



Delivering on our promises

and delivering results.

	2001	2000	1999	1998	1997
<b>Story in Brief</b>					
<i>(In thousands, except per share data)</i>					
<b>Operations:</b>					
<b>Financial Highlights</b>					
Pari-mutuel wagering *	\$3,890,829	\$3,244,160	\$2,171,023	\$1,062,763	\$875,644
Net revenues	427,038	363,010	258,427	147,300	118,907
Operating income	49,337	46,578	32,513	17,143	14,405
Other income (expense)	(12,133)	(13,991)	(6,658)	126	568
Net earnings	22,076	19,164	14,976	10,518	9,148
Basic net earnings per share	1.69	1.77	1.74	1.41	1.25
Diluted net earnings per share	1.67	1.75	1.72	1.40	1.25
Dividend declared	6,549	6,508	4,927	3,762	3,658
Annual dividend per share	0.50	0.50	0.50	0.50	0.25
Special dividend per share	-	-	-	-	0.25
Additions to plant and equipment, exclusive of business acquisitions	14,626	22,419	12,083	3,524	4,568
Depreciation and amortization	20,603	17,286	11,306	5,744	4,559
<b>At period end:</b>					
Total assets	\$470,715	470,004	398,046	114,651	85,849
Shareholders' equity	217,235	202,485	138,121	65,231	53,393
Shareholders' equity per share	16.59	15.55	14.02	8.67	7.30
Number of shareholders	3,580	3,420	3,350	3,100	3,100

*Earnings, dividend and shareholders' equity per share amounts have been retroactively adjusted for the 2-for-1 stock split with a record date of March 30, 1998.*

*\* Pari-mutuel wagering provided for each year represents amounts wagered since acquisition/merger dates for Ellis Park, Calder Race Course, Hollywood Park and Arlington Park.*



# The Churchill Downs Racing Network



Arlington Park



Calder Race Course

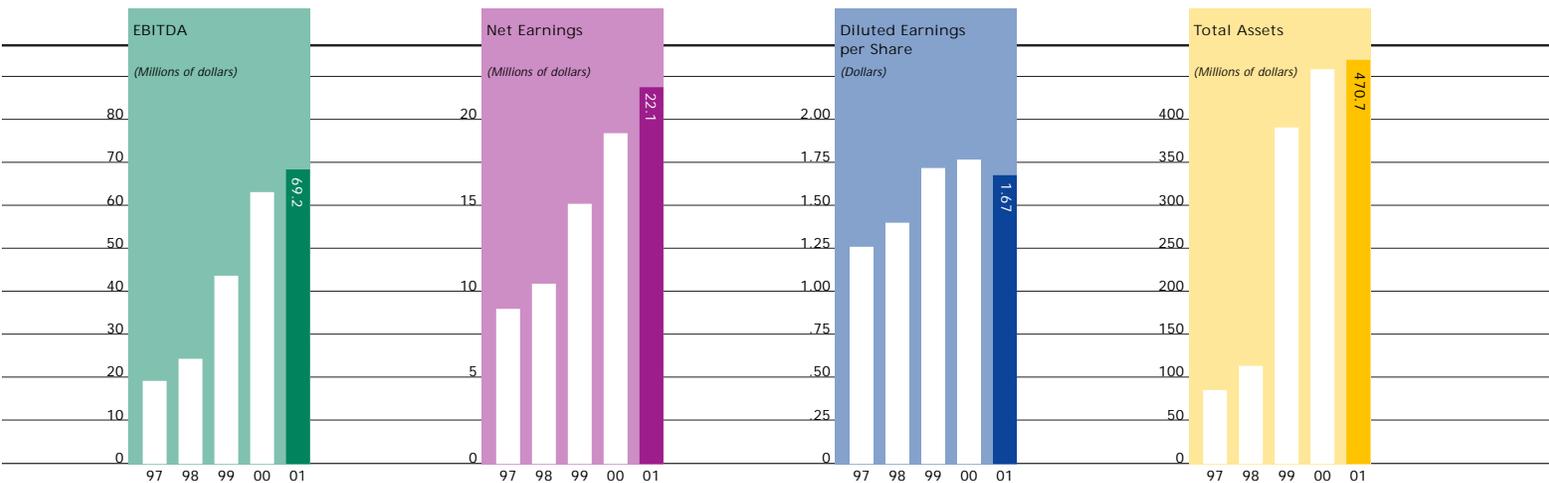
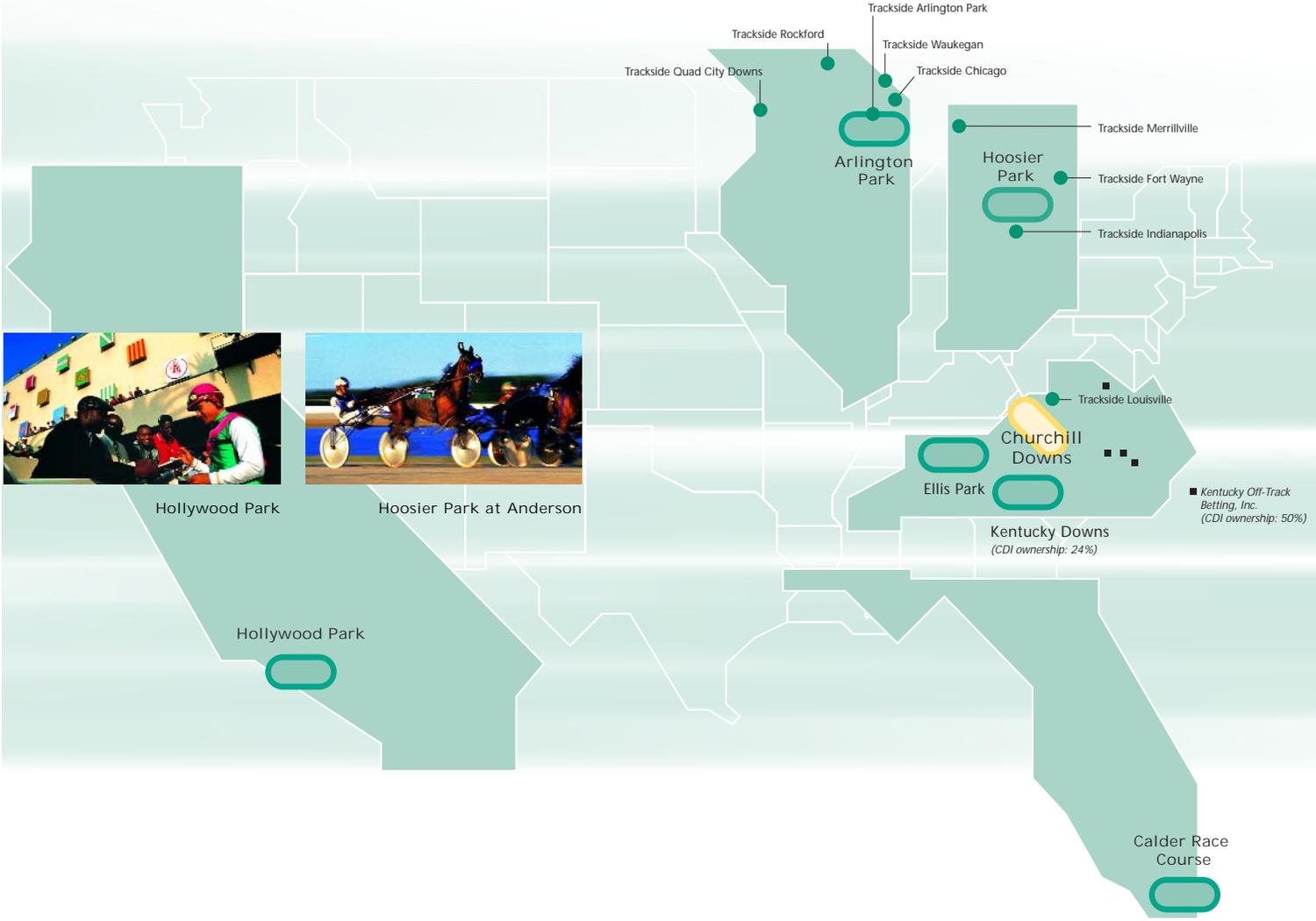


Churchill Downs

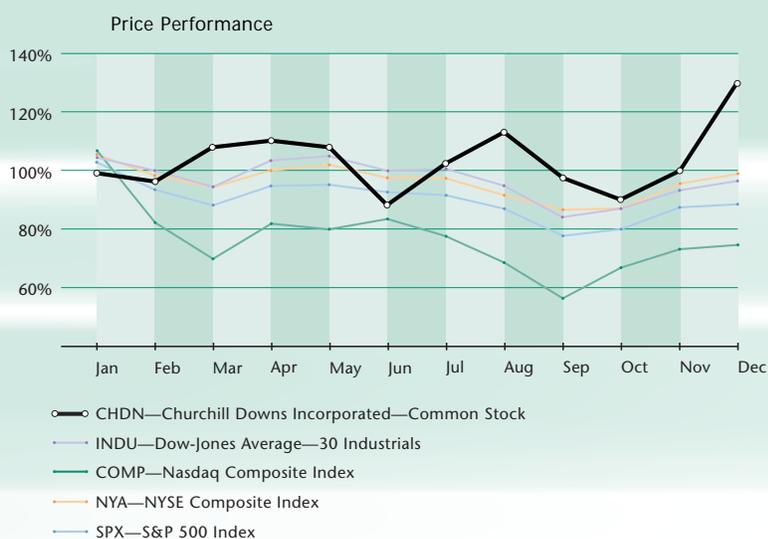


Ellis Park





In 2001, we stayed on track, following our four-prong business strategy we promised in 1998. This core focus has positioned CDI as one of the leading horse racing companies in the world. This annual report will discuss our successes and goals for the future.



Supplementary Financial Information  
(In thousands, except per share data)

Common Stock Information  
Per Share of Common Stock

	Net Revenues	Operating Income (Loss)	Net Earnings (Loss)	Basic Net Earnings (Loss)	Diluted Net Earnings (Loss)	Dividends Paid	Bid Price	
							High	Low
<b>2001</b>	<b>\$427,038</b>	<b>\$49,337</b>	<b>\$22,076</b>	<b>\$1.69</b>	<b>\$1.67</b>			
Fourth Quarter	\$110,819	\$9,623	\$4,050	\$0.31	\$0.31	\$0.50	\$35.90	\$25.60
Third Quarter	121,247	14,755	7,091	0.54	0.54		33.01	26.67
Second Quarter	163,257	40,423	21,895	1.67	1.66		32.50	25.28
First Quarter	31,715	(15,464)	(10,960)	(0.84)	(0.84)		30.69	26.56
<b>2000</b>	<b>\$363,010</b>	<b>\$46,578</b>	<b>\$19,164</b>	<b>\$1.77</b>	<b>\$1.75</b>			
Fourth Quarter	\$101,111	\$6,806	\$2,286	\$0.18	\$0.17	\$0.50	\$35.69	\$25.25
Third Quarter	103,796	15,824	7,303	0.69	0.68		25.88	21.69
Second Quarter	132,184	35,488	18,340	1.86	1.85		26.00	21.75
First Quarter	25,919	(11,540)	(8,765)	(0.89)	(0.89)		26.25	21.00
<b>1999</b>	<b>\$258,427</b>	<b>\$32,513</b>	<b>\$14,976</b>	<b>\$1.74</b>	<b>\$1.72</b>			
Fourth Quarter	\$93,548	\$8,784	\$3,128	\$0.32	\$0.31	\$0.50	\$26.00	\$20.13
Third Quarter	63,076	3,635	1,192	0.13	0.12		33.63	22.50
Second Quarter	84,140	24,891	13,666	1.82	1.79		35.75	26.00
First Quarter	17,663	(4,797)	(3,010)	(0.40)	(0.40)		38.75	26.25

The Company's common stock is traded on the National Association of Securities Dealers, Inc.'s National Market ("Nasdaq") under the symbol CHDN. As of March 11, 2002, there were approximately 3,580 shareholders of record. The above table sets forth the high and low bid quotations, as reported by Nasdaq, and dividend payment information for the Company's common stock during its last three years. In September 2000, we issued 3.15 million shares of common stock at a discounted price of \$16.28 related to the Arlington Park merger. Quarterly earnings (loss) per share figures may not equal total earnings (loss) per share for the year due in part to the fluctuation of the weighted average shares outstanding. In July 1999, we issued 2.3 million shares of common stock at a public offering price of \$29 a share.

## Letter to Shareholders

A company is only as good as its word. When management crafts a business strategy and outlines the corresponding possibilities, it gives the public a sense of what can be expected if the company executes. Investment decisions are based on such strategic plans and the confidence in management to deliver.

In several high profile examples in 2001, companies were exposed for using questionable accounting practices and selective disclosure to mask performance shortfalls. Businesses that either over-promised or under-delivered resorted to inflated numbers to support inflated claims. Many investors, employees and customers painfully discovered that, at the end of the day, a company worth keeping keeps its word.

As it has throughout its corporate history, Churchill Downs Incorporated (the "Company") kept its promises in 2001.

We vowed to continue pursuing our four-point business strategy in our quest to be the number one racing company in the world:

- *Promote and enhance live racing, in particular, the Kentucky Derby;*
- *Increase our share of the simulcast market;*
- *Remain the leader in the consolidation and development of the Thoroughbred industry;*
- *Promote the integration of alternative forms of gaming and entertainment into our operations.*

True to our word, in 2001 we delivered, as reflected in our financial results, our leadership in the racing industry, and our emergence in the areas of media and gaming.

This annual report provides a platform for us to present our accomplishments over the past year, detailing how we delivered on our promises—and deliver value to our customers, shareholders and communities. As we recount the highlights of 2001 in advancing our business agenda, we will also look ahead to the coming year and our future opportunities.

In 2001, our net earnings rose to a record \$22 million, up 15.2 percent from the prior year. Net revenues soared to \$427 million, up 17.6 percent over 2000. Record net revenues were achieved despite such factors as the California energy crisis, the aftermath of September 11 and the general economic downturn.

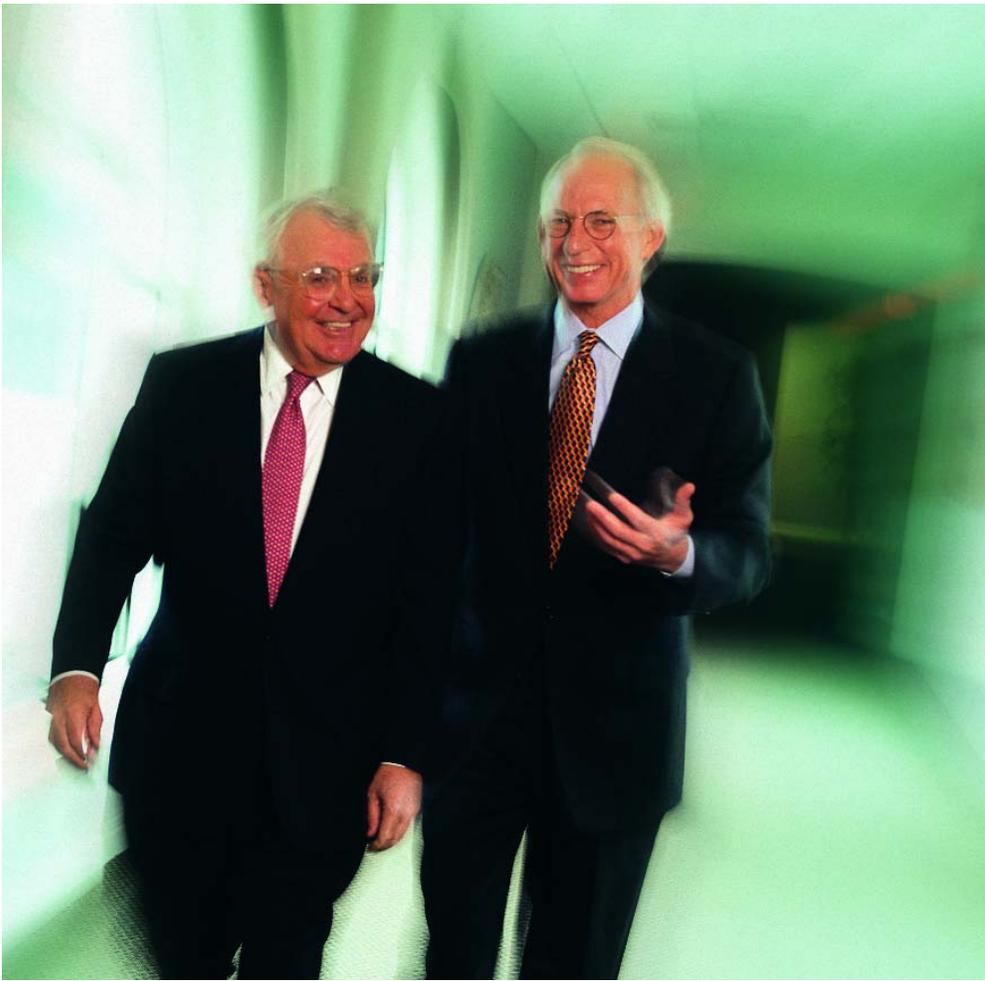
Our successful merger with Arlington Park increased the number of shares outstanding by 3.15 million, in 2001, which largely accounts for record net earnings generating slightly lower earnings per share of \$1.67, down 4.6 percent from 2000.

Overall, we weathered a stormy business climate in 2001 by being responsive to the dynamics of the economy—as demonstrated by our "Project Discipline" cost- and capital-reduction initiative implemented during the first quarter—and by remaining focused on our four-point business strategy. Sound management and a talented and dedicated workforce enabled us to make significant progress in these four key objectives.

***We promised to promote and enhance live racing—and we did.*** Our tracks hosted 679 racing dates in 2001 and presented nearly 6,200 races over a 10-month span. The quality of our live racing was endorsed by the Thoroughbred Owners and Breeders of America, which increased to 112 the number of CDI races deemed "Graded Stakes" in 2002.

We also took a bold step to ensure the future success of our signature event, the Kentucky Derby, with a \$127 million Master Plan initiative that will modernize Churchill Downs racetrack, which annually hosts North America's greatest horse race. Phase I of this plan, already under way, will create 66 luxury suites and a renovated grandstand area by 2003 at a cost of \$27 million. The \$100 million Phase II will modernize the clubhouse area with 12 finish-line suites, a year-round simulcast facility, new restaurant and kitchen facilities, a sports bar, a new press box and more, including lights around the racetrack. This phase is subject to approval of our board and contingent upon state and local government support. All told, the Master Plan could add more than 5,000 premium seats to the racetrack and revitalize our flagship facility.

***We promised to increase our share of the simulcast market—and we did.*** We integrated our six racetracks under Churchill Downs Simulcast Network ("CDSN"), the premier simulcast content brand in the nation. We introduced additional cross-track promotions and wagering opportunities to increase interest in CDSN races. As a result, in 2001 we grew our simulcast export handle to \$2.4 billion and increased our share of the simulcast market by an additional 1.6 percent to 19.2 percent.



In addition, we leveraged our racing content with media partner Television Games Network ("TVG") to generate 127 percent account wagering growth on our product in 2001 via the TVG interactive platform and Youbet.com, TVG's licensing-agreement partner and online venue that serves 20,000 horseplayers. While account revenues are not yet material to the Company, we are encouraged by this new market's growth.

***We promised to lead in the consolidation and development of the industry—and we did.***

While no acquisitions were made in 2001, we were able to integrate our prior acquisitions to best position our racing product. This integration can be seen through the coordinated race schedule with staggered post times in our CDSN package. It can be seen in our corporate look, which extends from our logos to our Web sites. And, it can be seen in our Midwest racing circuit tailored for horsemen, our many cross-promotions that generate fan interest, and our "Winning Colors" initiative that incorporates "best practices" throughout our operations.

In 2001, we also continued the integration of CDI operations by renaming and re-branding all of our off-track betting ("OTB") facilities under the "Trackside" label; by expanding our Twin Spires Club player-affinity program to include Arlington Park, Calder Race Course and Hoosier Park; and by bringing Levy's Restaurants—the renowned sports-venue caterer already serving Arlington Park—to Churchill Downs racetrack and Hollywood Park.

You may have read about acquisitions we did not make in 2001. We vowed to take a disciplined approach to acquisitions, and kept our word by avoiding transactions that did not increase shareholder value or complement our business strategy.

***We promised to promote the integration of alternative gaming and entertainment into our operations—and we did.*** Three states in which our racetracks operate are considering legislation that would allow forms of alternative gaming at our facilities. We helped to coordinate the racing industry coalition formed in 2001 that pushed for the introduction of such legislation in Kentucky. Though in each state the regular session ended without alternative-gaming legislation, we believe we are well-positioned to advance our legislative initiative the next time such legislation is considered, especially in Kentucky. Alternative gaming at our racetracks would fund higher purses, make our racing operations competitive with surrounding states already offering alternative gaming, and allow us to utilize our facilities year-round.

Looking to 2002, we pledge to continue executing our strategic plan to increase shareholder value and position the Company to be the number one racing company in the world.

We will offer outstanding race programs, including Breeders' Cup at Arlington Park, the 128th running of the Kentucky Oaks and Derby, and a record stakes schedule at Calder Race Course. We will spend \$20 million to improve our facilities during the year, including the initial stage of Phase I of our Master Plan for Churchill Downs racetrack. We will consider acquisitions or other business arrangements that complement our strategic plan. And we will continue to act as a model corporate citizen, increasing the quality of life in our communities through leadership, volunteerism, reinvestment, fund raising and much more.

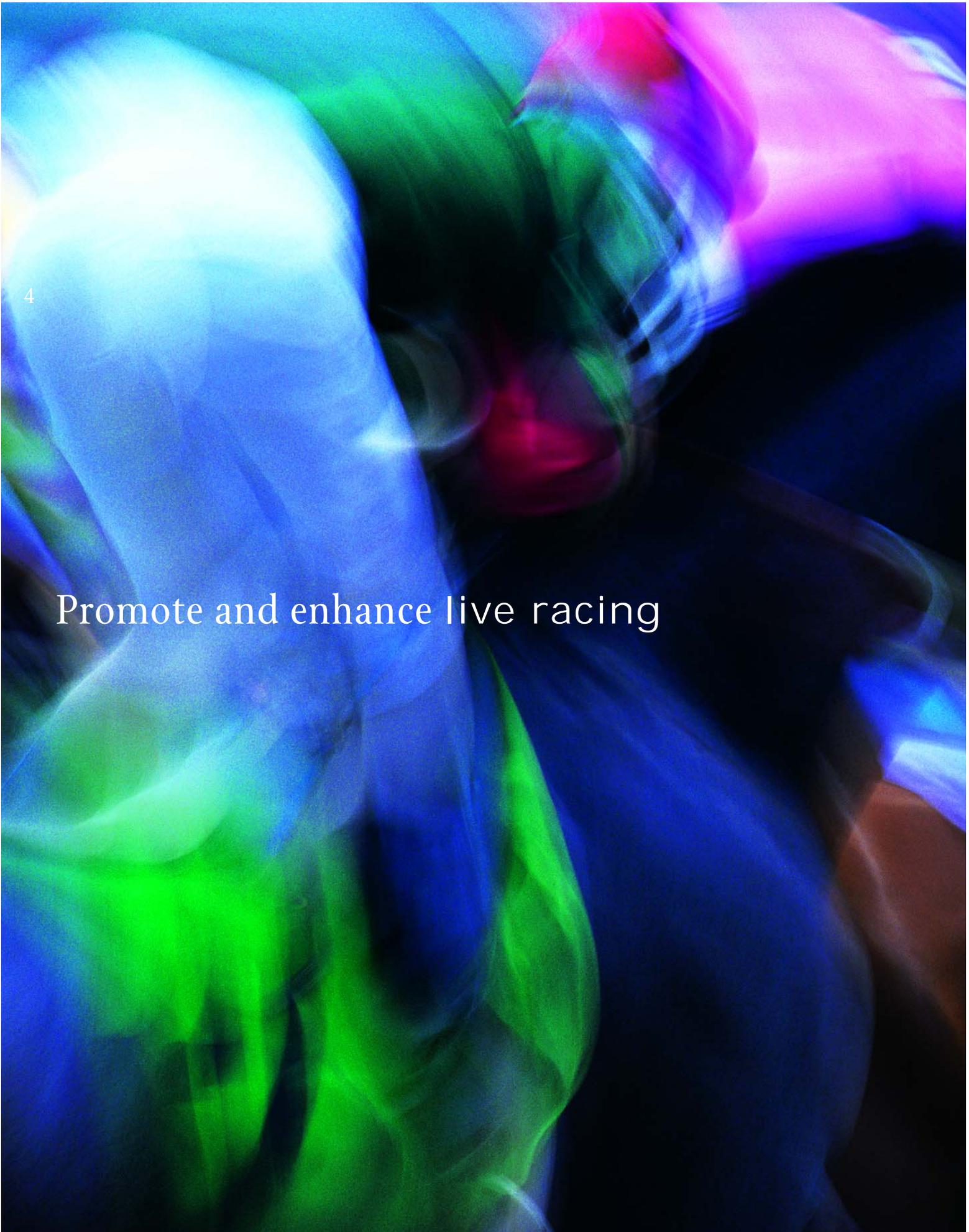
Despite the ongoing economic uncertainty, we believe the demand for our racing products will enable us to once again grow our earnings in 2002. We believe the scale we have achieved, particularly in our simulcast content, will enable us to pursue long-range opportunities in global and in-home wagering.

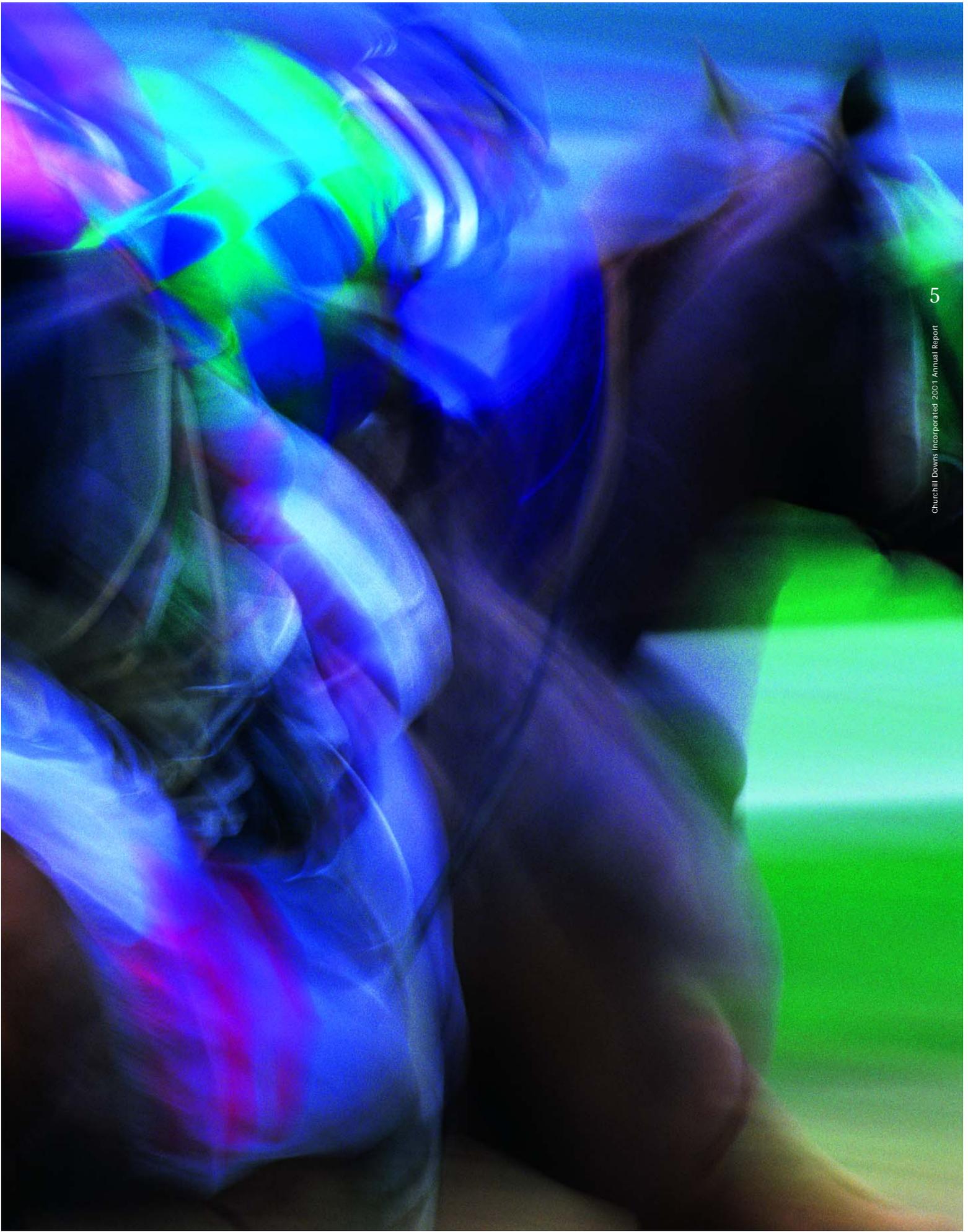
You have our word that we will focus on these strategic objectives. Just as the Kentucky Derby and 128 years of Thoroughbred racing are part of our rich heritage, so is delivering on our promises.

Thomas H. Meeker  
President and Chief Executive Officer

Carl F. Pollard  
Chairman

Promote and enhance live racing







1

Delivering on our Promises

Promote and enhance live racing, in particular, the Kentucky Derby

6 In 1993, Churchill Downs Incorporated (the "Company") consisted of one facility, Churchill Downs racetrack, which conducted 78 days of live racing that year and generated \$292 million in on-track and off-track wagering.

Today, the Company owns six racetracks spanning five states that produce more than 670 days of racing and \$3.9 billion in total wagering. Our key assets now comprise the nation's premier national simulcast network, Churchill Downs Simulcast Network ("CDSN"); more than one-fifth of all Graded Stakes races in the United States; and more than one-quarter of all U.S. pari-mutuel wagering.

Two words best sum up our success at transitioning from the nation's best-known racetrack to one of the leading horse racing companies in the world.

*"Promises kept."*

In 1994, we vowed to pursue a new strategic plan built around four core objectives: to promote and enhance live racing; increase our share of the simulcast market; lead the consolidation of the industry; and promote the integration of alternative forms of gaming and entertainment into our operations.

In the years that followed, we delivered. We led the industry's consolidation through the construction and majority ownership of Hoosier Park; the acquisitions of Ellis Park, Calder Race Course and Hollywood Park; and the merger with Arlington Park. We increased our share of the simulcast market by aggregating racing product and branding and distributing it through CDSN. We promoted and enhanced the quality of our live racing through higher purses, better facilities and numerous "special event" days of racing, and we solidified the status of our signature events—the Kentucky Derby and Oaks—as North America's most popular and successful racing extravaganzas. We have also continued to seek the integration of alternative forms of gaming and entertainment into our operations through initiatives pending before various state legislatures.

Even during the economic downturn that marked 2001, we executed. Our deeds, not words, again advanced each component of our four-point business strategy.

For more than a century, Churchill Downs racetrack and its famed Twin Spires have embodied the Kentucky Derby and the thrill of Thoroughbred racing for fans worldwide. Live racing today endures as our core product and the heart of our business, even as the Company's portfolio of racing assets now extends from the Grade I Arlington Million to the Grade I Hollywood Gold Cup to the Festival of the Sun, one of the richest days in Florida racing. The strength and vitality of our live racing product are driven by three factors: the quality of our races, the entertainment value we offer and the appeal of our facilities, from the clubhouse to the barn areas.

In 2001, we enhanced the quality of our live racing product by delivering competitive field sizes, higher purses at four of our six racetracks and improved stakes events. We coordinated stakes schedules at our racetracks to offer several multiple-stakes days with special wagering contests and promotions. These factors helped us attract the top owners, trainers and jockeys.

Though our racetracks produce 11 percent of the domestic racing content, they account for nearly 26 percent of total domestic wagering, 20 percent of Grade I Stakes races and 24 percent of all Grade II and Grade III stakes.

In 2001, we also bolstered the entertainment value of our live racing through successful promotions and special events. We provided "Party in the Park" Friday concerts and "Family Day Sundays" at Arlington Park. Calder Race Course connected patrons and live racing through several key racing days such as its Festival of the Sun, Summit of Speed and Grand Slam events, as well as through festivals such as GreekFest, ItalianFest and OctoberFest. We drew 20,000 patrons to Churchill Downs racetrack during the Fall Meet for the Pat Day "bobblehead" giveaway. Ellis Park returned to its roots as the "Pea Patch" with a soybean crop in the infield plus an outreach program that appealed to local fans and enabled the racetrack to top the on-track attendance and wagering numbers set in the prior year. Hollywood Park festivities included a celebrity footrace and a December "Snow Day" that featured 200 tons of snow trucked in for family fun. And Hoosier Park hosted its inaugural "Ladies Night," featuring a female jockey challenge contested over three races by riders from the Midwest circuit.

In 2001, we again demonstrated our commitment to offer the best facilities for live racing. We spent \$14.6 million in capital improvements, including three new barns at Arlington Park; self-service betting terminals and additional television monitors at Calder Race Course; a new safety rail on the inner portion of the dirt oval at Churchill Downs racetrack; clubhouse refurbishments at Ellis Park; stable-area renovations at Hollywood Park; and a new receiving barn at Hoosier Park.

These efforts to promote and enhance live racing were validated in the many accomplishments at our racetracks. Total wagering on Kentucky Derby 127 climbed to a record \$71.1 million, a nine percent increase over the prior year's record. Wagering on the entire 10-race Derby Day card also rose to a record \$107.4 million, and attendance at Churchill Downs racetrack reached 154,210, making it again the most-attended Thoroughbred-racing event in the world. The Kentucky Oaks—held one day prior to Derby—once again became the world's second most-attended day in racing, with an impressive 103,000 attendees. For the second time ever, Churchill Downs' 2001 Spring Meet topped the \$500 million mark for total wagering.

## Increase our share of the simulcast market

The highlight of the 2001 Arlington Park meet was record wagering of \$14.5 million—the highest single-day total ever wagered on Illinois races—generated on the Arlington Million Day race card. Total wagering at the racetrack for its 101-day meet increased by eight percent, and its first foray into October racing helped the facility land the 2002 Breeders' Cup.

Calder Race Course, in its Calder and Tropical Meets, distributed the highest level of purses in the racetrack's 31-year history. Additionally, Calder's Summit of Speed, Festival of the Sun and Grand Slam racing events recorded new highs for total wagering and attendance.

During its 41-day meet in 2001, Ellis Park increased its purses twice, produced its best attendance and total wagering levels since becoming part of the Churchill Downs network of tracks, and celebrated the most successful running of its premier race day—Gardenia Day—in the track's history.

Hollywood Park rebounded from a disappointing Spring Meet, which was impacted by the California energy crisis, to deliver a Winter Meet that featured a return of Friday Night racing and posted year-over-year gains in attendance and handle. And Hoosier Park in 2001 enjoyed an increase in overall wagering.

As a racing company first and foremost, we are committed to strengthening our core product. Live racing and the Churchill Downs Incorporated brand are the foundation from which we seek new opportunities in simulcasting, in-home wagering, global wagering, and marketing and strategic partnerships.



Over the past decade, simulcasting—the transmission of a live race signal from the host track to remote locations for wagering purposes—emerged as one of the industry's key growth opportunities. Domestic simulcast wagering soared from \$8.7 billion in 1996 to approximately \$12.4 billion in 2001. At Churchill Downs Incorporated, simulcast export wagering grew from \$396 million to \$2.4 billion in the same period—a compound annual growth rate of 42 percent.

Today, as this domestic simulcast market approaches maturity, increasing our market share becomes critically important. The Company's approach to this challenge is simple: we call it the "ABC" method of building our simulcast brand. In concert with our consolidation strategy, we *aggregate* content by amassing simulcast signals through *acquisitions* and other business arrangements. We *brand* them under our Company and CDSN, and develop products and programs focused on the *customer* that drive wagering revenues.

This approach has enabled us to gain more than 19 percent of the domestic simulcast market, even though our overall racing content represents about 11 percent of the total market. In 2001, we presented 679 racing programs and nearly 6,200 races to more than 1,100 simulcast outlets, and increased our simulcast market share by an additional 1.6 percent.

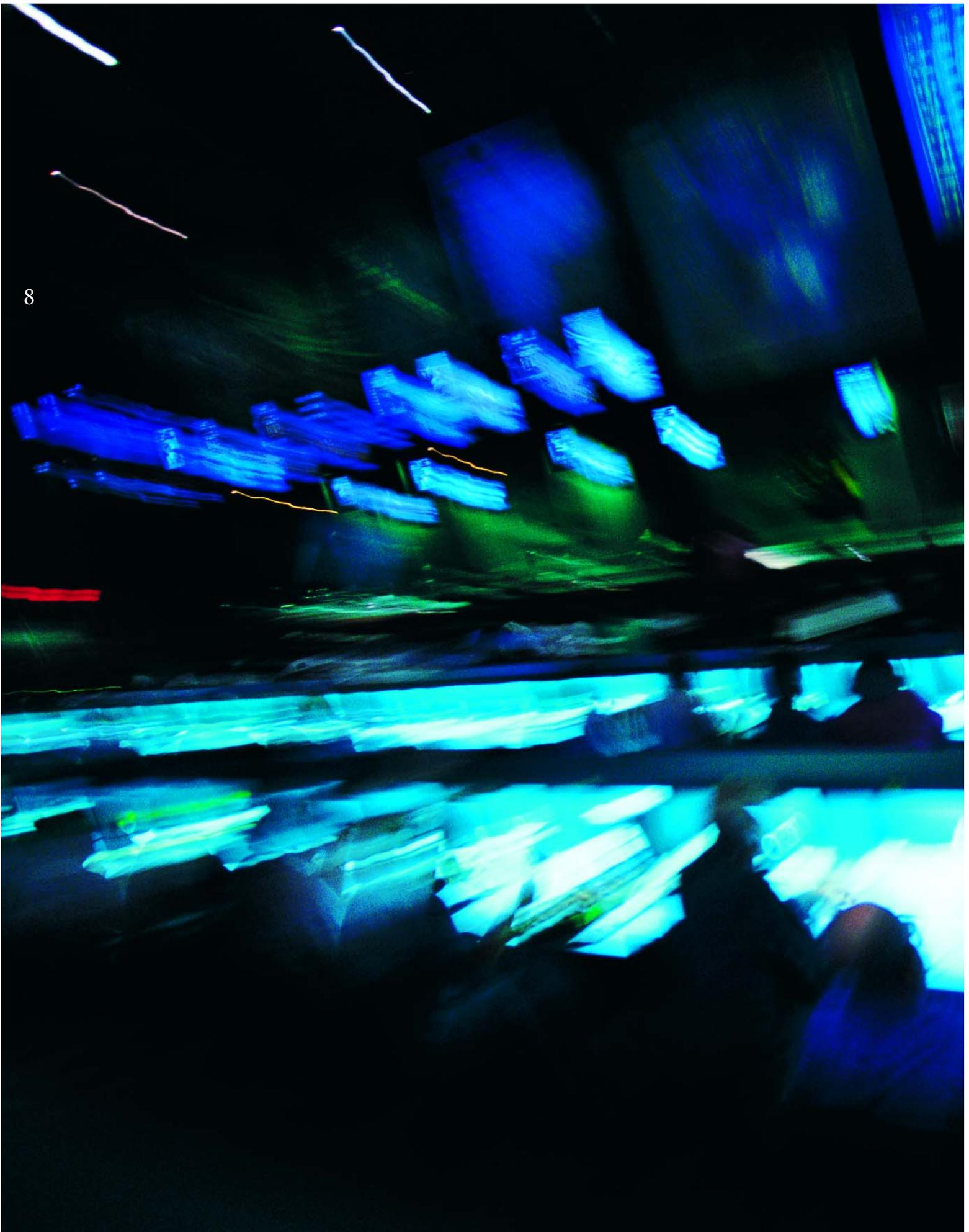
Our simulcast content features the highest quality graphics, generated by our subsidiary, Charlson Broadcast Technologies LLC. It features coordinated post times to serve customers coast to coast. Its companion Web site, CDSN.net, provides a wealth of handicapping information to assist the CDSN patron. No other Thoroughbred racing company offers such an integrated product.

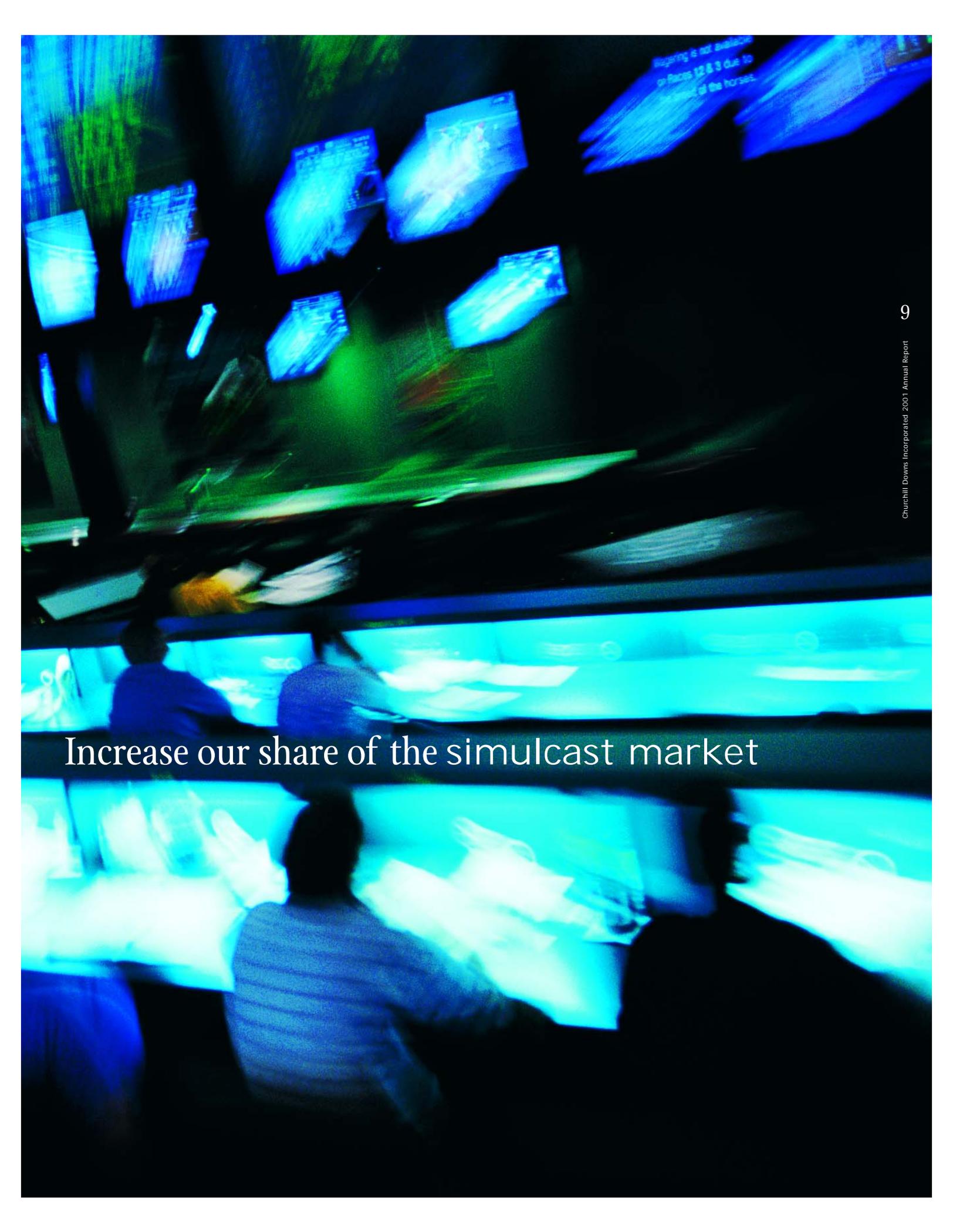


In 2001, we introduced a number of programs designed to create exciting wagering opportunities and garner market share for CDSN. The CDSN "Big Ticket" Weekends promotion awarded \$10,000 to one simulcast customer nationwide—who placed a winning wager on a CDSN race—each Saturday and Sunday between June 30 and July 29. Wagering on our four "Turf Pick 3" events each Saturday in November—which featured consecutive, high-quality turf races from Calder Race Course, Churchill Downs racetrack and Hollywood Park—increased by 20 percent over a similar product offered in 2000. And CDSN's "Coast-to-Coast Pick 4" in December gave patrons the opportunity to wager on high-quality races from Calder Race Course in Miami and Hollywood Park in Los Angeles.

Our quality graphics, superior racing product and innovative promotions enable us to better position our content on the largest screens and primary audio in simulcast-wagering facilities, thus expanding our CDSN shelf space. Our racetrack presence in the key markets of Los Angeles, Miami, Chicago and Kentucky gives us significant control over the racing product imported into those areas. And our partnership with Television Games Network ("TVG")—and its licensing agreement with Youbet.com—has availed our product to eight million households via cable and satellite television and allowed wagers from residents of 12 states through TVG and 38 states through Youbet.com.

This ongoing development and expansion of the CDSN brand positions the Company as the leader in domestic simulcasting and gives us the scale and expertise to deliver our racing product to the industry's next frontier, the in-home and global wagering markets.





Register is not available  
on races 12 & 3 due to  
injury of the horses.

Increase our share of the simulcast market

Remain the leader in the consolidation and development of the Thoroughbred industry



In the 1870s, Churchill Downs racetrack first elevated the nation's appetite for Thoroughbred racing with the Kentucky Derby, "the most exciting two minutes in sports." In the 1990s, the Company began changing the industry itself with an aggressive consolidation strategy that transformed a racetrack into a racing company and made mergers and acquisitions part of the industry lexicon.

In one acquisition after another, the Company leveraged the strength of the Churchill Downs brand and the history and tradition of the Kentucky Derby to pursue new opportunities for growth. Our merger with Arlington Park in 2000 brought the Company's stable to six racetracks in five states. With each addition, we attained a larger and more diverse revenue base and the scale necessary to access capital markets and new business opportunities. In 2001, we made significant gains in the more difficult piece of the consolidation puzzle, integrating our newer properties to create synergies and operational efficiencies to best position our racing product.

Perhaps the greatest example of this integration is CDSN, the nation's sole simulcast brand that delivers the premier horse racing content on the market.

We also consolidated our racetracks under the common Twin Spires logo, which signifies a tradition of excellence in racing and service, and the product of choice in the simulcast market. We created a Midwest racing circuit by aligning our race dates at Churchill Downs racetrack, Ellis Park, Arlington Park and Hoosier Park to enable horsemen to race at all four racetracks. And through our "Winning Colors" initiative, we have made significant improvements in our operations by identifying best practices at individual facilities and incorporating them company-wide.

Winning Colors deploys multi-disciplinary teams from throughout the Company to improve customer service and operating efficiencies. They have already made an impact in facility cleanliness, horsemen's relations and our "VIP" Turf Clubs, and newer teams are addressing such areas as operational efficiencies, workers' compensation, group sales, racehorse retirement, employee assistance and volunteerism.

In 2001, we also completed integrations that will further improve our marketing and customer service. We renamed and re-branded our off-track betting facilities under the "Trackside" label, and we expanded our Twin Spires Club player rewards program to provide incentives for patrons at Arlington Park, Calder Race Course and Hoosier Park.

We will continue to aggressively seek only those acquisitions, mergers and other strategic alliances that increase shareholder value and make financial and strategic sense for our business. Acquiring a racetrack or a racing signal during the first three months of the year, for instance, would extend our racing calendar and further smooth the seasonality of our business. If such an acquisition or acquisitions are completed, rest assured that we will fold that property or properties under the Churchill Downs Incorporated and CDSN brands.



Promote the integration of alternative forms of gaming and entertainment into our operations

Over the past two decades, the competitive landscape for U.S. Thoroughbred racing experienced more change than at any other time in its history. State lotteries, Native American reservation casinos, riverboat casinos, charitable gaming, online gaming and an explosion of other entertainment venues all entered the race for the public's discretionary spending. Horse racing—once the only legal form of gaming in town—today faces more hurdles than ever in attracting entertainment dollars.

One means to meet this competition is adding alternative forms of gaming and entertainment at our racetracks, specifically electronic gaming devices. Several racetracks in other states have incorporated alternative gaming at their facilities to create "racinos." Racino operations improve their racing products by supplementing purses with gaming revenues, and improve their asset utilization by offering gaming year-round.

In West Virginia, Charles Town Races and Mountaineer Park are offering average daily purses that have increased six-fold since that state's passage of video lottery legislation in 1994. In less than two years at Woodbine in Canada, electronic gaming devices have introduced 12,000 new customers to racing each day and helped increase wagering by 11 percent and purses by 64 percent. Stall applications at Woodbine were over-subscribed this year by 50 percent.

Our success on this component of our business strategy depends largely on state lawmakers. We continue to believe alternative gaming is a powerful device to generate revenues that can aid states facing budget shortfalls and be channeled into purses and facility improvements to strengthen our racing. In 2001, we laid the groundwork to persuade lawmakers on multiple fronts to share and support this belief.

We established an industry consensus and created a racing coalition in Kentucky that, for the first time in history, aligned the state's eight racetracks and horsemen's groups behind a single proposal. After eight years of the Company's advocacy and our 2001 coalition-led campaign, a bill was introduced in February 2002 authorizing electronic gaming devices at Kentucky racetracks. Though the regular session ended without alternative gaming legislation, we believe we are well-positioned to advance our legislative initiative the next time alternative gaming legislation is considered by Kentucky legislators.

In Indiana, a bill that would have allowed electronic pull-tab machines at Hoosier Park was under consideration until the final days of the regular legislative session. This legislation could resurface at a special session slated to begin in mid-May of 2002.

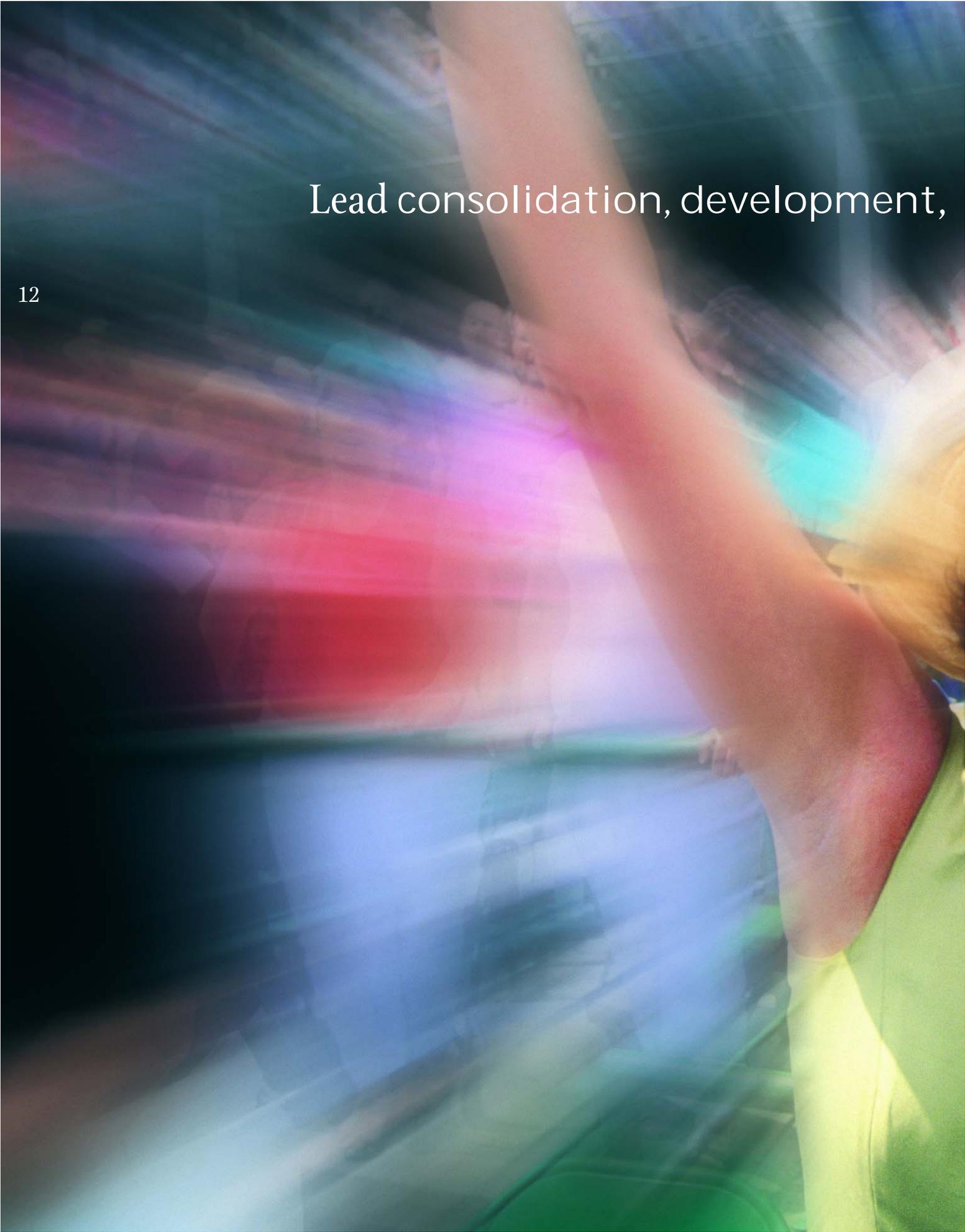
Florida legislators in late 2001 and early 2002 discussed the possibility of allowing alternative gaming in the state's pari-mutuel facilities, including Calder Race Course. Though no action was ultimately taken, the issue is now on the table in Florida as the state grapples to address budget shortfalls.

We are also exploring other options at each of our racetracks that would benefit our racing programs and make our facilities year-round earning assets. Our Master Plan renovation for Churchill Downs racetrack calls for the construction of 78 luxury suites, a completely modernized clubhouse, and a new, year-round simulcast wagering facility and sports bar. We will continue pursuing efforts to improve asset utilization at all of our racing facilities.

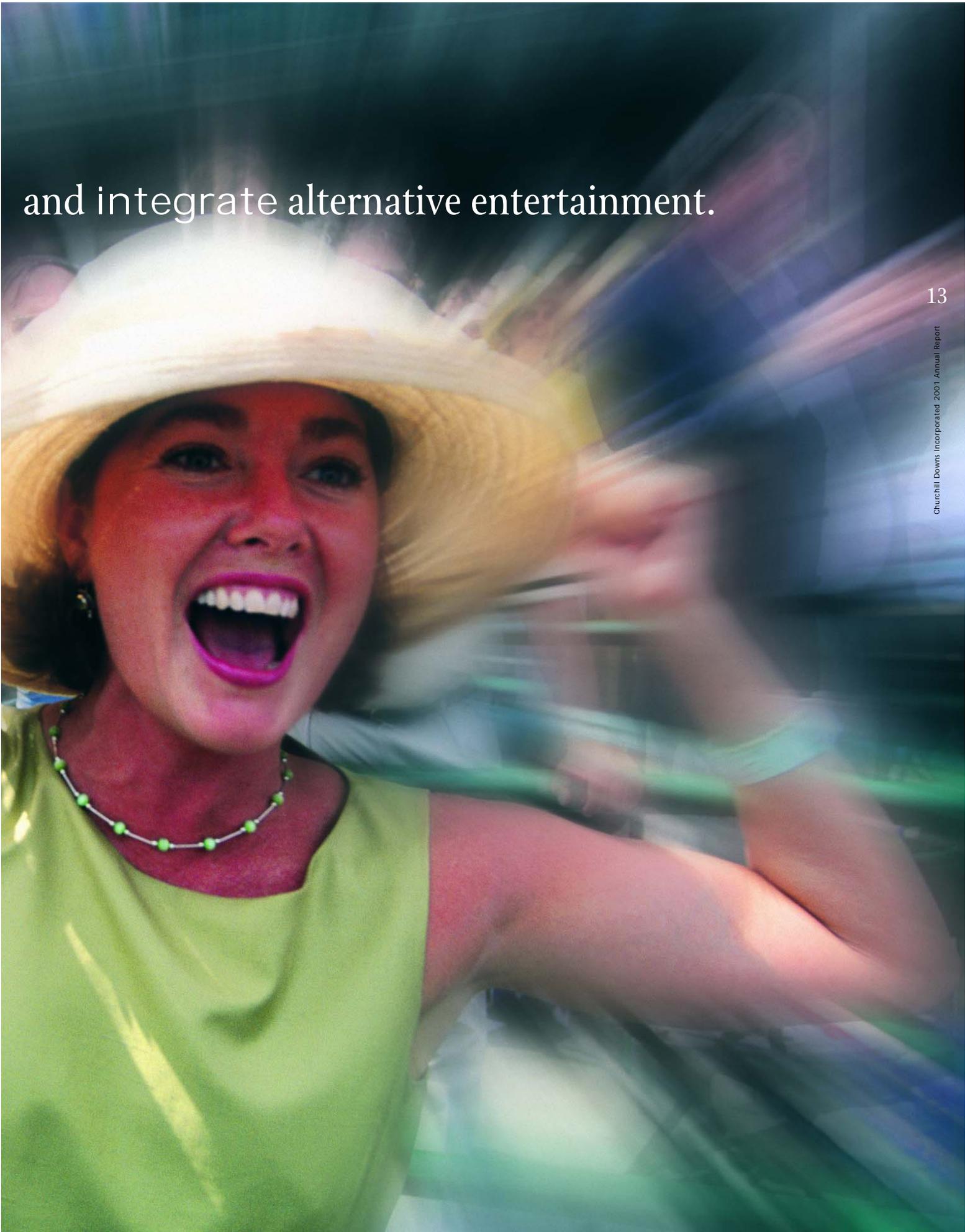
Through alternative gaming and other forms of entertainment, we are committed to maximizing the return from our facilities, becoming more competitive with other gaming and entertainment venues and bolstering our racing product by generating new revenues and new fans.



Lead consolidation, development,



and integrate alternative entertainment.



## Going the Extra Eight Furlongs

14 On any given day, Churchill Downs Incorporated employees spend hours training and mentoring future employees, helping to manage operations, building new facilities or generating essential capital.

And when they are finished serving Big Brothers/Big Sisters, Junior Achievement, Habitat for Humanity or the American Red Cross, they check in with the office and catch up with their daily duties at the Company.

Volunteerism is one way that our Company gives back to the communities we call home. Over the past year, our employees contributed thousands of volunteer hours and well over \$1,000,000 to charities and other initiatives that assist those in need. Many serve as officers and board members for local non-profit organizations in their communities.

In 2001, we institutionalized our volunteer effort through the creation of "Helping Hands," a product of our "Winning Colors" best practices initiative. Program leaders at each racetrack work with charitable organizations in their communities to pair Company volunteers with opportunities ranging from being a mentor to building houses for families in need to teaching business basics to elementary students. So far, the effort has been an unqualified success.

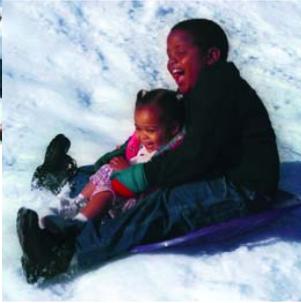
At Churchill Downs Incorporated, we believe that a company's responsibility to its community extends well beyond creating jobs, payroll and tax revenues. In championing worthy causes and taking on projects to improve the quality of life, we bring value to our communities, create good will and deliver on our promise to be a good corporate citizen.

Just as we have established a tradition of excellence in Thoroughbred racing, we are committed to building a company-wide legacy of giving back to our communities.



- In 2001, 100 percent of Arlington Park's full-time employees participated in at least one community volunteer event in 2001, benefiting such groups as Special Olympics, American Cancer Society, Toys for Tots and Ronald McDonald House.
- At Calder Race Course, employees raised \$25,000 for the United Way's September 11 Fund and \$20,000 for the Miami Project to Cure Paralysis. In addition, Calder employees' work with a middle school for at-risk youth earned the racetrack a 2002 Dade Partners Exemplary Award from the Miami-Dade Public Schools.
- Within three months of the "Helping Hands" launch at Churchill Downs, 60 racetrack and corporate volunteers had donated 500 hours of community service. Churchill Downs racetrack and corporate employees also raised nearly \$70,000 for the American Red Cross in the aftermath of the events of September 11.
- Ellis Park in 2001 teamed with the Kentucky Thoroughbred Association to award \$10,000 in scholarships, gave away 15,000 free admission passes during the "W.C. Handy" blues and barbecue festival in Henderson, Kentucky, and participated in the Christmas parades in Henderson, Kentucky, and Evansville, Indiana.
- For the second consecutive year, Hollywood Park in 2001 hosted the "Memory Walk" for the Alzheimer's Association of Los Angeles, an event that has raised more than \$2 million in its nine years. Hollywood employees took part in several additional volunteer activities, such as supporting an area center's Christmas event that spread yuletide cheer to 345 needy families.
- Education, the arts, families and children are the benefactors of Hoosier Park's community outreach efforts. In 2001, employees volunteered and raised money for such groups as Big Brothers/Big Sisters, the Anderson Symphony Orchestra and Court Assigned Special Advocates, a group that represents abused and neglected children in court.
- In addition, several racetracks participated in the Company's 2001 "Win, Place and Share" campaign, a program launched last fall to assist local charities experiencing a shortfall in the aftermath of the flood of giving related to September 11. The event brought visibility to some of the charities suffering funding shortfalls after September 11 and raised thousands of dollars in each of the participating communities. We will continue to use the "Win, Place and Share" campaign as we hold future promotional days at our racetracks that partner with local not-for-profits to raise awareness and dollars.





*“Churchill Downs has set the pace for corporate leadership in mentoring area school children. The Company’s internal support of volunteerism and commitment to children—and its employees’ enthusiastic response—make them positive role models for the youth they serve and the community at large. In addition, Churchill Downs has provided board leadership and has been the site of many agency activities... Children learn more by what they do, than by what we say. Churchill Downs employees truly lead by example.”*

Jeri Swinton  
Executive Director  
Big Brothers/Big Sisters of Kentuckiana

*“Although Arlington Park reaches out to the entire community, the Human Services Division of the Village of Arlington Heights has been, for several years, the beneficiary of Arlington Park’s generosity through its participation in the Village’s Holiday Assistance Program. Not only does the program raise the consciousness of the Arlington Park employees, it also raises the consciousness of everyone to the fact that the poor and needy are indeed our brothers and sisters. Therefore, we are extremely grateful for all that they do and hope that they will continue to partner with us.”*

Edward F. Geiss  
Human Services Coordinator  
Village of Arlington Heights



*“In establishing its Lifestyle Program in 1988, Churchill Downs placed itself well ahead of its industry in significant ways, including recognition of Problem Gambling as a legitimate concern of the corporation. By the mid-1990’s Churchill Downs had fostered the Kentucky Council on Problem Gambling and had established its own Responsible Wagering Program emphasizing employee awareness and community involvement. Churchill’s Responsible Wagering Program was featured by the racing industry before the National Gambling Impact Study Commission and became the foundation for TVG’s innovative AWARE Program (Always Wager Responsibly). Truly, Churchill Downs continues to act with compassion and concern for the small but significant number of its patrons and employees who may experience Problem Gambling.”*

Curtis L. Barrett, Ph.D., ABPP, ACGCB  
Professor Emeritus, University of Louisville  
Director, The Lifestyle Program of Churchill Downs

*“We are truly touched that the employees of Hollywood Park designated a portion of funds for our worthy cause. We are so grateful to all of you for your selfless gesture. Know that it will provide relief—food, shelter, clothing, medical care and other services—for many who are struggling in our midst.”*

Mary Agnes Erlandson  
Director  
St. Margaret’s Center

*“Thanks to Calder’s generous support of The Miami Project to Cure Paralysis, our scientists and researchers are able to create more effective treatments and ultimately, find a cure for paralysis resulting from spinal cord injury. With Calder’s unbelievable community outreach and their commitment to help us raise awareness of the problem and provide the necessary research funds, they will help bring the Miami Project closer to our goal, a cure for paralysis.”*

Marc Buoniconiti  
Ambassador  
The Miami Project to Cure Paralysis

*“As shown by its Scholarship Day, Ellis Park puts a high priority on community involvement. Further evidence is Ellis Park’s work with Habitat for Humanity in helping to build several houses for those in need in the Henderson community. You can also find Ellis Park keeping an ‘Adopt a Spot’ area cleaner and brighter for the neighborhood.”*

Paul Herron, Jr.  
State Senator  
Commonwealth of Kentucky

*“The toughest task I could have as executive director of the Anderson Symphony Orchestra would be to replace a community partner like Hoosier Park at Anderson. The health of the community depends on the health of its parts and their ability to provide a wide cultural selection of financially viable activities to its residents. Hoosier Park doesn’t just talk about its willingness to be a community partner; it becomes that partner tangibly with its financial support, and intangibly through media, presence and public association.*

*“That raises the bar. That translates to growth. And that allows us to meet our organization and community objectives.”*

George W. Vinson  
Executive Director  
Anderson Symphony Orchestra



## Directors for Churchill Downs Incorporated and Subsidiaries

### Churchill Downs Incorporated

#### **Nominated for Term expiring in 2005:**

Charles W. Bidwill, Jr.\* *Chairman, National Jockey Club (operator of Sportsman's Park Racetrack)*

Robert L. Fealy  
*Chief Financial Officer, Duchossois Industries, Inc. (private holding company with diversified business interests); Chief Executive Officer, Duchossois TECnology Partners, LLC (venture capital); Vice President, Chief Financial Officer and Director, The Chamberlain Group, Inc. (garage door opener manufacturer); Vice President, Thrall Car Management Co., Inc. (investments)*

Daniel P. Harrington  
*President and Chief Executive Officer, HTV Industries, Inc. (private holding company with diversified business interests)*

Carl F. Pollard\*  
*Owner, Hermitage Farm (Thoroughbred breeding)*

Darrell R. Wells  
*General Partner, Security Management Company (investments)*

#### **Nominated for Term Expiring in 2003:**

Leonard S. Coleman, Jr.  
*Chairman, ARENACO, Inc. (subsidiary of New York Yankees/ New Jersey Nets); Senior Advisor, Major League Baseball*

#### **Term Expiring in 2003:**

Craig J. Duchossois  
*Chief Executive Officer, Duchossois Industries, Inc. (private holding company with diversified business interests); Chairman, Thrall Car Manufacturing Company (railroad car manufacturing company); Chairman, The Chamberlain Group, Inc. (garage door opener manufacturer); Chairman, Thrall Car Management Co., Inc. (investments)*

G. Watts Humphrey, Jr.  
*President, GWH Holdings, Inc. (private investment company); Chief Executive Officer, The Conair Group, Inc. (plastics machinery equipment company); Chief Executive Officer, The Techs (metals manufacturing and distribution companies); Chief Executive Officer, Centria (manufacturer and erector of metal building systems)*

Brad M. Kelley  
*Chairman and Chief Executive Officer, Commonwealth Brands, Inc. (cigarette manufacturer); Member, Kentucky Downs, LLC (Thoroughbred racing association and pari-mutuel off-track betting facility)*

Dennis D. Swanson  
*President and General Manager, WNBC-TV (television station)*

#### **Term Expiring in 2004:**

Richard L. Duchossois\*  
*Chairman, Duchossois Industries, Inc. (private holding company with diversified business interests); Vice Chairman, Thrall Car Management Co., Inc. (investments)*

J. David Grissom\*  
*Chairman, Mayfair Capital, Inc. (private investment firm); Chairman, The Glenview Trust Company (trust and investment management company)*

Seth W. Hancock  
*Partner and Manager, Claiborne Farm; President, Hancock Farms, Inc. (Thoroughbred breeding and farming); Vice President and Director, Clay Ward Agency, Inc. (equine insurance)*

Frank B. Hower, Jr.  
*Retired. Former Chairman and Chief Executive Officer, Liberty National Bancorp, Inc. (bank holding company) and Liberty National Bank & Trust Company of Louisville*

Thomas H. Meeker  
*President and Chief Executive Officer, Churchill Downs Incorporated*

### **Directors Emeriti:**

Catesby W. Clay  
*Chairman Emeritus, Kentucky River Coal Corporation (coal land lessor); President, Runnymede Farm, Inc. (Thoroughbred breeding)*

Louis J. Herrmann, Jr.  
*Owner, Louis Hermann Auto Consultant Incorporated (automobile sales)*

Stanley F. Hugenberg, Jr.  
*President, Jackantom Sales Company (manufacturers' representative)*

Arthur B. Modell  
*Owner and Chief Executive Officer, Baltimore Ravens Football Company, Inc. (professional football team)*

William T. Young  
*Chairman, W.T. Young, LLC (warehousing); Owner, Overbrook Farm (Thoroughbred racing and breeding)*

#### **\* Executive Committee**

### Churchill Downs Management Company

Thomas H. Meeker, *Chairman*

Charles W. Bidwill, Jr.

Robert L. Decker

Robert L. Fealy

Daniel P. Harrington

John R. Long

Scott A. Mordell

Carl F. Pollard

Darrell R. Wells

## Officers for Churchill Downs Incorporated and Subsidiaries

### Churchill Downs Incorporated

Carl F. Pollard, *Chairman*

Thomas H. Meeker, *President and Chief Executive Officer*

Robert L. Decker, *Executive Vice President and Chief Financial Officer*

John R. Long, *Executive Vice President and Chief Operating Officer*

Michael E. Miller, *Senior Vice President, Finance*

Rebecca C. Reed, *Senior Vice President, General Counsel and Secretary*

Karl F. Schmitt, Jr., *Senior Vice President, Communications*

Andrew G. Skehan, *Senior Vice President, Sales and Marketing*

Michael W. Anderson, *Vice President, Finance*

Vicki L. Baumgardner, *Vice President and Treasurer*

Eric W. Bibb, *Vice President, Information Technology*

Frederick E. Doyle, *Vice President, Procurement and Capital Planning*

Stephen L. Fugitte, *Vice President, New Media*

Jeanne A. Keats, *Vice President, Human Resources*

Jeffrey A. Mainka, *Vice President, Development*

Mary Ann Guenther, *Assistant Secretary*

### Churchill Downs Management Company

Thomas H. Meeker, *Chairman*

John R. Long, *President*

Frederick M. Baedeker, Jr., *Senior Vice President, California Operations*

C. Kenneth Dunn, *Senior Vice President, Florida Operations*

Richard B. Moore, *Senior Vice President, Indiana Operations*

Steven P. Sexton, *Senior Vice President, Illinois Operations*

Alexander M. Waldrop, *Senior Vice President, Kentucky Operations*

Donald R. Richardson, *Senior Vice President, Racing*

Vicki L. Baumgardner, *Vice President, Finance & Administration, and Treasurer*

Cathy Z. Rutter, *Vice President, Community Relations*

Rebecca C. Reed, *Secretary*

Mary Ann Guenther, *Assistant Secretary*

## Shareholder Relations

### Form 10-K

A copy of the Company's annual report on Form 10-K filed with the Securities and Exchange Commission will be provided without charge to any stockholder upon written request to:

*Mike Ogburn  
Director of Investor Relations  
Churchill Downs Incorporated  
700 Central Avenue  
Louisville, KY 40208  
mogburn@kyderby.com*

**Transfer Agent and Registrar**  
For inquiries regarding change of name, address, or ownership; shareholder records; lost or stolen certificates; or dividends, please contact:

*Fifth Third Bank  
Corporate Trust Services  
38 Fountain Square Plaza  
Mail Drop #10AT66  
Cincinnati, OH 45263  
(800) 837-2755 or  
(513) 579-5320*

### Annual Meeting Date

Churchill Downs Incorporated will conduct its annual meeting of stockholders on June 20, 2002, at 10 a.m. (EDT) at:

*Trackside  
(Formerly Churchill Downs Sports Spectrum)  
4520 Poplar Level Road  
Louisville, KY 40213*

**Corporate Address**  
*Churchill Downs Incorporated  
700 Central Avenue  
Louisville, KY 40208  
(502) 636-4400*

### Internet Site

Information about Churchill Downs Incorporated is available on the Internet at [www.kentuckyderby.com](http://www.kentuckyderby.com). or [www.churchilldownsincorporated.com](http://www.churchilldownsincorporated.com)

### Stock Exchange

The common stock of Churchill Downs is listed for trading on Nasdaq National Market under the symbol "CHDN."

### Independent Accountants

*PricewaterhouseCoopers, LLP  
500 West Main Street  
Suite 1800  
Louisville, KY 40202-4264*



Churchill Downs Incorporated

700 Central Avenue  
Louisville, Kentucky 40208

[www.kentuckyderby.com](http://www.kentuckyderby.com)