cragen and Michael Phillips for the purchase of a portion of Buyer's partnership interest in Hoosier Park are exercised, the Selling Parties hereby consent to such exercise and waive any and all rights of first refusal, co-sale or similar or other rights they have or may have with respect thereto under the Partnership Agreement; provided, that such consent and waiver are subject to the Closing and to the Selling Parties conducting a due diligence investigation of Kenneth Cragen and Michael Phillips, the results of which shall be satisfactory to the Selling Parties in their sole discretion (such investigation shall be completed within thirty (30) days of the date of this Agreement); and provided, further, that the exercise of such options are subject to obtaining the necessary Regulatory Approvals. In addition, and subject to the Closing, Seller waives any and all rights of first refusal, co-sale or similar or other rights it has or may have under the Partnership Agreement if Buyer reacquires any partnership interest issued to Kenneth Cragen and/or Michael Phillips pursuant to the exercise of their options. The Selling Parties further hereby acknowledge their prior consent to and ratify and approve the prior transfer of the interest of Centaur, Inc. as a partner in Hoosier Park to Buyer including, without limitation, the Pegasus Pledge Agreement.

9.11 Simulcasting Rights. The parties agree that from the date of the consummation of a transaction under Sections 9.5 or 9.6 above, they will each negotiate for making available Churchill Downs simulcast signals to Hoosier Park on commercially reasonable terms for a five (5) year period.

9.12 Disclosures. From the Closing and for so long as the rights set forth in Section 9.5 and Section 9.6 above are in existence, the Selling Parties will deliver or cause to be delivered to Buyer, the following statements:

(a) Within twenty (20) days after the end of each calendar month (except the last month of the year), a detailed balance sheet, profit and loss statement, and cash flow statement showing the results of operation of Hoosier Park for such month and the year to date, with a comparison to the then current Annual Plan (as defined in the Management Agreement) and the same period(s) in the prior year and figures for handle and attendance at Hoosier Park;

(b) Within forty-five (45) days after the end of each calendar quarter (except the last calendar quarter of the year), a detailed balance sheet, profit and loss statement, and cash flow statement showing the results of operation of Hoosier Park for such quarter and the year to date, with a comparison to the then current Annual Plan and the same period(s) in the prior year, and a narrative explanation for those items which vary ten percent (10%) or more from the Annual Plan, to the extent that ten percent (10%) is in excess of $100,000; and

(c) Within ninety (90) days after the end of each year, a balance sheet, together with a comparison to the previous year, a related statement of profit and loss and a cash flow statement, together with a

comparison to the previous year, and having annexed thereto a computation in reasonable detail of the management fees (payable pursuant to the Management Agreement) for such year.

9.13 Board Participation; General Partner. Provided that Buyer acquires the Conseco Interest, from and after the Closing of the transaction described in Section 1.1, Buyer shall be entitled to designate two (2) people to the Board of Directors of Seller during the time extending from the date of closing of the Conseco Interest to as long as the Put Right or the Shootout Right exist. Buyer shall become the general partner of Hoosier Park upon the date it acquires fifty-one percent (51%) or more of the partnership interests in Hoosier Park.

9.14 Due Diligence. Buyer shall have the right to conduct a reasonable due diligence investigation incident to determining whether to purchase the interest to be sold under the Put Right and/or incident to determining whether to initiate the Shootout Right or in responding to a shootout initiated by one of the Selling Parties in the same manner and subject to the time periods described in Section 6.3 above.

9.15 New Management Agreement. Subject to the Closing, if at any time it is anticipated that gaming activities other than and in addition to pari-mutuel horse wagering ("Alternative Gaming") will be permitted to occur at Hoosier Park's facilities under applicable law, the parties shall cause Hoosier Park to enter into a management agreement (the "New Management Agreement") with Centaur and CDMC as co-managers (CDMC to be the lead manager while Seller is the general partner, and Buyer to be the lead manager when Buyer is the general partner) to manage Alternative Gaming. Management fees under the New Management Agreement shall be determined by the parties but shall be between 10% and 12% of Hoosier Park's EBITDA from Alternative Gaming (determined according to generally accepted accounting principles, consistently applied). The management fees under the New Management Agreement shall be paid as follows:

(a) During periods in which CDMC is the lead manager, the first $1.2 million in annual fees shall be split $600,000 to CDMC and $600,000 to Buyer;

(b) During periods in which Buyer is the lead manager, the first $1.2 million in annual fees shall be split $900,000 to Buyer and $300,000 to CDMC; and

(c) All fees above $1.2 million annually will be split between CDMC and Buyer pro-rata, based upon the percentage partnership interests of Seller and Buyer, respectively.

The parties agree to subordinate their rights to receive the amounts described in Section 9.15(c) above to senior debt of Hoosier Park. The parties agree to use commercially reasonable efforts to (i) draft a New Management Agreement

before the Closing, and (ii) cause Hoosier Park to finance the construction of Alternative Gaming facilities. The New Management Agreement will contain, at a minimum, the terms described above as well as the following terms:

(x) The lead manager will have the sole and exclusive right to supervise and direct the management and operation of Alternative Gaming and will provide all services necessary in connection with the development, location, licensing, design, construction and planning for the Alternative Gaming facilities; provided, however, that the non-lead manager must consent to (i) the initial lay-out, type and design of the Alternative Gaming facilities, including, without limitation, the type and models of equipment to be used with respect thereto, (ii) the identity of the on-site general manager, and (iii) all construction, capital and operating budgets relating the Alternative Gaming facilities and their operations; and

(y) The lead manager will operate the Alternative Gaming facilities in compliance with law, to the best of its abilities and in a manner necessary for such Alternative Gaming facilities to meet all statutory and regulatory requirements. The non-lead manager will not interfere with the rights of the lead manager to manage day-to-day Alternative Gaming subject to the rights of the non-lead manager in Section 9.15(x) above.

The terms of this Section 9.15, as well as the terms of the New Management Agreement, shall be subject to all necessary regulatory approvals and consents.

9.16 Issuance Transaction. Notwithstanding anything to the contrary set forth in the Partnership Agreement, from and after the Closing of the transaction described in Section 1.1, without the written consent of all 20% partners (a) no new partners shall be admitted to Hoosier Park and (b) there shall be no capital calls with respect to Hoosier Park.

9.17 Sale Transaction. From and after the Closing of the transaction described in Section 1.1, Seller may not sell any of its partnership interests in Hoosier Park to a party other than Buyer until the Second Option has expired or does not become effective.

9.18 Existing Management Agreement. The Existing Management Agreement shall remain in full force and effect in accordance with its existing terms.

9.19 Additional Partnership Provisions. In addition to the matters described in Section 7.8(a) of Hoosier Park's partnership agreement, the following matters shall, from and after the Closing, require the written consent of each of the 20% Limited Partners (as defined in such partnership agreement):

(a) Adopting or approving any business plans for Hoosier Park;

(b) Adopting or approving the annual operating and capital budgets of Hoosier Park, provided that such consent shall not be unreasonably withheld, and provided, further that Hoosier Park shall be permitted to continue operations during any dispute over any such budget;

(c) The sale, exchange, transfer, pledge, mortgage,

hypothecation or other disposition of all or substantially all of the assets of Hoosier Park;

(d) The acquisition of any real property and improvements thereto by Hoosier Park (it being agreed that the acquisition of any real property, wherever located, is not and shall not be deemed to be an opportunity of Hoosier Park or part of the Partnership Business, as defined in such partnership agreement), other than acquisitions included in the operating or capital budgets of Hoosier Park approved according to Section 9.19 (b) above, in excess of $10,000 in the aggregate in any fiscal year of Hoosier Park;

(e) The redemption by Hoosier Park of all or any portion of any partner's interest in Hoosier Park, except in accordance with such partnership agreement;

(f) The expenditure by Hoosier Park of, or Hoosier Park's incurring any obligation to expend, other than expenditures included in the operating or capital budgets of Hoosier Park approved according to Section 9.19(b) above, an amount in the aggregate in any fiscal year in excess of $100,000;

(g) Initiating or making an agreement to settle any material litigation to which Hoosier Park is a party;

(h) Confessing any judgment against Hoosier Park;

(i) Consenting to any receiver of Hoosier Park's assets;

(j) Changing the strategic plan or direction of Hoosier Park, including, without limitation, the decision to enter into a new business or business ventures or to launch new products; and

(k) Causing Hoosier Park to enter into any merger, consolidation, joint venture or similar transaction with any third party.

ARTICLE X
MISCELLANEOUS

10.1 Confidentiality; Press Release.

(a) Prior to Closing, and for four (4) years thereafter, each party hereto shall treat in confidence, and not disclose without the prior consent of the other parties hereto, all documents, materials and other information which it shall have obtained regarding the other party during the course of the negotiations leading to the consummation of the transactions contemplated hereby (whether obtained before or after the date of this Agreement), the investigation provided for herein and the preparation of this

Agreement and other related documents, except for disclosure required by law, or in connection with any lawsuit between or involving the parties or any party hereto. The obligation of each party to treat such documents, materials and

other information in confidence shall not apply to any information which (a) such party can demonstrate was already lawfully in its possession prior to the disclosure thereof by the other party, (b) is known to the public and did not become so known through any violation of a legal obligation, or (c) became known to the public through no fault of such party. Upon termination of this Agreement in accordance with Section 10.11 hereof, each party shall promptly return to the other parties hereto all of the confidential documents, materials and other information it has obtained from such other parties. The obligations imposed by the immediately preceding sentence shall survive any termination of this Agreement pursuant to Section 10.11.

(b) No party to this Agreement shall issue any press release or make any public announcement relating to the subject matter of this Agreement prior to the Closing without the prior written approval of all of the other parties hereto, except as otherwise required by Law or the rules or regulations of NASDAQ.

(c) Notwithstanding the foregoing, any party may make such disclosures as are required by law, rule or regulation and disclosures required to be made to regulatory and governmental agencies and bodies, including, without limitation, the IHRC, after prior consultation with the other parties.

10.2 Notices. All notices, requests, consents and other communications hereunder ("Notice") shall be in writing and shall be deemed to have been given (a) if mailed, the date of receipt of such Notice when sent via first class United States registered mail, return receipt requested, postage prepaid to the address listed below for the party to whom the Notice is being sent ("Notice Party"); (b) if hand delivered or delivered by courier, upon actual delivery of such Notice to the Notice Party at the address listed below for such Notice Party; or (c) if sent by facsimile, on the first business day after the date of the sender's receipt of a confirmed transmission of such Notice to the Notice Party at the facsimile number, if any, listed below for such Notice Party provided the party giving such Notice mails a copy of such Notice within two days after the transmission of such Notice by facsimile to the Notice Party. The addresses and facsimile numbers for each party to this Agreement, as of the date hereof, are:

If to any of the Selling Parties:	Churchill Downs Incorporated Attn: Rebecca C. Reed 700 Central Avenue Louisville, KY 40208 Facsimile No. 502/636-4439
With a copy to:	Wyatt, Tarrant & Combs, LLP Attn: Robert A. Heath 2800 PNC Plaza 500 W. Jefferson Louisville, KY 40202-2898 Facsimile No. 502/589-0309

If to Buyer: Centaur Racing, LLC
Attn: Jeffery M. Smith
10 West Market, Suite 200
Indianapolis, IN 46204
Facsimile No. 317/656-8780

With a copy to: Sommer & Barnard, P.C.
Attn: Ralph A. Caruso II
111 Monument Cir., Suite 4000
P. O. Box 44363
Indianapolis, IN 46244

Facsimile No. 317/236-9802

Any party may change its address or facsimile number by providing written notice, in accordance with the foregoing provisions of this Section 10.2, to each other party of such change.

10.3 Expenses.

(a) Each party hereto will pay all costs, fees and expenses incident to its negotiation and preparation of this Agreement and to its performance and compliance with all agreements contained herein on its part to be performed, including the fees, expenses and disbursements of its respective counsel and accountants.

(b) In any legal action between the parties arising out of or related to this Agreement, the prevailing party shall be entitled to recover its costs and expenses, including reasonable accounting and legal fees.

(c) Any expenses incurred in obtaining the approval of the IHRC required under this Agreement shall be split equally between Buyer and Seller.

10.4 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Indiana, without regard to such jurisdiction's conflict of laws principles.

10.5 Partial Invalidity. In case any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision or provisions had never been contained herein.

10.6 Assignment. None of the Selling Parties may assign this Agreement, or any rights hereunder, to any other party without the prior written consent of Buyer. A Selling Party may, however, assign this Agreement to one of its wholly-owned subsidiaries or to a wholly-owned subsidiary of Churchill Downs Incorporated. Buyer may assign its rights hereunder to a majority-owned

Affiliate of Buyer, provided, however, that Buyer shall not make any such assignment of its rights without having given Seller written notice of the proposed assignment, which notice shall identify the beneficial owners of such Affiliate (the "Assignment Notice"). For a period of thirty (30) days after the giving of the Assignment Notice, Seller shall be entitled to give Buyer written notice of rejection of such proposed Affiliate (the "Rejection Notice") if Seller, upon the advice of legal counsel and in its reasonable, good faith judgment, believes that the assignment to such proposed Affiliate would jeopardize Hoosier Park's continuing ability to conduct (or is materially injurious to) its business because of the identity of one or more of such beneficial owners, which Rejection Notice shall specify the beneficial owner or owners of such Affiliate to whom Seller takes exception. Buyer may thereafter assign its rights hereunder to such Affiliate of Buyer if such beneficial owner or owners to whom Seller has taken exception no longer hold a beneficial ownership interest in such Affiliate. Seller hereby also agrees that Buyer may assign its rights to the current partnership interest in Hoosier Park owned by Buyer to a majority-owned Affiliate of Buyer on the terms set forth in this Section 10.6 above, and Seller waives any and all right Seller may have to acquire such partnership interest under the Partnership Agreement, along with any co-sale or rights of first refusal of Seller. Notwithstanding anything else to the contrary herein contained, if any party hereto makes an assignment pursuant to this Section 10.6, it shall not be released from any of its

obligations under this Agreement.

10.7 Successors and Assigns. Subject to the provisions of Section 10.6 above, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

10.8 Execution in Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be considered an original counterpart, and all of which shall be considered to be but one agreement and shall become a binding agreement when each party shall have executed one counterpart and delivered it to the other party hereto.

10.9 Titles and Headings; Rules of Construction. Titles and headings to sections herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement. Whenever the context so requires the use of or reference to any gender includes the masculine, feminine and neuter genders; and all terms used in the singular shall have comparable meanings when used in the plural and vice versa.

10.10 Entire Agreement; Amendments and Waivers. This Agreement contains the entire understanding of the parties hereto with regard to the subject matter contained in this Agreement and supersedes all prior agreements or understandings of the parties, including, without limitation, the Partnership Interest Purchase Agreement by and among the parties hereto dated as of February 16, 2000, and all other documents, instruments and agreements executed in connection therewith, all of which are terminated and of no further force or effect and with respect to which no party hereto has any further liability. The parties, by mutual agreement in writing, may amend, modify and supplement this Agreement. The failure of any party to this Agreement to enforce at any time any provision of this Agreement shall not be construed to be a waiver of such

provision, nor in any way to affect the validity of this Agreement or any part hereof or the right of such party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to constitute a waiver of any other or subsequent breach.

10.11 Termination. This Agreement shall terminate and shall be of no further force or effect (a) upon mutual written agreement of the parties hereto, or (b) upon notice given by any party which is not in breach of this Agreement to the other party hereto in the event the Closing has not occurred on or before December 27, 2001; provided, however, that if the Closing has not occurred prior to such date due to delays in acquiring any of the Regulatory Approvals and the party responsible for acquiring such approvals is diligently pursuing the same, this Agreement may not be so terminated and the Closing Date shall be extended until January 4, 2002, so long as such party continues to diligently pursue their acquisition; provided, further that if the Closing has not occurred on or before January 4, 2002, this Agreement shall terminate and be of no further force or effect immediately upon notice given by any party hereto. Except for the provisions of Sections 9.1, 10.1 and 10.3 of this Agreement, upon termination of this Agreement, this Agreement shall be of no further force or effect. No termination of this Agreement shall release, or be construed as releasing, any party from any liability to any other party which may have arisen for any reason. A party's right to terminate this Agreement is in addition to, and not in lieu of, any other rights or remedies which such party may have.

10.12 No Third Party Beneficiaries. This Agreement will not confer any rights or remedies upon any person other than the parties and their respective heirs, successors and permitted assigns, as applicable.

10.13 Definitions. For purposes of this Agreement:

(a) "Affiliate" means, with respect to any person or entity, any person or entity that controls, is controlled by or is under common control with such person or entity. A person or entity shall be presumed to have control when it possesses the power, directly or indirectly, to direct, or cause the direction of, the management or policies of another person or entity, whether through ownership of voting securities, by contract, or otherwise. Notwithstanding the foregoing, Affiliate shall not include individuals who are (A) independent directors of CDMC, or (B) independent directors or shareholders of Churchill Downs Incorporated, a Kentucky corporation.

(b) "Government" shall mean (or in the case of "Governmental") shall refer to:

(i) the government of the United States of America;

(ii) the government of any state, county, municipality,

city, town or district of the United States of America; and

(iii) any ministry, agency, department, authority, commission, administration, corporation, court, magistrate, tribunal, arbitrator, instrumentality or political subdivision of, or within the geographical jurisdiction of, any government described in the foregoing subparagraphs (A) and (B).

(c) "Law" shall mean any of the following of, or issued by, any Government or Governmental agency: any statute, law, act, ordinance, code, rule or regulation or any license, permit, authorization or approval, or any injunction, award, decree, judgment or order.

[signature page follows]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the day and year first above written.

"SELLER"

Anderson Park, Inc.

By:_____________________________
Printed: _______________________
Title: _________________________

"CDMC"

Churchill Downs Management Company
By: ____________________________
Printed: _______________________
Title: _________________________

"BUYER"

Centaur Racing, LLC

By: Centaur, Inc., its sole member and manager

By: _________________________
Jeffrey M. Smith, President

Centaur, Inc. hereby absolutely and unconditionally guarantees the due, prompt and punctual performance of Buyer's obligations under this Agreement, including, without limitation, the full payment of the Purchase Price under Sections 2.1 and 2.2 of this Agreement, including any reasonable attorneys' fees and the reasonable costs and expenses incurred by the Selling Parties directly relating to the enforcement of this guaranty or Buyer's obligations under this Agreement, including the payment of the Purchase Price (collectively, the "Obligations"). The Selling Parties shall have the right of immediate recourse against Centaur, Inc. for full and immediate payment or performance of the Obligations at any time after the Obligations, or any part thereof, have not been paid or performed when owed or due. This is a guaranty of payment, not of collection, and Centaur, Inc. therefore agrees and acknowledges that the Selling Parties shall not be obligated to take any action against Buyer prior to seeking recourse against and receiving payment from Centaur, Inc. Centaur, Inc. unconditionally and irrevocably waives each and every defense which, under principles of guaranty or suretyship law, would operate to impair or diminish the liability of Centaur, Inc. hereunder. Centaur, Inc. unconditionally waives: [i] any subrogation to the rights of the Selling Parties against Buyer, until all of the Obligations have been satisfied in full; and [ii] any acceptance of this guaranty. Notwithstanding the foregoing, Centaur, Inc. shall have no liability or obligation under this guaranty if Buyer fails or refuses to pay or perform any of the Obligations as a result of the failure of any of the conditions precedent to Buyer's obligations described in this Agreement above not waived by Buyer.

Centaur, Inc.

By: ______________________
Jeffrey M. Smith, President

CHURCHILL DOWNS INCORPORATED
AMENDED AND RESTATED
INCENTIVE COMPENSATION PLAN (1997)

ARTICLE 1

PURPOSE

The purpose of the CHURCHILL DOWNS INCORPORATED AMENDED AND RESTATED INCENTIVE COMPENSATION PLAN is to promote the interests of the Company and its stockholders by providing greater incentives to officers and other key management employees by rewarding them for services rendered with compensation in an amount which is directly related to the success of the Company as well as the performance of the operating units and the individual employees.

ARTICLE 2

DEFINITIONS

2.1 Definitions. The following words and phrases, when used herein, unless their context clearly indicates otherwise, shall have the following respective meanings:

A. Beneficiary. A person or persons (natural or otherwise) designated by a Participant in accordance with the provisions of Article 8 to receive any benefits which shall be payable under this Plan.

B. Board. The Board of Directors of Churchill Downs Incorporated.

C. Budget. The annual operating budget approved by the Board for each year during the term of the Plan.

D. CEO. The Chief Executive Officer of Churchill Downs Incorporated.

E. Company. Churchill Downs Incorporated and its subsidiaries.

F. Company Achievement Percentage Levels. The percentages established annually by the Committee to be used, as provided in Section 6.2, in computing a part of an Annual Incentive Compensation Award based upon achievement of a Company Performance Goal.

G. Company Performance Goals. The goal defined in Section 6.1.A.

H. Disability. A physical or mental condition arising after the Effective Date hereof which qualifies a Participant for disability benefits under the Social Security Act in effect on the date of disability.

I. Discretionary Achievement Percentage Levels. The percentages established annually by the Committee to be used, as provided in Section 6.5, in computing a part of an Annual Incentive Compensation Award, based upon achievement of a Discretionary Performance Goal.

J. Discretionary Performance Goals. The goals defined in Section 6.1.D.

K. Effective Date. January 1, 1997.

L. Incentive Compensation Award. The award as defined in Article 6. An award under the Churchill Downs Incorporated Incentive Compensation Plan (1997) during any year shall be an "Annual Incentive Compensation Award."

M. Participant. An employee of the Company who is selected for participation in the Plan in accordance with the provisions of Article 5. For purposes of Articles 7 and 8, the term Participant shall also include a former employee who is entitled to benefits under this Plan.

N. Participation Classification. The classification assigned to each Participant in accordance with the provisions of Article 5.

O. Participation Percentage. The percentages of participation in the Plan as defined in Article 6.

P. Performance Goals. The performance goals as defined in Article 6.

Q. Plan. The Churchill Downs Incorporated Incentive Compensation Plan (1997).

R. Plan Year. The twelve-month period commencing on January 1 of one calendar year and ending on December 31 of the same calendar year, which period is also the Company's fiscal year.

S. Profit Center. Each Churchill Downs Incorporated racing operation, Churchill Downs Incorporated Corporate Sales, Churchill Downs Management Company, and any other profit centers designated by the CEO.

T. Pre-tax Income. The annual consolidated income of the Company, before federal and state income taxes, after any allowance for payments made or to be made under this Plan, and after inclusion of all extraordinary revenues and deduction of all extraordinary expenses, all as calculated in accordance with generally accepted accounting principles consistently applied and confirmed by the audit report of the Company's independent public accountants.

U. Profit Center Achievement Percentage Levels. The percentages established annually by the Committee to be used, as provided in Section 6.3, in computing a part of an Annual Incentive Compensation Award, based upon achievement of a Profit Center Performance Goal.

V. Profit Center Performance Goals. The goals defined in Section 6.1.B.

W. Salary. The Participant's base annual salary as set by either the Compensation Committee of the Board or the CEO.

X. Service Center. The Finance, Development & Technology Service Center, the Legal Service Center, the Corporate Communications Service Center, and any other service center designated by the CEO.

Y. Service Center Achievement Percentage Levels. The percentages established annually by the Committee to be used, as provided in Section 6.4, in computing a part of an Annual Incentive Compensation Award based upon achievement of a Service Center Performance Goal.

Z. Service Center Performance Goals. The goals defined in Section 6.1.C.

AA. Termination Date. December 31, 2002, or such earlier date as may be determined under Section 9.2.

2.2 Construction. The masculine gender, where appearing in the Plan, shall be deemed to include the feminine gender, unless the context clearly indicates to the contrary.

ARTICLE 3

ADMINISTRATION

3.1 Committee. The Plan shall be administered by the Compensation Committee of the Board (hereinafter the "Committee").

3.2 Committee’s Power and Authority. The Committee shall have full and complete authority and power, subject only to the direction of the Board, to administer the Plan in accordance with its terms and carry out the provisions of the Plan. The Committee shall interpret the Plan and shall determine all questions, factual, legal or otherwise, arising in the administration, interpretation and application of the Plan, including but not limited to questions of eligibility and the status and rights of Participants, Beneficiaries and other persons. The Committee shall have any and all power and authority (including discretion with respect to the exercise of such power and authority) which shall be necessary, properly advisable, desirable, or

convenient to enable it to carry out its duties under the Plan. By way of illustration and not limitation, the Committee is empowered and authorized to make rules and regulations in respect to the Plan not inconsistent with the Plan; to determine, consistently therewith, all questions that may arise as to the eligibility, benefits, status and right of any person claiming benefits under the Plan; to determine whether a Participant was terminated for just cause; and subject to and consistent with, any applicable laws, to make

factual determinations, to construe and interpret the Plan and correct any defect, supply any omissions or reconcile any inconsistencies in the Plan. Any such determination by the Committee shall presumptively be conclusive and binding on all persons. The regularly kept records of the Company shall be conclusive and binding upon all persons with respect to a Participant's date and length of employment, time and amount of salary and the manner of payment thereof, type and length of any absence from work and all other matters contained therein relating to employment. All rules and determinations of the Committee shall be uniformly and consistently applied to all persons in similar circumstances.

3.3 Committee's Annual Review. The Committee shall review the operation of the Plan to determine its effectiveness in promoting its operating results and the shareholders' investment; further, the Committee shall report annually to the Board on its findings and make such recommendations as the Committee deems appropriate.

ARTICLE 4

EFFECTIVE DATE AND TERMINATION

The Plan shall be effective as of January 1, 1997. The Plan shall terminate on December 31, 2001, except with respect to the payment of any Incentive Compensation Awards which may become due and payable thereafter, or unless terminated earlier by action of the Board under Section 9.2.

ARTICLE 5

ELIGIBILITY AND PARTICIPATION

5.1 Eligibility. All Company officers and other key management employees who are employed by the Company on the date of the adoption of this Plan and who are specifically designated by the Committee as Participants shall be Participants in the Plan as of January 1, 1997. In addition, any officers and other key management employees who are subsequently designated by the Committee as participants shall become Participants in the Plan on the date established by the Committee for such participation. Once an employee becomes a Participant, he will remain a Participant until the earliest of: [i] termination of this Plan; [ii] termination of his active service with the Company; or [iii] termination of his status as a Participant by decision of the Committee, provided, however, that a Participant will be terminated from participation in the Plan only at the beginning of a Plan Year.

5.2 Classifications of Participants. The Committee shall, from time to time, establish Participation Classifications which will determine the Participants' Performance Goals. Simultaneous with the Committee's

designation of an employee as a Participant, the Committee shall designate in which classifications of Participants the employee shall participate. The Committee may change the Class designation of a Participant as of the beginning of any Plan Year.

ARTICLE 6

ANNUAL INCENTIVE COMPENSATION AWARDS

6.1 Performance Goals. Annual Incentive Compensation Awards to each Participant shall be determined on the basis of the achievement of the following Performance Goals:

A. The Company achieves certain Pre-tax Income for the applicable year: the "Threshold Company Goal" (90% of the Pre-tax Income target set in the applicable Budget); the "Target Company Goal" (100% of the Pre-tax Income target set in the applicable Budget); and the Maximum Company Goal" (115% of the Pre-tax Income target set in the applicable Budget) (the "Company Performance Goal[s]"). The Committee shall establish annually the percentage of the Annual Incentive Compensation Award to each Participant which is awarded to each Participant based upon the Company Performance Goals (the "Company Performance Goals Percentage").

B. In the case of Classes to which Participants working in Profit Centers are assigned, the Profit Center achieves certain pre-tax net income levels for the applicable year: the "Threshold Profit Center Goal" (90% of the pre-tax net income set in the Profit Center's applicable Budget); the "Target Profit Center Goal" (100% of the pre-tax net income set in the Profit Center's applicable Budget); and the "Maximum Profit Center Goal" (115% of the pre-tax net income set in the Profit Center's applicable Budget) (the "Profit Center Performance Goal[s]"). The Committee shall establish annually the percentage of the Annual Incentive Compensation Award which is awarded to each Participant based upon the Profit Center Performance Goals (the "Profit Center Performance Goals Percentage").

C. In the case of Classes to which Participants working in Service Centers are assigned, such Service Center meets certain objective financial and other criteria established by the CEO and the Senior Vice President of that Service Center for the applicable year: the "Threshold Service Center Goal" (90% of the Service Center's established criteria); the "Target Service Center Goal" (100% of the Service Center's established criteria); and the "Maximum Service Center Goal" (115% of the Service Center's established criteria) (the "Service Center Performance Goal[s]"). Achievement of the Service Center Performance Goals shall be determined in the CEO's sole discretion. The Committee shall establish annually the percentage of the Annual Incentive Compensation Award which is awarded to each Participant based upon the Service Center Performance Goals (the "Service Center Performance Goals Percentage").

D. The Participant achieves certain performance standards particular to his or her position in the Company for the applicable year: the "Threshold Discretionary Goal" (90% of the Participant's performance standards); the "Target Discretionary Goal" (100% of the Participant's performance standards); and the "Maximum Discretionary Goal" (115% of the Participant's performance standards) (the "Discretionary Performance Goal[s]"). Achievement of the Discretionary Performance Goals shall be determined in the sole discretion of the CEO. The Committee shall establish annually the percentage of the Annual Incentive Compensation Award which is awarded based upon the Discretionary Performance Goals (the "Discretionary Performance Goals Percentage").

6.2 <u>Computation of Award Based Upon Company Performance Goals</u>. For each Plan Year for which the Company achieves the "Threshold Company Goal", each Participant shall be awarded an Annual Incentive Compensation Award which shall be computed by multiplying: (i) the Participant's Salary for the Plan Year; by (ii) the Participation Percentage, as established annually by the Committee for the Participant's Class; by (iii) the Company Performance Goals Percentage, as established annually by the Committee for the Participant's Class; by (iv) the applicable Company Achievement Percentage Level as established annually by the Committee.

6.3 <u>Computation of Award based on Profit Center Performance Goals</u>. For each Plan Year for which the Company achieves at least the Threshold Company Performance Goal and the Profit Center in which that Participant works achieves at least its Threshold Profit Center Performance Goal, each Participant of a Profit Center Class shall be awarded an Annual Incentive Compensation Award which shall be computed by multiplying: (i) the Participant's Salary for the Plan Year; by (ii) the Participation Percentage, as established annually by the Committee for the Participant's class; by (iii) the Profit Center Performance Goals Percentage as established annually by the Committee for the Participant's Class; (iv) by the applicable Profit Center Achievement Percentage Level as established annually by the Committee.

6.4 <u>Computation of Award based on Service Center Performance Goals</u>. For each Plan Year for which the Company achieves at least the Threshold Company Performance Goal and the Service Center in which that Participant works achieves at least its Threshold Service Center Performance Goal, each Participant in a Service Center Class shall be awarded an Annual Incentive Compensation Award which shall be computed by multiplying: (i) the Participant's Salary for the Plan Year; by (ii) the Participation Percentage, as established annually by the Committee for the Participant's Class; by (iii) the Service Center Performance Goals Percentage as established annually by the Committee for the Participant's Class; by (iv) the applicable Service Center Achievement Percentage Level as established annually by the Committee.

6.5 <u>Computation of Award based on Discretionary Performance Goals</u>. For each Plan Year for which the Company achieves at least the Threshold Company Performance Goal and that Participant achieves at least his/her Threshold Discretionary Performance Goal, a Participant may be awarded an Annual Incentive Compensation Award which shall be computed by multiplying: (i) the Participant's Salary for the Plan Year; by (ii) the Participation Percentage as established annually by the Committee; by (iii) the Discretionary

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Performance Goals Percentage for the Participant's Class as established annually by the Committee; by (iv) the applicable Discretionary Achievement Percentage Level as established annually by the Committee. Notwithstanding the foregoing, the Discretionary Achievement Percentage Level for any Plan Year shall not exceed the greater of 100% or the Company Achievement Percentage Level or the greater of 100% or the Profit Unit Achievement Percentage Level (in the case of the Racetrack Profit Centers) for that Plan Year. The CEO, in his/her sole discretion, shall determine whether a Participant has met Discretionary Performance Goals.

6.6 <u>Adjustments to Annual Incentive Compensation Award</u>. An Annual Incentive Compensation Award shall be adjusted by any one or more of the following adjustments:

A. In the event a Participant shall, during a Plan Year, die, retire, go on a leave of absence with the Company's consent, terminate employment due to Disability, or be terminated without just cause, the Annual Incentive Compensation Award for that Participant for such Plan Year shall be reduced, pro rata, based on the number of days in such Plan Year during which he was not a Participant.

B. In the event that during a Plan Year a Participant shall be discharged for just cause or shall voluntarily resign for any reason other than Disability, the Annual Incentive Compensation Award for that Participant shall be reduced to zero, and no Annual Incentive Compensation Award shall be payable to that Participant for such Plan Year.

ARTICLE 7

PAYMENT OF BENEFITS

7.1 Method of Payments. As soon as the Committee has determined the amount of all of the Annual Incentive Compensation Awards at the end of a Plan Year, the Committee shall instruct the Company to pay each award in cash in one lump sum.

ARTICLE 8

DESIGNATION OF BENEFICIARIES

A Participant may file with the Committee a designation of a Beneficiary or Beneficiaries in writing, which designation may be changed or revoked by the Participant's sole action, provided that the change or revocation is filed with the Committee in writing. If a Participant dies, any benefit which the Participant is entitled to receive under the Plan shall be delivered to the Beneficiary or Beneficiaries so designated, or if no Beneficiary has been designated or survives the Participant, shall be delivered to the Executor or Administrator of the Participant's estate.

ARTICLE 9

MISCELLANEOUS PROVISIONS

9.1 Other Plans. Any payment made under the provisions of this Plan shall be includable in or excludable from a Participant's compensation for purposes of any other qualified or nonqualified benefit plan in which the Participant may be eligible to participate by reference to the terms of such other plan.

9.2 Plan Amendment and Terminations. The Company, acting through the Committee or the Board, reserves the right to amend and/or to terminate the Plan for any reason and at any time. Any amendment or termination of this Plan shall not affect the right of any Participant or his Beneficiary to receive an Incentive Compensation Award after it has been earned.

9.3 Right to Transfer, Alienate and Attach. Except to the extent that a Participant may designate a Beneficiary under the provisions contained in Article 8, the right of any Participant or any beneficiary to any benefit or to any payment hereunder shall not be subject in any manner to attachment or other legal process for the debts of such Participant or Beneficiary; and any such benefit or payment shall not be subject to anticipation, alienation, sale, transfer, assignment or encumbrance, except to the extent that the right to such benefit is transferable by the Participant by will or the laws of descent and distribution.

9.4 Indemnification. No member of the Board or of the Committee and no officer or employee of the Company shall be liable to any person for any action taken in connection with the administration of this Plan unless attributable to his own fraud or willful misconduct; nor shall the Company be liable to any person for any such action unless attributable to fraud or willful misconduct on the part of a director, officer or employee of the Company.

9.5 Non-Guarantee of Employment. Neither the existence of this Plan nor any award or benefit granted pursuant to it shall create any right to continued employment of any Participant by the Company. No Participant shall, under any circumstances, have any interest whatsoever, vested or contingent, in any particular property or asset of the Company by virtue of any award, unpaid bonus or other accrued benefit under the Plan.

9.6 Source of Payment. No special or separate fund shall be established or other segregation of assets made with respect to any immediate or deferred payment under the Plan. All payment of awards shall be made from the general funds of the Company. To the extent that a Participant or his Beneficiary acquires a right to receive payments under this Plan, such right shall be no greater than that of any unsecured general creditor of the Company.

9.7 Withholding Taxes. The Company shall have the right to deduct from all payments made to the Participant, whether pursuant to this Plan or otherwise, amounts required by federal, state or local law to be withheld with respect to any payments made pursuant to this Plan.