

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT PURSUANT
TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): August 31, 2004

Churchill Downs Incorporated

Exact Name of Registrant as Specified in Its Charter)

Kentucky

(State or Other Jurisdiction of Incorporation)

0-1469

61-0156015

(Commission File Number)

700 Central Avenue
Louisville, Kentucky

(IRS Employer Identification No.)

40208

(Address of Principal Executive Offices)

Zip Code)

(502)636-4400

(Registrant's Telephone Number, Including Area Code)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement.

On September 1, 2004, Churchill Downs Incorporated ("Churchill") announced that it had entered into a definitive asset purchase agreement to acquire Fair Grounds Race Course in New Orleans, Louisiana, including a thoroughbred race track, 145 acres, support facilities and off-track betting facilities associated with the racetrack, from Fair Grounds Corporation ("Fair Grounds"), for \$47 million in cash (the "Fair Grounds Purchase Agreement"). The Fair Grounds Purchase Agreement is conditioned upon the approval of the United States Bankruptcy Court for the Eastern District of Louisiana of the Fair Grounds Purchase Agreement and a consensual amended plan of reorganization of Fair Grounds in its Chapter 11 bankruptcy case.

In connection with the acquisition, Churchill also entered into a letter agreement (the "LHBPA Agreement") with the Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. ("LHBPA"), pursuant to which Churchill agreed that \$25 million from the purchase price of the Fair Grounds Purchase Agreement would be paid to the LHBPA in settlement of certain litigation between LHBPA and Fair Grounds at closing of the transactions contemplated by the Fair Grounds Purchase Agreement, to occur on or before October 15, 2004. The litigation was previously the subject of an August 6, 2004 settlement agreement between LHBPA and Fair Grounds, certain provisions of which were included in the LHBPA Agreement. In the LHBPA Agreement, Churchill agreed to pay LHBPA 4% of the gross sales price or other consideration in the event of a sale of the Fair Grounds Race Course by Churchill, and to post-closing covenants to make capital improvements of not less than \$4 million to Fair Grounds Race Course and to the conduct of live racing at Fair Grounds Race Course. Churchill also

agreed to refrain from seeking legislation or regulatory action which would diminish certain gaming revenues to LHBPA. Churchill's obligations to LHBPA under the LHBPA Agreement are conditioned upon closing of the Fair Grounds Purchase Agreement and bankruptcy court approval of the amended plan of reorganization of Fair Grounds.

In conjunction with the transactions contemplated by the Fair Grounds Purchase Agreement, Churchill Downs entered into a global term sheet with Fair Grounds, Ben S. Gravolet, Finish Line Management Corp. ("Finish Line") and Bryan G. Krantz (the "Global Term Sheet"). Under the Global Term Sheet, (i) Churchill agreed to assume all obligations of Fair Grounds and Finish Line to Video Services, Inc. related to video poker at Fair Grounds and Finish Line locations, and agreed to consummate the acquisition of the stock or assets of Video Services, Inc.; (ii) Churchill agreed to make a \$3.5 million debtor in possession loan to Fair Grounds; (iii) Churchill agreed to waive its \$250,000 expense reimbursement claim in the bankruptcy proceedings; (iv) Fair Grounds agreed to the modification of the August 6, 2004 settlement agreement with LHBPA as described in the LHBPA Agreement; and (v) Churchill agreed to acquire certain assets of Finish Line for \$2.2 million plus the assumption of secured debt not to exceed \$4.5 million. The acquisition of the Finish Line assets by Churchill includes Churchill's agreement to forgive the receivable due from Finish Line to Fair Grounds in an amount not to exceed \$4.5 million, and the waiver of any related claim, upon Churchill's acquisition of the receivable and related claim at the closing of the acquisition of the Fair Grounds assets, and is further subject to final due diligence and documentation, including the lease for an off-track betting facility.

Under the Global Term Sheet, Churchill agreed to enter into a 3 year consulting agreement with Bryan G. Krantz, the President of Fair Grounds and Finish Line. Under the

consulting agreement, Mr. Krantz will be paid compensation of \$400,000 per year, plus health insurance and a \$300,000 bonus payable at the closing of the Fair Grounds Purchase Agreement.

Under the Global Term Sheet, the parties also agreed to the compromise and settlement of certain claims pending in the bankruptcy proceeding, as more fully described in the Global Term Sheet. The obligations of the parties under the Global Term Sheet are conditioned upon the closing of all of the matters contemplated by the Global Term Sheet and upon final bankruptcy court approval of the amended plan of reorganization of Fair Grounds.

Item 7.01 Regulation FD Disclosure.

On September 1, 2004, Churchill Downs issued a press release announcing the proposed terms of its acquisition of Fair Grounds Race Course and related transactions. A copy of this press release is attached hereto as Exhibit 99.1.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits.

99.1 Press release dated September 1, 2004 issued by Churchill Downs.

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 hereunto duly authorized.

CHURCHILL DOWNS INCORPORATED

September 1, 2004

/s/ Michael E. Miller
Michael E. Miller
Executive Vice President and Chief Financial
Officer
(Principal Financial and Accounting Officer)

[LOGO]

FOR IMMEDIATE RELEASE

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**CHURCHILL DOWNS INCORPORATED AGREES TO TERMS WITH FAIR
 GROUNDS CORPORATION, HORSEMEN**

LOUISVILLE, Ky. (Sept. 1, 2004) — Churchill Downs Incorporated (Nasdaq: CHDN) (“CDI” or “Company”) today announced that it has agreed to terms with Fair Grounds Corporation (“Fair Grounds”) and other parties to acquire Fair Grounds Race Course for \$47 million, pending approval of the U.S. Bankruptcy Court, Eastern District of Louisiana.

Thomas H. Meeker, CDI’s president and chief executive officer, stated: “We are excited to have agreed on terms that will inure to the benefit of all parties involved. From the outset, we have endeavored to reach an agreement with the horsemen and to maximize the value of the asset for the racetrack’s creditors and shareholders. We believe the agreement accomplishes this, and we are satisfied that all constituents now share a common goal. It is paramount to all parties to bring the deal to closure as quickly as possible, well in advance of the upcoming race meet.”

“Fair Grounds, with its rich tradition and winter-race schedule, is an excellent strategic fit for CDI and will benefit greatly from our operational expertise, industry-leading brand and simulcast network,” Meeker added. “We look forward to working with racetrack President Bryan Krantz and the Louisiana horsemen to deliver an outstanding meet in November and in the years to come. We are eager to become a part of the New Orleans community.”

Before the agreement is consummated, the bankruptcy court must confirm the terms of the deal in the form of an amended bankruptcy plan. The parties anticipate the court will hold a final confirmation hearing to consider approval of the amended plan on Sept. 24.

Churchill Downs Incorporated (“CDI”), headquartered in Louisville, Ky., owns and operates world-renowned horseracing venues throughout the United States. The Company’s racetracks in California, Florida, Illinois, Indiana and Kentucky host 114 graded-stakes events and many of North America’s most prestigious races, including the Kentucky Derby and Kentucky Oaks, Hollywood Gold Cup and Arlington Million. CDI racetracks have hosted nine Breeders’ Cup World Thoroughbred Championships – more than any other North American racing company. CDI also owns off-track betting facilities and has interests in various television production, telecommunications and racing services companies that support CDI’s network of simulcasting and racing operations. CDI trades on the Nasdaq National Market under the symbol CHDN and can be found on the Internet at www.churchilldownsincorporated.com.

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Churchill Downs Incorporated Agrees To Terms with Fair Grounds Corporation, Horsemen

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This news release contains forward-looking statements made pursuant to the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. The reader is cautioned that such forward-looking statements are based on information available at the time and/or management’s good faith belief with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements. Forward-looking statements speak only as of the date the statement was made. We assume no obligation to update forward-looking information to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information. Forward-looking statements are typically identified by the use of terms such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “might,” “plan,” “predict,” “project,” “should,” “will,” and similar words, although some forward-looking statements are expressed differently. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. Important factors that could cause actual results to differ materially from our expectations include: the effect of global economic conditions; the effect (including possible increases in the cost of doing business) resulting from future war and terrorist activities or political uncertainties; the economic environment; the impact of increasing insurance costs; the impact of interest rate fluctuations; 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; costs associated with our efforts in support of alternative gaming initiatives; costs associated with our Customer Relationship Management initiative; 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 Indiana racetrack and its wagering facilities near our 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; our ability to execute our acquisition strategy and to complete or successfully operate planned expansion projects; our ability to adequately integrate acquired businesses; market reaction to our expansion projects; any business disruption associated with our facility renovations; 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.

— END —