



CHURCHILL DOWNS
I N C O R P O R A T E D

Imperial Capital

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Forward Looking Statements

In addition to historical facts or statements of current conditions, this document contains forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that include projections, expectations or beliefs about future events or results, or otherwise are not statements of historical fact. The actual performance of the Company may differ materially from what is projected in such forward-looking statements.

Investors should refer to statements included in reports filed by the Company with the Securities and Exchange Commission for discussion of additional information concerning factors that could cause our actual results of operation to differ materially from the forward-looking statements made in this presentation.

The information being provided today is as of this date only, and Churchill Downs Incorporated expressly disclaims any obligation to release publicly any updates or revisions to these forward-looking statements to reflect any changes in expectations.

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- II. Key Events Timeline
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Churchill Downs Incorporated Overview

Racing, gaming and entertainment delivered onsite and online

TwinSpires.com

- Leading online horse racing wagering company
- \$330MM in 2009 handle

Youbet.com

- Leading online horse racing wagering company
- \$480MM in 2009 handle

Harlow's Resort Hotel & Casino

- Announced definitive purchase agreement Sept 13, 2010
- 841 Slot Machines, 23 table games + Poker room
- 105 room attached hotel
- 2,600 seat entertainment facility

HRTV

- 24 hour horse racing channel
- 50% ownership with Magna Entertainment
- Access to over 70 tracks

Arlington Park

- 91 Live Days, \$733MM Handle
- 10 OTB's

Fair Grounds Race Course & Slots

- 606 Slot Machines, new 4Q08
- 10 OTB's, 800+ Video Poker Machines
- 85 Live Race Days, \$433MM Handle

United Tote

- Provides pari-mutuel wagering IT infrastructure
- Processed >\$3B Wagers in 2009
- 80 Unique customers

Churchill Downs Race Track

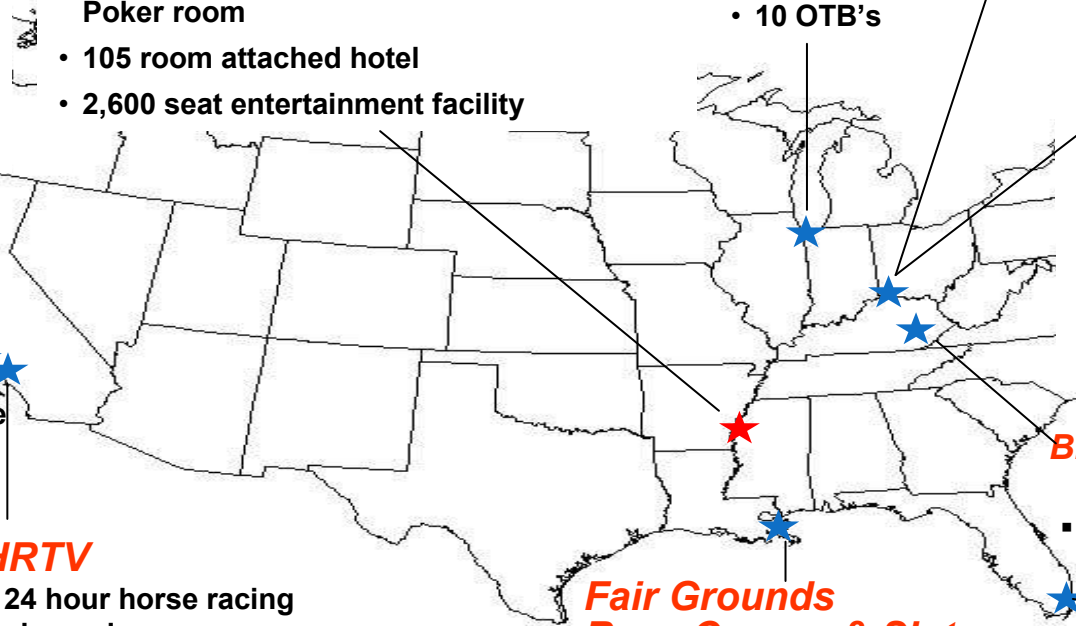
- Home of the Kentucky Derby & Oaks
- 62 Live Days, \$648MM Handle

Bloodstock Research & Information Services

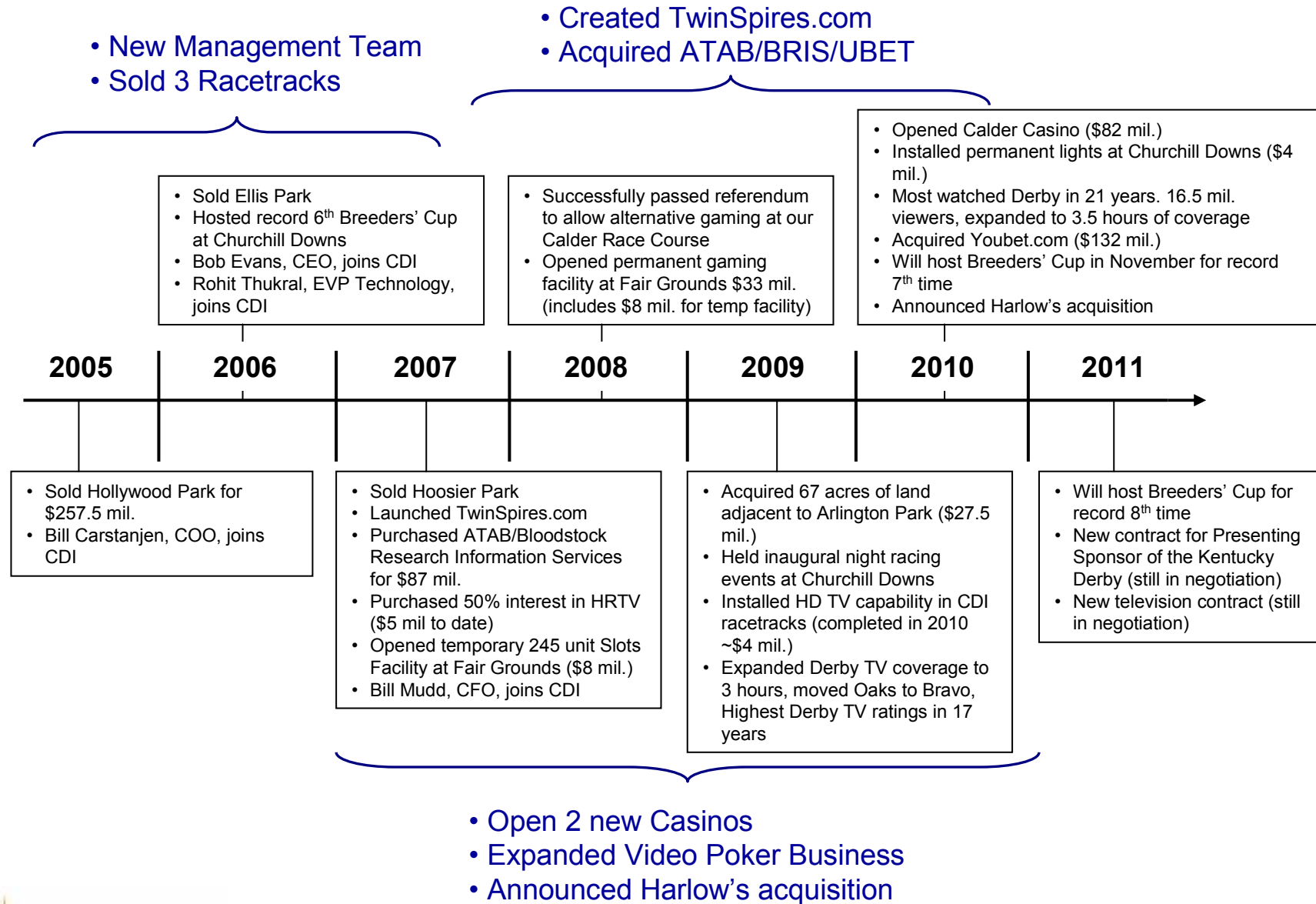
- The #1 source for thoroughbred information

Calder Casino & Race Course

- 1,246 Slot Machines, 29 Poker tables
- 150 Live Days, \$673MM Handle



Key Events Timeline



2010 Kentucky Derby by the Numbers



- ✓ Derby Week EBITDA sets a new record....+\$3.4 million
- ✓ Derby attendance up 2% vs 2009...155,804 attendees
- ✓ Derby wagering up 4%...\$163 million wagered
- ✓ Most watched in 21 years...16.5 million viewers
- ✓ Oaks attendance up 11%...116,046 attendees (new all-time record)
- ✓ Oaks wagering up 20%...\$36 million wagered (new all-time record)

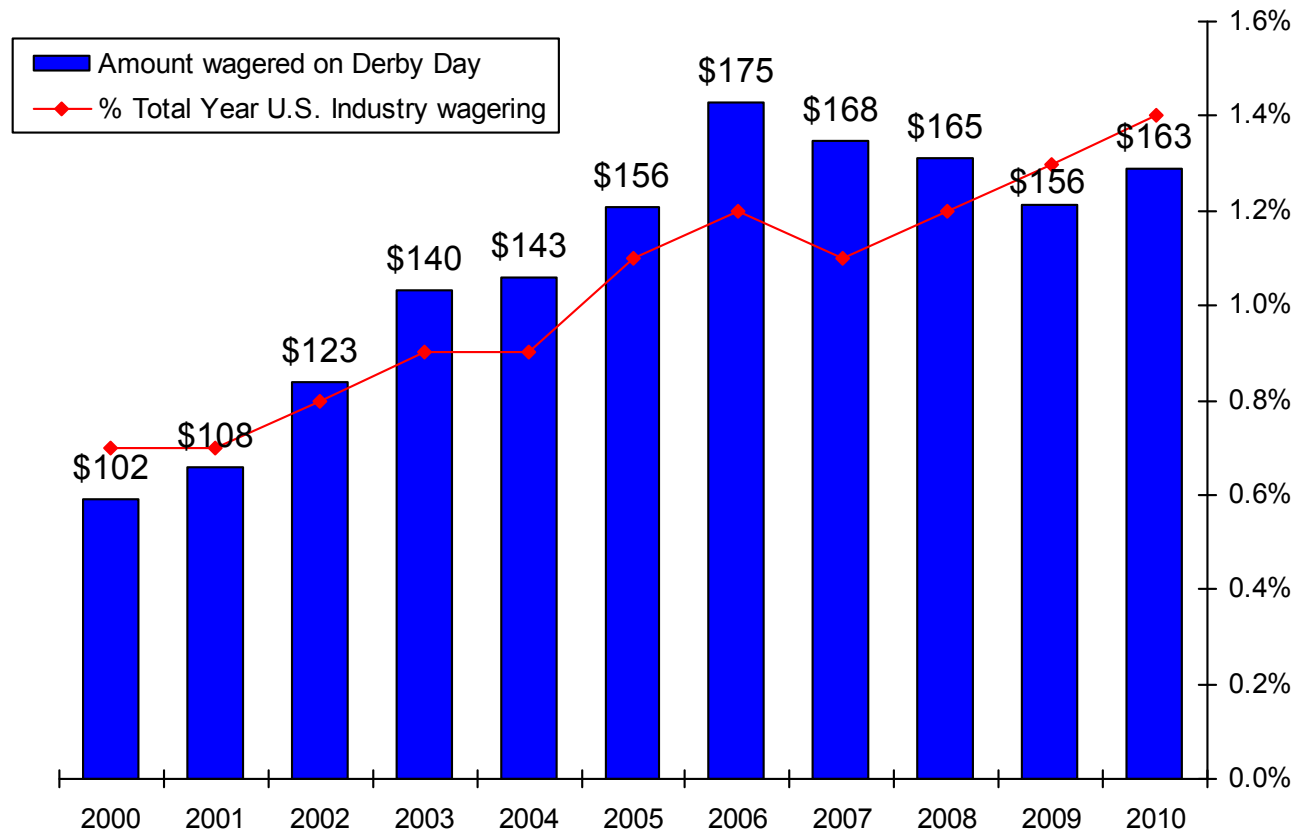
The Derby has very diversified revenue streams

- Wagering
- Ticket Sales
- Parking
- Sponsorships
- T.V. Licensing
- Corporate Hospitality

Kentucky Derby Wagering

Dollars in Millions

Wagering on Kentucky Derby Day continues to grow despite industry trends
- One day, One track ... 1.4% of annual U.S. market & growing

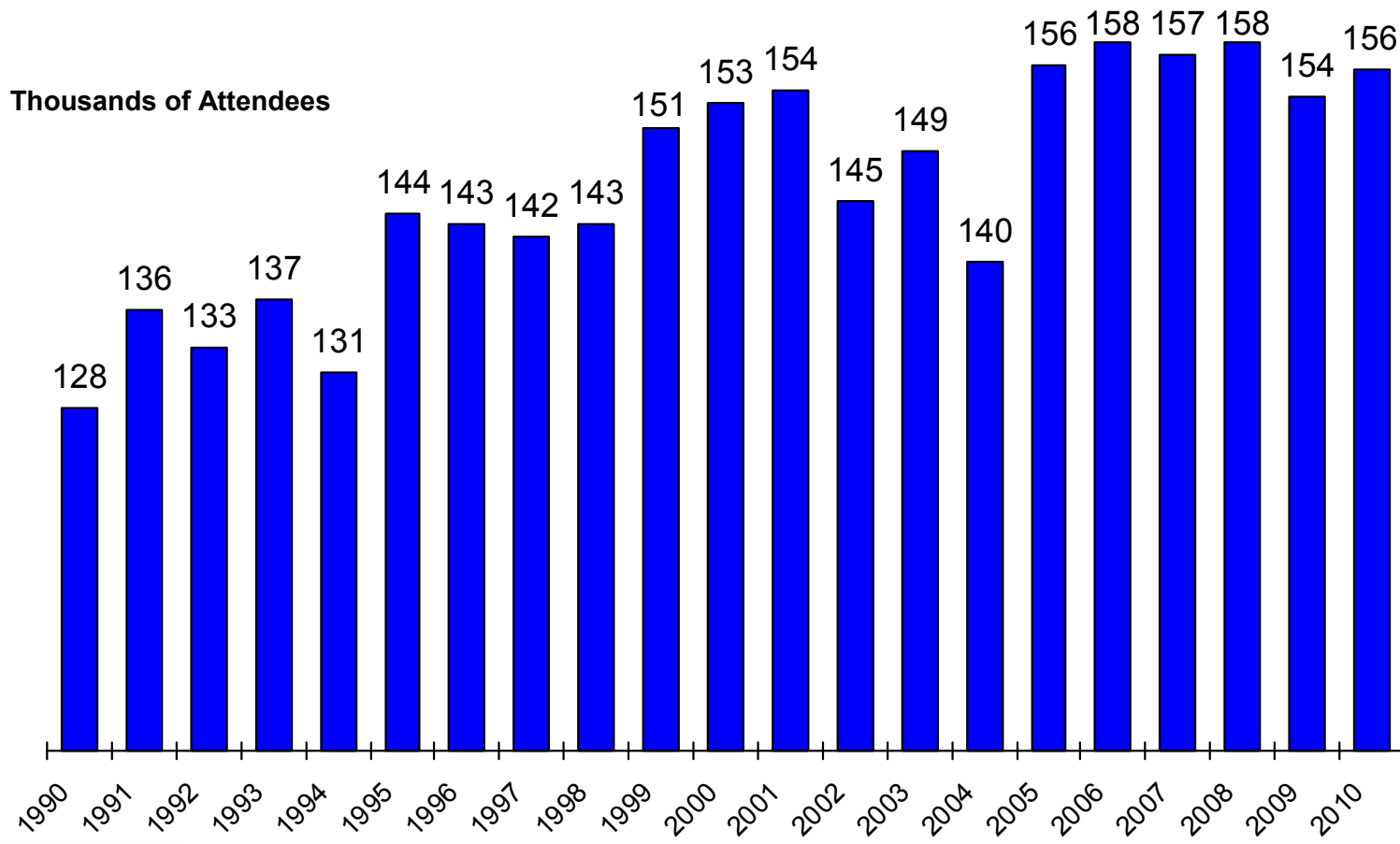


U.S. Industry Source: The Jockey Club, 2010 extrapolated based on July 2010 YTD

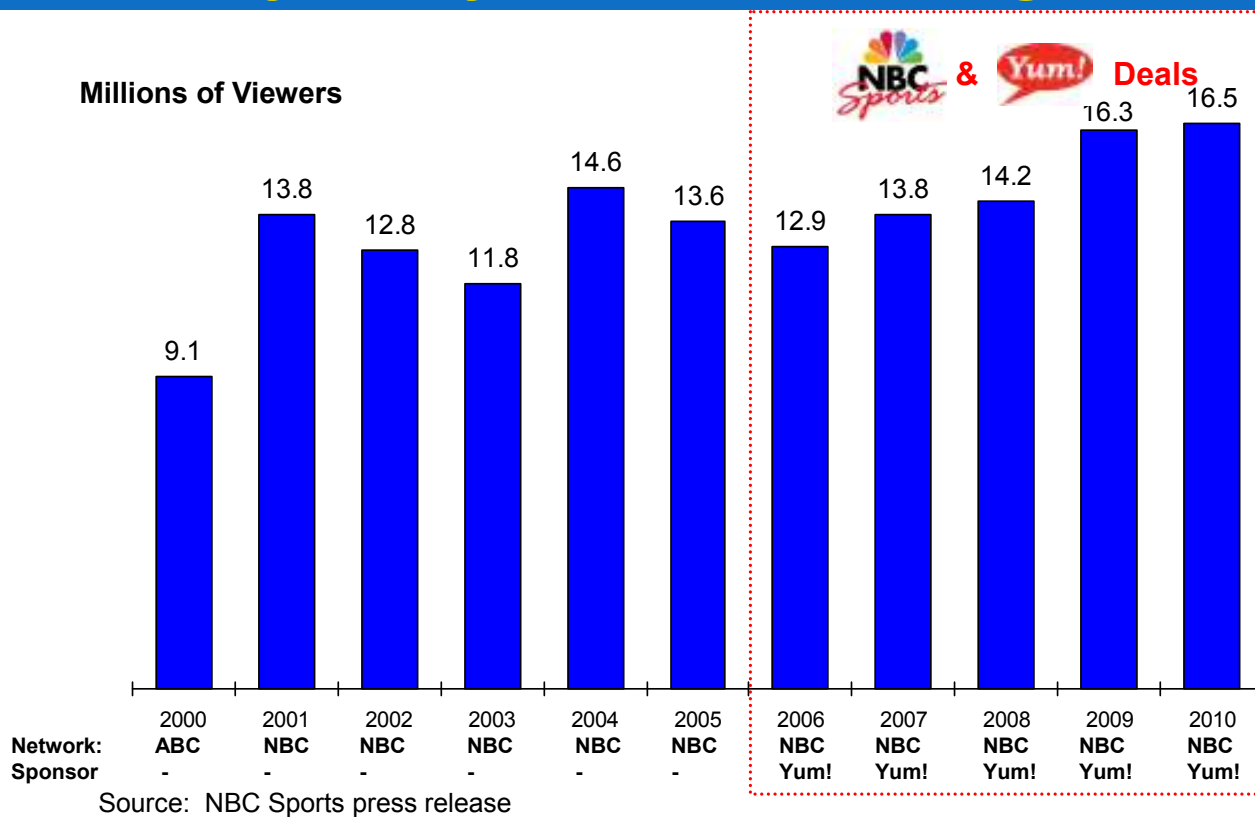
Kentucky Derby Attendance

Attendance near record levels despite economic realities

- Variability primarily driven by infield which, in turn, is driven by weather
- Current infrastructure near capacity



Kentucky Derby Television Ratings are Strong

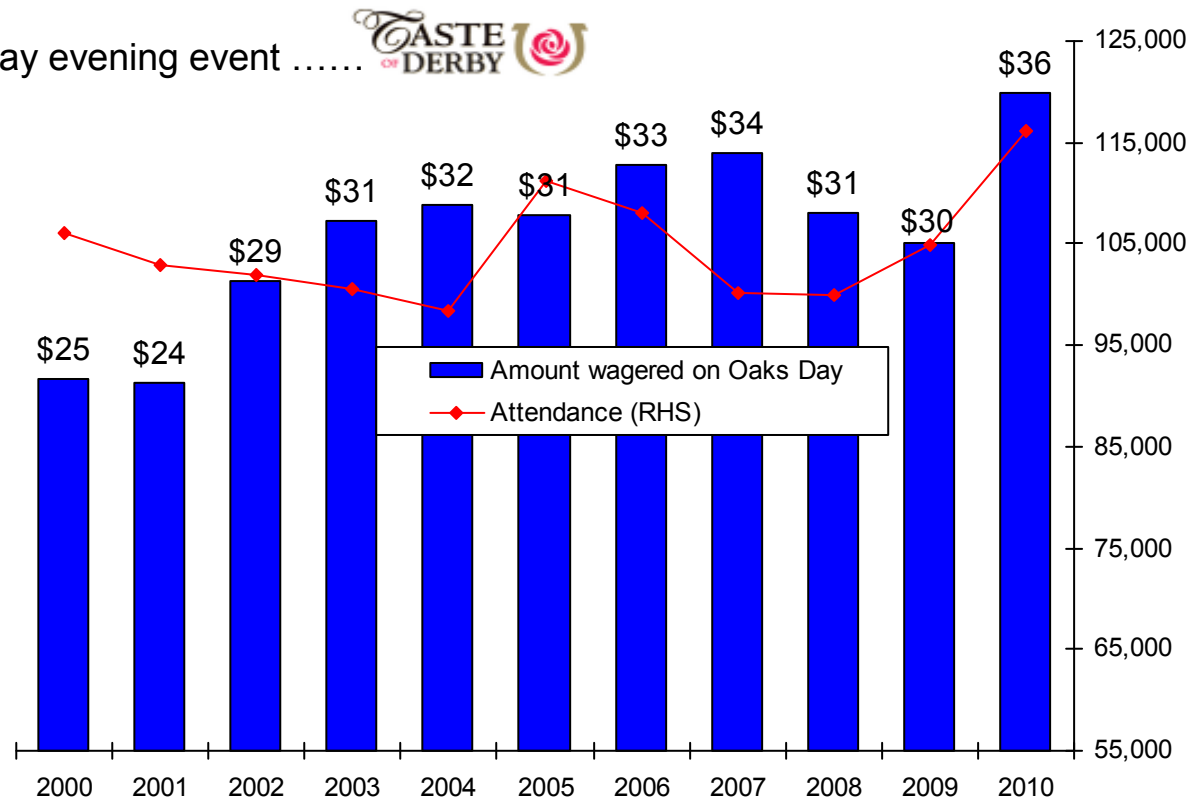


- ✓ Most Watched Derby in 21 Years ... 16.5 million viewers
- ✓ Expanded coverage from 2 hours in 2007 to 3 hours in 2010
- ✓ New network licensing agreement in process
- ✓ New Presenting Sponsor agreement in process

Expanded Network Coverage	2007	2008	2009	2010
Access Hollywood @ The Derby		30 min.	60 min.	60 min.
Red Carpet	30 min.	30 min.	30 min.	30 min.
Pre-Race	30 min.	45 min.	30 min.	30 min.
Race	60 min.	60 min.	60 min.	60 min.
Total	2 hours	2 hrs. 45 min.	3 hours	3 hours

Racing Growth Focused on Derby “Week”

- ✓ The Kentucky Oaks set records for attendance and wagering in 2010
- ✓ Oaks TV coverage moved to **Bravo** in 2009 ...better demographics
- ✓ Focused on women and their interests
 - Partnered with Susan G. Komen for the Cure
 - Tag line: “Ladies First”
- ✓ New sold-out Thursday evening event **TASTE OF DERBY**



Gaming at our Racetracks & OTBs

We know how to get good cash returns in gaming...

Development Principles

- Built for the local market
- Room to expand
- Experienced GMs
- Layout focused on productivity

Louisiana Gaming Operations

- ✓ \$56 million invested
 - New 606 Slot Machine casino - \$33 million
 - 809 Video Poker machines in 9 OTBs - \$23 million
- ✓ \$21.4 million EBITDA generated in 2009

Florida Gaming Operations

- ✓ \$82 million invested
 - 1,246 Slot Machines
 - 29 table "Studz" Poker Room
- ✓ On pace to meet expected \$80 - \$100 million in annual GGR
- ✓ Tax rate dropped 15 basis points to 35% effective July 1, 2010
 - Expected to add approximately \$2 million per quarter in EBITDA after purse contributions (5 bps to purses, 10 bps to Calder)
- ✓ Currently #2 in gross gaming revenues among the five South Florida pari-mutuel gaming operators

Fair Grounds Slots



Calder Casino



Harlow's – Our First Non-Racino Casino



Grand Entrance



Hotel Check-In Desk



Standard Hotel Room



Legends Buffet



Harlow's Casino Resort & Hotel



2,600 Seat Entertainment Arena



Louie's Fine Steaks



33,000 sq. ft. Casino Floor



New Greenville Bridge



Hollywood & Vine Café



Tabu Lounge

Harlow's – Acquisition Details

Announced definitive purchase agreement to acquire Harlow's Casino Resort & Hotel
Monday, Sept 13th, 2010...

Property Details

- ✓ Located in Greenville, MS at the base of the new \$336 million U.S. 82 bridge that opened in August 2010
- ✓ New facility opened in November 2007:
 - 33,000 square foot gaming floor
 - 841 Class III slot machines
 - 23 table games & a poker room
 - 5 story, 105 room attached hotel
 - 2,600 seat entertainment center
 - 3 separate dining areas

Deal Details

- ✓ Valued at ~\$138 million, to be paid in cash
- ✓ Expected to close in the next 3-6 months
- ✓ TTM net gaming revenue of \$50.4 mil.
- ✓ Expected to be EPS accretive in the first year by \$0.27 to \$0.31

Rationale

- ✓ Strategic business and geographic diversification
- ✓ Attractive valuation
- ✓ Paths to future growth
- ✓ Adds hotel management and table games to our skill set

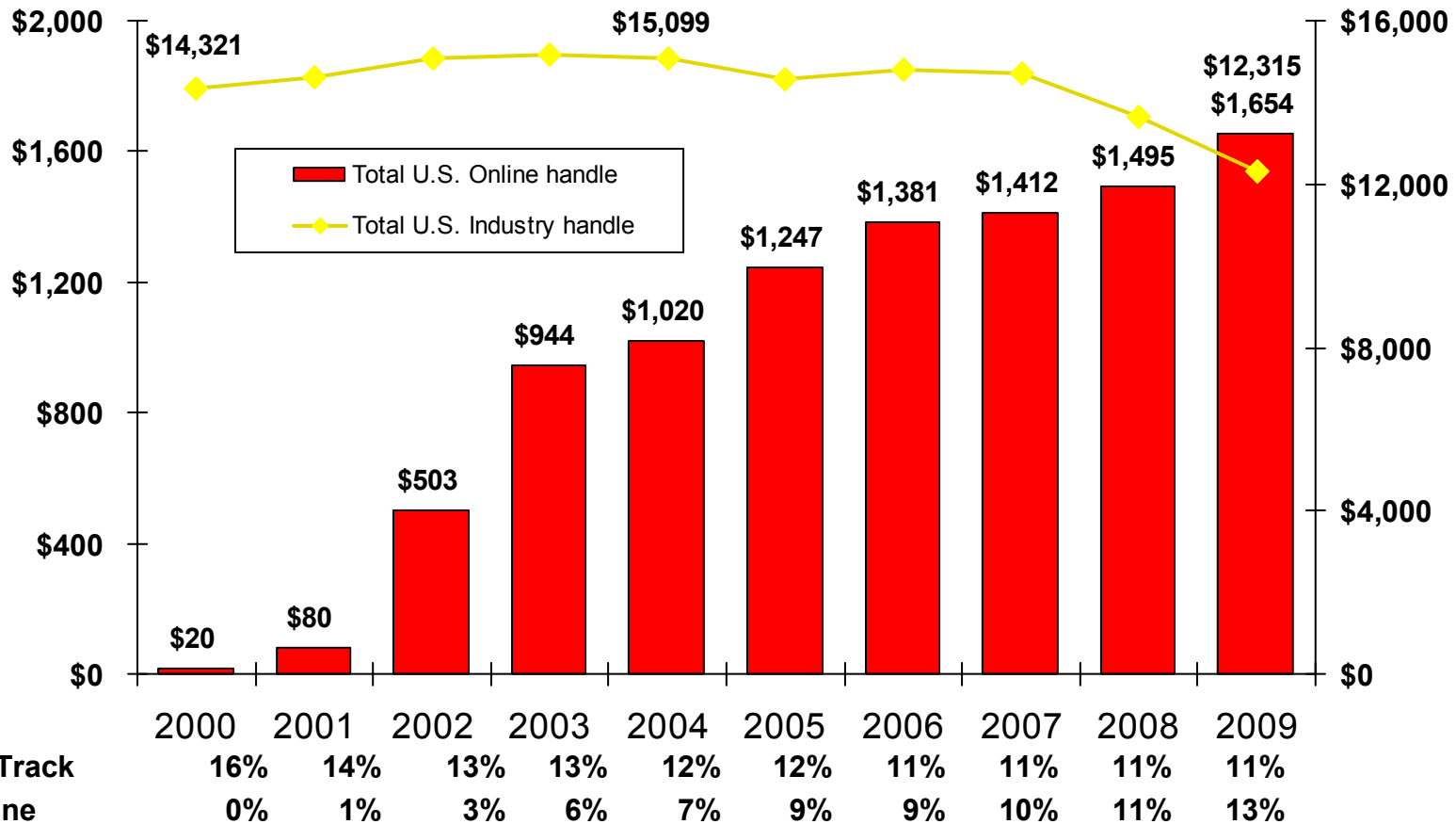
Online – Growing faster than the industry

Dollars in Millions

The only channel growing handle in thoroughbred racing... \$1.7B growth in last 10 years

Online

Industry





Source: U.S. Industry from Equibase.com; Online handle from Oregon Racing Commission & Yobet.com SEC filings

Online – Youbet.com Acquisition Completed June 2nd, 2010

The rate of growth of our Online Business EBITDA should outpace the rate of growth in revenue ...

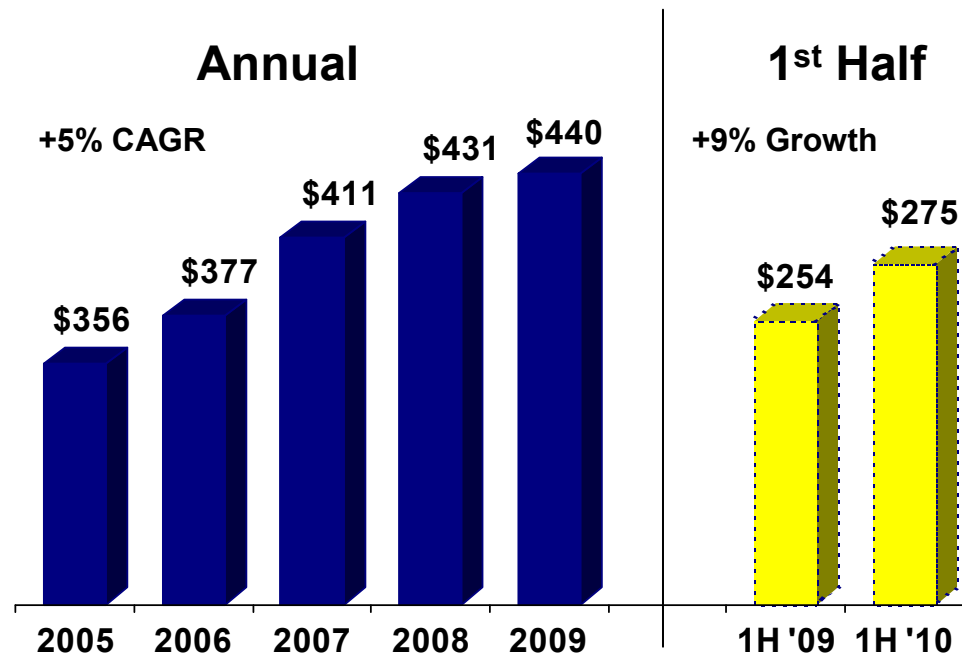
Acquisition Notes

- ✓ Overlapping resources should yield annualized cost synergies of \$12 million / year
- ✓ Cash tax savings of \$20 million from the efficient use of federal net operating losses
- ✓ Well-positioned to pursue Internet Gaming (iGaming) opportunities should they be legalized at the state and / or federal level
- ✓ Better innovation & features for our customers

 <small>a churchill downs company</small>	+			
	2007 <i>(7 Months for TwinSpires.com)</i>	2008	2009	1H 2010 (6 months)
CDI Online Business Handle	\$86.6 mil.	\$234.4 mil.	\$329.7 mil.	\$192.3 mil.
Youbet.com Handle	\$484.2 mil.	\$438.3 mil.	\$480.3 mil.	\$240.3 mil.
Total Handle	\$570.8 mil.	\$672.7 mil.	\$810.0 mil.	\$432.6 mil.
% of Total U.S. Thoroughbred Handle	3.8%	4.9%	6.1%	7.2%

Financials - Revenue

Dollars in Millions



Diversification drives growth...

- ✓ Five year CAGR +5%, First half up 9% vs prior year
- ✓ Racing revenues down 6% thru first half on an 8% industry decline;- a) Kentucky Derby Week strength continues
- ✓ Gaming up 64% - now 20% of total ... growing with new Calder Casino (opened 1/22/10)
- ✓ Online up 26% - now 17% of total ... growing with Youbet.com acquisition (closed on 6/2/10)

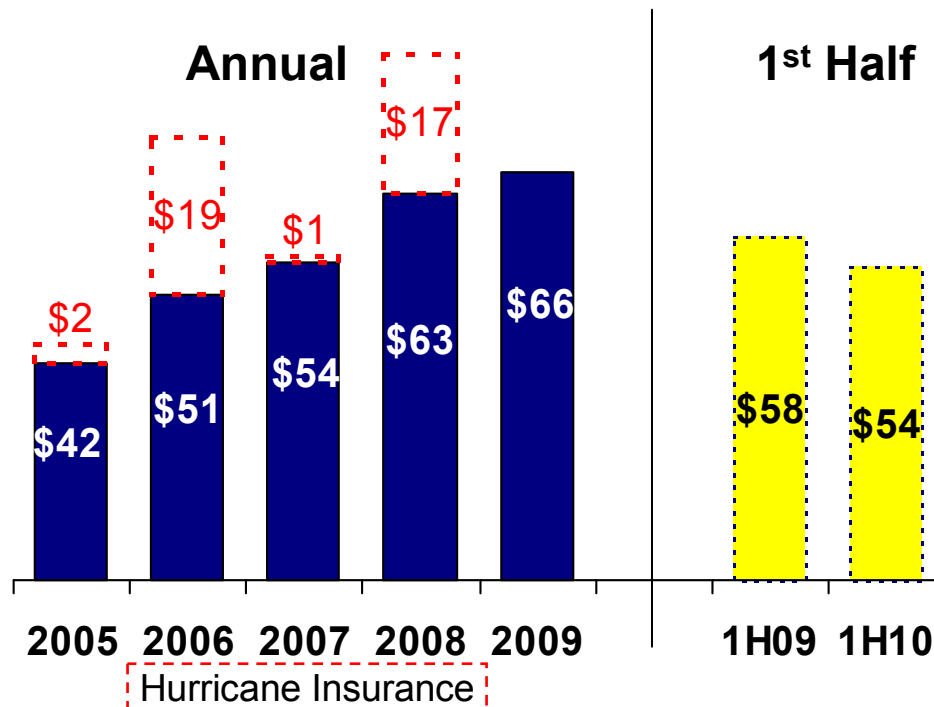
% of Total Company Revenues

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>1H09</u>	<u>1H10</u>
Racing/Derby	97%	93%	87%	75%	70%	72%	62%
Gaming	3%	6%	7%	12%	14%	15%	20%
Online	0%	0%	5%	13%	16%	13%	17%

(a – U.S. Thoroughbred racing handle as reported by Equibase)

Financials - EBITDA

Dollars in Millions



Well positioned for future growth...

- ✓ 1st half decline driven by investments to drive future growth ... Youbet.com transaction costs, Calder Casino pre-opening costs, Entertainment Group start-up investment
- ✓ Total Racing/Derby 1st half declined 3%, but Derby growth (up \$3.4 million) partly offsetting Racing headwind
- ✓ Gaming 22% of total and growing... Florida tax rate reduced 1500 bps to 35% on 7/1/10 boosting EBITDA approximately \$2 million / quarter after purse contribution
- ✓ Online 16% of total and growing... growth slowed with Youbet.com transaction costs (closed on 6/2/10), but well positioned for growth with synergies (~\$12 million annually)

% of Total Company EBITDA

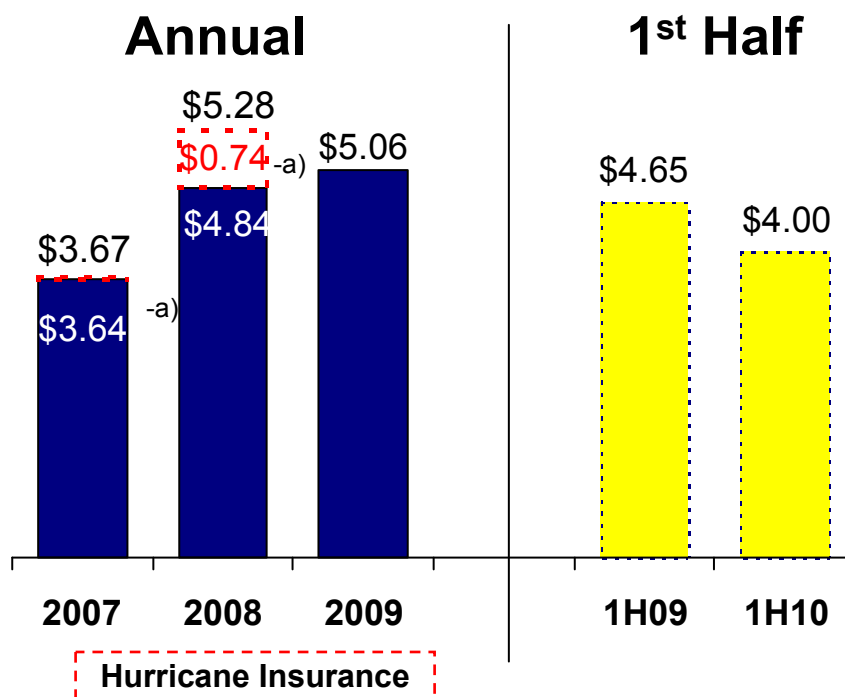
	2006	2007	2008	2009	1H09	1H10
Racing/Derby	84%	86%	63%	53%	66%	68%
Gaming	21%	21%	30%	28%	20%	22%
Online	0%	(3)%	10%	21%	6%	16%
Corp/Other	(5)%	(4)%	(3)%	(2)%	(1)%	(6)%

(Note: excludes hurricane insurance recoveries in each year)

Financials – Cash Flow

Dollars/Shares in Millions
(except CFOA/diluted common share)

Cash provided by operating activities per diluted common share



Very Strong Balance Sheet...

- ✓ Very strong cash flow generation
- ✓ 1st half 2010 dip driven by investments to drive future growth
- ✓ 2008 includes a pre-tax gain of \$17.2 million for hurricane insurance recoveries (approximately \$0.74 per share after tax)
- ✓ Amended and expanded credit facility in December 2009 to \$275 million
- ✓ Cash flow values backstopped with hard assets/real estate

	2007	2008	2009	1H09	1H10
CFOA	\$51	\$78	\$71	\$65	\$58
Diluted Shares	14.0	14.0	14.0	14.0	14.5

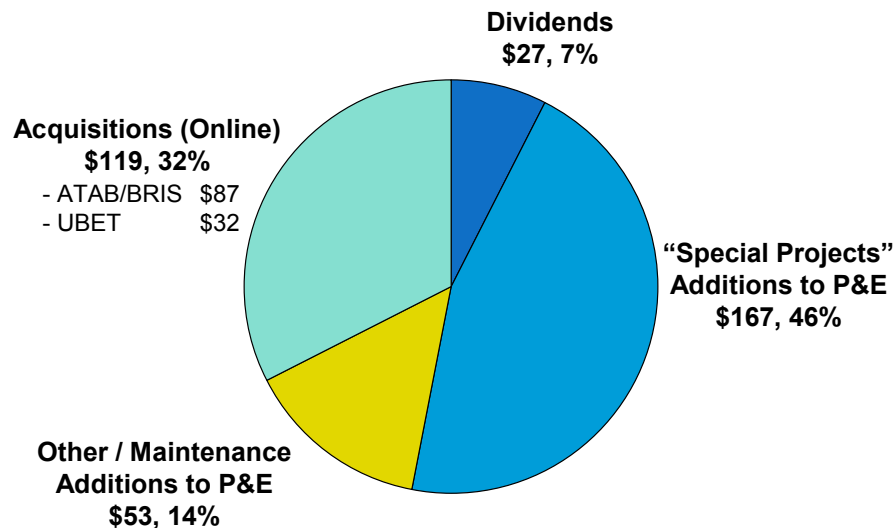
(a – Hurricane recoveries tax effected at 40%)

Note: Cash flow per share was calculated by dividing “cash flows provided by operating activities” by “diluted common shares” as presented in our periodic reports on Forms 10K and 10Q

Financials – Cash Allocation

Dollars in Millions

Additions to P&E, Dividends and Acquisition Expenditures 2007 to 1st Half 2010



Disciplined Cash Allocation..

- ✓ “Special Projects” primarily driven by organic revenue generating opportunities with good cash/cash returns
- ✓ Investing in new higher growth Online segment via acquisition to diversify business
- ✓ Minimum maintenance capital required – CDRT \$120 million upgrade in 2004, FG Slots new in 2008, Calder Slots new in 2010, Online platforms easily scalable
- ✓ Returned \$27 million to shareholders via dividends over the period

Note: Acquisitions only include cash expenditures and do not include equity issued in association with the Yobet.com transaction

Additions to Plant & Equipment Since 2007

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>1H10</u>	<u>Total</u>	
New Casinos/New OTBs	\$8	\$24	\$67	\$16	\$115	} “Special Projects” \$167
Arlington PolyTrak / Dorms	16	1	-	-	17	
Churchill Lights / HDTV	-	-	2	5	7	
Arlington Land	-	-	4	24	28	
Other / Maintenance capital	<u>22</u>	<u>15</u>	<u>9</u>	<u>7</u>	<u>53</u>	
Total additions to P&E	\$46	\$40	\$82	\$52	\$220	

Note: Long term debt increased from \$0 to \$114 million over the period.
For full cash flow sources/uses, please see Form 10-K.

Growth Summary

	<u>2010</u>	<u>2011 & Beyond</u>
Racing / Derby	+ Record Oaks Attendance/Handle + Breeders' Cup + Night Racing	→ New contracts for TV & Presenting Sponsor → Derby pricing and attendance
On-Line	+ Channel shift / organic + Youbet.com acquisition	+ Channel shift / organic + Youbet.com carryover to full year → Expansion beyond pari-mutuel → Possible acquisitions in this space
Gaming	+ Calder Casino opening + New OTB – Chalmette	+ Calder Casino carryover → Potential gaming approval in IL or KY → LA OTB/Video Poker expansion → Possible acquisitions in this space
Entertainment	+ HullabaLOU + Food & Wine Festivals	→ Improved HullabaLOU economics → Other venues and events → Possible acquisitions in this space

Summary

- Racing a small part of the business excluding the Kentucky Derby
- Proven growth through diversification strategy
- Strong balance sheet, backstopped with real assets
- Strong cash flow with access to capital for continued growth
- Disciplined capital allocation process
- Gaming positioned for growth with Calder Casino
- Online positioned for growth with Youbet.com acquisition
- Proven management team with a record of success

Questions?