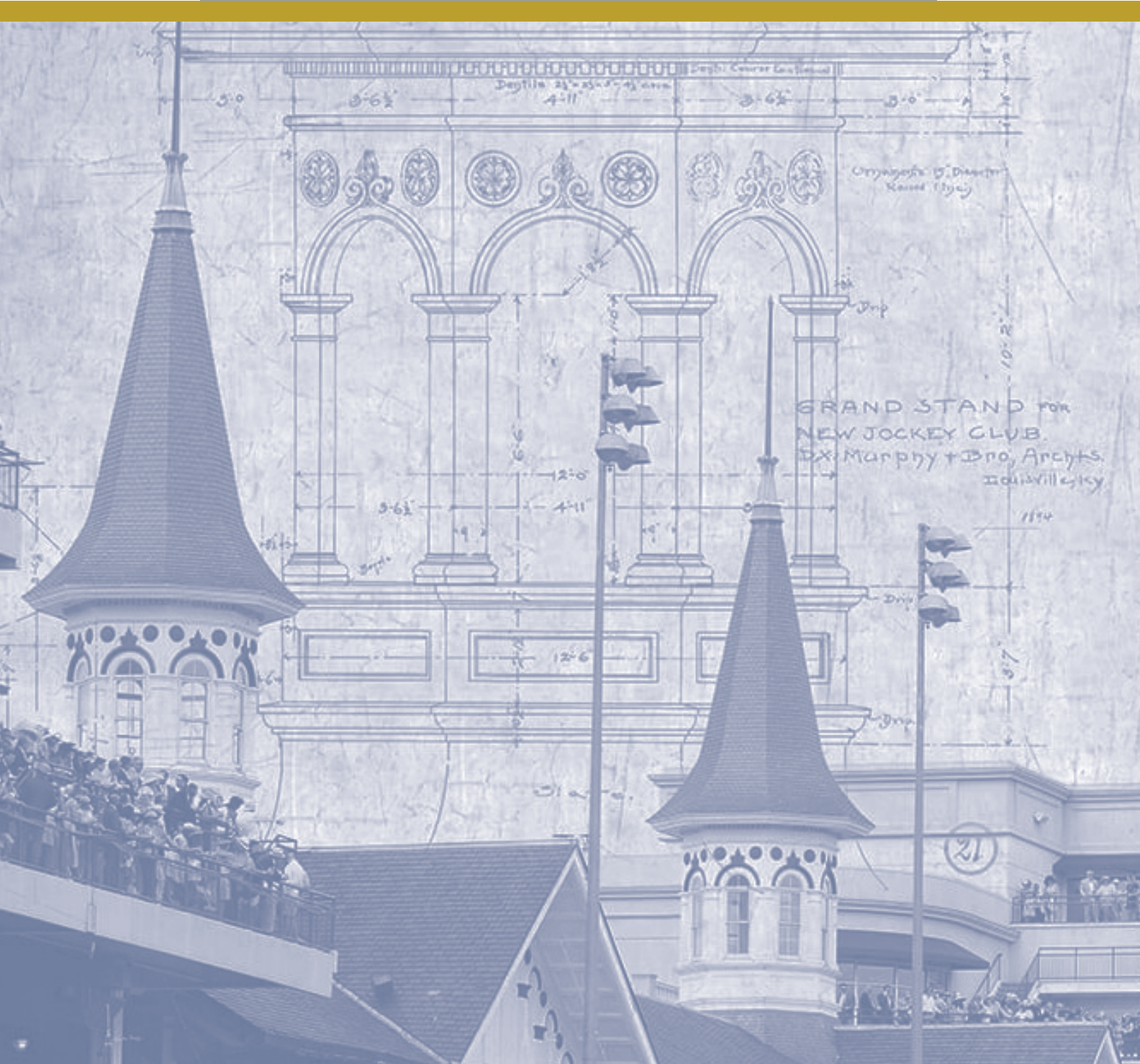


CHURCHILL DOWNS

INCORPORATED

Notice of Annual Meeting of Shareholders
2023 Proxy Statement
2022 Annual Report on Form 10-K



DEAR FELLOW SHAREHOLDERS,

Churchill Downs Incorporated had a tremendous year in 2022—generating record revenue and record Adjusted EBITDA. Our portfolio of business delivered over \$1.8 billion of net revenue and \$764 million of Adjusted EBITDA. Excluding 2020, we have generated record revenue and record Adjusted EBITDA from continuing operations every year since 2016.

In 2022, we accomplished many key strategic and operational objectives and positioned the Company for growth in 2023 and beyond:

- We held a very successful Kentucky Derby setting records in virtually every material metric.
- We completed the P2E transaction, the largest acquisition in our Company's history.
- We expanded our HRM business into three new states—Virginia, New Hampshire and Louisiana.
- We opened Turfway Park, our new HRM entertainment venue in Northern Kentucky.
- We completed two other strategic acquisitions, Ellis Park in Northwestern Kentucky and Chaser's in New Hampshire.
- We completed the sale of the excess land at Calder, and, we have several significant strategic organic investments underway to accelerate our future growth.
- We expanded our ESG efforts including the ongoing promotion of responsible gaming, initiatives to lessen energy and water usage, decrease carbon emissions, and to responsibly manage waste, increased investments in our communities and our teams, further diversified our board of directors, and increased engagement with our shareholders.

Looking forward, we are focused on the organic growth projects that will support our growth over the years to come.

- We remain committed to growing our iconic asset—The Kentucky Derby. The First Turn Experience will open in time for the 149th Derby in May 2023, and our Paddock Project will be ready for the 150th Derby in May 2024.
- HRMs are our key strategic focus over the next five to ten years for the Company as we look to expand our footprint through our expansion in existing and new geographies including:
 - Our ongoing expansion in Virginia with our significant investment in the Dumfries and Emporia HRM entertainment venues as well as in Colonial Downs Racetrack and selective new HRM venues in the future.
 - The pending acquisition of Exacta Systems, LLC to realize additional synergies related to our Virginia assets.
 - Our Kentucky HRM investments in the gaming floor expansion and hotel at Derby City Gaming, our investment in Derby City Gaming Downtown, as well as the Ellis Park and Owensboro HRM entertainment venues.
- Our investment in the Terre Haute Casino Resort in Terre Haute, Indiana.

Our overarching objective is to pursue what we have demonstrated we are good at—growing the Kentucky Derby, developing greenfield and organic opportunities as well as executing acquisitions. Our disciplined focus allows us to grow our Company while maintaining one of the strongest balance sheets in the industry, all of which will enable us to create long-term shareholder value in the years to come.

We have an experienced group of leaders and talented team members who have helped to deliver these results and are building our business to create the best possible total shareholder returns for our investors. We appreciate all their dedication and hard work!

We remain steadfast in our commitment to creating long-term shareholder value and appreciate all of your support.



A handwritten signature in black ink, appearing to read 'R. Alex Rankin'.

R. Alex Rankin
Chairman of the Board

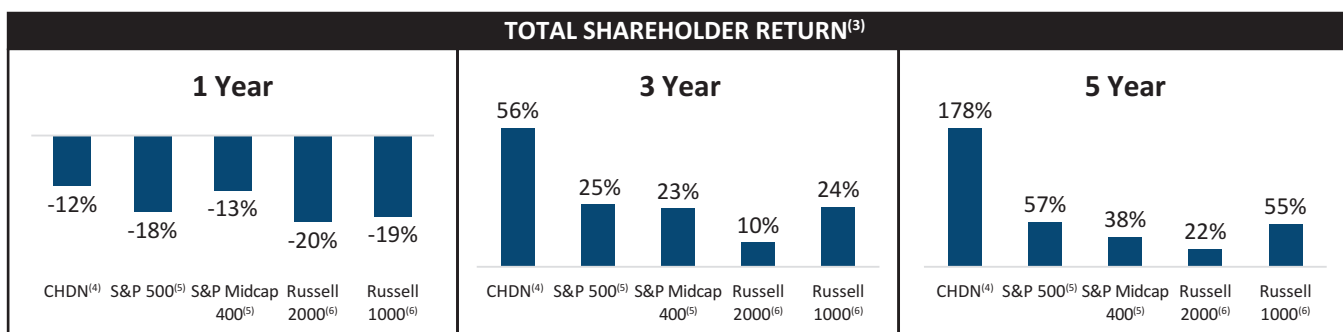


A handwritten signature in black ink, appearing to read 'William Carstanjen'.

William C. Carstanjen
Chief Executive Officer

FINANCIAL HIGHLIGHTS

\$ in millions, except per share data	Year Ended December 31,		
	2020	2021	2022
Consolidated Financial Results			
Net Revenue	\$ 1,054	\$ 1,597	\$ 1,810
Operating Income	\$ 60	\$ 284	\$ 322
Net Income from Continuing Operations	\$ 13	\$ 249	\$ 439
Diluted EPS from Continuing Operations	\$ 0.33	\$ 6.35	\$ 11.42
Adjusted EBITDA ⁽¹⁾	\$ 286.5	\$ 627.0	\$ 763.6
Consolidated Balance Sheet			
Total Assets	\$ 2,686	\$ 2,982	\$ 6,207
Total Debt	\$ 1,622	\$ 1,968	\$ 4,606
Total Liabilities	\$ 2,319	\$ 2,675	\$ 5,655
Shareholders' Equity	\$ 367	\$ 307	\$ 552
Cash Flow and Liquidity			
Cash Flows from Operating Activities From Continuing Operations	\$ 143	\$ 460	\$ 511
Capital Maintenance Expenditures	\$ 23	\$ 40	\$ 50
Net Leverage Ratio ⁽²⁾	5.4x	2.7x	5.9x
Shareholder Data:			
Dividends Declared per Common Share	\$ 0.622	\$ 0.667	\$ 0.714
Common Stock Share Repurchases	\$ 28	\$ 298	\$ 176
Year-End Closing Stock Prices	\$194.79	\$240.90	\$211.43
Equity Market Capitalization	\$ 7,690	\$ 9,174	\$ 7,902
Total Capitalization	\$ 9,312	\$11,142	\$12,508



- (1) Please refer to “Item 7 Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s Form 10-K for the fiscal year ended December 31, 2022 filed with the SEC on February 22, 2023 for a discussion of Adjusted EBITDA, a non-GAAP financial measure, and a reconciliation to the most directly comparable GAAP measure. See Appendix A of this Proxy Statement for a reconciliation of Adjusted EBITDA to net income, which is the most directly comparable financial measure calculated in accordance with GAAP.
- (2) Net leverage ratio is the ratio of total debt (less cash) to Adjusted EBITDA.
- (3) Total Shareholder Return (“TSR”) assumes dividends are reinvested. One-year TSR is calculated from December 31, 2021 to December 31, 2022. Three-year TSR is calculated from December 31, 2019 to December 31, 2022. Five-year TSR is calculated from December 31, 2017 to December 31, 2022.
- (4) Churchill Downs Incorporated (NASDAQ: CHDN)
- (5) Index Data: Copyright Standard and Poor’s, Inc. Used with permission. All rights reserved.
- (6) Index Data: Copyright Russell Investments. Used with permission. All rights reserved.

CHURCHILL DOWNS INCORPORATED

600 N. HURSTBOURNE PARKWAY, STE. 400
LOUISVILLE, KENTUCKY 40222

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Date:

Tuesday, April 25, 2023

Time:

9:00 a.m. Eastern Time

Place:

Via a live audio-only webcast at www.proxydocs.com/CHDN. There is no physical location for the 2023 Annual Meeting.

Agenda:

- I. To elect the three (3) Class III Directors identified in this Proxy Statement for a term of three (3) years (Proposal No. 1);
- II. To ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for fiscal year 2023 (Proposal No. 2);
- III. To conduct an advisory vote to approve executive compensation (Proposal No. 3);
- IV. To conduct an advisory vote on the frequency of holding future advisory votes on executive compensation (Proposal No. 4); and
- V. To transact such other business as may properly come before the meeting or any adjournment thereof, including matters incident to its conduct.

Record Date:

The close of business on March 1, 2023, has been fixed as the record date for determining the shareholders entitled to notice of, and to vote at, the Annual Meeting. Only shareholders of record at that time will be entitled to notice of and to vote at the Annual Meeting and at any adjournments thereof.

Voting:

To attend and vote during the Annual Meeting, visit www.proxydocs.com/CHDN. All shareholders, including those who expect to attend the Annual Meeting virtually, are urged to vote prior to the Annual Meeting by telephone or Internet or by requesting and promptly signing and returning a proxy card, as more fully described in the Notice of Internet Availability of Proxy Materials.



Vote by Telephone



Vote by Internet



Vote by Mail

March 16, 2023

By Order of the Board of Directors.

BRADLEY K. BLACKWELL
*Executive Vice President and
General Counsel,
Secretary*

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 25, 2023

The Company's Proxy Statement for the 2023 Annual Meeting of Shareholders and the Annual Report to Shareholders for the fiscal year ended December 31, 2022 are available at

<http://www.churchilldownsincorporated.com/proxy>

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CHURCHILL DOWNS INCORPORATED

600 N. HURSTBOURNE PARKWAY, STE. 400
LOUISVILLE, KENTUCKY 40222

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 25, 2023

The Board of Directors (the “Board of Directors” or “Board”) of Churchill Downs Incorporated (“Company” or “CHDN”) is soliciting proxies to be voted at the 2023 Annual Meeting of Shareholders to be held on **Tuesday, April 25, 2023, at 9:00 a.m. Eastern Time (the “Annual Meeting”)**, and at any adjournment or postponement thereof. The Annual Meeting will be held in a virtual meeting format only, via the Internet, with no physical in-person meeting. You will be able to attend and participate in the Annual Meeting online by visiting www.proxydocs.com/CHDN. Certain officers and directors of the Company and persons acting under their instruction may also solicit proxies on behalf of the Board of Directors by means of telephone calls, personal interviews and mail at no additional expense to the Company. The Notice of Internet Availability of Proxy Materials (the “Notice”) was first mailed on or about March 16, 2023.

Voting Rights

Only holders of record of the Company’s Common Stock, no par value (“Common Stock”), on March 1, 2023 (the “Record Date”), are entitled to notice of and to vote at the Annual Meeting. On that date, 37,431,956 shares of Common Stock were outstanding and entitled to vote. Each shareholder has one vote per share on all matters coming before the Annual Meeting. The shareholders of the Company do not have cumulative voting rights in the election of directors. Abstentions or “withhold” votes, as applicable, and broker non-votes are not counted in determining the number of votes required for the election of a director or passage of any matter submitted to the shareholders. Abstentions or “withhold” votes and broker non-votes are counted for purposes of determining whether a quorum exists. For more information regarding broker non-votes, see “*What is a broker non-vote?*” below.

To ensure the presence of a quorum, please vote over the Internet, by telephone or by mail as instructed in these materials as promptly as possible. If a shareholder executes and returns a proxy card, but does not specify otherwise, the shares represented by the shareholder’s proxy will be voted: (i) for the election of each of the three director nominees listed below under “Election of Directors”; (ii) for the ratification of the appointment of PricewaterhouseCoopers LLP as the Company’s independent registered public accounting firm for fiscal year 2023; (iii) for the advisory approval of the compensation of the Company’s named executive officers as disclosed in this Proxy Statement pursuant to the compensation disclosure rules of the Securities and Exchange Commission (the “SEC”); (iv) for the advisory approval of once every year as the preferred frequency for advisory votes on executive compensation; and (v) in the discretion of the person or persons voting the proxies, on such other business as may properly come before the Annual Meeting or any adjournments thereof.

VOTING INSTRUCTIONS AND INFORMATION

When and where is our Annual Meeting?

We will hold our Annual Meeting on Tuesday, April 25, 2023 at 9:00 a.m. Eastern Time online at www.proxydocs.com/CHDN.

How are we distributing our proxy materials?

In accordance with the “notice and access” rules and regulations adopted by the SEC, instead of mailing a printed copy of our proxy materials to each shareholder of record (the “full set delivery” option), we are furnishing proxy materials to our shareholders over the Internet (the “notice only” option). A company may use either option, “notice only” or “full set delivery,” for all of its shareholders or may use one method for some shareholders and the other method for others. We believe the “notice only” process expedites shareholders’ receipt of proxy materials and reduces the costs and environmental impact of our Annual Meeting. The Company will bear the entire cost of the solicitation.

On March 16, 2023, we began mailing a Notice to our shareholders containing instructions on how to access this Proxy Statement and our 2022 Annual Report on Form 10-K and vote online, as well as instructions on how to receive paper copies of these documents for shareholders who so select. This Proxy Statement and the 2022 Annual Report on Form 10-K are also available at <http://www.churchilldownsincorporated.com/proxy>.

Who can vote and ask questions at the Annual Meeting?

You are entitled to vote or direct the voting of your shares of CHDN Common Stock if you were a shareholder of record or if you held CHDN Common Stock in “street name” at the close of business on the Record Date (Wednesday, March 1, 2023). On that date, 37,431,956 shares of CHDN Common Stock were outstanding. Each share of CHDN Common Stock held by you on the Record Date is entitled to one vote.

To vote during the Annual Meeting, you must be properly logged into the meeting website, as explained below under “What do I need to attend, and vote at, the Annual Meeting?” We will respond to questions submitted that are applicable to our business and otherwise in compliance with the rules of conduct for the meeting.

How many votes must be present to hold the Annual Meeting?

We must have a “quorum” to conduct the Annual Meeting. A majority of the outstanding shares of Common Stock entitled to vote, represented in person by virtual attendance or by proxy, shall constitute a quorum. Once a share is represented for any purpose at the Annual Meeting, it will be deemed present for quorum purposes for the remainder of the Annual Meeting and for any adjournment of the Annual Meeting, unless a new record date must be set for the adjourned meeting.

What do I need to attend, and vote at, the Annual Meeting?

In order to attend the Annual Meeting, you must register in advance at www.proxydocs.com/CHDN prior to the deadline of **April 23, 2023 at 5:00 p.m. (Eastern Time)**. Upon completing your registration, you will receive further instructions via email, including your unique link that will allow you access to the Annual Meeting and to submit questions prior to the Annual Meeting. Only CHDN shareholders of record as of the close of business on the Record Date will be permitted to attend the Annual Meeting. If you hold shares in “street name,” you will also need a valid “legal proxy” in order to vote at the Annual Meeting, which you can obtain by contacting your account representative at the broker, bank or similar institution through which you hold your shares. This legal proxy must be submitted with your registration to be able to vote your shares at the Annual Meeting.

What proposals will be voted on at the Annual Meeting?

The following proposals from the Company will be considered and voted on at the Annual Meeting:

1. To elect the three (3) Class III Directors identified in this Proxy Statement for a term of three (3) years (Proposal No. 1);
2. To ratify the appointment of PricewaterhouseCoopers LLP as the Company’s independent registered public accounting firm for fiscal year 2023 (Proposal No. 2);

3. To conduct an advisory vote to approve the executive compensation of the Company's named executive officers as disclosed in this Proxy Statement (Proposal No. 3); and
4. To conduct an advisory vote on the frequency of holding future advisory votes on executive compensation (Proposal No. 4).

You may also vote on any other business as may properly come before the Annual Meeting or any adjournment thereof, including matters incident to the Annual Meeting's conduct.

How does the Board of Directors recommend I vote?

CHDN's Board of Directors unanimously recommends that you vote:

1. **"FOR"** each of the three (3) director nominees identified in this Proxy Statement under "Election of Directors" to the Board of Directors.
2. **"FOR"** the proposal to ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for fiscal year 2023.
3. **"FOR"** the proposal to approve, on a non-binding advisory basis, the executive compensation of the Company's named executive officers as disclosed in this Proxy Statement.
4. Every **"ONE YEAR"** as the frequency of the advisory vote to approve the executive compensation of the Company's named executive officers.

How do I vote?

You may cast your vote in one of four ways:

- **By Submitting a Proxy by Internet.** Go to the following website: www.proxypush.com/CHDN. You may submit a proxy by Internet 24 hours a day. To be valid, your proxy by Internet must be received by the time of the Annual Meeting. When you access the website, follow the instructions to create an electronic voting instruction form.
- **By Submitting a Proxy by Telephone.** To submit a proxy using the telephone, call 1-866-284-6863 any time on a touch-tone telephone. There is NO CHARGE to you for the call in the United States or Canada. International calling charges apply outside the United States and Canada. You may submit a proxy by telephone 24 hours a day, 7 days a week. Follow the simple prompts and instructions provided by the recorded message. To be valid, your proxy must be received by the time of the Annual Meeting.
- **By Submitting a Proxy by Mail.** If you have requested and received a proxy card by mail, mark your proxy card, sign and date it, and return it in the prepaid envelope that was provided or return it to: Proxy Tabulator for Churchill Downs Incorporated, P.O. Box 8016, Cary, North Carolina 27512-9903. To be valid, your proxy must be received by April 24, 2023.
- **During the Annual Meeting.** To vote during the live webcast of the Annual Meeting, you must first register at www.proxydocs.com/CHDN. Upon completing your registration, you will receive further instructions via email, including your unique link that will allow you access to the Annual Meeting and to submit questions prior to the Annual Meeting. Please be sure to follow instructions found on your proxy card and/or voting authorization form and subsequent instructions that will be delivered to you via email. Shareholders will be able to attend the Annual Meeting platform with the webcast beginning at 8:45 a.m. (Eastern Time) on April 25, 2023 pursuant to the unique access instructions they receive following their registration at www.proxydocs.com/CHDN.

How can I revoke my proxy or substitute a new proxy or change my vote?

You can revoke your proxy or substitute a new proxy by use of any of the following means:

For a Proxy Submitted by Internet or Telephone

- Submitting in a timely manner a new proxy through the Internet or by telephone that is received prior to the time of the Annual Meeting;
- Requesting, executing and mailing a later-dated proxy card that is received by April 24, 2023; or
- Voting during the virtual Annual Meeting.

For a Proxy Submitted by Mail

- Executing and mailing another proxy card bearing a later date that is received by April 24, 2023;
- Giving written notice of revocation to CHDN's Secretary at 600 N. Hurstbourne Parkway, Ste. 400, Louisville, Kentucky 40222 that is received by CHDN by April 24, 2023; or
- Voting during the virtual Annual Meeting.

What is a broker non-vote?

Brokers, banks or other nominees holding shares on behalf of a beneficial owner may vote those shares in their discretion on certain "routine" matters even if they do not receive timely voting instructions from the beneficial owner. With respect to "non-routine" matters, the broker, bank or other nominee is not permitted to vote shares for a beneficial owner without timely received voting instructions. The only routine matter to be presented at the Annual Meeting is the proposal to ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for fiscal year 2023. The remaining proposals to be presented at the Annual Meeting are considered non-routine.

A broker non-vote occurs when a broker, bank or other nominee does not vote on a non-routine matter because the beneficial owner of such shares has not provided voting instructions with regard to such matter. If a broker, bank or other nominee exercises its discretionary voting authority on the proposal to ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for fiscal year 2023, such shares will be considered present at the Annual Meeting for quorum purposes and broker non-votes will occur as to each of the other proposals presented at the Annual Meeting. Broker non-votes will have no impact on the voting results of the election of directors or the other proposals to be presented at the Annual Meeting.

How will my shares be voted if I return a blank proxy card or a blank voting instruction card?

If you are a holder of record of shares of our common stock and you sign and return a proxy card without giving specific voting instructions, your shares will be voted:

1. **"FOR"** each of the three (3) director nominees identified in this Proxy Statement under "Election of Directors" to the Board of Directors.
2. **"FOR"** the proposal to ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for fiscal year 2023.
3. **"FOR"** the proposal to approve, on a non-binding advisory basis, the executive compensation of the Company's named executive officers as disclosed in this Proxy Statement.
4. Every **"ONE YEAR"** as the frequency of the advisory vote to approve the executive compensation of the Company's named executive officers.

If you hold your shares in street name via a broker, bank or other nominee and return a signed but blank voting instruction card (and do not otherwise provide the broker, bank or other nominee with voting instructions), your shares:

- will be counted as present for purposes of establishing a quorum;
- will be voted in accordance with the broker's, bank's or other nominee's discretion on "routine" matters, which includes only the proposal to ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for fiscal year 2023; and
- will not be counted in connection with the election of directors, the proposal to approve, on a non-binding advisory basis, the executive compensation of the Company's named executive officers as disclosed in this Proxy Statement, the proposal to approve, on a non-binding advisory basis, the frequency of future advisory votes on executive compensation or any other non-routine matters that are properly presented at the Annual Meeting. For each of these proposals, your shares will be treated as "broker non-votes."

Our Board knows of no matter to be presented at the Annual Meeting other than the proposals described above. If any other matters properly come before the Annual Meeting upon which a vote properly may be taken, shares represented by all proxies received by us on the proxy card will be voted with respect thereto as permitted and in accordance with the judgment of the proxy holders.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information as of the Record Date (except as otherwise indicated below) regarding the beneficial ownership of the Common Stock by the only persons known by the Company to beneficially own more than five percent (5%) of the Common Stock, each director and director nominee of the Company, each named executive officer (as defined in “Executive Compensation—2022 Summary Compensation Table” herein), and the Company’s directors and executive officers as a group. Except as otherwise indicated, the persons named in the table have sole voting and investment power with respect to all of the shares of Common Stock shown as beneficially owned by them. The percentage of beneficial ownership is calculated based on 37,431,956 shares of Common Stock outstanding as of the Record Date. We are not aware of any pledge of our Common Stock or any other arrangements the operation of which may at a subsequent date result in a change in control of our Company.

Name of Beneficial Owner	Amount and Nature Of Beneficial Ownership	Percent of Class
FMR LLC and affiliates 245 Summer Street. Boston, MA 02210	4,549,563 ⁽¹⁾	12.15
The Vanguard Group, Inc. and affiliates 100 Vanguard Blvd. Malvern, PA 19355	3,310,700 ⁽²⁾	8.84
BlackRock, Inc. and affiliates 55 East 52nd Street New York, NY 10055	2,988,923 ⁽³⁾	7.98
CDI Holdings LLC 444 W. Lake Street, Suite 2000 Chicago, IL 60606	2,120,000 ⁽⁴⁾	5.66
Ulysses L. Bridgeman, Jr.	24,097 ⁽⁵⁾	*
Andréa Carter	0	*
Robert L. Fealy	58,555 ⁽⁶⁾	0.16
Douglas C. Grissom	10,979 ⁽⁷⁾	*
Daniel P. Harrington	631,585 ⁽⁸⁾	1.69
Karole F. Lloyd	16,551 ⁽⁹⁾	*
R. Alex Rankin	45,956 ⁽¹⁰⁾	0.12
Paul C. Varga	11,301 ⁽¹¹⁾	*
William C. Carstanjen	683,413 ⁽¹²⁾	1.83
William E. Mudd	306,003 ⁽¹³⁾	0.82
Marcia A. Dall	63,251 ⁽¹⁴⁾	0.17
Bradley K. Blackwell	9,472 ⁽¹⁵⁾	*
Maureen Adams	4,491 ⁽¹⁶⁾	*
13 Directors and Executive Officers as a Group	1,865,654 ⁽¹⁷⁾	4.98

* Less than 0.1%.

- (1) Based on a Schedule 13G/A filed with the SEC on February 9, 2023, reporting the beneficial ownership of FMR LLC and its subsidiaries specified therein (“FMR”) as of December 30, 2022. As reported in such filing, FMR has sole voting power over 4,515,964 shares, sole dispositive power over 4,549,563 shares, and no shared voting or dispositive power over any shares.
- (2) Based on a Schedule 13G/A filed with the SEC on February 9, 2023, reporting the beneficial ownership of The Vanguard Group and its subsidiaries specified therein (“Vanguard”) as of December 30, 2022. As reported in such filing, Vanguard has sole voting power over no shares, sole dispositive power over 3,264,967 shares, shared voting power over 16,046 shares and shared dispositive power over 45,733 shares.

- (3) Based on a Schedule 13G/A filed with the SEC on February 3, 2023, reporting the beneficial ownership of BlackRock, Inc. and its subsidiaries specified therein (“BlackRock”) as of December 31, 2022. As reported in such filing, BlackRock has sole voting power over 2,842,367 shares, sole dispositive power over 2,988,923 shares and no shared voting or dispositive power over any shares.
- (4) Based on a Schedule 13D/A filed with the SEC on March 17, 2022, reporting the beneficial ownership of (i) The Duchossois Group, Inc. (“TDG”), (ii) CDI Holdings LLC (“Holdings”), and (iii) Craig J. Duchossois, as of January 28, 2022. TDG, Holdings, and Mr. Duchossois reported shared dispositive power over 2,000,000 shares. Mr. Duchossois reported sole voting and dispositive power over 120,000 shares. For purposes of Rule 13d-3, Mr. Duchossois may be deemed to share beneficial ownership of the Holdings shares. Mr. Duchossois has disclaimed beneficial ownership of the Holdings shares.
- (5) Includes 6,388 deferred stock units, which Mr. Bridgeman has elected to defer pursuant to the Company’s deferred compensation plan. Also includes 17,709 restricted stock units awarded by the Company for his board service, over which Mr. Bridgeman has neither voting nor dispositive power until immediately following his resignation or retirement from the Board.
- (6) Includes 35,324 deferred stock units, which Mr. Fealy has elected to defer pursuant to the Company’s deferred compensation plan. Also includes 23,231 restricted stock units awarded by the Company for his board service, over which Mr. Fealy has neither voting nor dispositive power until immediately following his resignation or retirement from the Board.
- (7) Includes 4,428 deferred stock units, which Mr. Grissom has elected to defer pursuant to the Company’s deferred compensation plan. Also includes 6,551 restricted stock units awarded by the Company for his board service, over which Mr. Grissom has neither voting nor dispositive power until immediately following his resignation or retirement from the Board.
- (8) Mr. Harrington shares voting and investment power with respect to 572,676 shares held by TVI Corp. He specifically disclaims beneficial ownership of these shares. Amount in chart includes 35,678 deferred stock units, which Mr. Harrington has elected to defer pursuant to the Company’s deferred compensation plan. Also includes 23,231 restricted stock units awarded by the Company for his board service, over which Mr. Harrington has neither voting nor dispositive power until immediately following his resignation or retirement from the Board. Amount in chart does not include 97,602 shares held by the Veale Foundation. Mr. Harrington is a member of the Board of Trustees of the Veale Foundation, but Mr. Harrington disclaims beneficial ownership of those shares.
- (9) Includes 6,551 restricted stock units awarded by the Company for her board service, over which Ms. Lloyd has neither voting nor dispositive power until immediately following her resignation or retirement from the Board.
- (10) Includes 23,231 restricted stock units awarded by the Company for his board service, over which Mr. Rankin has neither voting nor dispositive power until immediately following his resignation or retirement from the Board.
- (11) Includes 3,301 restricted stock units awarded by the Company for his board service, over which Mr. Varga has neither voting nor dispositive power until immediately following his resignation or retirement from the Board.
- (12) Excludes 30,067 restricted stock units deferred under the Company’s Deferral Plan. Excludes 256,531 restricted stock units and 2018 performance stock units, tied to Mr. Carstanjen’s continued service to the Company, awarded under the Company’s 2016 Omnibus Stock Incentive Plan over which Mr. Carstanjen has neither voting nor dispositive power until October 30, 2023, at which time 75,971 units shall vest without restriction; December 31, 2023, at which time 14,643 units shall vest without restriction; October 30, 2024, at which time 75,971 units shall vest without restriction; December 31, 2024, at which time 9,438 units shall vest without restriction; October 30, 2025, at which time 75,971 units shall vest without restriction; and December 31, 2025, at which time 4,537 units shall vest without restriction. Excludes 29,199 performance stock units awarded under the Company’s executive long term incentive compensation plan over which Mr. Carstanjen has neither voting nor dispositive power until December 31, 2023, at which time the performance period ends with regard to 14,496 performance stock units; and December 31, 2024, at which time the performance period ends with regard to 14,703 performance stock units. Further excludes all performance stock units to be awarded to Mr. Carstanjen under the Company’s executive long-term incentive compensation plan for the performance period of January 1, 2023 through December 31, 2025.
- (13) Excludes 155,277 restricted stock units and 2018 performance stock units, tied to Mr. Mudd’s continued service to the Company, awarded under the Company’s 2016 Omnibus Stock Incentive Plan over which Mr. Mudd has neither voting nor dispositive power until October 30, 2023, at which time 47,483 units shall vest without restriction; December 31, 2023, at which time 6,596 units shall vest without restriction; October 30, 2024, at which time 47,483 units shall vest without restriction; December 31, 2024, at which time 4,230 units shall vest without restriction; October 30, 2025, at which time 47,483 units shall vest without restriction; and December 31, 2025, at which time 2,002 units shall vest without restriction. Excludes 13,274 performance stock units awarded under the Company’s executive long term incentive compensation plan over which Mr. Mudd has neither voting nor dispositive power until December 31, 2023, at which time the performance period ends with regard to 6,590 performance stock units; and December 31, 2024, at which time the performance period ends with regard to 6,684 performance stock units. Further excludes all performance stock units to be awarded to Mr. Mudd under the Company’s executive long-term incentive compensation plan for the performance period of January 1, 2023 through December 31, 2025.

- (14) Excludes 3,906 restricted stock units deferred under the Company's Deferral Plan. Excludes 8,855 restricted stock units, tied to Ms. Dall's continued service to the Company, awarded under the Company's 2016 Omnibus Stock Incentive Plan over which Ms. Dall has neither voting nor dispositive power until December 31, 2023, at which time 4,285 units shall vest without restriction; December 31, 2024, at which time 3,102 units shall vest without restriction; and December 31, 2025, at which time the remaining 1,468 units shall vest without restriction. Excludes 8,196 performance stock units awarded under the Company's executive long term incentive compensation plan over which Ms. Dall has neither voting nor dispositive power until December 31, 2023, at which time the performance period ends with regard to 3,295 performance stock units; and December 31, 2024, at which time the performance period ends with regard to 4,901 performance stock units. Further excludes all performance stock units to be awarded to Ms. Dall under the Company's executive long-term incentive compensation plan for the performance period of January 1, 2023 through December 31, 2025.
- (15) Excludes 4,625 restricted stock units, tied to Mr. Blackwell's continued service to the Company, awarded under the Company's 2016 Omnibus Stock Incentive Plan over which Mr. Blackwell has neither voting nor dispositive power until December 31, 2023, at which time 734 units shall vest without restriction; February 10, 2024, at which time 1,606 units shall vest without restriction; December 31, 2024, at which time 734 units shall vest without restriction; February 10, 2025, at which time 817 units shall vest without restriction; and December 31, 2025, at which time 734 units shall vest without restriction. Excludes 2,451 performance stock units awarded under the Company's executive long term incentive compensation plan over which Mr. Blackwell has neither voting nor dispositive power until December 31, 2024, at which time the performance period ends. Further excludes all performance stock units to be awarded to Mr. Blackwell under the Company's executive long-term incentive compensation plan for the performance period of January 1, 2023 through December 31, 2025.
- (16) Excludes 4,004 restricted stock units, tied to Ms. Adams continued service to the Company, awarded under the Company's 2016 Omnibus Stock Incentive Plan over which Ms. Adams has neither voting nor dispositive power until December 31, 2023, at which time 734 units shall vest without restriction; February 10, 2024, at which time 1,059 units shall vest without restriction; December 31, 2024, at which time the remaining 734 units shall vest without restriction; February 10, 2025, at which time 743 units shall vest without restriction; and December 31, 2025, at which time 734 units shall vest without restriction. Excludes 2,228 performance stock units awarded under the Company's executive long term incentive compensation plan over which Ms. Adams has neither voting nor dispositive power until December 31, 2024, at which time the performance period ends. Further excludes all performance stock units to be awarded to Ms. Adams under the Company's executive long-term incentive compensation plan for the performance period of January 1, 2023 through December 31, 2025.
- (17) See table on page 8 and "Information about our Executive Officers".

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The Company’s executive officers, as listed below, are elected annually to their executive offices and serve at the pleasure of the Board of Directors.

Name and Age	Position(s) With Company and Term of Office
William C. Carstanjen⁽¹⁾ Age: 55	Chief Executive Officer since August 2014; President and Chief Operating Officer from March 2011 to August 2014; Chief Operating Officer from January 2009 to March 2011; Executive Vice President and Chief Development Officer from June 2005 to January 2009; General Counsel from June 2005 to December 2006
William E. Mudd⁽²⁾ Age: 51	President and Chief Operating Officer since October 2015; President and Chief Financial Officer from August 2014 to October 2015; Executive Vice President and Chief Financial Officer from October 2007 to August 2014
Marcia A. Dall⁽³⁾ Age: 59	Executive Vice President and Chief Financial Officer since October 2015
Bradley K. Blackwell⁽⁴⁾ Age: 51	Executive Vice President and General Counsel since February 2023; Senior Vice President and General Counsel from March 2017 to February 2023; Vice President, Operations from February 2015 to March 2017; Vice President, Legal from April 2011 to February 2015; Vice President, Legal and Regulatory Affairs for TwinSpires from January 2007 to April 2011; Corporate Counsel from April 2005 to January 2007
Maureen Adams⁽⁵⁾ Age: 59	Executive Vice President, Gaming Operations since February 2023; Senior Vice President, Gaming Operations from February 2022 to February 2023; Vice President of Gaming Operations from July 2019 to February 2022; President and General Manager of Calder Casino from August 2013 to July 2019

- (1) Prior to joining the Company, Mr. Carstanjen was employed at General Electric Company (“GE”). From 2004 through June 2005, he served as the Managing Director and General Counsel of GE Commercial Finance, Energy Financial Services. From 2002 to 2004, he served as General Counsel of GE Specialty Materials and, from 2000 to 2002, he served as Transactions and Finance Counsel of GE Worldwide Headquarters. Mr. Carstanjen began his career as an attorney with Cravath, Swaine & Moore LLP in New York City, specializing in mergers and acquisitions and other corporate transactions.
- (2) Prior to joining the Company, Mr. Mudd was employed at GE. From 2006 through October 2007, he served as Chief Financial Officer, Global Commercial & Americas P&L of GE Infrastructure, Water & Process Technologies. From 2004 to 2006, he served as Chief Financial Officer, Supply Chain, Information Technology and Technology Finance, GE Consumer & Industrial Europe, Middle East, & Africa, Budapest and Hungary and, from 2002 to 2004, he served as Manager, Global Financial Planning & Analysis and Business Development at GE FANUC in Charlottesville, Virginia.
- (3) Prior to joining the Company, Ms. Dall was employed at Erie Indemnity Company, a company providing sales, underwriting and administrative services to Erie Insurance Exchange, where from March 2009 through October 2015, she served as Executive Vice President and Chief Financial Officer. From January 2008 until March 2009, she served as Chief Financial Officer of the Healthcare division at CIGNA Corporation. Prior to CIGNA, Ms. Dall was a corporate officer and the Chief Financial Officer for the International and U.S. Mortgage Insurance segments of Genworth Financial, a former subsidiary of GE. Ms. Dall began her career in 1985 in the Financial Management Program at GE and held various leadership roles both in finance and operations over her twenty-plus year tenure with GE. Ms. Dall is a Certified Public Accountant.
- (4) Prior to joining the Company, Mr. Blackwell served as Assistant General Counsel and Secretary at Michaels Stores, Inc. (“Michaels”), a NYSE publicly traded specialty retailer with over 1,000 stores across 49 states, Canada, and Puerto Rico. Prior to Michaels, Mr. Blackwell served as an attorney with Jones Day in Dallas, Texas, focusing on mergers and acquisitions and corporate counseling.
- (5) Prior to joining the Company, Ms. Adams was employed by Caesars Entertainment for 15 years where she held a variety of senior positions in Finance, Marketing/Sales, and Operations.

ELECTION OF DIRECTORS (Proposal No. 1)

At the Annual Meeting, shareholders will vote to elect the three (3) persons identified below to serve in Class III of the Board of Directors and to hold office for a term of three (3) years expiring at the 2026 annual meeting of shareholders and thereafter until their respective successors shall be duly elected and qualified or until the earlier of their resignation, death or removal.

The Amended and Restated Bylaws of the Company provide that the Board of Directors shall be composed of not fewer than three (3) nor more than fifteen (15) members, the exact number to be established by the Board of Directors, and further provide for the division of the Board of Directors into three (3) approximately equal classes, of which one (1) class is elected annually to a three (3) year term. Currently the Board of Directors is comprised of nine (9) directors, with three (3) directors in Class I, three (3) directors in Class II and three (3) directors in Class III.

The Nominating and Governance Committee has recommended, and the Board has approved, the nomination of the three (3) persons named in the following table for election as directors in Class III. The nominees currently serve as members of Class III and have agreed to serve if re-elected.

Directors are elected by a plurality of votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present. With each shareholder having one vote per share to cast for each director position, the nominees receiving the greatest number of votes will be elected. The biographical information for our directors and director nominees below includes information regarding certain of the experiences, qualifications, attributes and skills that led to the determination that such individuals are qualified to serve on the Board of Directors.



The Board of Directors recommends a vote “FOR” the election of the directors in Class III named below.

Election of Directors

The following table sets forth information relating to the Class III director nominees of the Company who are proposed to the shareholders for election to serve as directors for a term of three (3) years, expiring at the 2026 annual meeting of shareholders, and thereafter until their respective successors shall be duly elected and qualified or until the earlier of their resignation, death or removal.

Class III—Nominated for Terms Expiring in 2026

Robert L. Fealy



Age: 71
Director since 2000

Background, Skills and Experience

Mr. Fealy is Managing Director of Limerick Investments, LLC, an investment firm. He previously was co-founder and President of Aluminate, Inc., a provider of data analytics solutions, which was sold in 2021. He retired effective June 30, 2014 as President, Chief Operating Officer and Director of The Duchossois Group, Inc. Mr. Fealy was originally nominated to serve as a director of the Company pursuant to the stockholder's agreement between the Company and Duchossois Industries, Inc. Prior to Mr. Fealy's employment with The Duchossois Group, Inc., he was a senior executive at Cummins Inc., serving in various roles including Vice President-Treasurer and Vice President-Global Business Strategy. Mr. Fealy currently holds the following leadership positions with other entities: Board Director and member of the Audit Committee and Nominating and Governance Committee, Panduit, Inc.; Board Director and member of the Compensation Commission, Affinaquest, Inc.; Entrepreneur Partner, Advisor and Former Chairman, Chicago Ventures; Board Director and Treasurer, Richard L. Duchossois Memorial Foundation; Member, University of Cincinnati Lindner College of Business Executive Cabinet; Board Member and past Chairman, Uniting Voices Chicago; Trustee, The Morton Arboretum; and, Partner, Social Venture Partners.

Key Qualifications and Experience

Mr. Fealy has years of finance, entrepreneurial, accounting, strategy, international, human capital, and leadership experience acquired while serving in multiple senior leadership roles with oversight over a diverse group of companies with operations in over 30 countries.

Douglas C. Grissom



Age: 55
Director since 2017

Background, Skills and Experience

Mr. Grissom is a Managing Director on Madison Dearborn Partners' ("MDP") Business & Government Software and Services team. Prior to joining MDP, he was with Bain Capital in private equity, McKinsey & Company, and Goldman Sachs. At MDP, Doug serves on the Board of Directors of Fleet Complete. In addition, he was formerly on the Boards of Directors of @stake, Aderant, Asurion, BlueCat Networks, Cbeyond, Fieldglass, Great Lakes Dredge and Dock, Intelsat, LGS Innovations, Lightspeed Systems, LinQuest Corporation, and Neoworld. Outside MDP, he is a Board Member at Amherst College, Endeavor Louisville, Harvard Business School Fund Council, James Graham Brown Foundation, Louisville Collegiate Schools, and MetroSquash.

Key Qualifications and Experience

Mr. Grissom has extensive financial and board experience within a variety of industries. Mr. Grissom also has extensive private equity, mergers and acquisitions, and finance experience through his years of experience as an investment banker, consultant, and investor.

Daniel P. Harrington



Age: 67
Director since 1998

Background, Skills and Experience

Mr. Harrington serves as the President and Chief Executive Officer of HTV Industries, Inc., a private holding company with diversified business interests that include manufacturing, distribution, technology, and banking. Mr. Harrington also serves as a Trustee of The Veale Foundation. Previously, Mr. Harrington has served as a Director of First Guaranty Bank, First State Financial Corporation, and Portec Rail Products, Inc. (serving on its Audit and Compensation Committees).

Key Qualifications and Experience

Mr. Harrington has extensive financial, accounting, and chief executive experience within a variety of industries. He also has board, compensation, and audit experience, including serving for years as the Audit Chair for the Company and qualifies as an Audit Committee Financial Expert.

- (1) Summaries above include directorships at any time within the last 5 years in companies with a class of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), subject to the requirements of Section 15(d) of the Exchange Act or companies registered under the Investment Company Act of 1940 and, in the case of certain directors, other present or former directorships or positions considered significant by them.

The Board of Directors has no reason to believe that any of the nominees will be unavailable to serve as a director. If any nominee should become unavailable before the Annual Meeting, the persons named in the proxy, or their substitutes, reserve the right to vote for substitute nominees selected by the Board of Directors.

Continuing Directors

The following tables set forth information relating to the Class I and Class II directors of the Company who will continue to serve as directors until the expiration of their respective terms of office and until their respective successors are duly elected and qualified.

Class I—Terms Expiring in 2024

William C. Carstanjen



Age: 55
Director since 2015

Background, Skills and Experience

Mr. Carstanjen was named the Company's twelfth Chief Executive Officer in August 2014 and appointed to the Board of Directors in July 2015. Mr. Carstanjen served as the Company's President and Chief Operating Officer (2011-2014), the Company's Chief Operating Officer (2009-2011) and as Executive Vice President, General Counsel and Chief Development Officer for the Company (2005-2009). Mr. Carstanjen joined the Company in July 2005 after serving as an executive with General Electric Company. Mr. Carstanjen began his career as an attorney with Cravath, Swaine & Moore LLP in New York City, specializing in mergers and acquisitions, corporate finance, and corporate governance. Mr. Carstanjen brings a wealth of experience and knowledge to his leadership role at the Company. Throughout his tenure, Mr. Carstanjen has led the Company's diversification strategy into its online business lines, historical horse racing operations and regional casino gaming, as well as led the growth of the Kentucky Oaks and Kentucky Derby events. Mr. Carstanjen is a Director of Glenview Trust Company and the American Gaming Association.

Key Qualifications and Experience

Mr. Carstanjen has many years of leadership, strategy, mergers and acquisition, corporate finance, corporate governance and legal experience. He brings a wealth of experience and knowledge through his leadership roles at the Company.

Karole F. Lloyd



Age: 64
Director since 2018

Background, Skills and Experience

Mrs. Lloyd was elected to the Board of Directors in 2018 and serves as Chair of the Audit Committee. Mrs. Lloyd has served on the Board of Directors of Aflac Inc. since January 2017 and as a member of the Executive Committee and the Finance and Investment Committee of the Aflac Inc. Board of Directors. Mrs. Lloyd is the retired Vice Chair and Southeast Regional Managing Partner for Ernst & Young LLP ("EY"). From 2009 through 2016, she served as a member of the US Executive Board, Americas Operating Executive, and the Global Practice Group for EY. In her 37-year career at EY, Mrs. Lloyd served many of EY's highest profile clients through mergers, IPOs, acquisitions, divestitures, and across numerous industries including banking, insurance, consumer products, transportation, real estate, manufacturing, and retail. Mrs. Lloyd is active in the Atlanta community, working with the Metro Atlanta Chamber of Commerce and The Rotary Club of Atlanta. She was previously the Chair of the Atlanta Symphony Orchestra Board of Directors. Mrs. Lloyd is active in supporting many colleges and universities throughout the southeast, including serving on the President's Advisory Council and the Board of Visitors at the University of Alabama. Mrs. Lloyd received her NACD cyber-risk oversight certification in 2022.

Key Qualifications and Experience

Mrs. Lloyd has extensive accounting and advisory experience that includes financial reporting, regulatory compliance, internal audit, and risk management to go along with her leadership skills. She also brings experience from serving as a public company board member and qualifies as an Audit Committee Financial Expert.

Paul C. Varga



Age: 59
Director since 2020

Background, Skills and Experience

Mr. Varga was appointed to the Board of Directors on February 25, 2020. Mr. Varga served as the Chairman and Chief Executive Officer of Brown-Forman Corporation, a public global spirits and wine company, from August 2007 until his retirement in December 2018. He served as President and Chief Executive Officer of Brown-Forman Beverages, a division of Brown-Forman Corporation, from 2003 to 2005, and as Global Chief Marketing Officer for Brown-Forman Spirits from 2000 to 2003. Mr. Varga currently serves on the Board of Directors of Macy's, Inc. as Lead Independent Director and as a member of both the Compensation and Management Development Committee and Finance Committee. He previously served on the Board of Directors of Brown-Forman Corporation from 2003 until July 2019.

Key Qualifications and Experience

In addition to Mr. Varga's many years of leadership experience in the role of chief executive officer and as a public company board member, he also has considerable expertise and experience in corporate finance, strategy, building brand awareness, product development, marketing, distribution, and sales.

- (1) Summaries above include directorships at any time within the last 5 years in companies with a class of securities registered pursuant to Section 12 of the Exchange Act, subject to the requirements of Section 15(d) of the Exchange Act or companies registered under the Investment Company Act of 1940 and, in the case of certain directors, other present or former directorships or positions considered significant by them.

Class II—Terms Expiring in 2025

Ulysses L. Bridgeman, Jr.



Age: 69
Director since 2012

Background, Skills and Experience

Mr. Bridgeman is the owner and chief executive officer of Heartland Coca-Cola Bottling Company, LLC (“Heartland”), which owns and operates a Coca-Cola production and manufacturing facility in Lenexa, Kansas and seventeen Coca-Cola distribution facilities across various Midwestern states, including Kansas, Missouri, and Illinois. Prior to his February 2017 acquisition of Heartland, Mr. Bridgeman was the owner and chief executive officer of various companies operating over 450 restaurants in 20 states, including 263 Wendy’s restaurants and 123 Chili’s restaurants. From 1975 to 1983, and from 1986 to 1987, Mr. Bridgeman played professional basketball with the Milwaukee Bucks, and from 1983 to 1986, he played for the Los Angeles Clippers. Mr. Bridgeman recently acquired Ebony magazine, and currently serves on the Boards of Directors of Meijer, Inc., Central Bank & Trust Company, the Naismith Basketball Hall of Fame, Simmons College of Kentucky, and the West End School. He is a former Director of the James Graham Brown Foundation and served as past chairman of the Board of Trustees of the University of Louisville. Mr. Bridgeman’s current role as a CEO and extensive leadership experience make him ideally qualified as a member of the Board.

Key Qualifications and Experience

Mr. Bridgeman has extensive entrepreneurial and leadership experience, including starting and growing his own companies and serving as chief executive officer of multiple companies. Mr. Bridgeman also has years of sports, consumer, sales, acquisition, and international experience.

R. Alex Rankin



Age: 67
Director since 2008

Background, Skills and Experience

Mr. Rankin is the Chairman of the Board of Sterling G. Thompson Company, LLC, a private insurance agency and broker, and the President of Upson Downs Farm, Inc., a thoroughbred breeding and racing operation. He is also Vice Chairman and Director of Glenview Trust Company, a private Trust and Investment Management Company, and a Steward of The Jockey Club. Mr. Rankin is a Trustee and former Chairman of the James Graham Brown Foundation, a private, non-profit foundation that fosters the well-being, quality of life, and image of Louisville and Kentucky by actively supporting and funding projects in the fields of civic affairs, economic development, education, and health and general welfare, which since 1954 has awarded over 3,200 grants totaling over \$620 million.

Key Qualifications and Experience

Mr. Rankin has expertise in finance and risk management. He also has years of experience in, and a deep understanding of, the thoroughbred horseracing industry.

Andréa Carter



Age: 53
Director since 2022

Background, Skills and Experience

Ms. Carter was appointed to the Board of Directors on December 15, 2022. She has amassed over 20 years of professional experience in the field of human resources across multiple industries and major organizations, and has served since 2017 as Senior Executive Vice President and Chief Human Resources Officer for Global Payments, Inc. in Atlanta, a worldwide provider of payment technology and software solutions. Prior to joining Global Payments, Inc., Ms. Carter was Chief Human Resources Officer for Habitat for Humanity and has held various executive Human Resources roles at Ralph Lauren, Newell Rubbermaid, and The Home Depot. She holds a bachelor’s degree in interdisciplinary studies from Tennessee State University and is a graduate of the Executive Leadership Council Class of 2022. Ms. Carter has been recognized with a number of distinctions and awards in recent years, which include: Atlanta Business Chronicle, “Women who Mean Business,” Atlanta Magazine, “Women Making a Mark,” Savoy Magazine, “Power 300 Most Influential Black Executives,” Women’s Inc., “Most Influential Women Execs in Corporate America,” and is a 2021 recipient of the UNCF MASKED award (Mankind Assisting Students Kindle Educational Dreams).

Key Qualifications and Experience

Ms. Carter has extensive leadership and human resources experience across multiple public companies.

- (1) Summaries above include directorships at any time within the last 5 years in companies with a class of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), subject to the requirements of Section 15(d) of the Exchange Act or companies registered under the Investment Company Act of 1940 and, in the case of certain nominees, other present or former directorships or positions considered significant by them.

Retirement Age Policy

The Company has a mandatory retirement age policy in the Corporate Governance Guidelines with regard to directors, which provides that a person is not qualified to serve as a director unless he or she is less than seventy-two (72) years of age on the date of election. No director nominees in Class III will have met the mandatory retirement age as of the date of the Annual Meeting.

Director Compensation for Fiscal Year Ended December 31, 2022

During 2022, each non-employee director of the Board of Directors received the compensation set forth below (all fees shown are annual fees, except for meeting fees) which, after considering market data and the input of the Compensation Committee's independent compensation consultant, did not change from the compensation levels set for 2021.

	Retainer Fee (\$) ⁽¹⁾	Meeting Fees (\$) ⁽²⁾	Stock Awards (\$) ⁽³⁾	Chairman Fee (\$)	Non-Chairman Fee (\$)
Board of Directors	75,000	2,000	155,000	150,000 ⁽⁴⁾	
Compensation Committee		2,000		25,000	12,500
Nominating and Governance Committee		2,000		20,000	10,000
Audit Committee		2,000		35,000	15,000

- (1) Retainer fee is paid in arrears, in equal quarterly installments.
- (2) Directors who do not reside in Louisville, Kentucky may also request reimbursement for travel expenses to and from Board and committee meetings.
- (3) Each non-employee director receives a grant of restricted stock units ("RSUs"), with an aggregate grant date fair value of \$155,000.
- (4) Represents an additional fee for serving as non-employee Chairman of the Board of Directors.

In accordance with the fees described on the previous page, in 2022, we provided the following compensation to our non-employee directors. Mr. Carstanjen, our Chief Executive Officer ("CEO"), is not separately compensated for his service on our Board. Please see the 2022 Summary Compensation Table on page 44 for a summary of the compensation paid to our CEO with respect to 2022.

Name	Fees earned or paid in cash (\$)	Stock Awards (\$) ⁽²⁾	Total (\$)
Ulysses L. Bridgeman, Jr.	128,000 ⁽¹⁾	155,000	283,000
Andréa Carter	3,465	0	3,465
Robert L. Fealy	139,500	155,000	294,500
Douglas C. Grissom	129,500 ⁽¹⁾	155,000	284,500
Daniel P. Harrington	151,000 ⁽¹⁾	155,000	306,000
Karole F. Lloyd	150,000	155,000	305,000
R. Alex Rankin	243,000	155,000	398,000
Paul C. Varga	136,500	155,000	291,500

- (1) The Churchill Downs Incorporated 2005 Deferred Compensation Plan allows directors to defer receipt of all or part of their retainer and meeting fees in a deferred share account until after their service on the Board has ended. This account allows the director, in effect, to invest all or part of his or her deferred cash compensation in Company Common Stock. Funds in this account are credited as hypothetical shares of Common Stock based on the market price of the stock at the time the compensation would otherwise have been earned. Hypothetical dividends are reinvested in additional shares based on the market price of the stock on the date dividends are paid. All shares in the deferred share accounts are hypothetical and are not issued or transferred until the director ends his or her service on the Board. Upon the end of Board service, the shares are issued or transferred to the director. On December 15, 2022, the

plan was amended so that effective December 15, 2022, director fees that are payable after January 1, 2023 and deferred may only be notionally invested in Company Common Stock and payout options are limited to either a single lump sum payment or equal annual installments over a term not to exceed ten years. In 2022, Mr. Grissom and Mr. Harrington deferred all of their 2022 directors’ fees into a deferred share account under the plan, while Mr. Bridgeman deferred 50% of his 2022 directors’ fees into a deferred share account under the plan. As of December 31, 2022, Mr. Bridgeman had 6,367 deferred shares, Mr. Fealy had 35,209 deferred shares, Mr. Grissom had 4,413 deferred shares, and Mr. Harrington had 35,561 deferred shares under the plan.

- (2) On April 26, 2022, each then-serving non-employee director received a grant of RSUs, valued in the amount of \$155,000, calculated based upon the closing price of a share of Common Stock on the date of grant. The RSUs vest one year from the date of grant, subject to the director’s continued service through the vesting date. At the time a director ceases being a director of the Company, the Company will issue one share of Common Stock for each vested RSU held by such director. As of December 31, 2022, Mr. Bridgeman had 17,651 RSUs, Ms. Carter had 0 RSUs, Mr. Fealy had 23,155 RSUs, Mr. Grissom had 6,530 RSUs, Mr. Harrington had 23,155 RSUs, Ms. Lloyd had 6,530 RSUs, Mr. Rankin had 23,155 RSUs, and Mr. Varga had 3,290 RSUs.
- (3) Ms. Carter was appointed to the Board, effective December 15, 2022.

Director Stock Ownership Guidelines

As memorialized in the Corporate Governance Guidelines, the Board expects all directors to display confidence in the Company by ownership and retention of a meaningful amount of the Company’s Common Stock. Pursuant to the Company’s insider trading policy, all directors are subject to the Company’s anti-hedging policy, which prohibits hedging and monetization transactions with respect to the Company’s Common Stock. Each director is expected to own shares with a fair market value equal to five (5) times the director’s annual retainer. Each director appointed or elected to the Board has five (5) years from the date of appointment or election to the Board to meet this requirement. Each director’s continuing compliance with the ownership guidelines will be measured in the year he or she stands for re-election and will be considered as one of the criteria for nomination by the Nominating and Governance Committee.

The chart below shows each current director’s compliance with the ownership guidelines calculated as of December 31, 2022, other than with respect to Mr. Carstanjen, who is subject to maintaining holdings of the Company’s Common Stock equal to at least six (6) times his annual base salary, pursuant to the Key Executive Stock Ownership and Retention Guidelines, as further described in the “Executive Stock Ownership Guidelines” section below. Furthermore, deferred shares acquired by directors under the Churchill Downs Incorporated 2005 Deferred Compensation Plan and RSUs granted as director compensation are included for purposes of measuring compliance with the Company’s share ownership guidelines.

Director	Ownership Guidelines ⁽¹⁾	Met Guidelines
Ulysses L. Bridgeman, Jr.	5x	✓
Andréa Carter	5x	✓ ⁽²⁾
Robert L. Fealy	5x	✓
Douglas C. Grissom	5x	✓
Daniel P. Harrington	5x	✓
Karole F. Lloyd	5x	✓
R. Alex Rankin	5x	✓
Paul C. Varga	5x	✓

✓ = Met guidelines.

- (1) Guidelines adopted per the Company’s Board of Directors.
- (2) Ms. Carter became a director in December 2022, and will not be required to satisfy the Director Stock Ownership Guidelines until December 2027.

CORPORATE GOVERNANCE

The Board of Directors is responsible for providing effective governance over the Company's affairs. The Company's corporate governance practices are designed to align the interests of the Board and management with those of our shareholders and to promote honesty and integrity throughout the Company.

During the past year, we continued to review our corporate governance policies and practices and compared them to those suggested by various authorities in corporate governance and the practices of other public companies. We have also reviewed guidance and interpretations provided by the SEC and Nasdaq.

Copies of the current charter, as approved by our Board, for each of our Audit, Compensation and Nominating and Governance Committees and a copy of our Corporate Governance Guidelines, Code of Conduct (along with any amendments or waivers related to the Code of Conduct) are available on our corporate website, <http://www.churchilldownsincorporated.com>, under the "Governance" subheading under the "Investors" tab. Please note that information available through our website is not incorporated by reference into this Proxy Statement.

Shareholder Communications

Shareholders and other interested parties may send communications to the Company's Board of Directors addressed to the Board of Directors or to any individual director c/o Churchill Downs Incorporated, 600 N. Hurstbourne Parkway, Ste. 400, Louisville, Kentucky 40222. Any correspondence addressed to the Board of Directors in care of the Company is forwarded to the Board of Directors without review by management.

Board Leadership Structure

R. Alex Rankin is the Chairman of the Board of Directors. The Board continues to deem it advisable to maintain certain aspects of its governance structure to assure effective independent oversight. These governance practices include maintaining executive sessions of the independent directors after each Board meeting, annual performance evaluations of the CEO by the independent directors, and separate roles for the CEO and Chairman of the Board of Directors. Our Corporate Governance Guidelines state that the offices of the Chairman of the Board and CEO may be either combined or separated, in the Board's discretion; provided, that if the Board designates one individual to serve as the Chairman of the Board and the CEO, the Board will then designate an independent director to serve as the Lead Independent Director. The Board will review the designation of Lead Independent Director periodically, but in no event less often than every two years. The Board is currently led by an independent Chairman, Mr. Rankin. The Board believes that separating the roles of CEO and Chairman of the Board is the most appropriate structure at this time. Separating the roles of CEO and Chairman of the Board ensures that our CEO is able to more exclusively focus on this role. The Board also believes that an independent Chairman of the Board allows for independent oversight of management, increases management accountability, and encourages an objective evaluation of management's performance relative to compensation.

The Chairman of the Board has the following responsibilities (in conjunction with the Lead Independent Director, if applicable): (i) preside at all Board meetings and meetings of shareholders, (ii) serve as liaison between the Board and Company management; (iii) work with the CEO to formulate the Company's business strategies; and (iv) represent the Company, Board and management to the shareholders and the public. Additionally, the Chairman of the Board serves as an ex officio member of each Board committee on which the Chairman does not already serve as a voting member. The duties of the Lead Independent Director, if applicable, are set forth in the Company's Corporate Governance Guidelines.

Oversight of Company Risk

As part of its responsibility to oversee the management, business and strategy of the Company, the Board of Directors has overall responsibility for risk oversight. While the Board of Directors performs certain risk oversight functions directly, such as its ongoing review, approval and monitoring of the Company's fundamental business and financial strategies and major corporate actions, the majority of the Board of Directors' risk oversight functions are carried out through the operation of its committees. Each committee oversees risk management within its assigned areas of responsibility, as described below in the discussion of committee responsibilities. Enterprise risk management falls under the leadership of our executive team with oversight from the Audit Committee. The purpose of this program is to promote risk-intelligent decision making and, in turn, increase the likelihood of achieving our operational objectives. Our Board of Directors is regularly advised of potential organizational risks and supporting mitigating policies, including quarterly reports from management on cyber security matters. The Audit Committee is primarily

responsible for overseeing the Company’s risk assessment and risk management practices, as well as its compliance programs. The Audit Committee is also responsible for monitoring the effectiveness of the Company’s information technology security and control, which includes insurance coverage for protection against cyber-attacks. The Compensation Committee’s responsibilities include oversight of the risks associated with the Company’s compensation policies and practices, as well as its managerial development and succession plans. The Nominating and Governance Committee oversees the risks related to the Company’s corporate governance structure and processes, including risks related to environmental and sustainability matters.

Board Evaluations

The Board conducts an annual self-evaluation to assist in determining whether it and its committees are functioning effectively. The Nominating and Governance Committee solicits comments from all directors and reports annually to the Board with an assessment of the Board’s performance and how its committees are functioning. This is discussed with the full Board following the end of each fiscal year. The assessment focuses on the Board’s contribution to the Company and specifically focuses on areas in which the Board or management believes that the Board could improve.

Board Meetings and Committees

Nine (9) meetings of the Board of Directors were held during the last fiscal year. During the fiscal year, all incumbent directors attended at least 75% of their Board and committee meetings for the period for which they served. The Company encourages its directors to attend the annual meeting of shareholders each year. Each of the directors then serving on the Board attended the Company’s annual meeting on April 26, 2022.

The Board has determined that all of the directors of the Company who served during any part of the last completed fiscal year are “independent directors,” as defined under Nasdaq Rule 5605(a)(2), except William C. Carstanjen, due to his position as CEO of the Company. In making such determination regarding Mr. Rankin, the Board considered that the Company employed his son, Hunter Rankin, as Senior Director of Racing prior to Hunter Rankin’s departure from the Company in August 2022. Hunter Rankin was not an executive officer of the Company. See “Certain Relationships and Related Transactions” for additional details regarding Hunter Rankin’s employment with the Company.

As required by the Company’s Corporate Governance Guidelines, the Board of Directors currently has four (4) standing committees: the Executive, Audit, Compensation, and Nominating and Governance Committees. The current composition of the committees is illustrated in the table below, along with the number of meetings held in 2022.

Director Name	Board of Directors	Executive Committee	Audit Committee	Compensation Committee	Nominating and Governance Committee
Ulysses L. Bridgeman	Member		Member		Member
William C. Carstanjen	Member				
Robert L. Fealy	Member	Member		Member	Chair
Douglas C. Grissom	Member			Member	Member
Daniel P. Harrington	Member	Member	Member	Chair	
Karole F. Lloyd	Member		Chair		Member
R. Alex Rankin	Chair	Chair	★	★	★
Paul C. Varga	Member		Member	Member	
Andréa Carter	Member			Member ⁽¹⁾	
Number of meetings in 2022	9	0	4	5	2

(1) Ms. Carter was appointed a member to the Compensation Committee by the Board as of February 21, 2023, in the normal course of business.

★ = Ex-officio Member

BOARD DIVERSITY

The table below provides certain diversity information regarding our Board members, with categories as set forth by Nasdaq Listing Rule 5605(f).

Board Diversity Matrix (As of March 16, 2023)		
Total Number of Directors: 9		
	Female	Male
Gender Identity		
Directors	2	7
Demographic Background		
African American or Black	1	1
White	1	6

EXECUTIVE COMMITTEE

The Executive Committee is authorized, subject to certain limitations set forth in the Company's Amended and Restated Bylaws, to exercise the authority of the Board of Directors between Board meetings. The Executive Committee does not meet on a regular basis, but instead meets as and when needed.

AUDIT COMMITTEE

The primary purposes of the Audit Committee are to assist the Board of Directors in fulfilling its responsibility in monitoring management's conduct of the Company's financial reporting process and overseeing the Company's risk assessment and risk management practices. The Audit Committee is generally responsible for monitoring the integrity of the financial reporting process, systems of internal controls and financial statements and other financial reports provided by the Company to any governmental or regulatory body, the public or other users thereof, as well as overseeing the processes by which management assesses the Company's exposure to cybersecurity and other risks and evaluating the guidelines and policies governing the Company's monitoring, control and minimization of such exposures.

The Audit Committee's responsibilities are as follows, among others:

- To monitor the performance of the Company's internal audit function.
- To appoint, compensate, retain and oversee the independent registered public accounting firm employed by the Company for the purpose of preparing or issuing audit opinions on the Company's financial statements and its internal control over financial reporting.
- To monitor the Company's compliance with legal and regulatory requirements as well as the Company's Code of Conduct and compliance policies.
- To consider the effectiveness of the company's internal control system including information technology security and control.
- Review, at least annually, the adequacy and effectiveness of the Company's IT general controls, and overall assessment and plan to address IT specific risks, scope and funding related to cyber security, business continuity and disaster recovery initiatives.
- To inquire of management, including its internal auditor, and the Company's independent auditors regarding significant risks or exposures, including those related to fraudulent activities, facing the Company; to assess the steps management has taken or proposes to take to minimize such risks to the Company; and to periodically review compliance with such steps.

- In discharging its oversight role, to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company and to retain outside counsel, auditors or other experts for this purpose.
- To conduct an annual performance evaluation of the Audit Committee.

The Audit Committee of the Board of Directors operates under a written charter which is reviewed annually and the Company's Board of Directors has determined that all members of the Company's Audit Committee are independent as defined under Nasdaq Rule 5605(a)(2) and Rule 10A-3(b)(1) under the Exchange Act.

The Board of Directors has determined that Daniel P. Harrington and Karole F. Lloyd are "audit committee financial experts" as defined by regulations promulgated by the SEC.

COMPENSATION COMMITTEE

Responsibilities of the Compensation Committee

The Board established the Compensation Committee to assist it in discharging the Board's responsibilities relating to compensation of the Company's CEO, each of the Company's other executive officers, and the Company's non-employee directors. The Compensation Committee has overall responsibility for decisions relating to all compensation plans, policies and perquisites as they affect the CEO and other executive officers and may form and delegate authority to subcommittees when it deems appropriate.

The Compensation Committee's responsibilities are as follows, among others:

- To oversee the development and implementation of the Company's compensation policies and programs for executive officers, including the Chairman of the Board and the CEO.
- To establish the annual goals and objectives relevant to the compensation of the Chairman of the Board, the CEO and the executive officers and to present such to the Board annually.
- To evaluate the performance of the Chairman of the Board, the CEO and other executive officers in light of the agreed-upon goals and objectives and to determine and approve the compensation level of the Chairman of the Board and the CEO, including the balance of the components of total compensation, based on such evaluation and to present its report to the Board annually.
- To develop guidelines for the compensation and performance of the Company's executive officers and to determine and approve the compensation of the Company's executive officers, including the balance of the components of total compensation.
- To establish appropriate performance targets, participation and levels of awards with respect to the Company's incentive compensation plans.
- To administer the Company's equity-based compensation plans, including the establishment of criteria for the granting of stock-based awards and the review and approval of such grants in accordance with the criteria.
- To establish and periodically review Company policies relating to senior management perquisites and other non-cash benefits.
- To review periodically the operation of the Company's overall compensation program for key employees and evaluate its effectiveness in promoting shareholder value and Company objectives.
- To review the results of any advisory shareholder votes on executive compensation and consider whether to recommend adjustments to the Company's compensation policies and programs as a result of such results.
- To consider, at least annually, whether risks arising from the Company's compensation policies and practices for all employees, including non-executive officers, are reasonably likely to have a material adverse effect on the Company, including whether the Company's incentive compensation arrangements encourage excessive or inappropriate risk-taking.
- To approve any compensation "clawback" policy required by law or otherwise adopted by the Company.
- To oversee regulatory compliance with respect to matters relating to executive officer compensation.

- To approve plans for managerial development and succession within the Company and to present such plans to the Board annually.
- To review, assess and recommend to the Board appropriate compensation for outside directors.
- To approve the report on executive compensation to be included in the Company's proxy statement for the annual meeting of shareholders.
- To review and discuss with management the compensation discussion and analysis, and based on such discussion, make a recommendation to the Board as to whether or not the compensation discussion and analysis should be included in the proxy statement.
- To review and reassess the adequacy of its charter annually and recommend any proposed changes to the Board for approval.
- To conduct an annual performance evaluation of the Compensation Committee.

The Compensation Committee of the Board of Directors operates under a written charter which is reviewed annually and is comprised entirely of directors meeting the independence requirements of Nasdaq and Rule 10C-1(b)(1) under the Exchange Act.

Compensation Committee Interlocks and Insider Participation

None of the directors who served on the Compensation Committee at any time during the last fiscal year were officers or employees of the Company or were former officers of the Company. None of the members who served on the Compensation Committee at any time during fiscal 2022 had any relationship with the Company requiring disclosure under Item 404 of Regulation S-K. Finally, no executive officer of the Company serves, or in the past fiscal year has served, as a director or member of the compensation committee (or other board committee performing equivalent functions) of any entity that has one or more of its executive officers serving on the Board of Directors or the Compensation Committee.

Compensation Risk Assessment

The Compensation Committee performed an assessment of whether risks arising from the Company's compensation policies and practices for all employees during 2022, including non-executive officers, are reasonably likely to have a material adverse effect on the Company. Each policy and plan was evaluated based on certain elements of risk, including, but not limited to, (i) the mix of fixed and variable pay, (ii) types of performance metrics, (iii) performance goals and payout curves, (iv) payment timing and adjustments, (v) equity incentives, and (vi) stock ownership requirements and trading policies. Based on this evaluation, an assessment of each plan was created, along with an overall assessment of compensation risk to the Company. After evaluation and discussion, the Committee determined that the Company's compensation policies and practices are not reasonably likely to have a material adverse effect on the Company.

NOMINATING AND GOVERNANCE COMMITTEE

The Company's Nominating and Governance Committee is responsible for identifying, evaluating, and recommending individuals qualified to become members of the Board, overseeing annual performance of the Board and Committees, and establishing the criteria for and reviewing the effectiveness of the Company's Board of Directors. In addition, the Nominating and Governance Committee provides oversight regarding the Company's environmental, sustainability and governance efforts and progress and corporate governance policies.

The Company's Nominating and Governance Committee operates under a written charter and is comprised entirely of directors meeting the independence requirements of Nasdaq.

Pursuant to the Company's Corporate Governance Guidelines and its Policy on Board Composition, the Nominating and Governance Committee determines criteria regarding personal qualifications needed for Board membership and the Committee considers, reviews qualifications, and recommends qualified candidates for Board membership. In doing so, the Nominating and Governance Committee reviews the composition of the Board and the Company's strategic plans to determine its needs regarding Board composition and identify candidates with the appropriate skill sets and qualifications. While the Company does not have a formal policy on diversity for members of the Board of Directors, the Company's Corporate Governance Guidelines and its Policy on Board Composition specifically provide that diversity of race and gender,

as well as general diversity of backgrounds and experience represented on the Board of Directors are factors to consider in evaluating potential directors. The Nominating and Governance Committee seeks to include diverse individuals with respect to self-identified characteristics such as gender, race, and ethnicity when conducting a search for qualified candidates for Board membership. The Nominating and Governance Committee sometimes employs an outside consultant to identify nominees with the skill sets, experience and backgrounds that suit the Company's needs. In 2022, the Company continued its practice of conducting diversity, equity and inclusion ("DEI") training for all employees, with targeted training for managers. DEI training will continue on an annual basis. In December 2022, upon the recommendation of the Nominating and Governance Committee, the Board appointed Ms. Carter as a director of the Company. Ms. Carter was first identified as a candidate through a non-management director.

A candidate for the Company's Board of Directors should possess the highest personal and professional ethics, integrity and values and be committed to representing the long-term interests of the Company's various constituencies. In considering a candidate for nomination as a member of the Board, the Nominating and Governance Committee will consider criteria such as independence; occupational background, including principal occupation (i.e., chief executive officer, attorney, accountant, investment banker, or other pertinent occupation); level and type of business experience (i.e., financial, lending, investment, media, racing industry, technology, etc.); self-identified diversity characteristics; number of boards on which the individual serves; and the general diversity of backgrounds and experience represented on the Board. The Nominating and Governance Committee periodically reviews the Company's Corporate Governance Guidelines and its Policy on Board Composition and, when appropriate, recommends changes to the Board. It also evaluates the performance of the Board and provides feedback to the Board on how the directors, the committees and the Board are functioning. Finally, it evaluates Board of Director practices at the Company and leadership on an annual basis and recommends appropriate changes to the Board and/or its practices.

The Nominating and Governance Committee receives and considers issues raised by shareholders or other stakeholders in the Company and recommends appropriate responses to the Board. The Nominating and Governance Committee will consider recommendations for director candidates submitted by shareholders. Such questions, comments or recommendations should be submitted in writing to the Nominating and Governance Committee in care of the Office of the Secretary at 600 N. Hurstbourne Parkway, Ste. 400, Louisville, Kentucky 40222. The Nominating and Governance Committee, in having adopted criteria to be considered for membership on its Board, considers such candidates applying such criteria and follows the recommendation process noted above. Recommendations by shareholders that are made in accordance with these procedures will receive the same consideration as recommendations from other sources.

PROPOSAL TO RATIFY THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2023 (Proposal No. 2)

The Board of Directors, on recommendation from the Audit Committee, selected PricewaterhouseCoopers LLP ("PwC") to serve as the Company's independent registered public accounting firm for the year ending December 31, 2023. PwC has served as the Company's independent registered public accounting firm since the Company's 1990 fiscal year.

Although the Company's Amended and Restated Bylaws do not require that the Company's shareholders ratify the appointment of PwC as the Company's independent registered public accounting firm, the Board of Directors is submitting the appointment of PwC to the Company's shareholders for ratification as a matter of good corporate governance. This proposal will be approved if the votes cast favoring the action exceed the votes cast opposing the action. If the appointment is not ratified, the Company's Audit Committee will consider whether it is appropriate to select another independent registered public accounting firm. Even if the appointment is ratified, the Company's Audit Committee, in its sole discretion, may select a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and its shareholders.

Representatives of PwC are expected to be present at the Annual Meeting and will be available to respond to appropriate questions and will have the opportunity to make a statement if they desire to do so.



The Board of Directors and the Audit Committee recommend that the shareholders vote "FOR" the ratification of the appointment of PricewaterhouseCoopers LLP as the Company's Independent Registered Public Accounting Firm for fiscal year 2023.

INDEPENDENT PUBLIC ACCOUNTANTS

Audit Fees

The audit fees incurred by the Company for services provided by PwC (i) for the year ended December 31, 2022, were \$3,524,500 and (ii) for the year ended December 31, 2021, were \$2,088,000. Audit fees include services related to the audit of the Company's consolidated financial statements, the audit of the effectiveness of internal control over financial reporting, involvement with registration statement filings, statutory audits and consultations related to miscellaneous SEC and financial reporting matters.

Audit-Related Fees

The Company incurred fees in the amount of \$4,500 for 2022 and \$4,000 for 2021 for assurance and related services performed by PwC that were reasonably related to the performance of the audit or review of the Company's financial statements that are not reported in the preceding section.

Tax Fees

The Company did not incur any tax fees for services provided by PwC in 2022 or 2021. Tax fees include services related to tax return preparation for a related entity, tax consultation and tax advice.

All Other Fees

All other fees incurred by the Company for services provided by PwC relate to the use of Inform, PwC's accounting research software, and PwC's disclosure checklist software, which amounted to \$4,500 in each of 2022 and 2021. The Audit Committee has considered whether the provision of non-audit services to the Company is compatible with maintaining PwC's independence.

The Audit Committee has adopted a policy of evaluating and pre-approving all audit and non-audit services provided by the independent auditors. The Audit Committee may delegate pre-approval authority to a member, provided that decisions of such member shall be presented to the full Audit Committee at its next scheduled meeting. The Audit Committee pre-approved all audit and permissible non-audit services provided by the independent auditors in 2022.

CHURCHILL DOWNS INCORPORATED AUDIT COMMITTEE REPORT

The following is the report of the Company's Audit Committee (the "Committee"), which consisted of five directors in 2022, each of whom has been determined by the Board of Directors (the "Board") to meet the current standards of the SEC and the Nasdaq exchange to be considered an "independent director." The Board has also determined that two members, Daniel P. Harrington and Karole F. Lloyd, are "audit committee financial experts" as defined by the SEC.

The Committee has an Audit Committee Charter (the "Charter"), which was amended, restated and approved by the Board on February 21, 2023. The Charter sets forth certain responsibilities of the Committee, which include oversight of the integrity of the financial statements of the Company, the systems of internal controls over financial reporting which management has established, the independence and performance of the Company's internal and independent auditors, the Company's compliance with financial, accounting, legal and regulatory requirements, and the effectiveness of the Enterprise Risk Management ("ERM") function. The Committee reviews the work of the Company's management, the internal audit staff and the independent auditors on behalf of the Board.

Specifically, the Committee:

- Met four (4) times during the year, during which the Committee reviewed and discussed with management and the independent auditors the Company's interim and annual financial statements for 2022; at each of such meetings, the Committee met in executive session with the Company's Vice President of Internal Audit, independent auditors, General Counsel, CFO, and CEO.
- Discussed with the independent auditors all matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board and the SEC.
- Received the written disclosures and letters from the independent auditors required by applicable requirements of the Public Company Accounting Oversight Board, regarding the independent auditors' communications with the Audit Committee concerning independence, and discussed with the independent auditors the independent auditors' independence.
- Based on the review and discussions referred to in the first three bullets above, the Committee recommended to the Board that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.
- Reviewed and discussed reports from the Company's internal audit department and reports from the Company's legal department.
- Discussed with management and the independent auditors the quality of the Company's internal controls.
- Reviewed and approved all related person transactions, if any.
- Self-evaluated the effectiveness of the Committee.
- Evaluated the effectiveness of the Company's internal audit function.
- Inquired of management, including its internal auditor, and the Company's independent auditors regarding significant risks or exposures, including those related to fraudulent activities, facing the Company; assessed the steps management has taken or proposes to take to minimize such risks to the Company; and reviewed compliance with such steps.
- Reviewed and approved the 2022 audit and non-audit services and related fees provided by the independent auditors, PricewaterhouseCoopers LLP ("PwC"). The non-audit services approved by the Audit Committee were also reviewed to ensure compatibility with maintaining the auditor's independence.
- In February 2022, the Committee selected PwC to be reappointed as independent auditors for the calendar year 2022.

No portion of this Audit Committee Report shall be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended (the “Securities Act”), or the Securities Exchange Act of 1934, as amended (the “Exchange Act”), through any general statement incorporating by reference in its entirety the Proxy Statement in which this report appears, except to the extent that the Company specifically incorporates this report or a portion of it by reference. In addition, this report shall not be deemed to be filed under either the Securities Act or the Exchange Act.

Members of the Audit Committee

Karole F. Lloyd, *Chair*
Ulysses L. Bridgeman, Jr.
Daniel P. Harrington
Paul C. Varga
R. Alex Rankin, *ex officio*

ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION (Proposal No. 3)

Pursuant to Section 14A of the Exchange Act, the Company's shareholders are entitled to a vote to approve, on an advisory and non-binding basis, the compensation of the Company's named executive officers ("NEOs") as disclosed in this Proxy Statement in accordance with SEC rules. In accordance with the preference expressed by shareholders, the Company is holding such advisory votes on an annual basis.

The Company has a "pay-for-performance" philosophy that forms the foundation of all decisions regarding compensation of the Company's NEOs. We believe that this compensation philosophy, and the program structure approved by the Compensation Committee, is central to the Company's ability to attract, motivate and retain individuals who can achieve superior financial results while also aligning the interests of the executives with the interests of shareholders over the long-term. This approach has resulted in the Company's ability to attract and retain the executive talent necessary to guide the Company successfully during a period of growth and transformation and react quickly to any potential threats to the Company's financial health. Please refer to "Compensation Discussion and Analysis—Executive Summary" for an overview of the compensation of the Company's NEOs.

This vote is not intended to address any specific item of compensation, but rather the overall compensation of our NEOs and the policies and practices described in this Proxy Statement. At the Annual Meeting, shareholders will be asked to approve the compensation of the Company's NEOs by voting FOR the following resolution:

"RESOLVED, that the Company's shareholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in this Proxy Statement pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, the Summary Compensation Table and the other related tables and disclosure in this Proxy Statement."

This vote is advisory and therefore not binding on the Company. The Board of Directors and Compensation Committee value the opinions of the Company's shareholders. Should there be a significant vote against the NEO compensation as disclosed in this Proxy Statement, the Board will consider those shareholders' concerns and will evaluate whether any actions are necessary to address those concerns.

This proposal will be approved if the votes cast favoring the action exceed the votes cast opposing the action.



The Board of Directors recommends a vote "FOR" the approval of the advisory resolution relating to the compensation of the Company's Named Executive Officers as disclosed in this Proxy Statement.

ADVISORY VOTE ON THE FREQUENCY OF HOLDING FUTURE ADVISORY VOTES ON EXECUTIVE COMPENSATION (Proposal No. 4)

Pursuant to Section 14A of the Exchange Act, the Company's shareholders are entitled to vote, on an advisory and non-binding basis, on how frequently they would like to cast an advisory vote on the compensation of the Company's NEOs. The Company is required to hold an advisory vote on NEO compensation at least once every three years. By voting on this proposal, shareholders may indicate whether they would prefer an advisory vote on NEO compensation once every one, two, or three years. Company shareholders may also, if they wish, abstain from voting on this proposal.

After careful consideration of the frequency alternatives, the Board believes that conducting advisory votes on NEO compensation on an annual basis continues to be appropriate for the Company and its shareholders at this time.

The Company's shareholders are not voting to approve or disapprove of the Board's recommendation. Instead, the option of every year, every two years or every three years that receives the highest number of votes cast by shareholders will be considered by the Company as the shareholders' recommendation as to the frequency of future advisory votes on executive compensation.

The Board will carefully consider the outcome of the vote when making future decisions regarding the frequency of future advisory votes on NEO compensation. However, because this vote is advisory and not binding, the Board and Compensation Committee may decide that it is in the best interests of the Company and its shareholders to hold an advisory vote more or less frequently than the alternative that has been selected by our shareholders.



The Board of Directors recommends a vote for every **“ONE YEAR”** as the preferred frequency for advisory votes on executive compensation.

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis (our “CD&A”) provides an overview of our executive compensation program for 2022 and our executive compensation philosophies and objectives.

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Our NEOs were:

William C. Carstanjen
Chief Executive Officer

William E. Mudd
President and
Chief Operating Officer

Marcia A. Dall
Executive Vice President
and Chief Financial Officer

Bradley K. Blackwell⁽¹⁾
Executive Vice President
and General Counsel

Maureen Adams⁽¹⁾
Executive Vice President,
Gaming Operations

(1) In July 2022, Mr. Blackwell and Ms. Adams were each appointed as an executive officer of the Company. In February 2023, Mr. Blackwell and Ms. Adams were promoted to Executive Vice President roles.

Executive Summary

The Company has been creating extraordinary entertainment experiences for nearly 150 years, beginning with the Company’s most iconic and enduring asset, the Kentucky Derby. Headquartered in Louisville, Kentucky, the Company has expanded through the development of live and historical racing entertainment venues, the growth of the TwinSpires horse racing online wagering business and the operation and development of regional casino gaming properties. Our long-term success depends on our ability to attract, engage, motivate and retain highly talented executives and key employees to achieve our strategic plans and deliver financial returns to shareholders over both the short-term and long-term. One of the key objectives of our executive compensation program is to link executives’ pay to their performance and their advancement of the Company’s long-term performance and business strategies. Other objectives include aligning the executives’ interests with those of shareholders and encouraging high-performing executives to remain with the Company over the course of their careers. We believe that the amount of compensation for each NEO reflects each individual’s extensive management experience, high performance and exceptional service to the Company and our shareholders. We also believe that the Company’s compensation strategies have been effective in attracting executive talent and promoting performance and retention.

This CD&A describes the Company’s executive compensation policies and programs and how these policies and programs apply to our NEOs. It also describes the actions and decisions of the Compensation Committee of the Board of Directors (the “Compensation Committee” or “Committee”), which oversees the executive compensation program and determines the compensation of the NEOs. A detailed discussion of the Committee’s structure, roles and responsibilities, and related matters can be found under “Compensation Committee” on pages 18-20

Our long-term incentive goals are based on operational results that the Committee believes help drive Company and shareholder success over multi-year performance periods. Certain metrics the Company uses for incentive purposes are as follows (Please refer to “Item 7 Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s Form 10-K for the fiscal year ended December 31, 2022 for reconciliation of these metrics to the most directly comparable GAAP measures, and the discussion of the Company’s Executive Annual Incentive Plan (“EAIP”) beginning on page 36 and the Company’s Executive Long-Term Incentive Plan (“ELTI”) beginning on page 38):

- **Adjusted EBITDA**—Adjusted EBITDA used for compensation purposes under the EAIP in fiscal year 2022 was \$763.6 million, exceeding by approximately 8% the Adjusted EBITDA target of \$709.3 million under the EAIP;
- **Cash Flow Metric**—Cash Flow Metric for compensation purposes for the three-year performance for our 2020 performance stock units (“PSUs”) under the ELTI was \$1,151.9 million, exceeding by approximately 59% the Cash Flow target of \$723.3 million under the ELTI; and
- **Total Shareholder Return**—Total Shareholder Return from January 2, 2020 to December 30, 2022, the three-year performance period for our 2020 PSUs under the Company’s ELTI, was 63%.

We believe the Company’s outstanding performance is further reflected in the key business metrics summarized in the table below.

	Fiscal Year 2017	Fiscal Year 2022	% Increase	5-Year Compound Annual Growth Rate (CAGR)
CHDN Stock Price	\$77.57	\$211.43	173%	22%
Net Income attributable to CHDN (millions)	\$122.4	\$ 439.4	259%	29%
Adjusted EBITDA (from continuing operations, millions) ⁽¹⁾	\$286.2	\$ 763.6	167%	22%
Earnings Per Share (from continuing operations, diluted)	\$ 2.55	\$ 11.42	348%	35%
Dividends Per Share	\$0.507	\$ 0.714	41%	7%

(1) See Appendix A of this Proxy Statement for a reconciliation of Adjusted EBITDA to net income, which is the most directly comparable financial measure calculated in accordance with GAAP.

2022 Highlights

In 2022, we delivered strong performance while continuing the execution of several organic investments and completing the largest acquisition in our Company's history that collectively we believe will provide long-term sustainable value creation. We delivered strong growth in net revenue, operating income, net income, and Adjusted EBITDA compared to fiscal year 2021:

- Net revenue was \$1.8 billion, up \$212.6 million or 13%.
- Net income attributable to Churchill Downs Incorporated was \$439.4 million, up \$190.3 million or 76%.
- Adjusted EBITDA was \$763.6 million, up \$136.6 million, or 22%.
- Cash from continuing operations was \$510.8 million, up \$51.3 million or 11%.

Live and Historical Racing Segment:

- Adjusted EBITDA was \$287.5 million, up \$112.5 million or 64% from fiscal year 2021.
- Churchill Downs Racetrack:
 - Derby Week successfully returned to full capacity at Churchill Downs Racetrack with the 148th Kentucky Derby with over 147,000 fans gathered in person to watch the most exciting two minutes in sports on the first Saturday in May.
 - We successfully completed the Homestretch Club prior to the 148th Kentucky Derby and approximately \$8.0 million under budget.
 - We continued construction on the new First Turn Experience which will be completed for the 149th Derby in May 2023 and the Paddock Project for the 150th Derby in May 2024.
 - We extended the partnership with Woodford Reserve as the Presenting Sponsor for the Kentucky Derby through 2027.
- Derby City Gaming delivered record net revenue and Adjusted EBITDA. We continued construction of the gaming floor expansion and new five-story hotel.
- Oak Grove delivered record net revenue and Adjusted EBITDA.
- We celebrated the opening of the new historical racing machine ("HRM") entertainment venue and racetrack facility at Turfway Park in September 2022.
- We began construction of Derby City Gaming Downtown in the city of Louisville, Kentucky as a new HRM entertainment venue.
- We completed the acquisition of Chasers in Salem, New Hampshire on September 6, 2022, which will enable the Company to expand its HRM strategy with table games to the New England market.
- We completed the acquisition of Ellis Park in Henderson, Kentucky in September 2022 including the rights to build an HRM entertainment venue in Owensboro, Kentucky.

TwinSpires Segment:

- Adjusted EBITDA was \$114.1 million, up \$31.4 million or 38% from fiscal year 2021.
- We announced a multi-year agreement with FanDuel to enable FanDuel to create a fully integrated and seamless wagering experience with a single wallet for their customers who want to bet on sports and on horse racing with FanDuel TV driving ongoing engagement beginning in January 2023.
- We announced a multi-year agreement with DraftKings to provide advanced deposit wagering ("ADW") technology and other services.
- We announced the exit of the Online Sports & Casino business in February 2022 and ceased online wagering in Tennessee, Colorado, Indiana, New Jersey, and Michigan.
- We have executed strategic market access agreements with Bet365 in Pennsylvania and with Golden Nugget in Indiana to monetize our online wagering skins.

Gaming Segment

- The Gaming Segment delivered a record \$421.9 million of Adjusted EBITDA, an increase of \$10.0 million or 2% from fiscal year 2021.
- We generated wholly owned same-store casino margins of 34.5% in 2022, down 2.0 basis points from 2021 and 5.8 basis points higher than 2019.
- Rivers Des Plaines completed their \$90 million gaming floor expansion in April 2022 which added 725 gaming positions, a 24-table poker room and additional amenities.
- We began construction of a \$290 million casino, hotel, and entertainment venue in Terre Haute, Indiana.
- We completed the sale of 115.7 acres of land near Calder Casino for \$291.0 million or approximately \$2.5 million per acre to Link Logistics Real Estate on June 17, 2022. We also executed a \$1031 transaction to defer approximately \$76.0 million of taxes related to the sale of the land.

Environmental, Social, and Governance

- We expanded our ESG efforts including the ongoing promotion of responsible gaming; initiatives at our properties to lessen energy and water usage, to decrease carbon emissions, and to responsibly manage waste; increasing investments in the communities in which we operate and supporting our teams through educational and leadership development; and further diversification of our Board and increasing engagement with our shareholders.
- We continued our diversity, equity, and inclusion initiatives (DE&I) including the roll-out of our mission, vision, culture statement, and core values company-wide.

All Other

- We closed the sale of our Arlington Heights, Illinois property to the Chicago Bears for \$197.2 million on February 15, 2023.
- We completed the acquisition of substantially all of the assets of Peninsula Pacific Entertainment LLC (“P2E”) with a base purchase price of \$2.75 billion on November 1, 2022. The P2E assets acquired included Colonial Downs Racetrack and six HRM entertainment venues in Virginia, del Lago Resort & Casino in New York, and Hard Rock Hotel & Casino in Iowa, as well as the development rights for Dumfries and Emporia HRM facilities in Virginia, up to five additional HRM entertainment venues in Virginia, and ONE Casino & Resort in Virginia in collaboration with Urban One.
 - We completed the financing for the acquisition in April 2022 by negotiating favorable pricing and closing a \$1.2 billion Senior Secured Revolver due 2027, \$800 million of Senior Secured Delayed Draw Term Loan A due 2027, and \$1.2 billion of Senior Notes due 2030 at a 5.75% interest rate.
- We announced a definitive agreement to acquire Exacta Systems LLC for \$250 million. The acquisition will provide the Company with the opportunity to realize additional synergies related to our recent acquisition of the P2E HRM assets in Virginia.
- The Company’s total shareholder return was (12)% for 2022 compared to (19)% for the Russell 1000 and (18)% for the S&P 500. The Company’s five-year total shareholder return for 2022 was 178% compared to 55% for the Russell 1000 and 57% for the S&P 500. The preceding shareholder return calculations assume dividends are reinvested.
- We remain committed to delivering strong financial results and long-term sustainable growth. Our businesses generate strong cash flow and we have a solid balance sheet that supports our organic growth as well as strategic acquisitions that we believe will create long-term value for our shareholders.

Key 2022 Compensation Actions

- The primary elements of our total direct compensation program for the NEOs and a summary of the actions taken by the Committee during 2022 are set forth below.

Compensation Component	Link to Business and Talent Strategies	2022 Compensation Actions
<p>Base Salary (Page 35)</p>	<ul style="list-style-type: none"> • Competitive base salaries help attract and retain executive talent. 	<ul style="list-style-type: none"> • No salary adjustments for Mr. Carstanjen or Mr. Mudd as compared to 2021. Merit and market-based increase to each of Ms. Dall’s, Mr. Blackwell’s, and Ms. Adams’ base salary for 2022.
<p>Annual Cash Incentive (Page 36)</p>	<ul style="list-style-type: none"> • Focus executives on achieving annual financial and non-financial results that are considered key indicators of financial and operational performance. • Annual cash incentives are earned based on achievement of Adjusted EBITDA and other strategic, operational and financial measures 	<ul style="list-style-type: none"> • No target opportunity adjustments for Mr. Carstanjen or Mr. Mudd as compared to 2021. Merit and market-based increase to Ms. Dall’s, Mr. Blackwell’s, and Ms. Adams’ annual cash incentive target opportunity for 2022. • Annual cash incentive awards were earned at 153.7% of target due to strong Company and executive performance.
<p>Long-Term Equity Incentive Compensation (Page 38)</p>	<ul style="list-style-type: none"> • 2022 annual equity-based awards consist of PSUs and restricted stock units (“RSUs”). • 2022 PSUs vest based on achievement of 2-year Cumulative Adjusted EBITDA and 3-year Cumulative Cash Flow metrics that are considered key indicators of long-term performance, with vesting adjusted based on relative total shareholder return (“TSR”) performance to additionally incorporate creation of shareholder value over the performance period. • RSUs provide focus on stock price growth and serve our talent retention objectives. 	<ul style="list-style-type: none"> • Merit and market-based increases to target value of equity awards for Ms. Dall for 2022. Mr. Blackwell and Ms. Adams were new participants in the ELTI in 2022. • The target value of the equity award mix is generally balanced between PSUs (50%) and RSUs (50%). • 2022 PSUs are subject to a multi-year performance period and will be earned based on goals relating to Adjusted EBITDA (weighted 50%) measured over the 2022-2023 performance period and Cash Flow (weighted 50%) measured over the 2022-2024 performance period, with a relative TSR modifier of +/- 25% for TSR performance over the 2022-2024 performance period. • RSUs vest over three years in equal annual installments.

Executive Compensation Philosophy and Core Principles

What We Do	What We Don't Do
<ul style="list-style-type: none"> ✓ Target Median Compensation Among Peer Group ✓ Executive Stock Ownership Guidelines ✓ Clawback Policy on Cash Bonus and Equity Incentives ✓ PSUs Vesting over Multi-year Performance Period ✓ Capped Bonus Payments under Executive Annual Incentive Plan ✓ Capped PSU Vesting Levels ✓ Payouts Tied to Individual and Company Performance, with Majority of Payout Determined by Pre-Established Formula and Goal ✓ Use of an Independent Compensation Consultant ✓ Anti-Hedging Policy, Applicable to Directors and Employees ✓ Annual Say-on-Pay Vote 	<ul style="list-style-type: none"> ✗ No Employment Agreements ✗ No Re-pricing of SARs or Stock Options ✗ No Excise Tax Gross-ups upon Change in Control ✗ No Excessive Perquisites ✗ No Service Based Defined Benefit pension plans

The fundamental philosophy of the Compensation Committee is to provide an executive compensation program that links pay to business strategy and performance in a manner that is effective in attracting, motivating and retaining key executives while also aligning the interests of the executives with the interests of shareholders over the long-term. To that end, the Compensation Committee evaluates the pay practices of its peers and considers the median of the peer group. In order to continue to support the Company’s high-performance and entrepreneurial culture, the Company’s key principles underlying the executive compensation program are to:

- Attract and retain executives with the skills and experience needed to successfully grow the Company and create value for shareholders;
- Create an entrepreneurial culture and mindset by de-emphasizing fixed pay (primarily salary) and focusing a significant percentage of compensation on at-risk pay elements (annual and long-term incentives); and
- Motivate and reward executives for achieving exceptional performance supportive of creating value for shareholders over the long-term.

The Compensation Committee will continue to evaluate its pay practices and, when it deems appropriate, adjust its pay practices to support these principles over time.

2022 “Say-on-Pay” Advisory Vote on Executive Compensation

The Compensation Committee monitors closely the results of the annual advisory “say-on-pay” vote and evaluates such results as one of the many factors considered in connection with the discharge of its responsibilities. In 2022, the Company provided shareholders a “say-on-pay” advisory vote on its executive compensation program, as disclosed in the Company’s 2022 proxy statement. At the 2022 annual meeting of shareholders, approximately 93% of the votes cast for the “say-on-pay” proposal were in favor of our executive compensation program. We believe that this result indicates significant shareholder support for our executive compensation program, and therefore made no changes to our executive compensation program as a result of this vote. At the 2023 Annual Meeting of Shareholders, we are again holding an advisory vote on executive compensation and will continue to engage with our shareholders as we constantly consider further improvements to our executive compensation program.

Role of Management and Independent Advisors

The Compensation Committee meetings are regularly attended by the CEO, the Senior Vice President of Human Resources, the Vice President of Human Resources, and the General Counsel. The Committee may request the participation of management or outside consultants as it deems necessary or appropriate. The Committee regularly reports to the Board on compensation matters and annually reviews the CEO’s compensation with the independent members of the Board.

The Committee also meets in executive session without any members of management, for the purpose of discussing and approving compensation for the CEO, as well as other topics. The CEO reviews the performance of, and makes recommendations to, the Compensation Committee regarding total compensation to be paid to the Company's executive officers other than himself, including salary, annual bonus, and long-term incentive awards, as appropriate. Management also develops and presents to the Committee recommendations for the performance measures and targets to be used to evaluate annual performance incentives.

After the end of each fiscal year, the Committee conducts a review of the CEO's performance. As part of this process, the CEO provides a written assessment of the Company's performance. The Committee sets the compensation of the CEO in executive session after considering its assessment of the CEO's performance, including due consideration of the CEO's written assessment of the Company's performance. Neither the CEO nor any other members of management are present during this session.

The Committee has sole discretion, at the Company's expense, to retain and terminate independent advisors, including sole authority to approve the fees and retention terms for such advisors, if it shall determine the services of such advisors to be necessary or appropriate. Such advisors are engaged by, and report directly to, the Committee. Since March 2015, the Committee has retained Frederic W. Cook & Co., Inc. ("FW Cook") as its independent compensation consultant. The scope of the engagement of FW Cook includes:

- Assisting the Chair of the Committee in establishing appropriate agendas for the Committee meetings;
- Reviewing management reports and recommendations to the Committee related to executive compensation matters;
- Attending Committee meetings and providing the Committee with input and advice based on the advisor's broad experience with market practices, including a perspective regarding the competitive market;
- Assisting with the review of pay and performance and the evaluation of payouts under the Company's annual and long-term incentive programs;
- Assisting with the review and evaluation of non-employee director compensation;
- Assisting the Committee in identifying similarly-situated peer group companies;
- Providing the Committee and management with data on market practices for executive pay;
- On behalf of the Committee, assisting management with disclosures, including this CD&A;
- Providing updates to the Committee regarding regulatory developments; and
- Assisting the Committee in evaluating future equity grants and cash compensation for the NEOs, including the CEO.

FW Cook did not provide any services to the Company other than advising the Committee as provided above. The Compensation Committee assessed FW Cook's independence considering the SEC requirements and NASDAQ listing standards and determined that FW Cook's work did not raise any conflict of interest or independence concerns.

Factors Used to Evaluate Pay Decisions

The Company seeks to obtain and retain the services of executives who bring the skills, experience, and motivation deemed necessary to significantly expand the scope and scale of the Company's operations. Therefore, compensation decisions for individual executives are made based on a balance of many subjective factors as evaluated by the CEO in the case of his direct reports (with Committee review and approval) and the Committee in the case of the CEO. These factors include:

- The scope and responsibility of the executive's position and the perceived level of contribution;
- Internal comparisons among the executive's peers at the Company;
- Comparisons among the executive's peers at the peer group companies, with a target of median among peers;
- The recruitment and development of talent in a competitive market;
- Target annual incentive opportunities based on the Company's annual goals with regard to the executive's position, as approved by the Committee; and
- Long-term incentive opportunities driven by the perceived level of contribution expected of the executive toward achieving the Company's growth objectives.

Each element of compensation is evaluated independently based on the role of that component in achieving the Company's overall compensation objectives, with an emphasis on long-term incentives and retention.

In making executive pay decisions, the Committee relies substantially on the advice and experience of FW Cook, its independent advisor, and the CEO to evaluate the reasonableness of executive pay. While the Committee considers input from its independent advisor and the CEO, all of the decisions with respect to the Company's executive compensation programs are made by the Committee alone and may reflect factors and considerations other than the information and recommendations provided by management or its independent advisor. In addition, the CEO does not make recommendations with respect to his own compensation. The Committee determines pay levels and practices based on the talent needs of the organization as defined by our strategy of growing and diversifying revenues and with the guidance of the Committee's independent advisor.

The Committee believes that it is important for the Company to stay competitive on compensation and the Committee, with the assistance of the Committee's independent advisor, conducts periodic reviews of compensation relative to similarly-situated businesses, which can lead to adjustments in compensation and program offerings. The compensation peer group was selected to represent a reasonable match to the Company in terms of size and business characteristics. The group consists of public, similarly sized gaming and entertainment companies, where the median net income and market capitalization approximate the Company's net income and market capitalization. The Company periodically reviews the peer group and adjusts, as deemed necessary, for continued appropriateness as a market reference for informing executive compensation levels. The Company's peer group for 2022 was as follows:

Fiscal 2022 Peer Group

Aristocrat Leisure Limited (ALL)
Boyd Gaming Corporation (BYD)
Caesars Entertainment, Inc. (CZR)
DraftKings Inc. (DKNG)
Flutter Entertainment PLC (FLTR)
Gaming and Leisure Properties Inc. (GLPI)
Madison Square Garden Entertainment Corp (MSGE)
MGM Resorts International (MGM)
PENN Entertainment, Inc., Inc. (PENN)
Red Rock Resorts Inc. (RRR)
Light & Wonder, Inc. (LNW)
Wynn Resorts, Limited (WYNN)

Non-Disclosure of Certain Metrics and Targets

The Company believes in transparency and strives to disclose as much information to shareholders as possible except in situations where we believe that providing full, or even limited, disclosure would be detrimental to the interests of the Company and our shareholders. We believe certain disclosure could provide our competitors with insight regarding confidential business strategies without meaningfully adding to shareholders' understanding of the metric. Although we set compensation metrics and targets in advance of applicable performance periods, we do not disclose such metrics and targets in advance due to potential risk to the interests of the Company and our shareholders. We disclose such metrics and targets alongside actual performance in our annual filings following the completion of the applicable performance periods.

Components of Compensation

During 2022, the Company used multiple components to provide an overall compensation and benefits package designed to attract and retain the needed level of executive talent for the Company and to incentivize their performance. The Compensation Committee believes that the goals that were set for the executives and executive compensation are aligned with the interests of our investors to support enhancing long-term shareholder value. The following table sets forth the principal compensation elements of the Company’s 2022 executive compensation program and how each element fits into the Company’s overall compensation program and is supportive of the Company’s executive compensation objectives.

Element of Compensation	Motivation			Alignment with Stockholder Interests	Retention
	Attraction	Short-Term	Long-Term		
Base Salary	✓	✓			✓
Annual Incentive Compensation	✓	✓		✓	✓
Long-Term Incentive Compensation	✓		✓	✓	✓

Base Salary

The Committee’s philosophy is that base salaries should meet the objectives of attracting and retaining the executive talent needed to grow the business and create shareholder value. Upon promotion or other adjustment of responsibilities, executives receive base pay increases that are intended to be commensurate with their new role or responsibilities, the pay levels for colleagues at similar levels in the organization and market pay practices, with more modest rates of increase thereafter.

Peer group market analyses were performed for each of the NEO positions, targeting the median compensation levels among our peer group.

Based on the above considerations, the Committee set the following base salaries for the Company’s NEOs for 2022:

Name	Position	2021 Base Salary (\$) ⁽¹⁾	2022 Base Salary (\$) ⁽²⁾⁽³⁾	Percent Increase
William C. Carstanjen	Chief Executive Officer	1,500,000	1,500,000	0%
William E. Mudd	President & COO	1,100,000	1,100,000	0%
Marcia A. Dall	EVP & CFO	700,000	850,000	21%
Bradley K. Blackwell	EVP & General Counsel	500,000	600,000	20%
Maureen Adams	EVP, Gaming Operations	334,750	575,000	72%

- (1) Annual rate of base compensation shown as of December 31, 2021.
- (2) Annual rate of base compensation shown as of December 31, 2022. Actual salaries paid in 2022 are shown in the 2022 Summary Compensation Table on page 44.
- (3) Peer group market analyses were performed for each of the NEO positions, and NEO base salary levels were adjusted (for Ms. Dall) and set (for Mr. Blackwell and Ms. Adams) in response to those analyses. Consistent with the Company’s compensation philosophy, adjustments were made with respect to Ms. Dall to better position her base salary compared to the peer group.

Executive Annual Incentive Plan

Our executive annual incentive plan is designed to motivate and reward our NEOs for achieving annual performance objectives by tying the majority of the EAIP award to attainment of a pre-established financial goal. We believe this program supports our “pay-for-performance” culture. 75% of the target EAIP award is determined formulaically based on corporate Adjusted EBITDA performance, and the remaining 25% is based on a qualitative assessment of the attainment of other financial, strategic, operational and individual goals established by the Committee.



The Committee utilized Adjusted EBITDA as elements in both the Company’s EAIP and ELTI in recognition that Adjusted EBITDA is viewed as a core driver of the Company’s performance and shareholder value creation. In designing the Company’s executive compensation program, the Committee supplemented this measure with additional performance measures in order to strike an appropriate balance with respect to incentivizing top-line growth, profitability, non-financial business imperatives and shareholder returns over both the short-term and long-term horizons.

Financial Component (75%)

As noted above, 75% of the target EAIP payout was determined formulaically based on achievement of the annual Adjusted EBITDA (as defined in in Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations in the Form 10-K for the year ended December 31, 2022) target (the “Financial Component”). In February 2022, the Committee set an Adjusted EBITDA target of \$709.3 million, which was substantially higher than the actual 2021 Adjusted EBITDA performance of \$627.0 million. The Compensation Committee believed at the time that the performance targets were rigorous yet achievable, and therefore established the targets so that the targets would be achieved, at the target performance level, if the Company successfully executed against its operating plan for 2022. Potential EAIP payouts for the Financial Component ranged from 0% to 200% (i.e., 0% to 150% of total target EAIP award) based on the achievement of the pre-established financial goal in accordance with the following table:

Percentage of Adjusted EBITDA Goal Achieved*	Percentage of Financial Component Awarded	Percentage of Total Target EAIP Award Awarded
Below 80%	0%	0%
80%	50%	37.5%
100%	100%	75%
110%	150%	112.5%
120%	200%	150%

* Amounts in between based on interpolation between the points

In 2022, the actual Company performance was \$763.6 million in Adjusted EBITDA, which was 7.7% higher than the target of \$709.3 million. This performance resulted in a payout for each NEO at 138.3% of target for the Financial Component (i.e., 103.7% of the target EAIP award) as detailed below.

2022 Adjusted EBITDA Target (in millions)	2022 Actual Adjusted EBITDA (in millions)	Actual Performance as a percentage of Adjusted EBITDA Target	Percentage of Financial Component	Percentage of Total Target EAIP Award
\$709.3	\$763.6	108%	138.3%	103.7%

Qualitative Component (25%)

Pursuant to the EAIP, the Committee established secondary performance goals for the Company and its executives to be used to determine the vesting of the qualitative component under the EAIP, weighted 25% (the “Qualitative Component”).

The Committee set performance goals for 2022, based upon a comprehensive assessment of the Company against its long-term strategic plan and its ability to achieve said goals with its current leadership team and key employees.

Individual performance by the NEOs (as measured by various factors, including, but not limited to, continued growth and diversification of the Company’s asset portfolio, customer and employee satisfaction, and the completion of certain specified legislative and regulatory outcomes), and business unit performance led by the Company’s key employees (as measured by, among other things, revenue performance) was also considered in evaluating the Company’s performance, and determining the level of compensation deemed necessary to incent and reward the NEOs and key employees to continue to drive growth. These goals relate to the Company’s overall financial goals, strategic goals, and business segment goals, respectively, with no specific weighting attributed to any one goal.

In evaluating 2022 performance, a few of the accomplishments that were considered to be significantly above target by the Committee included:

- The completion of the acquisition of substantially all of the assets of P2E with a base purchase price of \$2.75 billion on November 1, 2022. The P2E assets acquired included Colonial Downs Racetrack and six HRM entertainment venues in Virginia, del Lago Resort & Casino in New York, and Hard Rock Hotel & Casino in Iowa, as well as the development rights for Dumfries and Emporia HRM facilities in Virginia, up to five additional HRM entertainment venues in Virginia, and ONE Casino & Resort in Virginia in collaboration with Urban One.
- The completion of the financing for the P2E acquisition in April 2022 by negotiating favorable pricing and closing a \$1.2 billion Senior Secured Revolver due 2027, \$800 million of Senior Secured Delayed Term Loan A due 2027, and \$1.2 billion of Senior Secured Notes due 2030 at a 5.75% interest rate.
- The announcement of a definitive agreement to acquire Exacta Systems, LLC, for \$250 million. The acquisition will provide the Company with the opportunity to realize additional synergies related to our recent acquisition of the P2E HRM assets in Virginia.
- The acquisition of Chasers Poker Room in Salem, New Hampshire in September 2022, allowing the Company to expand its HRM strategy to the New England market.
- The acquisition of Ellis Park Racing & Gaming in Henderson, Kentucky, as well as the opportunity to construct an HRM facility in Owensboro, Kentucky.
- The closing of the Calder land sale for \$291.0 million in June 2022.
- Churchill Downs Racetrack
 - The completion of the Homestretch Club prior to the 148th Kentucky Derby in May 2022, the construction of the 1st Turn Expansion which will be completed for the 149th Kentucky Derby in May 2023, and the launching of the transformative Paddock redevelopment project that will be completed for the 150th Kentucky Derby in May 2024.
- TwinSpires
 - The strategic decision to exit the Online Sports & Casino business in February 2022.
 - The execution of multi-year agreements with FanDuel Group and DraftKings to expand wagering on horse racing, fees on ADW technology and related services, and sponsorships of the Kentucky Derby.
 - The execution of strategic market access agreements with Bet365 in Pennsylvania and Golden Nugget in Indiana to monetize our online sports and iGaming skins.
- The ongoing capital management execution enabling the Company to fund capital projects, grow dividends, and buy back shares while maintaining one of the strongest balance sheets in the industry.
- The building of relationships with investors and analysts that has created substantial support for long-term shareholder value creation.
- The expansion of our ESG efforts including the ongoing promotion of responsible gaming; initiatives at our properties to lessen energy and water usage, to decrease carbon emissions, and to responsibly manage waste; increasing investments in the communities in which we operate and supporting our teams through educational and leadership development; and further diversification of our Board and increasing engagement with our shareholders.

In determining the EAIP payouts for the Qualitative Component, the Compensation Committee exercises its discretion to determine whether to payout at, above, or below the target opportunities based upon its review of the outcomes evaluated against Company and individual performance. The individual Qualitative Component awards for Mr. Carstanjen, Mr. Mudd, Ms. Dall, Mr. Blackwell, and Ms. Adams were equal to 200% of target (50% of total target EAIP award) made pursuant to the EAIP in recognition of the NEOs’ respective roles in driving performance during the period ending December 31, 2022.

Summary of 2022 EAIP Awards

As noted above, the Company exhibited strong overall financial performance in 2022 and the NEOs were viewed by the Committee to be the primary parties responsible for the actual performance relative to the performance goals established with respect to 2022. The Committee, after considering the Company’s overall performance, awarded the NEOs the total EAIP awards equal to 153.7% of target as shown in the table below and in the 2022 Summary Compensation Table in the column labeled “Non-Equity Incentive Plan Compensation.”

Name	Target Incentive Award as a Percentage of Salary ⁽¹⁾	Target Incentive Award in (\$)	Maximum Target Incentive Award as a Percentage of Salary	Maximum Target Incentive Award in (\$)	Actual 2022 Incentive Award in (\$)
William C. Carstanjen	175%	2,625,000	350%	5,250,000	4,035,025
William E. Mudd	125%	1,375,000	250%	2,750,000	2,113,585
Marcia A. Dall	110%	935,000	220%	1,870,000	1,437,238
Bradley K. Blackwell	85%	510,000	170%	1,020,000	783,948
Maureen Adams	80%	460,000	160%	920,000	707,090

(1) Ms. Dall’s target incentive award as a percentage of salary was adjusted in 2022 from 100% to 110% in response to the peer group compensation analysis performed by FW Cook. Consistent with the Company’s compensation philosophy, adjustments were made to better position Ms. Dall’s target incentive compared to the peer group. In addition, when evaluating the adjustments for Ms. Dall, the Committee also considered her individual performance and criticality to the Company.

Long-Term Incentives

The objective of the Company’s long-term incentive compensation program is to support the entrepreneurial mindset desired of management by the Board of Directors by providing an opportunity to earn significant equity in the Company for achieving significant performance improvements.

The Company maintains the ELTI, pursuant to which the NEOs may earn variable equity payouts based upon the Company achieving certain key performance metrics. The purpose of the ELTI is to provide participants with a long-term incentive program that is designed to be market-competitive and provides long-term incentives on a regular, predictable, and annual basis. Eligible participants (as determined by the Committee) may be members of the Company’s senior executive team and/or such other executives and key contributors as the Committee may designate from time to time. As and to the extent determined by the Committee as part of the annual compensation planning process for participants, the CEO will participate in the ELTI at a rate determined by the Committee. No individual will have an automatic right to participate in the ELTI. A summary of the 2022 terms and applicable award opportunities, granted by the Committee to the NEOs, is provided below.

During the beginning of 2022, the CEO recommended employees (other than with respect to himself) to the Committee for participation in the ELTI for 2022 and their respective specific levels of proposed participation. Awards granted to eligible employees under the ELTI may be in the form of RSUs, PSUs, or both. To pursue the key objective of linking executive compensation with Company performance, the Committee generally aims to deliver at least 50% of the grant value of the 2022 awards as PSUs.

The Committee approved the 2022 RSU awards on February 10, 2022, and the PSU awards (for the 36-month performance period of January 1, 2022 through December 31, 2024) on July 12, 2022. The 2022 awards are as follows:

Executive Officer	RSUs		PSUs		Total	
	#	\$(¹)	#	\$(²)	#	\$(³)
William C. Carstanjen	14,703	3,300,088	14,703	3,238,336	29,406	6,538,424
William E. Mudd	6,684	1,500,224	6,684	1,472,151	13,368	2,972,375
Marcia A. Dall	4,902	1,100,254	4,901	1,079,445	9,803	2,179,699
Bradley K. Blackwell	2,451	550,127	2,451	539,833	4,902	1,089,960
Maureen Adams	2,229	500,299	2,228	490,717	4,457	991,016

- (1) The grant date fair value of the time-vesting RSUs was calculated utilizing the closing price of the Company's common stock as of February 10, 2022 multiplied by the total number of time-vesting RSUs granted.
- (2) The grant date fair value for the PSUs was calculated based on the probable achievement of the performance goals and a Monte-Carlo simulation model, which factors in the value of the relative TSR modifier (defined below) that is applied to the award before the share-based payment vests. The PSUs represent the target opportunity, and corresponding fair value, available to the grantees should the Company achieve the pre-determined performance metrics. Actual shares that vest pursuant to the PSUs may be more or less given the performance on the selected metrics discussed below.
- (3) The NEOs' long-term equity awards were adjusted (for Ms. Dall) and set (for Mr. Blackwell and Ms. Adams) in 2022 in response to the peer group compensation analysis performed by FW Cook. Consistent with the Company's compensation philosophy, adjustments were made to better position compensation levels compared to our peer group. In approving the NEOs' long-term equity award levels, the Committee allocated a significant portion of their total target direct compensation increases to their target long-term equity award levels to be consistent with the Company's long-standing compensation philosophy of aligning executive officers' interests with shareholders through the risks and rewards of equity ownership.

With respect to the PSU awards in the table above, performance will be based on the following three Performance Measures during the 36-month period from January 1, 2022 through December 31, 2024 (the "Performance Period"):

- 1) 2-Year Cumulative Adjusted Earnings before Interest, Tax, Depreciation and Amortization ("Adjusted EBITDA") (50% weight). Adjusted EBITDA measured during the two-year period beginning as of the start of the Performance Period relative to the pre-established goals set for such measurement period, will be derived from the Company's consolidated financial statements with any necessary adjustments similar to those described further below;
- 2) 3-Year Cumulative Cash Flow Metric ("Cash Flow Metric") (50% weight). Cumulative Cash Flow (i.e. the sum of the free cash flows from the annual periods ending December 31 of each of 2022, 2023, and 2024, respectively, where the Cash Flow Metric goals are set at the beginning of each of those three periods) will also be derived from the Company's consolidated financial statements with any necessary adjustments similar to those described further below; and
- 3) Relative Total Shareholder Return Modifier. The Company's TSR modifier will be determined by ranking the return on the Company's shares against those of the companies in the Russell 1000 index, in each case, over the Performance Period. The PSU awards determined by the Adjusted EBITDA and Cash Flow Metric performance goals described above will then be adjusted based on the Company's relative TSR performance, by increasing the PSU awards by 25% if the Company's TSR is in the top quartile of the Russell 1000 index, decreasing the PSU awards by 25% if the Company's TSR is in the bottom quartile of the Russell 1000 index, and providing no change to the PSU awards if the Company's TSR is in the middle two quartiles.

The maximum number of PSUs that can be earned for the Performance Period is 250% of target, with payout for each performance measure determined by a payout curve, as achievement that lies between two goals will be interpolated. At the end of the Performance Period, the Committee will review performance achieved on each pre-established Performance Measure.

With respect to the RSU awards, the RSUs vest (i) for Mr. Carstanjen, Mr. Mudd and Ms. Dall, in one third (1/3) increments on each of December 31, 2022, December 31, 2023 and December 31, 2024, respectively, and (ii) for Mr. Blackwell and

Compensation Discussion and Analysis

Ms. Adams, in one third (1/3) increments on each of February 10, 2023, February 10, 2024, and February 10, 2025, respectively, all generally subject to the executive's continued employment through the applicable vesting date.

With respect to the performance period and related PSU awards under the ELTI for January 1, 2020 through December 31, 2022, the actual performance was certified by the Compensation Committee at its February 2023 meeting (with a TSR at 63%, in the top 16% of the Russell 2000 over the performance period) as set forth below:

\$ in Millions	Target	Maximum	Actual	% of Target	Projected Payout	Weighted Payout
3-year Cumulative Adjusted EBITDA:	\$1,654.0	\$1,984.8	\$1,951.7	118.0%	180.0%	90.0%
3-year Cumulative Cash Flow Metric:	\$ 723.3	\$ 868.0	\$1,151.9	159.2%	200.0%	100.0%
Total Weighted Payout:		190%				
TSR Modifier:		125%				
Target Multiplier:		237.5%				

- Adjusted EBITDA—as defined in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in the Form 10-K for the year ended December 31, 2022.

	2020	2021	2022
Adj. EBITDA as report in the 2022 Form 10-K	\$286.5	\$627.0	\$ 763.6
Calder Land Sale Adjustment	N/A	N/A	\$ 274.6
Adjusted EBITDA for Compensation Purposes (\$ in millions)	\$286.5	\$627.0	\$1,038.2

- Cash Flow Metric—Our cash flow metric is defined as Cash Flows from Operating Activities and Discontinued Operations in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations in the Form 10-K for the year ended December 31, 2022, not including the impact from the change in restricted cash, plus distributions of capital from equity investments less capital maintenance expenditures.

\$ in millions	2020	2021	2022
Cash Flow from Operating Activities	\$143.2	\$ 459.5	\$510.8
Operating Activities of Discontinued Operations	\$ (1.3)	\$(124.0)	\$ 26.0
Capital Maintenance Expenditures	\$ (23)	\$ (39.5)	\$(50.2)
Change in Restricted Cash	\$ (7.3)	\$ (10.7)	\$(10.6)
Calder Land Sale Adjustment	N/A	N/A	279.0
Cash Flow Metric	\$111.6	\$ 285.3	\$755.0

- Total Shareholder Return—defined as the Company's stock price as of the end of the measurement period, assuming reinvestment of dividends, divided by the Company's stock price as of the beginning of the measurement period. The Company's Total Shareholder Return for the period January 1, 2020 through December 31, 2022 was 63%.

Based on the performance achievement as discussed above, the participating NEOs received PSUs as follows:

Name ⁽¹⁾	Target PSU Award	Target Multiplier	PSU Payout
William C. Carstanjen	20,592	237.5%	48,906
William E. Mudd	9,360	237.5%	22,321
Marcia A. Dall	4,056	237.5%	9,633

- (1) Mr. Blackwell and Ms. Adams each became an NEO after the 2020 ELTI awards were granted and, accordingly, did not receive a 2020 ELTI award.

Executive Stock Ownership Guidelines

Our Board of Directors has adopted minimum stock ownership guidelines for our executive officers. The principal objective of the guidelines is to enhance the linkage between the interests of shareholders and our executive officers by requiring a meaningful, minimum level of stock ownership. The current guidelines provide that, within five (5) years of becoming subject to the stock ownership guidelines, our CEO should own shares valued at an amount equal to at least six times (6x) his base salary, our President & COO should own shares valued at an amount equal to at least four times (4x) his base salary, and our EVP & CFO and other executive officers should own shares valued at an amount equal to at least three times (3x) the executive's base salary. As of the Record Date, each NEO met or exceeded the guidelines or were within the five (5) year transition period.

Executive Officer	Ownership Guidelines	Met Guidelines
William C. Carstanjen	6x	✓
William E. Mudd	4x	✓
Marcia A. Dall	3x	✓
Bradley K. Blackwell	3x	Five-Year Transition Period ⁽¹⁾
Maureen Adams	3x	Five-Year Transition Period ⁽¹⁾

✓ = Met guidelines.

- (1) Mr. Blackwell and Ms. Adams became NEOs in 2022, and will not be required to satisfy the Executive Stock Ownership Guidelines until July 2027.

Anti-Hedging Policy

Under the terms of the Company's Statement of Company Insider Trading Policy, our directors, officers and other employees are prohibited from engaging in hedging and monetization transactions and transactions that involve exchange-traded options or short sales of the Company's securities. Because hedging transactions might permit a director, officer or other employee to continue to own our securities without the full rewards and risks of ownership, such hedging transactions are prohibited.

Clawback Policy

Under the terms of the Company's Executive Incentive Compensation Recoupment Policy, the NEOs' incentive compensation is subject to "clawback" in the event of a material restatement of the Company's financial statements due to material noncompliance with any financial reporting requirement under securities laws that would have resulted in less incentive compensation awarded or paid to the executive had the financial results been properly reported during the three

fiscal years prior to a material restatement. The Committee may require the NEO to repay all or a portion of compensation paid and cancel unvested or vested incentive compensation awarded during the applicable time-period. The Company will review and modify the policy as necessary to reflect the final NASDAQ listing rules adopted to implement the compensation recovery requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Deferred Compensation and Other Benefits

The Company's philosophy is to provide retirement and savings benefits to executives which are commonly provided by other public companies. The benefits available to executives include:

401(k). The Company maintains a 401(k) Retirement Plan, which is a profit sharing plan that is intended to be a qualified retirement plan under Section 401(a) of the Internal Revenue Code (the "Code"). The 401(k) Retirement Plan allows all employees who meet the eligibility requirements to become participants. Participants may make salary deferral contributions pursuant to Section 401(k) of the Code up to limits prescribed by the plan and the Code. The Company makes matching contributions with respect to such salary deferrals at a rate of 100% on the first 3% of compensation deferred and 50% on deferrals in excess of 3% of compensation deferred but no more than 5% of compensation deferred. Salary deferral contributions and matching contributions are fully vested at all times. Participants are allowed to direct investment of their accounts under the 401(k) Retirement Plan into as many as 29 investment options. All assets of the 401(k) Retirement Plan are held in a trust that is intended to be qualified under Section 501 of the Code.

Restricted Stock Unit Deferral Plan. The Company maintains the Churchill Downs Incorporated Restricted Stock Unit Deferral Plan (the "Deferral Plan"). Under the Deferral Plan, certain individual employees who are management or highly compensated employees of the Company may elect to defer settlement of RSUs granted to them pursuant to the 2016 Omnibus Stock Incentive Plan that are due to be earned and that would otherwise be settled with respect to a given year pursuant to the terms of an RSU agreement between the Company and such employees. The Company believes that the Deferral Plan further aligns with its overall compensation program objectives by aligning the long-term interests of participants and shareholders through the deferral of RSUs.

Please see the 2022 Nonqualified Deferred Compensation Table, on page 49, and the accompanying narrative below for further information regarding the Deferral Plan.

Allowances and Other Benefits. The Company's standard, non-cash executive benefits are Company-paid premiums on executive term life insurance and an optional supplemental long-term disability income plan for each NEO. These plans provide benefits which are similar to those provided to eligible employees, but extend the benefit levels to reflect the income of the executive officers. For Company executives, the Company may reimburse spouse's travel expenses for travel with the executive on Company business on a case-by-case basis.

Post-Termination Arrangements. The Compensation Committee believes that arrangements that provide benefits upon termination or a change in control of the Company support the goals of attracting and retaining qualified executives. Such benefits include clarifying the terms of employment and reducing the risks to the executive where the executive believes that either the Company may undergo a merger or be acquired. In addition, the Compensation Committee believes that such agreements align the interests of executives with the interests of shareholders if a qualified offer to acquire the Company is made, in that each of the executives would likely be aware of or involved in any such negotiation and it is to the benefit of shareholders to have the executives negotiating in the best interests of the Company without regard to their personal financial interests. The Compensation Committee has adopted forms of Executive Change in Control, Severance and Indemnity Agreements (the "Change in Control Agreements") applicable to the NEOs. The terms of the Change in Control Agreements were determined after considering market data and the input of the Committee's independent compensation consultant at the time. The Change in Control Agreements provide, subject to the Company receiving a general release of claims from the executive, severance benefits in the event the executive's employment is terminated (i) by the Company other than for "Cause" (as defined in the Change in Control Agreements) or due to "Disability" (as defined in the Change in Control Agreements) or death or (ii) by the executive for "Good Reason" (as defined in the Change in Control Agreement), with enhanced benefits for a termination in connection with a "Change in Control" (as defined in the Change in Control Agreement). All equity-based awards in effect at the time of termination for the aforementioned reasons will remain governed by the applicable plan or award agreement. The Change in Control Agreements do not provide for any tax gross-ups for excise taxes payable following a Change in Control.

Please see the "Potential Payments Upon Termination or Change of Control" section for a summary of the severance benefits payable to the NEOs under their applicable Change in Control Agreements.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the information appearing above under the heading “Compensation Discussion and Analysis” with management and, based on that review and discussion, has recommended to the Board of Directors that the “Compensation Discussion and Analysis” section be included in this Proxy Statement and the Company’s Annual Report on Form 10-K for the year ending December 31, 2022.

Compensation Committee of the Board of Directors:

Daniel P. Harrington, Chair
Robert L. Fealy
Douglas C. Grissom
Paul C. Varga
R. Alex Rankin, ex officio

2022 SUMMARY COMPENSATION TABLE

The following table provides information regarding compensation earned by our Chief Executive Officer, President & Chief Operating Officer, Executive Vice President & Chief Financial Officer, Executive Vice President, General Counsel and Executive Vice President, Gaming Operations (sometimes referred to in this proxy statement as the “Named Executive Officers” or “NEOs”) in 2022, and to the extent required by SEC disclosure rules, 2021 and 2020.

Name and Principal Position	Year	Base Salary (\$)	Bonus (\$)	Stock Awards (\$) ⁽¹⁾	Non-Equity Incentive Plan Compensation (\$) ⁽²⁾	All Other Compensation (\$) ⁽³⁾	Total (\$)
William C. Carstanjen Chief Executive Officer	2022	1,500,000	-0-	6,538,424	4,035,025	19,664	12,093,113
	2021	1,500,000	-0-	6,986,731	5,250,000	18,552	13,755,283
	2020	1,359,952	-0-	7,057,084	2,056,389	17,714	10,491,139
William E. Mudd President and Chief Operating Officer	2022	1,100,000	-0-	2,972,375	2,113,585	18,346	6,204,306
	2021	1,100,000	-0-	3,176,075	2,750,000	16,616	7,042,691
	2020	1,025,337	-0-	3,207,766	1,077,156	15,748	5,326,007
Marcia A. Dall Executive Vice President and Chief Financial Officer	2022	826,923	-0-	2,179,699	1,437,238	20,452	4,464,312
	2021	700,000	-0-	1,588,038	1,400,000	18,935	3,706,973
	2020	668,510	-0-	1,390,032	548,370	18,240	2,625,152
Bradley K. Blackwell⁽⁴⁾ Executive Vice President and General Counsel	2022	584,615	-0-	1,089,960	783,948	16,904	2,475,427
Maureen Adams⁽⁴⁾ Executive Vice President, Gaming Operations	2022	538,038	-0-	991,016	707,090	19,774	2,255,918

- (1) In accordance with the SEC executive compensation disclosure rules, the amounts shown in 2022 for stock awards represent the grant date fair value of such awards determined in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation—Stock Compensation (“FASB ASC Topic 718”), but disregarding the estimate of forfeitures, in connection with service-based RSUs and PSUs granted pursuant to the ELTI to each of our NEOs in 2022. The amounts included in the Stock Awards column for the PSUs granted during 2022 are calculated based on the probable satisfaction of the performance conditions for such awards as of the date of grant. Assuming the highest level of performance is achieved for the 2022 PSUs, the maximum value of such PSUs at the grant date would be as follows: Mr. Carstanjen—\$7,286,072; Mr. Mudd—\$3,312,256; Ms. Dall—\$2,428,691; Mr. Blackwell—\$1,214,593; and Ms. Adams—\$1,104,085. See Note 11 to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2022 for a discussion of the relevant assumptions used in calculating the amounts reported for 2022.
- (2) Amounts in this column represent payments for performance under the EAIP. The NEOs received their 2022 EAIP awards in February 2023.
- (3) The table below shows the components of this column for 2022, which include the Company match for each individual’s defined contribution plan contributions, life insurance premiums, and supplemental long-term disability insurance premiums.
- (4) Mr. Blackwell and Ms. Adams each became an NEO in 2022.

ALL OTHER COMPENSATION FOR FISCAL YEAR ENDED DECEMBER 31, 2022

Name	Company Contributions Under Defined Contribution Plans ⁽¹⁾ (\$)	Life Insurance Premiums ⁽²⁾ (\$)	Supplemental Long-Term Disability Insurance Premiums ⁽³⁾ (\$)	Total All Other Compensation (\$)
William C. Carstanjen	12,200	5,663	1,801	19,664
William E. Mudd	12,200	2,886	3,260	18,346
Marcia A. Dall	12,200	3,495	4,757	20,452
Bradley K. Blackwell	12,200	1,367	3,337	16,904
Maureen Adams	12,200	1,724	5,850	19,774

- (1) This amount consists of Company contributions to 401(k) plans. In accordance with the adoption of the Deferral Plan, no Company contributions were made to non-qualified deferred compensation plans with respect to 2022.
- (2) The NEOs receive group life coverage equal to two times base salary with a \$3 million maximum. The amounts in this column are the premiums for the NEOs' coverage.
- (3) The NEOs receive long-term disability coverage equal to sixty percent (60%) of their base salary with a \$10,000 per month maximum in the event of a long-term disability. The Company offers supplemental long-term disability income insurance to help fill the gap between the executive's regular monthly net income and the amount that would be paid under the Company's standard long-term disability insurance policy that is available to other salaried employees. The amounts in this column are the premiums for the NEOs' supplemental coverage paid by the Company.

GRANTS OF PLAN-BASED AWARDS FOR FISCAL YEAR ENDED DECEMBER 31, 2022

The grants in the following table are generally described in the CD&A, beginning on page 27.

Name	Grant Date	Estimated Future Payout under Non-Equity Incentive Plan Awards ⁽¹⁾			Estimated Future Payout under Equity Incentive Plan Awards ⁽²⁾			All Other Stock Awards: Number of Shares of Stock or Units (#) ⁽³⁾	Grant Date Fair Value of Stock Awards (\$)
		Threshold (\$) ⁽⁴⁾	Target (\$)	Max (\$)	Threshold (#)	Target (#)	Max (#)		
William C. Carstanjen		0	2,625,000	5,250,000					
	02/10/2022							14,703	3,300,088
	07/12/2022				7,352	14,703	36,758		3,238,336
William E. Mudd		0	1,375,000	2,750,000					
	02/10/2022							6,684	1,500,224
	07/12/2022				3,342	6,684	16,710		1,472,151
Marcia A. Dall		0	935,000	1,870,000					
	02/10/2022							4,902	1,100,254
	07/12/2022				2,451	4,901	12,253		1,079,445
Bradley K. Blackwell		0	510,000	1,020,000					
	02/10/2022							2,451	550,127
	07/12/2022				1,226	2,451	6,128		539,833
Maureen Adams		0	460,000	920,000					
	02/10/2022							2,229	500,299
	07/12/2022				1,114	2,228	5,570		490,717

- (1) Represents annual incentive bonus opportunities under the EAIP for each of the NEOs. See "Executive Annual Incentive Plan" beginning on page 36. Actual bonus payments for 2022 are listed under Non-Equity Incentive Plan Compensation in the 2022 Summary Compensation Table on page 44.
- (2) Represents the PSUs granted under the ELTI to each of the NEOs, which vest based on the Company's performance with respect to Adjusted EBITDA for compensation purposes and the cash flow metric over the 2022-2023 performance period. The vesting of these awards is also subject to a TSR modifier which could increase or decrease the number of shares earned under an award by 25%, as more fully explained on pages 38-41.
- (3) Represents RSUs granted under the ELTI to each of the NEOs, which are scheduled to vest over three years in equal annual installments (on December 31, 2022, December 31, 2023, and December 31, 2024 for Messrs. Carstanjen and Mudd and Ms. Dall and on February 10, 2023, February 10, 2024, and February 10, 2025 for Mr. Blackwell and Ms. Adams), subject generally to the NEO's continued employment through the applicable vesting date.
- (4) The EAIP threshold represents a 50% payout of the pre-established financial performance goal, which constitutes 75% of the target EAIP payout, based upon achievement of the minimum annual Adjusted EBITDA target. The individual performance goal has a range of 0% to 200% payout depending on achievement of goals, which constitutes the remaining 25% of the total EAIP payout and is not included in the threshold.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END FOR FISCAL YEAR ENDED DECEMBER 31, 2022

The following table provides information regarding unvested stock awards held by each of the NEOs on December 31, 2022. As of such date, none of our NEOs held any outstanding option awards.

Name	Stock Awards			
	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$) ⁽¹⁾	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) ⁽¹⁾
William C. Carstanjen	242,920 ⁽²⁾	51,360,576	29,199 ⁽³⁾	6,173,545
William E. Mudd	149,271 ⁽²⁾	31,560,368	13,274 ⁽³⁾	2,806,522
Marcia A. Dall	4,451 ⁽²⁾	941,075	8,196 ⁽³⁾	1,732,880
Bradley K. Blackwell	4,965 ⁽²⁾	1,049,750	2,451 ⁽³⁾	518,215
Maureen Adams	3,142 ⁽²⁾	664,313	2,228 ⁽³⁾	471,066

- (1) Based on the December 30, 2022 closing price of CHDN of \$211.43 per share.
- (2) Represent awards under the ELTI consisting of RSUs and PSUs for continued employment periods from January 1, 2021 - October 30, 2025, including the 2018 PSUs granted to Messrs. Carstanjen and Mudd which remain subject to time-based vesting. The 242,920 RSUs for Mr. Carstanjen vest as follows: 75,971 on October 30, 2023; 10,106 on December 31, 2023; 75,971 on October 30, 2024; 4,901 on December 31, 2024; and 75,971 on October 30, 2025. The 149,271 RSUs for Mr. Mudd vest as follows: 47,483 on October 30, 2023; 4,594 units on December 31, 2023; 47,483 on October 30, 2024; 2,228 units on December 31, 2024; and 47,483 on October 30, 2025. The 4,451 RSUs for Ms. Dall vest as follows: 2,817 on December 31, 2023 and 1,634 on December 31, 2024. The 4,965 RSUs for Mr. Blackwell vest as follows: 1,606 units on February 10, 2023; 936 units on February 12, 2023; 1,606 units on February 10, 2024; and 817 units on February 10, 2025. The 3,142 RSUs for Ms. Adams vest as follows: 1,059 units on February 10, 2023; 281 units on February 12, 2023; 1,059 units on February 10, 2024; and 743 units on February 10, 2025.
- (3) Represent awards under the ELTI consisting of PSUs for certain performance periods from January 1, 2021 through December 31, 2024, which are subject to vesting upon meeting the performance criteria at the end of each applicable performance period. The 29,199 PSUs for Mr. Carstanjen are subject to vesting on the following dates: 14,496 units on December 31, 2023 and 14,703 units on December 31, 2024. The 13,274 PSUs for Mr. Mudd are subject to vesting on the following dates: 6,590 units on December 31, 2023 and 6,684 units on December 31, 2024. The 8,196 PSUs for Ms. Dall are subject to vesting on the following dates: 3,295 units on December 31, 2023 and 4,901 units on December 31, 2024. The 2,451 PSUs for Mr. Blackwell are subject to vesting on December 31, 2024. The 2,228 PSUs for Ms. Adams are subject to vesting on December 31, 2024. For purposes of this table, the PSUs are reported assuming target performance.

STOCK VESTED FOR FISCAL YEAR ENDED DECEMBER 31, 2022

The following table provides information concerning vesting of stock awards during 2022 for each of the NEOs. None of our NEOs held any stock options during 2022.

	Stock Awards	
	Number of Shares Acquired on Vesting	Value Realized on Vesting ⁽²⁾
William C. Carstanjen	129,780	\$29,049,057 ⁽¹⁾
William E. Mudd	77,428	\$17,056,688
Marcia A. Dall	12,450	\$ 3,002,018 ⁽¹⁾
Bradley K. Blackwell	3,130	\$ 694,241
Maureen Adams	1,036	\$ 229,981

- (1) Pursuant to the Deferral Plan, Mr. Carstanjen deferred 11,706 shares on vesting and Ms. Dall deferred 1,303 shares on vesting, which are excluded from these amounts and reported in the table under the “Nonqualified Deferred Compensation Plan for Fiscal Year Ended December 31, 2022.”
- (2) The RSUs vested reflect the market value of the stock on the day the stock vested. The 2020 PSU awards were settled based upon the closing price of the Company’s common stock on February 15, 2023 (\$249.81 per share) after certification by the Compensation Committee.

NONQUALIFIED DEFERRED COMPENSATION FOR FISCAL YEAR ENDED DECEMBER 31, 2022

The following table provides information regarding the deferred settlement of RSUs granted to certain NEOs pursuant to the 2016 Omnibus Stock Incentive Plan, in accordance with the Deferral Plan adopted by the Company, effective January 1, 2020 and compensation that had been previously deferred by the NEOs pursuant to the terms of the Company's legacy nonqualified deferred compensation plan.

Name	Executive Contributions in Last Fiscal Year (\$) ⁽¹⁾	Registrant Contributions in Last Fiscal Year (\$)	Aggregate Earnings (Losses) in Last Fiscal Year (\$)	Aggregate Withdrawals Distributions (\$)	Aggregate Balance at Last Fiscal Year End (\$) ⁽¹⁾⁽²⁾
William C. Carstanjen					
Deferral Plan	2,474,923	-0-	(539,181)	-0-	6,344,734
Legacy Nonqualified Deferred Compensation Plan	-0-	-0-	-0-	-0-	-0-
William E. Mudd					
Deferral Plan	-0-	-0-	-0-	-0-	-0-
Legacy Nonqualified Deferred Compensation Plan	-0-	-0-	(236,993)	-0-	901,999
Marcia A. Dall					
Deferral Plan	275,432	-0-	(76,456)	-0-	824,251
Legacy Nonqualified Deferred Compensation Plan	-0-	-0-	(70,310)	-0-	286,358
Bradley K. Blackwell					
Deferral Plan	-0-	-0-	-0-	-0-	-0-
Legacy Nonqualified Deferred Compensation Plan	-0-	-0-	(30,812)	-0-	77,188
Maureen Adams					
Deferral Plan	-0-	-0-	-0-	-0-	-0-
Legacy Nonqualified Deferred Compensation Plan	-0-	-0-	(18,740)	-0-	63,880

(1) Amounts in this column represent the market value of RSUs which vested on December 31, 2022 but were elected to be deferred under the Deferral Plan. For purposes of this disclosure, market value is determined using the December 31, 2022 closing price of CHDN of \$211.43 per share.

(2) Of the totals in this column, the following totals have been reported in the Summary Compensation Table for the previous three (3) years:

Name	2020 (\$)	2021 (\$)	2022 (\$) ⁽¹⁾
William C. Carstanjen	1,290,338	2,808,791	2,474,923
William E. Mudd	-0-	-0-	-0-
Marcia A. Dall	252,176	312,541	275,432
Bradley K. Blackwell ⁽²⁾	N/A	N/A	-0-
Maureen Adams ⁽²⁾	N/A	N/A	-0-

(1) Amounts in this column represent the market value of RSUs which vested on December 31, 2022 but were elected to be deferred under the Deferral Plan. For purposes of this disclosure, market value is determined using the December 30, 2022 closing price of CHDN of \$211.43 per share. For 2022, Mr. Carstanjen did not defer any of his RSUs.

(2) Mr. Blackwell and Ms. Adams each became an NEO in 2022.

Under the Deferral Plan, an account has been established and maintained for each participant, and each participant's account has been credited with all RSUs and any applicable dividend equivalents allocated to such participant. A participant's account under the Deferral Plan will be settled on the earlier of: (i) the participant's separation from service with the Company or (ii) the date fixed in such participant's plan participation agreement.

The Nonqualified Deferred Compensation table above shows information about the Company's legacy nonqualified deferred compensation plan. In December 2019, this plan was frozen with respect to future contributions. Participants can elect to receive their deferred compensation balance (i) upon termination of employment through a lump sum payment or (ii) while employed by the Company provided that the initial distribution date is at least five (5) years from the initial participation date, in which case distributions may be made on a monthly basis or in a lump sum.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE OF CONTROL

The Company has entered into certain agreements and maintains certain plans that will require the Company to provide compensation to the NEOs in the event of a termination of employment. None of our compensation arrangements with our NEOs provide for single trigger vesting or severance benefit upon a change in control (“CIC”) of the Company without a related or subsequent qualifying termination of employment. The amount of compensation payable to each NEO in each situation as of December 31, 2022 is listed in the table below.

Name	Cash Severance Payment (\$)	Acceleration & Continuation of Equity Awards (\$) ⁽¹⁾	Total Benefits (\$)
William C. Carstanjen			
Involuntary or good reason termination	10,880,284	54,440,054 ⁽⁴⁾	65,320,337
Change in control without termination	-0-	-0-	-0-
Death or Disability	2,625,000 ⁽²⁾	54,440,054 ⁽⁵⁾	57,065,054
Involuntary or good reason termination within 2 years CIC	10,880,284	57,534,120 ⁽³⁾	68,414,404
William E. Mudd			
Involuntary or good reason termination	5,092,787	32,974,411 ⁽⁴⁾	38,067,198
Change in control without termination	-0-	-0-	-0-
Death or Disability	1,375,000 ⁽²⁾	32,974,411 ⁽⁵⁾	34,349,411
Involuntary or good reason termination within 2 years CIC	6,330,287	34,409,175 ⁽³⁾	40,739,462
Marcia A. Dall			
Involuntary or good reason termination	2,679,969	1,750,922 ⁽⁴⁾	4,430,891
Change in control without termination	-0-	-0-	-0-
Death or Disability	935,000 ⁽²⁾	1,750,922 ⁽⁵⁾	2,685,922
Involuntary or good reason termination within 2 years CIC	3,572,469	2,673,955 ⁽³⁾	6,246,424
Bradley K. Blackwell			
Involuntary or good reason termination	1,668,033	1,222,488 ⁽⁴⁾	2,890,521
Change in control without termination	-0-	-0-	-0-
Death or Disability	510,000 ⁽²⁾	1,222,488 ⁽⁵⁾	1,732,488
Involuntary or good reason termination within 2 years CIC	2,223,033	1,567,965 ⁽³⁾	3,790,998
Maureen Adams			
Involuntary or good reason termination	1,555,161	821,335 ⁽⁴⁾	2,376,496
Change in control without termination	-0-	-0-	-0-
Death or Disability	460,000 ⁽²⁾	821,335 ⁽⁵⁾	1,281,335
Involuntary or good reason termination within 2 years CIC	2,072,661	1,135,379 ⁽³⁾	3,208,040

- (1) Represents the market value as of December 31, 2022 of stock awards accelerated or continued in each scenario. For purposes of this disclosure, market value is determined using the December 31, 2022 closing price of CHDN of \$211.43 per share.
- (2) Represents the pro rata bonus for the year of death or disability based on the target bonus the executive was eligible to receive for that year.
- (3) Represents one hundred percent (100%) of all unvested RSU and PSU awards (based on to-date performance as of the termination date) granted under the 2016 Omnibus Stock Incentive Plan and the ELTI.

- (4) Represents (i) continued vesting of all unvested RSUs as of the termination date, plus (ii) continued vesting of all PSUs based on performance through the entire performance period, pro-rated for the time the NEO was employed during that performance period. For purposes of this table, all PSUs values are based on target performance.
- (5) Represents (i) accelerated vesting of all unvested RSUs as of the termination date, plus (ii) continued vesting of all PSUs based on performance through the entire performance period, pro-rated for the time the NEO was employed during that performance period. For purposes of this table, all PSUs values are based on target performance.

Non-Solicit Provisions

The NEOs each entered into an Executive Change in Control, Severance and Indemnity Agreement (the “Change in Control Agreements”) with the Company. Pursuant to each of these agreements, each NEO is subject to a two-year non-solicitation period after the termination of their employment with the Company for any reason, during which they may not solicit any employee of the Company to leave employment with the Company or solicit any customer of the Company for the purpose of engaging in business with them that competes with the business engaged in by the Company.

Severance Benefits

The Change in Control Agreements, executed by the NEOs, provide for the following principal severance provisions upon termination by the Company without cause or by the executive upon constructive termination or for good reason (as defined in each agreement):

Mr. Carstanjen and Mr. Mudd. The Change in Control Agreement executed by Mr. Carstanjen and Mr. Mudd in 2018 provides that, upon termination by the Company without cause or by the executive upon constructive termination or for good reason, the executive will be entitled to receive (a) an amount in cash equal to, in the case of Mr. Carstanjen, 2 times and, in the case of Mr. Mudd, 1.5 times the sum of (x) the executive’s annual base salary and (y) the amount of the executive’s annual target bonus for the year in which the executive was terminated, (b) a lump sum amount equal to the prorated in-cycle bonus of executive’s target bonus for the year in which the executive’s termination of employment occurs, (c) treatment of all equity-based awards per the terms of the applicable plan, award or agreement, and (d) a lump sum cash payment equal to the total premiums for medical, dental and vision benefits for a three-month period.

Ms. Dall, Mr. Blackwell and Ms. Adams. The Change in Control Agreement executed by Ms. Dall in 2020, and Mr. Blackwell and Ms. Adams in 2022, provides that, upon termination by the Company without cause or by the executive upon constructive termination or for good reason, the executive will be entitled to receive (a) an amount in cash equal to 1.5 times the sum of (x) the executive’s annual base salary and (y) the amount of the executive’s annual target bonus for the year in which the executive was terminated, (b) treatment of all equity-based awards per the terms of the applicable plan, award or agreement, and (c) a lump sum cash payment equal to the total premiums for medical, dental and vision benefits for a three-month period.

Change in Control Benefits. The current agreements for the NEOs also provide for the following change in control provisions: if the executive is terminated within two years following a change in control, the NEO will receive severance as provided above, except that the salary and bonus severance multiple shall in each case be 2x.

In the event that any payments to any of the NEOs are subject to the excise tax imposed by Section 4999 of the Code, such payments shall be reduced to one dollar (\$1) below the maximum amount of payments that will not be subject to such tax; provided, however, that the foregoing limitation shall not apply in the event the total payments to the NEO, on an after-tax basis, would exceed the after-tax benefits to the NEO if such limitation applied. The NEO shall bear the expense of any and all excise taxes due on any payments that are deemed to be “excess parachute payments” under Section 280G of the Code.

PAY RATIO

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, we are providing the following disclosure about the relationship of the annual total compensation of our employees to the annual total compensation of Mr. Carstanjen, our Chief Executive Officer. To understand this disclosure, we think it is important to give context to our operations. Our business is seasonal and relies heavily on seasonal, part-time and hourly workers. In addition, our gaming business operation also employs many part time hourly employees. In total, approximately 76.2% of our workforce consists of hourly employees.

We strive to create a compensation program that is competitive in terms of both the position and the geographic location in which the employee is located. Accordingly, our pay structures vary among employees based on position and geographic location.

Identification of Median Employee

For 2022, we elected to use December 31, 2022 as the date on which to determine our median employee. This date was chosen because it followed the closing and administrative processing of the 2022 fall race meets at Churchill Downs Racetrack, so seasonal employees utilized only during the race meet (i.e., not during the majority of the year) and not viewed as representative of our general employee base were no longer on the payroll. As of December 31, 2022, we had approximately 6,259 employees. For purposes of identifying the median employee, we ran a report for all year-to-date taxable compensation for employees as of the selection date, and sorted by the total compensation.

Using this methodology, we determined our median employee was a full-time, hourly employee with an annual total compensation of \$21,988. We used base cash compensation as our compensation measure as it is the principal form of compensation delivered to all of our employees and annualized compensation for full-time and part-time employees hired during 2022 who did not work an entire year. In determining the annual total compensation of the median employee, we calculated such employee's compensation in accordance with Item 402(c)(2)(x) of Regulation S-K as required pursuant to SEC executive compensation disclosure rules. This calculation is the same calculation used to determine total compensation for purposes of the 2022 Summary Compensation Table with respect to each of the NEOs.

Ratio (2022)

Median Annual Total Compensation (excluding CEO)	\$ 21,988
CEO Annual Total Compensation	\$12,093,113
Pay Ratio	550 to 1

SEC rules for identifying the median employee and calculating the pay ratio allow companies to apply various methodologies and assumptions and, as a result, the pay ratio reported by us may not be comparable to the pay ratio reported by other companies.

PAY VERSUS PERFORMANCE

Pursuant to Section 953(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 402(v) of Regulation S-K, the Pay Versus Performance Table (set forth below) is required to include “Compensation Actually Paid,” as calculated per SEC disclosure rules, to the Company’s principal executive officer (“PEO”) and the Company’s non-PEO NEOs, as noted below.

“Compensation Actually Paid” represents a new required calculation of compensation that differs significantly from the Summary Compensation Table calculation of compensation, the NEO’s realized or earned compensation, as well as from the way in which the Compensation Committee views annual compensation decisions, as discussed in the CD&A. The amounts in the table below are calculated in accordance with SEC rules and do not represent amounts actually earned or realized by NEOs, including with respect to RSUs and PSUs which remain subject to forfeiture if the vesting conditions are not satisfied.

Year ⁽¹⁾	Summary Compensation Table Total for PEO (\$) ⁽²⁾	Compensation Actually Paid to PEO (\$) ⁽³⁾	Average Summary Compensation Table Total for Non-PEO NEOs (\$) ⁽²⁾	Average Compensation Actually Paid to Non-PEO NEOs (\$) ⁽³⁾	Value of Initial Fixed \$100 Investment Based On: ⁽⁴⁾			Adjusted EBITDA (in millions) ⁽⁶⁾
					Total Shareholder Return (\$) ⁽⁴⁾	Peer Group Total Shareholder Return (\$) ⁽⁵⁾	Net Income (Loss) (in millions) (\$) ⁽⁵⁾	
2022	12,093,113	6,375,065	3,849,991	2,722,507	155.52	82.47	439.4	763.6
2021	13,755,283	43,164,399	4,490,694	10,733,870	176.65	115.26	249.1	627.0
2020	10,491,139	40,031,657	3,304,200	9,720,189	142.44	118.67	(81.9)	286.5

- Mr. Carstanjen served as the Company’s PEO for the entirety of 2020, 2021 and 2022 and the Company’s other NEOs for the applicable years were as follows:
 - 2022: William E. Mudd; Marcia A. Dall; Bradley K. Blackwell, and Maureen Adams
 - 2021: William E. Mudd; Marcia A. Dall; and Austin Miller
 - 2020: William E. Mudd; Marcia A. Dall; and Austin Miller
- Amounts reported in this column represent (i) the total compensation reported in the Summary Compensation Table for the applicable year in the case of Mr. Carstanjen and (ii) the average of the total compensation reported in the Summary Compensation Table for the applicable year for the Company’s NEOs reported for the applicable year other than Mr. Carstanjen.
- To calculate “Compensation Actually Paid” under SEC disclosure rules, adjustments were made to the amounts reported in the Summary Compensation Table for the applicable year. Reconciliations of the adjustments for Mr. Carstanjen and for the average of the other NEOs are set forth in the tables below. Based on the required methodology for calculating “Compensation Actually Paid” under SEC disclosure rules, “Compensation Actually Paid” fluctuates most significantly based on changes in the Company’s stock price during the vesting period of the award. Accordingly, the values shown as “Compensation Actually Paid” reflect the increase or decrease in the value of such equity awards based on our stock price performance and, for the years prior to vesting, do not reflect compensation realized or earned by the NEO. Accordingly, the “Compensation Actually Paid” reflected below includes values for equity awards that may not be earned due to failure to satisfy the vesting conditions or may be earned at levels that differ from the amounts reported below based on the stock price as of the vesting date. The assumptions used to calculate the fair value for purposes of determining the “Compensation Actually Paid” are consistent with the methodology used for calculating the grant date fair value for financial reporting purposes.

	PEO (\$)			Other NEOs Average (\$)		
	2022	2021	2020	2022	2021	2020
Summary Compensation Table - Total Compensation	12,093,113	13,755,283	10,491,139	3,849,991	4,490,694	3,304,200
- Grant Date Fair Value of Stock Awards Granted in Fiscal Year	(6,538,424)	(6,986,731)	(7,057,084)	(1,808,263)	(1,976,295)	(1,889,018)

	PEO (\$)			Other NEOs Average (\$)		
	2022	2021	2020	2022	2021	2020
+ Fair Value at Fiscal Year-End of Outstanding and Unvested Stock Awards Granted in Fiscal Year	5,487,230	6,418,135	7,375,924	1,352,052	1,598,600	1,737,326
+/- Change in Fair Value of Outstanding and Unvested Stock Awards Granted in Prior Fiscal Years	(7,286,930)	20,661,694	21,626,016	(1,149,343)	4,333,577	4,607,234
+ Fair Value at Vesting of Stock Awards Granted in Fiscal Year That Vested During Fiscal Year	1,039,698	1,257,372	1,341,294	204,821	355,672	359,033
+/- Change in Fair Value as of Vesting Date of Stock Awards Granted in Prior Fiscal Years For Which Applicable Vesting Conditions Were Satisfied During Fiscal Year	1,580,378	8,058,646	6,254,368	273,249	1,931,622	1,601,414
- Fair Value as of Prior Fiscal Year-End of Stock Awards Granted in Prior Fiscal Years That Failed to Meet Applicable Vesting Conditions During Fiscal Year	N/A	N/A	N/A	N/A	N/A	N/A
= Compensation Actually Paid	6,375,065	43,164,399	40,031,657	2,722,507	10,733,870	9,720,189

- (4) Pursuant to rules of the SEC, the comparison assumes \$100 was invested on December 31, 2019. Historic stock price performance is not necessarily indicative of future stock price performance.
- (5) The TSR Peer Group consists of the following peer group, which represents the same peer group used for our competitive compensation analysis, as described in “Factors Used to Evaluate Pay Decisions” in the CD&A.
- For 2021 and 2022, the peer group included Aristocrat Leisure Limited (ALL); Boyd Gaming Corporation (BYD); Caesars Entertainment, Inc. (CZR); DraftKings Inc. (DKNG); Flutter Entertainment PLC (FLTR); Gaming and Leisure Properties Inc. (GLPI); Madison Square Garden Entertainment Corp (MSGE); MGM Resorts International (MGM); PENN Entertainment, Inc. (PENN); Red Rock Resorts Inc. (RRR); Light & Wonder, Inc. (LNW); and Wynn Resorts, Limited (WYNN).
 - For 2020, the peer group included: Aristocrat Leisure Limited (ALL); Boyd Gaming Corporation (BYD); Caesars Entertainment Corp. (CZR); Eldorado Resorts Inc. (ERI); Flutter Entertainment PLC (FLTR); Gaming and Leisure Properties Inc. (GLPI); Madison Square Garden Company (MSG); MGM Resorts International (MGM); PENN National Gaming, Inc. (PENN); Red Rock Resorts Inc. (RRR); Scientific Games Corp (SGMS); and Wynn Resorts, Limited (WYNN). The TSR reflected for the TSR Peer Group for 2020 does not include returns for ERI or MSG due to trading information not being available for such companies after each ticker symbol ceasing to be traded.
- (6) As noted in the CD&A, Adjusted EBITDA is viewed as a core driver of the Company’s performance and shareholder value creation and, accordingly, the Compensation Committee utilized Adjusted EBITDA as elements in both the Company’s Executive Annual Incentive Plan and Executive Long-Term Incentive Plan. Adjusted EBITDA represents earnings before interest, taxes, depreciation and amortization, as further adjusted as described in Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations in the Form 10-K for the year ended December 31, 2022.G

Relationship Between Pay and Performance

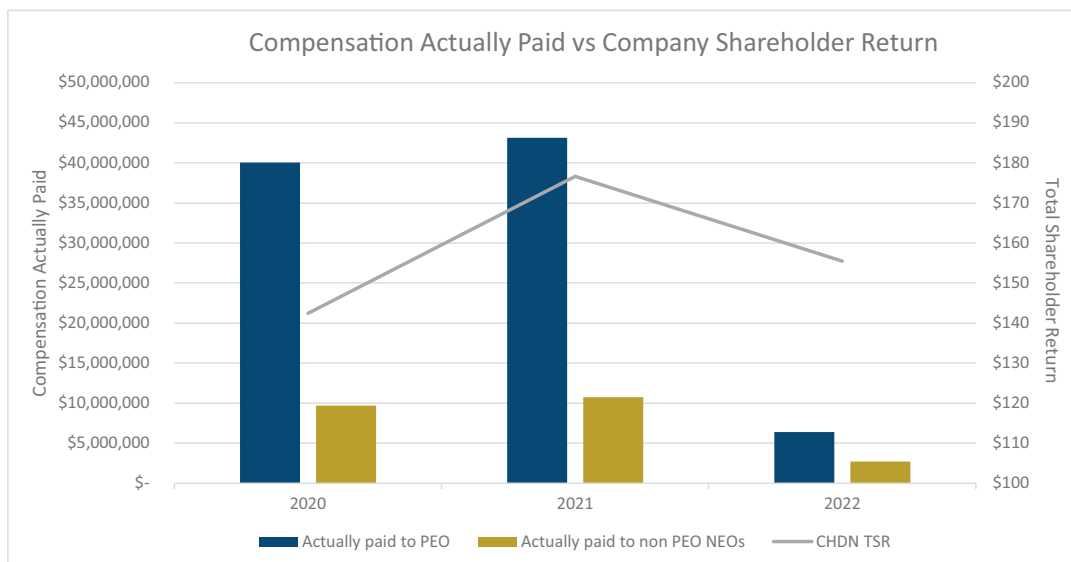
We believe the “Compensation Actually Paid” in each of the years reported above and over the multi-year cumulative period are reflective of the Compensation Committee’s emphasis on “pay-for-performance” as the “Compensation Actually Paid” fluctuated year-over-year, primarily due to the result of our stock performance and our varying levels of achievement against pre-established performance goals under our annual incentive program and PSU awards, including our Adjusted EBITDA performance.

Because of the leverage of our executive compensation program towards long-term incentives through grants of PSUs and RSUs, the “Compensation Actually Paid” is most significantly impacted by changes in our stock price over the vesting period of the awards. In addition, this Pay Versus Performance disclosure is significantly impacted by the 7-Year Grants (as defined below). As further described in the Company’s Definitive Proxy Statement, filed with the SEC on March 13, 2019, on October 30, 2018, the Compensation Committee granted special, meaningful, stock unit awards (the “7-Year Grants”) to Messrs. Carstanjen and Mudd in the form of PSUs and RSUs. The 7-Year Grants were awarded to Messrs. Carstanjen and Mudd in recognition of the leadership and unique skills of these executives and to strengthen the retentive aspect of the Company’s executive compensation program in light of the expectation that there would be increased solicitation of Messrs. Carstanjen and Mudd for alternative employment opportunities. The 7-Year Grants were designed around three key elements: (1) inclusion of robust performance goals designed to reinforce the Company’s pay for performance philosophy, with no payout under the PSUs unless the Company’s TSR outperformed the median of the Russell 2000; (2) linkage to the Company’s share price appreciation and shareholder interests through a stock-settled award with 67% of the PSUs vesting based on our relative TSR performance and the value of the award subject to continued fluctuations in the Company’s stock price over the 7-year vesting period; and (3) appropriate leverage to provide a meaningful compensation opportunity while not promoting excessive risk-taking. Because the 7-Year Grants are not eligible for full vesting until the seventh anniversary of the grant date, the Pay Versus Performance disclosure will be impacted by stock price fluctuations over the course of the term of the award.

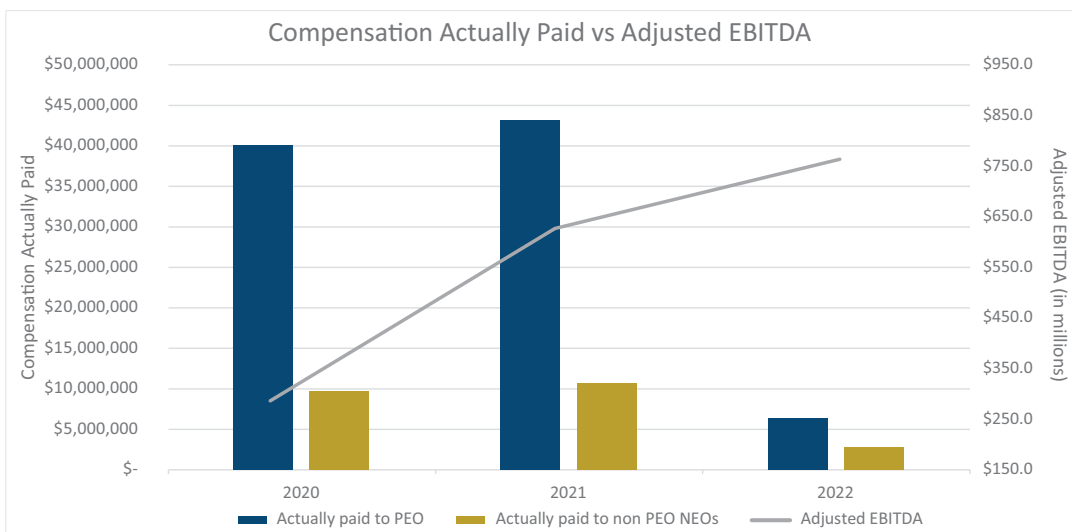
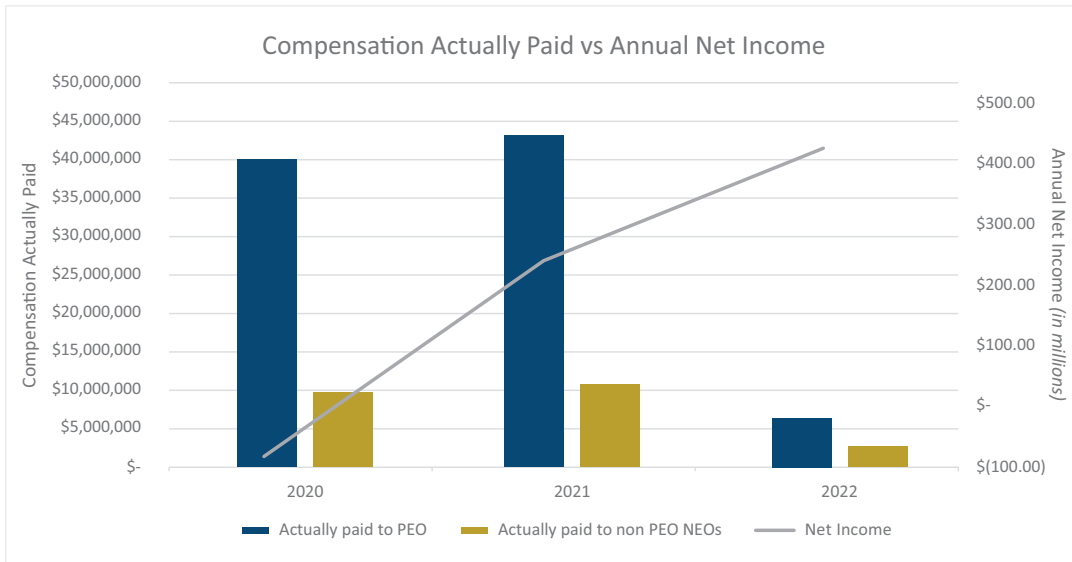
Sixty-seven percent (67%) of the 7-Year Grants were in the form of PSUs, with vesting based on the Company’s relative TSR performance versus the Russell 2000 over the three-year performance period (October 30, 2018 through October 29, 2021) and vesting occurring thereafter in twenty-five percent (25%) annual increments over four years based on the executive’s continued service through such date, beginning on the fourth anniversary of the grant date, totaling seven years to be fully vested.

The relationship between compensation paid and the pay of our NEOs is further explained below:

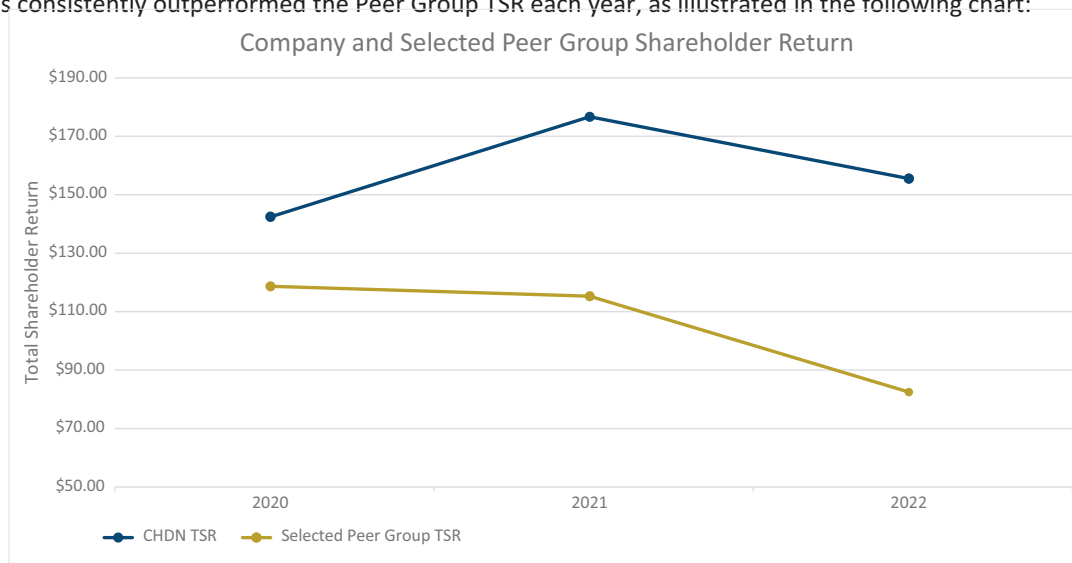
- Relationship Between “Compensation Actually Paid” to the CEO and Average Other NEOs and the Company’s Cumulative TSR*—As calculated in accordance with the SEC disclosure rules, Mr. Carstanjen’s “Compensation Actually Paid” was impacted by the effect of the increase in 2020 and 2021, and the slight decline in 2022, in the Company’s stock price on Mr. Carstanjen’s 7-Year Grant. Similarly, the other NEOs’ “Compensation Actually Paid” was impacted primarily by the effect of the change in stock price on Mr. Mudd’s 7-Year Grant. This relationship is further illustrated in the following chart which shows the alignment between our “Compensation Actually Paid” and TSR performance.



- Relationship Between “Compensation Actually Paid” to the PEO and Average Other NEOs and the Company’s Net Income and Adjusted EBITDA**—The “Compensation Actually Paid” to our NEOs is impacted by net income through the use of Adjusted EBITDA as a component in both the Company’s Executive Annual Incentive Plan and Executive Long-Term Incentive Plan. The relationship between “Compensation Actually Paid” and the Company’s net income and Adjusted EBITDA performance is further illustrated in the following chart:



- *Relationship Between the Company’s TSR and the Peer Group TSR*—Over the 2020 to 2022 time period, the Company’s TSR has consistently outperformed the Peer Group TSR each year, as illustrated in the following chart:



Financial Performance Measures

As described in greater detail in the CD&A, our approach to executive compensation is designed to (i) attract and retain executives with the skills and experience needed to successfully grow the Company and create value for shareholders; (ii) create an entrepreneurial culture and mindset by de-emphasizing fixed pay (primarily salary) and focusing a significant percentage of compensation on at-risk pay elements (annual and long-term incentives); and (iii) motivate and reward executives for achieving exceptional performance supportive of creating value for shareholders over the long-term. Because of the leverage of our executive compensation program towards long-term incentives through grants of PSUs and RSUs, our executive compensation program is designed to be strongly aligned with the interests of our shareholders and our executive compensation program is most significantly impacted by changes in our stock price.

Our executive compensation program is also designed so that compensation is tied to our performance against pre-established financial measures. The most important financial measures used by the Company to link “Compensation Actually Paid” (as defined by SEC rules) to the Company’s NEOs for the most recently completed fiscal year to the Company’s performance are:

- Adjusted EBITDA
- Multi-Year Cumulative Adjusted EBITDA
- 3-Year Cumulative Cash Flow
- Multi-Year Relative Total Shareholder Return

EQUITY COMPENSATION PLAN INFORMATION⁽¹⁾

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by security holders ⁽²⁾	729,990 ⁽³⁾⁽⁴⁾	-0-	1,650,970 ⁽⁵⁾
Equity compensation plans not approved by security holders	-0-	-0-	-0-
Total	729,990	-0-	1,650,970

- (1) This table provides information, as of December 31, 2022, about CHDN Common Stock that may be issued upon the exercise of options and settlement of other equity awards under all compensation plans under which equity securities are reserved for issuance.
- (2) The equity compensation plans of the Company which have been approved by the shareholders of the Company and pursuant to which equity securities are authorized for issuance are the Churchill Downs Incorporated 2000 Employee Stock Purchase Plan (“Stock Purchase Plan”) and the Churchill Downs Incorporated 2016 Omnibus Stock Incentive Plan (“2016 Plan”).
- (3) Includes 58,245 PSUs and 557,029 RSUs (including the 2018 PSUs granted to Messrs. Carstanjen and Mudd which remain subject to time-based vesting) that were outstanding on December 31, 2022 under the 2016 Plan. For purposes of this table, we have included the number of shares issuable under outstanding PSUs assuming performance targets are achieved. Please see the CD&A for further information regarding the 2022 PSUs, including performance metrics applicable to such awards.
- (4) Because each participant in the Stock Purchase Plan has one option each plan year and that option consists of the number of shares which can be purchased, through exercise, at the end of the plan year using compensation deductions made throughout the plan year, no outstanding options, warrants or rights for a specific number of the Company’s securities to be issued upon exercise existed at December 31, 2022 and, therefore, none are included in this total for the Stock Purchase Plan.
- (5) Of this total, as of December 31, 2022, 537,119 shares of Common Stock of the Company remained available for future issuance under the Stock Purchase Plan and 1,113,851 shares of Common Stock of the Company remained available for future issuance under the 2016 Plan. Stock awards under the 2016 Plan will be counted against the maximum number of shares as to which stock awards may be granted on a ratio of 1-to-1.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company has adopted written policies and procedures for identifying and approving or ratifying related person transactions. The policies and procedures cover all related person transactions required to be disclosed under Item 404 (a) of Regulation S-K. The Audit Committee is responsible for applying the policies and procedures. In evaluating related person transactions, the Audit Committee considers all factors it deems appropriate, including without limitation, whether the related person transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances, the extent of the related person's interest in the transaction, and whether products or services of a similar nature, quantity, or quality are readily available from alternative sources.

Directors of the Company may from time to time own or have interests in horses racing at the Company's tracks. All such races are conducted, as applicable, under the regulations of the Kentucky Horse Racing Commission, the Louisiana State Racing Commission, the Ohio State Racing Commission, the Maryland Racing Commission, the Virginia Racing Commission, and the Pennsylvania State Horse Racing Commission, and no director receives any extra or special benefit with regard to having his or her horses selected to run in races or in connection with the actual running of races.

In its ordinary course of business, the Company may enter into transactions with certain of its officers and directors for the sale of personal seat licenses and suite accommodations at its racetracks, and tickets for its live racing events. The Company believes that each such transaction has been on terms no less favorable for the Company than could have been obtained in a transaction with a third party and no such person received any extra or special benefit in connection with such transactions.

On February 11, 2021, Hunter Rankin was hired as the Senior Director of Racing for the Company to focus on supporting and enhancing the Company's commitment, position and role in the U.S. thoroughbred racing and breeding industry, including implementing the standards and processes outlined in the Horse Racing Integrity and Safety Act across all of the Company's racing properties and representing the Company's interests as an advocate for important issues and policies within the racing and breeding industry. Hunter Rankin is the son of Alex Rankin, Chairman of the Board of the Company and a director of the Company since 2008. Many candidates were considered for the position and Hunter Rankin was selected based on his skill set and prior experience in the racing and breeding industries, his familiarity with the recently enacted Horse Racing Integrity and Safety Act, and the breadth of relationships he has developed with key stakeholders within the racing and breeding industries. At the time of his departure from the Company in August 2022, Hunter Rankin's annual base salary was \$175,049.00 and he was entitled to an annual bonus and restricted stock awards at the discretion of the Company, as well as employee benefits consistent with employees in similar positions with the Company.

Other than as described above, since January 1, 2022, no transaction was identified as a related party transaction.

DELINQUENT SECTION 16(a) REPORTS

Section 16(a) of the Exchange Act requires that the Company's directors, executive officers and persons who beneficially own more than ten percent (10%) of the Company's Common Stock file certain reports with the SEC with regard to their beneficial ownership of the Common Stock. The Company is required to disclose in this Proxy Statement any failure to file or late filings of such reports. Based solely on our review of the forms filed with the SEC or written representations from certain reporting persons received by us, we believe that our directors, officers and persons who own more than ten percent (10%) of the Company's Common Stock have complied with all applicable filing requirements, other than with respect to the following late filings of Forms 3 on behalf of Bradley K. Blackwell and Maureen Adams, due to the Company's inability to timely obtain EDGAR access filing codes.

MULTIPLE SHAREHOLDERS SHARING THE SAME ADDRESS

The SEC has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for proxy statements with respect to two or more shareholders sharing the same address by delivering a single Proxy Statement or Notice addressed to those shareholders. This process, which is commonly referred to as “householding,” potentially means extra convenience for shareholders and cost savings for companies.

At this time, one or more brokers with accountholders who are Company shareholders will be “householding” our proxy materials. A single Proxy Statement or Notice will be delivered to multiple shareholders sharing an address unless contrary instructions have been received from the affected shareholder. Once you have received notice from your broker that they will be “householding” communications to your address, “householding” will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in “householding” and would prefer to receive a separate Proxy Statement or Notice, please notify your broker. You may direct your written request for a copy of the Proxy Statement or Notice to Churchill Downs Incorporated, Attn: Paula Chumbley, 600 N. Hurstbourne Parkway, Ste. 400, Louisville, Kentucky 40222, or at (502) 636-4400. If your broker is not currently “householding” (i.e., you received multiple copies of the Company’s Proxy Statement or Notice), and you would like to request delivery of a single copy, you should contact your broker.

PROPOSALS BY SHAREHOLDERS

Any shareholder proposal that may be included in the Board of Directors' Proxy Statement and proxy for presentation at the annual meeting of shareholders to be held in 2024 must be received by the Company at the principal executive office at 600 N. Hurstbourne Parkway, Ste. 400, Louisville, Kentucky 40222, Attention of the Secretary, no later than November 16, 2023. Pursuant to the Company's Amended and Restated Bylaws, proposals of shareholders intended to be presented at the Company's 2024 annual meeting of shareholders, but not included in the Proxy Statement, must be received by the Company at the principal executive offices of the Company not less than 90 nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of shareholders. Accordingly, any shareholder proposals intended to be presented at the 2024 annual meeting of shareholders of the Company must be received in writing by the Company at its principal executive offices no later than January 26, 2024, and no sooner than December 27, 2023 and otherwise comply with the requirements set forth in the Company's Amended and Restated Bylaws. Any proposal submitted before or after those dates will be considered untimely, and the Chairman shall declare that the business is not properly brought before the meeting and such business shall not be transacted at the annual meeting.

By Order of the Board of Directors

R. ALEX RANKIN

Chairman

BRADLEY K. BLACKWELL

Executive Vice President and

General Counsel,

Secretary

Louisville, Kentucky
March 16, 2023

PLEASE VOTE BY TELEPHONE OR OVER THE INTERNET
IF YOU CANNOT ATTEND VIRTUALLY

APPENDIX A

Reconciliation of Comprehensive Income (Loss) to Adjusted EBITDA

(in millions)	Years Ended December 31,		
	2022	2021	Change
Net income and comprehensive income attributable to Churchill Downs Incorporated	\$ 439.4	\$249.1	\$ 190.3
Net loss attributable to noncontrolling interest	—	—	—
Net income	439.4	249.1	190.3
Loss from discontinued operations, net of tax	—	—	—
Income from continuing operations, net of tax	439.4	249.1	190.3
Additions:			
Depreciation and amortization	113.7	103.2	10.5
Interest expense	147.3	84.7	62.6
Income tax provision	169.4	94.5	74.9
EBITDA	\$ 869.8	\$531.5	\$ 338.3
Adjustments to EBITDA:			
Selling, general and administrative:			
Stock-based compensation expense	\$ 31.8	\$ 27.8	\$ 4.0
Legal reserves	3.8	—	3.8
Other charges	7.4	0.2	7.2
Pre-opening expense and other expense	13.2	5.8	7.4
Other income, expense:			
Interest, depreciation and amortization expense related to equity investments	42.8	41.5	1.3
Changes in fair value of Rivers Des Plaines' interest rate swaps	(12.6)	(12.9)	0.3
Rivers Des Plaines' legal reserves and transactions costs	0.6	9.9	(9.3)
Other charges and recoveries, net	1.0	—	1.0
Gain on Calder land sale	(274.6)	—	(274.6)
Transaction expense, net	42.1	7.9	34.2
Asset impairments	38.3	15.3	23.0
Total adjustments to EBITDA	(106.2)	95.5	(201.7)
Adjusted EBITDA	\$ 763.6	\$627.0	\$ 136.6

(in millions)	Year Ended December 31, 2017
Comprehensive income	\$140.4
Foreign currency translation, net of tax	0.1
Net change in pension benefits, net of tax	—
Net income	140.5
Income from discontinued operations, net of tax	(18.1)
Income from continuing operations, net of tax	122.4
Additions - continuing operations:	—
Depreciation and amortization	56.0
Interest expense	49.3
Loss on extinguishment of debt	20.7
Income tax (benefit) provision	(19.9)
EBITDA	\$228.5
Adjustments to EBITDA - continuing operations:	
Selling, general and administrative:	
Stock-based compensation expense	16.0
Other charges	0.5
Pre-opening expense	0.5
Other income, expense:	—
Interest, depreciation and amortization expense related to equity investments	16.7
Other charges and recoveries, net	—
Impairment of tangible and other intangible assets	21.7
Gain on Calder land sale	—
Transaction expense, net	2.3
Total adjustments to EBITDA	57.7
Adjusted EBITDA	\$286.2



2022 Annual Report on Form 10-K

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K**

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

For the fiscal year ended December 31, 2022

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 001-33998

Churchill Downs Incorporated

(Exact name of registrant as specified in its charter)

Kentucky

61-0156015

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

600 North Hurstbourne Parkway, Suite 400

Louisville, Kentucky

40222

(Address of principal executive offices)

(Zip Code)

(502) 636-4400

(Registrant's telephone number, including area code)

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

Common Stock, No Par Value	Trading Symbol(s)	The Nasdaq Stock Market LLC
(Title of each class registered)	CHDN	(Name of each exchange on which registered)

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

None

(Title of class)

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

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

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 No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by a check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. Yes No

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). Yes No

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

As of February 15, 2023, 37,382,489 shares of the Registrant's Common Stock were outstanding. As of June 30, 2022 (based upon the closing sale price for such date on the Nasdaq Global Select Market), the aggregate market value of the shares held by non-affiliates of the Registrant was \$6,381,050,626.

Portions of the Registrant's Proxy Statement for its Annual Meeting of Shareholders to be held on April 25, 2023 are incorporated by reference herein in response to Items 10, 11, 12, 13 and 14 of Part III of Form 10-K.

CHURCHILL DOWNS INCORPORATED
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For the Year Ended December 31, 2022

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Cautionary Statement Regarding Forward-Looking Information

This Annual Report on Form 10-K (“Report”) contains various “forward-looking statements” within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are typically identified by the use of terms such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “might,” “plan,” “predict,” “project,” “seek,” “should,” “will,” and similar words or similar expressions (or negative versions of such words or expressions).

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, among others, that may materially affect actual results or outcomes include the following: the occurrence of extraordinary events, such as terrorist attacks, public health threats, civil unrest, and inclement weather, including as a result of climate change; the effect of economic conditions on our consumers’ confidence and discretionary spending or our access to credit, including the impact of inflation; additional or increased taxes and fees; the impact of the novel coronavirus (COVID-19) pandemic, including the emergence of variant strains, and related economic matters on our results of operations, financial conditions and prospects; lack of confidence in the integrity of our core businesses or any deterioration in our reputation; loss of key or highly skilled personnel, as well as disruptions in the general labor market; the impact of significant competition, and the expectation the competition levels will increase; changes in consumer preferences, attendance, wagering, and sponsorships; risks associated with equity investments, strategic alliances and other third-party agreements; inability to respond to rapid technological changes in a timely manner; concentration and evolution of slot machine and historical racing machine (HRM) manufacturing or other technology conditions that could impose additional costs; failure to enter into or maintain agreements with industry constituents, including horsemen and other racetracks; inability to successfully focus on market access and retail operations for our TwinSpires Sports and Casino business and effectively compete; online security risk, including cyber-security breaches, or loss or misuse of our stored information as a result of a breach; reliance on our technology services and catastrophic events and system failures disrupting our operations; inability to identify and /or complete, or fully realize the benefits of acquisitions, divestitures, development of new venues or the expansion of existing facilities on time, on budget, or as planned; difficulty in integrating recent or future acquisitions into our operations; cost overruns and other uncertainties associated with the development of new venues and the expansion of existing facilities; general risks related to real estate ownership and significant expenditures, including risks related to environmental liabilities; personal injury litigation related to injuries occurring at our racetracks; compliance with the Foreign Corrupt Practices Act or other similar laws and regulations, or applicable anti-money laundering regulations; payment-related risks, such as risk associated with fraudulent credit card or debit card use; work stoppages and labor problems; risks related to pending or future legal proceedings and other actions; highly regulated operations and changes in the regulatory environment could adversely affect our business; restrictions in our debt facilities limiting our flexibility to operate our business; failure to comply with the financial ratios and other covenants in our debt facilities and other indebtedness; increases to interest rates (due to inflation or otherwise), disruption in the credit markets or changes to our credit ratings may adversely affect our business; increase in our insurance costs, or inability to obtain similar insurance coverage in the future, and any inability to recover under our insurance policies for damages sustained at our properties in the event of inclement weather and casualty events; and other factors described in Item 1A. Risk Factors, of this Report and in other filings we make with the Securities and Exchange Commission.

We do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

PART I

ITEM 1. BUSINESS

Overview

Churchill Downs Incorporated ("CDI" or the "Company") has been creating extraordinary entertainment experiences for nearly 150 years, beginning with the Company's most iconic and enduring asset, the Kentucky Derby. Headquartered in Louisville, Kentucky, CDI has expanded through the development of live and historical racing entertainment venues, the growth of the TwinSpire horse racing online wagering business and the operation and development of regional casino gaming properties.

Business Segments

The Company manages its business through three reportable segments: Live and Historical Racing, TwinSpire, and Gaming. Financial information about these segments is set forth in Part II, Item 8. Financial Statements and Supplementary Data, contained within this Report. In the first quarter of 2022, we updated our operating segments to reflect the internal management reporting used by our chief operating decision maker to evaluate results of operations and to assess performance and allocate resources. During the first quarter of 2022, our chief operating decision maker decided to include the results of our United Tote business in the TwinSpire segment as we evolve our strategy to integrate the United Tote offering with TwinSpire Horse Racing, which we believe will create additional business-to-business revenue opportunities. The prior year results in the accompanying Consolidated Statements of Comprehensive Income (Loss) conform to this presentation. Further discussion of segment financial information, and our planned investments in segment properties, is set forth in Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations contained within this Report.

During the fourth quarter of 2022, we updated our operating segments to reflect the geographies in which we operate. This change is consistent with the internal management reporting used by our chief operating decision maker to evaluate results of operations and to assess performance and allocate resources. Our internal management reporting changed primarily due to the continued growth of our business, which resulted in our chief operating decision maker's desire to review the results of the Company on a geographical basis within each reportable segment. The commentary within Management's Discussion and Analysis has been updated to conform to this change.

Live and Historical Racing

The Live and Historical Racing segment includes live and historical pari-mutuel racing related revenue and expenses at Churchill Downs Racetrack and our historical racing properties in Kentucky, Virginia, and New Hampshire.

Our Live and Historical Racing properties earn commissions primarily from pari-mutuel wagering on live and historical races, simulcast fees earned from other wagering sites, fees from racing event-related services including admissions, personal seat licenses, sponsorships, television rights, and other miscellaneous services, and revenue from food and beverage services.

Churchill Downs Racetrack

Churchill Downs Racetrack is in Louisville, Kentucky and is an internationally known thoroughbred racing operation best known as the home of our iconic flagship event, the Kentucky Derby. We have conducted thoroughbred racing continuously at Churchill Downs Racetrack since 1875. The Kentucky Derby is the longest continuously held annual sporting event in the U.S. and is the first race of the annual series of races for 3-year-old thoroughbreds known as the Triple Crown. The demographic profile of our guests, global television viewership and long-running nature of this iconic event are attractive to sponsors and corporate partners, especially those with luxury and/or marquee brands.

We conducted 65 live race days in 2020, 71 live race days in 2021 and 76 live race days in 2022. In 2023, we anticipate conducting up to 79 live race days.

Churchill Downs Racetrack is located on 175 acres and has a one-mile dirt track, a 7/8-mile turf track, a stabling area, and a variety of areas, structures, and buildings that provide reserved seating for approximately 59,000 of our patrons. Churchill Downs Racetrack has one of the largest 4K video boards in the world sitting 80 feet above the ground and measuring 171 feet wide by 90 feet tall. This video board provides views of the finish line and the entire race for on-track guests, including those in the infield and guests along the entire front side of the racetrack. The facility also has permanent lighting to accommodate night races. We have a saddling paddock, and the stable area has barns sufficient to accommodate 1,400 horses and a 114-room dormitory for backstretch personnel. We have a state-of-the-art equine medical center and quarantine barns on the backside area of Churchill Downs Racetrack which reinforces our ongoing commitment to equine safety and supports our long-term international growth strategy. The Churchill Downs Racetrack facility also includes a simulcast wagering facility. We also own 83 acres of land at our auxiliary training facility, which is five miles from Churchill Downs Racetrack.

In 2002, we transferred title of the Churchill Downs Racetrack facility to the City of Louisville, Kentucky and entered into a 30-year lease for the facility as part of the financing of improvements to the Churchill Downs Racetrack facility. We can reacquire the facility at any time for \$1.00 subject to the terms of the lease.

In July 2021, we announced three major multi-year capital investments to transform key areas of Churchill Downs Racetrack: The Homestretch Club, the First Turn Experience, and the Paddock Project. The Company invested \$36.0 million in the new Homestretch Club which opened for the 148th Kentucky Derby in May 2022. The Homestretch Club project converted 5,200 outdoor bleacher seats into 3,250 premium reserved seats with all-inclusive amenities. The new premium reserved seats include 2,550 stadium club seats, 66 covered terraced dining tables for up to 440 guests, 30 Trackside Lounges for up to 200 guests offering a "courtside seat" experience, five private 60-person VIP Hospitality Lounges as upgrades and an 18,600 square-foot indoor hospitality space with a grand staircase and 95-foot feature bar.

The Company is investing \$90.0 million in the First Turn Experience. The First Turn Experience will provide additional permanent stadium seating and a new track-level hospitality club replacing current temporary Oaks and Derby seating at the first turn of the racetrack. We plan to replace 3,400 temporary seats with 5,100 permanent covered stadium seats and a new 50,000 square-foot climate-controlled hospitality venue with reserved dining room tables, a trackside viewing terrace, and two new seating concourses to allow for better guest circulation and amenities for an incremental 2,000 reserved seats. The First Turn Experience is scheduled for completion for the 149th Kentucky Derby in May 2023.

The Company is also investing up to \$200.0 million in a Paddock Project to enhance the experience for nearly every guest. The redesigned area will improve the flow of guests throughout the paddock. The Paddock Project will create a larger paddock walking ring for viewing the horses prior to the races, a new Paddock Club in the area on the first floor under the Twin Spires that will provide views of the paddock and views of the tunnel that the horses walk through, new hospitality and other amenities for guests in certain areas of the third floor clubhouse seats, and new terraces overlooking the paddock. The new Paddock Project is scheduled for completion for the 150th Kentucky Derby in May 2024.

Historical Racing Properties

The following table summarizes key information regarding our current historical racing properties:

State	Property	City/ Location	Floor Space (Sq. ft.)	Historical Racing Machines ("HRMs")
Kentucky	Derby City Gaming	Louisville, Kentucky	85,000	1,170
Kentucky	Turfway Park	Northern Kentucky	155,000	850
Kentucky	Newport	Northern Kentucky	23,000	500
Kentucky	Oak Grove	Southwestern Kentucky	180,000	1,360
Kentucky	Ellis Park	Western Kentucky	100,000	320
New Hampshire	Chasers ^(a)	Salem, New Hampshire	4,000	(a)
Virginia	Rosie's New Kent	Central Virginia	127,000	550
Virginia	Rosie's Richmond	Central Virginia	54,000	700
Virginia	Rosie's Hampton	Southeast Virginia	38,000	700
Virginia	Rosie's Vinton	Southern Virginia	15,000	470
Virginia	Rosie's Dumfries	Northern Virginia	19,000	150
Virginia	Rosie's Collinsville	Southern Virginia	2,000	40
Total			802,000	6,810

^(a) The Company plans to expand the charitable gaming facility to accommodate HRMs and table games.

Kentucky

Louisville

The Company owns Derby City Gaming which is a state-of-the-art HRM facility that was opened in September 2018 at the Churchill Downs Racetrack auxiliary training facility. Derby City Gaming operates under the Churchill Downs Racetrack pari-mutuel racing license and has a simulcast center and a dining facility.

We are investing \$80.0 million to add 135,000 square feet to the facility which will hold up to 450 additional HRMs and to build a five-story hotel with 123 rooms including amenities to better serve and attract guests. The expansion includes a VIP gaming area, a new sports bar, a stage for live entertainment and an upscale-casual restaurant and bar to create a variety of new food and beverage options for gaming and hotel guests. We recently opened the new gaming space with 200 additional HRMs. The hotel is scheduled for completion by the end of the second quarter of 2023.

The Company is also building a new \$90.0 million HRM entertainment venue called Derby City Gaming Downtown ("DCG Downtown") in an existing building in downtown Louisville which is scheduled for completion in the second half of 2023. The new entertainment venue will provide an HRM gaming area, a main-level sports bar with a stage for music and live entertainment, a premium bourbon library, and an elegant wine and charcuterie lounge for guests, including locals, tourists, and convention attendees. The facility has 200 onsite parking spaces, and a retail and merchandise store will be located on the street level where guests can shop for Kentucky Derby-themed merchandise.

Southwestern Kentucky

Oak Grove Racing & Gaming ("Oak Grove") is a premier state-of-the-art live harness racing and HRM venue located on 240 acres approximately one-hour north of Nashville, Tennessee in Oak Grove, Kentucky. Oak Grove owns and operates a 5/8-mile harness racing track. In September 2020, the Company opened the simulcast and HRM facility with an event center and food and beverage venues. The 128-room hotel opened in October 2020. Oak Grove also has a 1,200-person grandstand, 3,000-person capacity outdoor amphitheater and stage, a state-of-the-art equestrian center, and a recreational vehicle park.

Northern Kentucky

The Company opened Newport Racing & Gaming ("Newport") in October 2020. Newport is an HRM entertainment venue including a simulcast area that operates as an extension of Turfway Park. Turfway Park opened in September 2022 as a state-of-the-art live thoroughbred racing and historical racing entertainment venue with a sports bar and food and beverage offerings.

Western Kentucky

The Company acquired Ellis Park Racing & Gaming ("Ellis Park") on September 26, 2022 and assumed the opportunity to build an HRM entertainment venue in Owensboro, Kentucky. We plan to invest approximately \$75.0 million at these two facilities in the next year.

Virginia

The Company acquired Colonial Downs Racetrack ("Colonial Downs") and six historical racing entertainment venues in Virginia as part of the acquisition of substantially all of the assets of Peninsula Pacific Entertainment LLC ("P2E") on November 1, 2022 ("P2E Transaction"). Colonial Downs conducts live thoroughbred racing and has a one and one-quarter mile dirt track, the widest turf track oval in North America and two off-track betting facilities ("OTBs"). The Company is investing \$400.0 million to construct a large gaming resort and 102-room hotel at the Dumfries, Virginia location with the potential for expansion of up to 1,800 HRMs. The Dumfries HRM facility and hotel is scheduled for completion in 2024. The Company is also investing \$30.0 million to develop a seventh HRM entertainment venue in Emporia, Virginia with a planned opening in the second half of 2023.

New Hampshire

On September 2, 2022, the Company completed the acquisition of Chasers Poker Room ("Chasers") located in Salem, New Hampshire. Chasers is a charitable gaming facility located approximately 30 miles from Boston, Massachusetts, that offers poker and a variety of table games. The Company plans to develop an expanded charitable gaming facility in Salem to accommodate HRMs and table games. We plan to invest approximately \$150.0 million in total in Salem, inclusive of the amount paid to the sellers of Chasers to build the expanded facility.

TwinSpires

The TwinSpires segment includes the revenue and expenses for the TwinSpires Horse Racing, the TwinSpires Sports and Casino and the United Tote businesses. These businesses are headquartered in Louisville, Kentucky.

Horse Racing

TwinSpires Horse Racing operates the online horse racing wagering business for TwinSpires.com, BetAmerica.com, and other white-label platforms; facilitates high dollar wagering by certain customers; and provides the Bloodstock Research Information Services platform for horse racing statistical data.

TwinSpires is one of the largest and most profitable legal online horse racing wagering platforms in the U.S. TwinSpires accepts pari-mutuel wagers through advance deposit wagering ("ADW") from customers residing in certain states who establish and fund an account from which these customers may place wagers via telephone, mobile applications or through the Internet. This business is licensed as a multi-jurisdictional simulcasting and interactive wagering hub in the state of Oregon and also holds licenses from various other states where applicable. This business also offers customers streaming video of live horse races, replays, and an assortment of racing and handicapping information. BetAmerica.com is an online wagering business licensed under TwinSpires that offers wagering on horse racing throughout the U.S. We also provide technology services to third parties, and we earn commissions from white label ADW products and services. Under these arrangements, we typically provide an ADW platform and related operational services while the third party typically provides the brand, marketing, and limited customer functions.

We announced two of these business-to-business agreements in 2022. On September 8, 2022, we announced a multi-year agreement to enable FanDuel, a sportsbook and mobile betting operator, to create a fully integrated and seamless wagering experience with a single wallet for horse racing and sports with exclusive TV rights to racing content and non-exclusive Kentucky Derby sponsorship rights for sports wagering. On November 29, 2022, the Company announced a multi-year agreement to provide DraftKings ADW technology and other services.

Sports and Casino

Our TwinSpires Sports and Casino business includes the results of our retail sportsbooks at our wholly-owned gaming properties and through third parties in Michigan and Arizona. The Company exited the direct online Sports and Casino business during 2022 in every state except Pennsylvania and Arizona. We executed strategic market access agreements with Bet365 in Pennsylvania and with Golden Nugget in Indiana to monetize our online wagering skins beginning in 2023.

United Tote

United Tote manufactures and operates pari-mutuel wagering systems for racetracks, OTBs and other pari-mutuel wagering businesses. United Tote provides totalisator services which accumulate wagers, calculate payoffs and displays wagering data to patrons who wager on horse races. United Tote has contracts to provide totalisator services to several third-party racetracks, OTBs and other pari-mutuel wagering businesses and provides these services at our facilities. On August 11, 2022, we entered into an agreement to sell 49% of United Tote, a wholly-owned subsidiary of the Company to NYRA Content Management Solutions, LLC, a subsidiary of the New York Racing Association ("NYRA"). NYRA is a not-for-profit corporation that operates the three largest thoroughbred horse racing tracks in the state of New York. The transaction is subject to usual and customary closing conditions, including applicable regulatory notices and approvals, and is expected to close during the first half of 2023.

Gaming

The Gaming segment includes revenue and expenses for the casino properties and associated racetracks which support the casino license. The Gaming segment generates revenue and expenses from slot machines, table games, video lottery terminals ("VLTs"), video poker, HRM's, ancillary food and beverage services, hotel services, commission on pari-mutuel wagering, racing event-related services, and other miscellaneous operations. The following table summarizes key information regarding our gaming properties:

State	Property	Acres	Casino Space (Sq. ft.)	Slots and Video Lottery Terminals	Table Games	Hotel Rooms	Retail Sportsbook
<u>Wholly-owned</u>							
Florida	Calder Casino	54	106,000	1,090	6	N/A	N/A
Iowa	Hard Rock Hotel and Casino Sioux City	15	41,000	660	20	54	✓
Louisiana	Fair Grounds Race Course and Slots and Video Services LLC	145	33,000	1,620	—	N/A	✓
Maine	Oxford Casino and Hotel	97	27,000	960	28	100	N/A
Maryland	Ocean Downs Casino and Racetrack	167	70,000	850	18	N/A	✓
Mississippi	Harlow's Casino Resort and Spa	85	33,000	670	18	105	✓
Mississippi	Riverwalk Casino Hotel	22	25,000	600	11	80	✓
New York	del Lago Resort and Casino	83	94,000	1,670	76	205	✓
Pennsylvania	Presque Isle Downs and Casino	270	153,000	1,550	35	N/A	✓
Pennsylvania	Lady Luck Casino Nemaquin	—	25,000	600	26	N/A	N/A
<u>Equity Investments</u>							
Illinois	Rivers Casino Des Plaines	21	140,000	1,510	120	N/A	✓
Ohio	Miami Valley Gaming and Racing	120	190,000	2,200	—	N/A	✓
Total			937,000	13,980	358	544	

Wholly-owned gaming properties

Florida

Calder Casino ("Calder") in Miami Gardens, Florida is located near Hard Rock Stadium, home of the Miami Dolphins. Calder offers two dining facilities and an entertainment venue. On June 17, 2022, the Company closed on the sale of 115.7 acres of land near Calder for \$291.0 million, or approximately \$2.5 million per acre, to Link Logistics Real Estate, a Blackstone portfolio company. The Company may sell 15-20 acres of this land in the future for retail development.

Iowa

As part of the P2E Transaction, the Company acquired Hard Rock Hotel and Casino Sioux City ("Hard Rock Sioux City"), which is a gaming facility and a hotel.

Indiana

The Company is investing up to \$290.0 million in the development of the Terre Haute Casino Resort ("Terre Haute") in Terre Haute, Indiana. Terre Haute will be a gaming entertainment venue featuring 400,000 square-foot space with 1,000 slot machines, 34 table games, a 122-room luxury hotel, a retail sportsbook, and several food and beverage offerings. Terre Haute is scheduled to be completed in early 2024.

Louisiana

Fair Grounds Race Course & Slots ("Fair Grounds") is a gaming facility and race course with a bar, a simulcast facility, a one-mile dirt track, a 7/8-mile turf track, a grandstand, and a stabling area. Fair Grounds conducts approximately 80 live racing days each year. The facility includes clubhouse and grandstand seating for approximately 5,000 guests, a general admissions area, and dining facilities. The stable area consists of barns that can accommodate approximately 1,900 horses and living quarters for approximately 130 people. Fair Grounds also operates pari-mutuel wagering in 15 OTBs and Video Services LLC ("VSI") is the owner and operator of video poker machines in 12 OTBs in Louisiana.

Maine

Oxford Casino and Hotel ("Oxford"), located in Oxford, Maine, is a gaming facility with a hotel and one dining facility.

Maryland

Ocean Downs Casino and Racetrack is a gaming facility with a racetrack that conducts approximately 40 live harness racing days each year.

Mississippi

Harlow's Casino Resort and Spa is a gaming facility and hotel. Riverwalk Casino Hotel owns and operates a hotel and two dining facilities.

New York

As part of the P2E Transaction, the Company acquired del Lago Resort and Casino ("del Lago") in Waterloo, New York, which is a gaming facility and a hotel.

Pennsylvania

Presque Isle Downs and Casino ("Presque Isle") is a gaming facility with a racetrack that conducts 90 live thoroughbred racing days each year.

The Company manages Lady Luck Casino Nemaquin ("Lady Luck Nemaquin"), approximately one mile from the Nemaquin Woodlands Resort under a management agreement that expires in June 2023.

Equity Investments

Illinois

The Company acquired 61.3% equity ownership in Midwest Gaming Holdings, LLC ("Midwest Gaming"), the parent company of Rivers Casino Des Plaines ("Rivers Des Plaines"), in March 2019. Rivers Des Plaines is a gaming entertainment venue located on 21 acres and has seven dining and entertainment facilities, and an approximate 5,000 square-foot state-of-the-art BetRivers Sports Bar. During 2022, Rivers Des Plaines completed a 78,000 square-foot expansion between the existing casino building and the recently enlarged parking garage. The two-story addition includes a new restaurant and an expanded gaming floor on the first floor, as well as a 24-table poker room, a 10,000 square-foot ballroom for private events and live entertainment, and a slot machine gaming area on the second floor. The expansion also added approximately 725 additional gaming positions.

Ohio

The Company has a 50% equity investment in Miami Valley Gaming and Racing ("MVG"). MVG is a gaming entertainment venue with a race course, racing simulcast center, a 5/8-mile harness racetrack, and a retail sportsbook.

All Other

We have aggregated Arlington International Racecourse ("Arlington") as well as certain corporate operations, and other immaterial joint ventures in All Other to reconcile to consolidated results.

Arlington

Arlington is located on 326 acres in Arlington Heights, Illinois. On February 15, 2023, the Company closed on the previously announced agreement to sell the property to the Chicago Bears for \$197.2 million. The Company has classified certain assets of Arlington totaling \$82.0 million as held for sale as of December 31, 2022, on the accompanying Consolidated Balance Sheets. For more information, refer to Note 4, Dispositions and Assets Held For Sale, to the notes to consolidated financial statements included in this Annual Report on Form 10-K.

Corporate

Corporate includes miscellaneous and other revenue, compensation expense, professional fees and other general and administrative expense not allocated to our segments.

Competition

Overview

We operate in a highly competitive industry with many participants, some of which have financial and other resources that are greater than ours. The industry faces competition from a variety of sources for discretionary consumer spending, including spectator sports, sports wagering and other entertainment and gaming options. Our brick-and-mortar casinos compete with traditional and Native American casinos, VLTs, state-sponsored lotteries, and other forms of legalized gaming in the U.S. and other jurisdictions.

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

In May 2018, the United States Supreme Court struck down the 1992 Professional and Amateur Sports Protection Act, which had effectively banned sports wagering in most states. Removal of the ban gives states the authority to authorize sports wagering.

Live and Historical Racing

In 2022 and 2021, approximately 34,000 thoroughbred horse races were conducted in the U.S. As a racetrack operator, we compete for horses with other racetracks running live racing meets at or near the same time as our races. Our ability to compete is substantially dependent on the racing calendar, number of horses racing and purse sizes. As a content provider, we compete for wagering dollars in the simulcast market with other racetracks conducting races at or near the same times as our races. In recent years, competition has increased as more states legalize gaming and allow slot machines at racetracks with mandatory purse contributions. Our HRM entertainment venues in Kentucky, Virginia, and New Hampshire compete with regional casinos in the area and other forms of legal and illegal gaming.

TwinSpires

Horse Racing

Our TwinSpires Horse Racing business competes with other ADW businesses for both customers and racing content, as well as brick-and-mortar racetracks, casinos, OTBs, and other forms of legal and illegal sports betting.

Sports and Casino

Our TwinSpires Sports and Casino business competes for customers with retail, mobile and online offerings from commercial brick-and-mortar casinos and racetracks. We also compete with daily fantasy sports gaming companies that are expanding into mobile and online sports betting and iGaming, international sports betting businesses looking to expand into the U.S. market, and other forms of legal and illegal sports betting and iGaming operations.

Gaming

Our Gaming properties operate in highly competitive environments and primarily compete for customers with other casinos in the surrounding regional gaming markets. Our Gaming properties compete to a lesser extent with state-sponsored lotteries, off-track wagering, card parlors, online gambling, and other forms of legalized gaming in the U.S.

Human Capital

We believe our human capital is material to our operations and core to the long-term success of our Company. Our focus is on attracting innovative and collaborative team members who want to build their skills in a successful and growing set of businesses focused on creating unique experiences for our guests.

Our People

As of December 31, 2022, we had a total of approximately 7,000 team members, of which 5,500 are full-time employees. As of December 31, 2022, the Live and Historical Racing segment had approximately 2,410 team members, the TwinSpires segment had 410 team members, and the Gaming segment had 3,900 team members. Nearly three-quarters of the Live and Historical Racing segment team members are full-time employees and nearly all the TwinSpires and Gaming segment team members are full-time employees. The Company's corporate staff consists of approximately 270 employees, approximately 260 of which are full-time. The number of seasonal employees fluctuates significantly through the course of the year primarily due to the seasonal nature of our businesses. We have the highest level of seasonal team members during the second quarter when we traditionally run the Kentucky Derby.

As of December 31, 2022, approximately 770 full-time employees were covered by 19 collective bargaining agreements. We have experienced no material interruptions of operations due to disputes with our team members.

Diversity and Inclusion

We believe that a diverse workforce fosters innovation and cultivates a high-performance culture that leverages the unique perspectives of every team member to profitably grow our businesses. The Company's Board of Directors and executive management team includes diverse individuals based on gender and race. The Company benefits from the diverse experiences of our directors and management that individually and collectively create a high-performance culture focused on executing our strategic priorities to protect and grow our businesses effectively and efficiently.

We believe diversity and inclusion helps the Company attract the best talent to grow our businesses and enables our businesses to attract and delight customers and consumers. The Kentucky Derby is a pillar of our community that provides the opportunity for our team members and the community to raise significant funding for charities that support important aspects of our broader communities including fostering diversity and inclusion, food, shelter, education, and health related non-profits. The Company also provides donations to non-profit organizations that support these initiatives within our communities.

Talent Acquisition, Development and Retention

We invest in attracting, developing, and retaining our team members. Our philosophy is to communicate a clear purpose and strategy, set challenging goals, drive accountability, continuously assess, develop, and advance talent, and to embrace a leadership-driven talent strategy. Our Company enables team members to grow in their current roles as well as to have opportunities to build new skills in other parts of the Company. We review talent and succession plans with our Chief Executive Officer and Board of Directors periodically throughout the year. The process focuses on accelerating talent development, strengthening succession pipelines, and advancing diversity in gender, race, and experience.

Compensation, Benefits, Safety and Wellness

We strive to offer market competitive salaries and wages for our team members, and we offer comprehensive health and retirement benefits to eligible employees. Our core health and welfare benefits are supplemented with specific programs to manage or improve common health conditions and to provide a variety of voluntary benefits and paid time away from work programs. We also provide several innovative programs designed to promote physical, emotional, and financial well-being. Our commitment to the safety of our employees, customers, and community remains a top priority, and we have safety programs at all our properties to facilitate identification and implementation of safety practices.

Governmental Regulations and Potential Legislative Changes

We are subject to various federal, state, local, and international laws and regulations that affect our businesses. The ownership, operation, and management of our Live and Historical Racing, TwinSpires, and Gaming segments are subject to regulation under the laws and regulations of each of the jurisdictions in which we operate. Our businesses and properties are also subject to legislative actions at both the federal and state level.

Live and Historical Racing Regulations

Horse racing is a highly regulated industry. In the U.S., interstate pari-mutuel wagering on horse racing is subject to the Interstate Horseracing Act of 1978, as amended in 2000 ("IHA"). Under the IHA, racetracks and ADWs can accept interstate off-track wagers if the racetracks and ADWs have approvals from (1) the host horse racetrack including a written agreement

with the horsemen's group, if applicable, (2) the host racing commission, and (3) the off-track racing commission. If these requirements are met, racetracks can commingle wagers from different racetracks and wagering facilities and broadcast horse racing events to other licensed establishments.

In the U.S., individual states regulate the operations of racetracks located within their respective jurisdictions with the intent to, among other things, protect the public from unfair and illegal gambling practices, generate tax revenue, license racetracks and operators and prevent organized crime from being involved in the industry. Although the specific form may vary, states that regulate horse racing generally do so through a horse racing commission or other gambling regulatory authority. In general, regulatory authorities perform background checks on all racetrack owners prior to granting the necessary operating licenses. Horse owners, trainers, jockeys, drivers, stewards, judges, and backstretch personnel are also subject to licensing by governmental authorities.

The total number of days on which each racetrack conducts live racing may fluctuate annually based on applications and approvals.

Kentucky

In Kentucky, horse racing racetracks and HRM facilities are subject to the licensing and regulation of the Kentucky Horse Racing Commission ("KHRC"). Licenses to conduct live thoroughbred and standardbred racing meets, to participate in simulcasting, to operate HRM facilities, and to accept advance deposit wagers from Kentucky residents are approved annually by the KHRC based upon applications submitted by the racetracks in Kentucky. Changes in Kentucky laws or regulations may limit or otherwise materially affect the types of HRMs that may be conducted and such changes, if enacted, could have an adverse impact on our Kentucky HRM operations.

Louisiana

In Louisiana, the 2021 Historical Horse Racing Act ("2021 HHR Act") allows OTBs to have up to 50 HRMs. On October 25, 2022, a number of individual plaintiffs associated with video poker and truckstops, filed a lawsuit in the 19th Judicial District Court in East Baton Rouge, Louisiana against certain racetracks in Louisiana, including Fair Grounds, alleging that the 2021 HHR Act is unconstitutional to the extent it purports to permit historical racing in a parish without a referendum. As of December 31, 2022, the Company had approximately 340 HRMs in OTBs in Louisiana. If the 2021 HHR Act is determined to be unconstitutional it could have an adverse impact on our Louisiana HRM results which are reported in our Gaming segment.

TwinSpires Regulations and Potential Legislative Changes

TwinSpires is licensed in Oregon under a multi-jurisdictional simulcasting and interactive wagering totalisator hub license issued by the Oregon Racing Commission in accordance with Oregon law and the IHA. We also hold advance deposit wagering licenses in certain other states where appropriate. Changes in the form of new legislation or regulatory activity at the state or federal level could adversely impact our mobile and online ADW business.

Sports Betting and iGaming Regulations and Potential Legislative Changes

In May 2018, the United States Supreme Court struck down the 1992 Professional and Amateur Sports Protection Act, which had effectively banned sports wagering in most states. Removal of the ban gave states the authority to authorize sports wagering. Thirty-three states have authorized sports betting and thirty of these states have sports betting operational as of December 31, 2022. Each state has different structures for the number of allowable industry participants, license fees, taxes, and other operational requirements.

As of December 31, 2022, the Company is operational in nine states for retail sports betting, two states for online sports betting, and one state for iGaming.

Gaming Regulations and Potential Legislative Changes

The gaming industry is a highly regulated industry. In the U.S., gaming laws are generally designed to protect consumers and the viability and integrity of the industry. Gaming laws may also be designed to protect and maximize state and local revenue derived through taxes and licensing fees imposed on industry participants as well as to enhance economic development and tourism. To accomplish these public policy goals, gaming laws establish procedures to ensure that participants in the industry meet certain standards of character and fitness. Gaming laws require industry participants to:

- Ensure that unsuitable individuals and organizations have no role in gaming operations,
- Establish procedures designed to prevent cheating and fraudulent practices,
- Establish and maintain responsible accounting practices and procedures,
- Maintain effective controls over financial practices, including establishment of minimum procedures for internal fiscal affairs and the safeguarding of assets and revenue,

- Maintain systems for reliable record keeping,
- File periodic reports with gaming regulators,
- Ensure that contracts and financial transactions are commercially reasonable, reflect fair market value and are arms-length transactions,
- Establish programs to promote responsible gambling and inform patrons of the availability of help for problem gambling, and
- Enforce minimum age requirements.

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

- Adopt rules and regulations under the implementing statutes,
- Interpret and enforce gaming laws,
- Impose disciplinary sanctions for violations, including fines and penalties,
- Review the character and fitness of participants in gaming operations and make determinations regarding suitability or qualification for licensure,
- Grant licenses for participation in gaming operations,
- Collect and review reports and information submitted by participants in gaming operations,
- Review and approve transactions, such as acquisitions or change-of-control transactions of gaming industry participants, securities offerings and debt transactions engaged in by such participants, and
- Establish and collect fees and taxes.

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

Licensing and Suitability Determinations

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

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

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

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

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

In many jurisdictions, certain of our shareholders may be required to undergo a suitability investigation similar to that described above. Many jurisdictions require any person who acquires beneficial ownership of more than a certain percentage of our voting securities, typically 5%, to report the acquisition to gaming authorities, and may be required to apply for qualification or a finding of suitability. Most gaming authorities, however, allow an "institutional investor" to apply for a waiver.

Any person who fails or refuses to apply for a finding of suitability or a license within the prescribed period after being advised it is required by gaming authorities may be denied a license or found unsuitable, as applicable. Any shareholder found unsuitable or denied a license and who holds, directly or indirectly, any beneficial ownership of our voting securities beyond such period of time as may be prescribed by the applicable gaming authorities may be guilty of a criminal offense. We may be subject to disciplinary action if, after we receive notice that a person is unsuitable to be a shareholder or to have any other relationship with us or any of our subsidiaries, we:

- (i) pay that person any dividend or interest upon our voting securities,
- (ii) allow that person to exercise, directly or indirectly, any voting right conferred through securities held by that person,
- (iii) pay remuneration in any form to that person for services rendered or otherwise, or
- (iv) fail to pursue all lawful efforts to require such unsuitable person to relinquish voting securities including, if necessary, the immediate purchase of said voting securities for cash at fair market value.

Violations of Gaming Laws

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

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

Reporting and Record-keeping Requirements

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

Review and Approval of Transactions

Substantially all material loans, leases, sales of securities and similar financing transactions must be reported to and in some cases approved by gaming authorities. We may not make a public offering of securities without the prior approval of certain gaming authorities. Changes in control through merger, consolidation, stock or asset acquisitions, management or consulting agreements, or otherwise are subject to receipt of prior approval of gaming authorities. Entities seeking to acquire control of us or one of our subsidiaries must satisfy gaming authorities with respect to a variety of stringent standards prior to assuming control. Gaming authorities may also require controlling shareholders, officers, directors and other persons having a material relationship or involvement with the entity proposing to acquire control, to be investigated and licensed as part of the approval process relating to the transaction.

License Fees and Gaming Taxes

We pay substantial license fees and taxes in many jurisdictions in connection with our gaming operations which are computed in various ways depending on the type of gambling or activity involved. Depending upon the particular fee or tax involved, these fees and taxes are payable with varying frequency. License fees and taxes are based upon such factors as a percentage of

the gaming revenue received; the number of gambling devices and table games operated; or a one-time fee payable upon the initial receipt of license and fees in connection with the renewal of license. In some jurisdictions, casino tax rates are graduated such that the tax rates increase as gaming revenue increases. Tax rates are subject to change, sometimes with little notice, and such changes could have a material adverse impact on our gaming operations.

Operational Requirements

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

Environmental Matters

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

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

Marks and Intellectual Property

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

Available Information

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements and other Securities and Exchange Commission ("SEC") filings, and any amendments to those reports and any other filings that we file with or furnish to the SEC under the Securities Exchange Act of 1934 are made available free of charge on our website (www.churchilldownsincorporated.com) as soon as reasonably practicable after we electronically file the materials with the SEC and are also available at the SEC's website at www.sec.gov.

ITEM 1A. RISK FACTORS

Our operations and financial results are subject to various risks and uncertainties, including those described below, that could adversely affect our business, financial condition, results of operations, cash flows, and the trading price of our common stock.

Economic and External Risks

Our business could be adversely affected by the occurrence of extraordinary events, such as terrorist attacks, public health threats, civil unrest, and inclement weather, including as a result of climate change

Our operating results depend, in large part, on revenues derived from customers visiting our casinos and racetracks, which is subject to the occurrence and threat of extraordinary events that may discourage attendance or expose us to substantial liability. Terrorist activity, including acts of domestic terrorism, civil unrest or other actions that discourage attendance at other locations, or even the threat of such activity, including public concerns regarding air travel, military actions, safety and additional national or local catastrophic incidents, could result in reduced attendance at Churchill Downs Racetrack and at our other locations. A major epidemic or pandemic, outbreak of a contagious equine disease, or the threat of such an event, could also adversely affect attendance and could impact the supply chain for our major construction projects resulting in higher costs and delays of the projects. The COVID-19 global pandemic resulted in the temporary suspension of operations of all of our wholly-owned gaming properties, certain wholly-owned racing operations, and the two casino properties related to our equity investments. While we are constantly evaluating our security precautions in an effort to ensure the safety of the public, no security measures can guarantee safety and there can be no assurances of avoiding potential liabilities.

Since horse racing is conducted outdoors, unfavorable weather conditions, including extremely high and low temperatures, heavy rains, high winds, storms, tornadoes and hurricanes, could cause events to be canceled and/or attendance to be lower, resulting in reduced wagering. Climate change could have an impact on longer-term natural weather trends. Extreme weather events that are linked to rising temperatures, changing global weather patterns, sea, land and air temperatures, as well as sea levels, rain and snow could result in increased occurrence and severity of adverse weather events. Our operations are subject to reduced patronage, disruptions or complete cessation of operations due to weather conditions, natural disasters and other casualties. The occurrence or threat of any such extraordinary event at our locations, particularly at Churchill Downs Racetrack and Kentucky Derby and Oaks week, could have a material negative effect on our business and results of operations.

Our business is sensitive to economic conditions which may affect consumer confidence, consumers' discretionary spending, or our access to credit in a manner that adversely impacts our operations

Economic trends can impact consumer confidence and consumers' discretionary spending, including:

- Negative economic conditions and the persistence of elevated levels of unemployment can impact consumers' disposable incomes and, therefore, impact the demand for entertainment and leisure activities.
- Inflationary periods negatively impact consumers' discretionary income and could reduce the amount of income previously used for gaming and entertainment.
- Declines in the residential real estate market, increases in individual tax rates and other factors that we cannot accurately predict may reduce the disposable income of our customers.
- Decreases in consumer discretionary spending could affect us even if such decreases occur in other markets. For example, reduced wagering levels and profitability at racetracks from which we carry racing content could cause certain racetracks to cancel races or cease operations and therefore reduce the content we could provide to our customers.

Lower consumer confidence or reductions in consumers' discretionary spending could result in fewer patrons spending money at our racetracks, our online wagering sites and gaming and wagering facilities, and reduced consumer spending overall.

Our access to and the cost of credit may be impacted to the extent global and U.S. credit markets are affected by downward economic trends. Economic trends can also impact the financial viability of other industry constituents, making collection of amounts owed to us uncertain. Our ability to respond to periods of economic contraction may be limited, as certain of our costs remain fixed or even increase when revenue declines.

We are vulnerable to additional or increased taxes and fees

We believe that the prospect of raising significant additional revenue through taxes and fees is one of the primary reasons that certain jurisdictions permit legalized gaming. As a result, gaming companies are typically subject to significant taxes and fees in addition to the normal federal, state, provincial and local income taxes and such taxes and fees may be increased at any time. From time to time, legislators and officials have proposed changes in tax laws or in the administration of laws affecting the horse racing, online wagering and casino industries. Many states and municipalities, including ones in which we operate, are currently experiencing budgetary pressures that may make it more likely they would seek to impose additional taxes and fees on our operations. We are subject to tax in multiple U.S. tax jurisdictions and judgment is required in determining our provision

for income taxes, deferred tax assets or liabilities and in evaluating our tax positions. It is not possible to determine the likelihood, extent or impact of any future changes in tax laws or fees, or changes in the administration of such laws; however, if enacted, such changes could have a material adverse impact on our business.

The current novel coronavirus (COVID-19) global pandemic has adversely affected, and could continue to adversely affect our business, financial condition and financial results. Other major public health issues could adversely affect our business, financial condition and financial results in the future

In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. Considerable uncertainty still surrounds the continued effects of the COVID-19 virus, including the emergence of variant strains, and the extent of and effectiveness of responses taken on international, national and local levels. The long-term impact of COVID-19 on the U.S. and world economies and continued impact on our business remains uncertain, the duration and scope of which cannot currently be predicted.

The COVID-19 pandemic and the measures taken by national, state, and local authorities in response have adversely affected and could in the future materially adversely impact the Company's business, results of operations, and financial condition. Our operating results depend, in large part, on revenues derived from customers visiting our casinos and racetracks. During the course of the pandemic, we experienced temporary suspension of operations of all of our wholly-owned gaming properties, certain wholly-owned racing operations, and the two casino properties related to our equity investments. The introduction of vaccine and facemask mandates in certain locations also impacted the number of customers visiting our properties.

The Company continues to monitor the COVID-19 situation and take appropriate actions in accordance with the recommendations and requirements of relevant authorities. The extent to which the COVID-19 pandemic may impact the Company's long-term operational and financial performance remains uncertain and will depend on many factors outside the Company's control, including the timing, extent, trajectory, and duration of the pandemic, the emergence of new variants, the development, availability, distribution, and effectiveness of vaccines and treatments, the imposition of protective public safety measures, and the impact of the pandemic on the global economy.

Strategic Risks

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

Horse racing, pari-mutuel wagering, and casino gaming businesses depend on the public perception of integrity and fairness in their operations. To prevent cheating or erroneous payouts, necessary oversight processes must be in place to ensure that such activities cannot be manipulated. A lack or loss of confidence in the fairness of our industries could have a material adverse impact on our business.

Acts of fraud or cheating in our gaming businesses through the use of counterfeit chips, covert schemes and other tactics, possibly in collusion with our employees, may be attempted or committed by our gaming customers with the aim of increasing their winnings. Our gaming customers, visitors and employees may also commit crimes such as theft in order to obtain chips not belonging to them. We have taken measures to safeguard our interests including the implementation of systems, processes and technologies to mitigate against these risks, extensive employee training, surveillance, security and investigation operations and adoption of appropriate security features on our chips such as embedded radio frequency identification tags. Despite our efforts, we may not be successful in preventing or detecting such culpable behavior and schemes in a timely manner and the relevant insurance we have obtained may not be sufficient to cover our losses depending on the incident, which could result in losses to our gaming operations and generate negative publicity, both of which could have an adverse effect on our reputation, business, results of operations and cash flows.

Other factors that could influence our reputation include the quality of the services we offer and our actions with regard to social issues such as diversity, human rights and support for local communities. Broad access to social media makes it easy for anyone to provide public feedback that can influence perceptions of us or our properties. It may be difficult to control or effectively manage negative publicity, regardless of whether it is accurate. Negative events and publicity could quickly and materially damage perceptions of us, our properties, or our industries, which, in turn, could adversely impact our business, financial condition or results of operations through loss of customers, loss of business opportunities, lack of acceptance of our company to operate in host communities, employee retention or recruiting difficulties or other difficulties.

An inability to attract and retain key and highly qualified and skilled personnel, as well as disruptions in the general labor market, could impact our ability to successfully develop, operate, and grow our business

We believe that our success depends in part on our ability to hire, develop, motivate, and retain highly qualified and skilled employees throughout our organization. If we do not successfully hire, develop, motivate, and retain highly qualified and skilled employees, it is likely that we could experience significant disruptions in our operations and our ability to successfully develop, operate, and grow our business could be impacted.

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

Certain of our key employees are required to file applications with the gaming authorities in each of the jurisdictions in which we operate and are required to be licensed or found suitable by these gaming authorities. If the gaming authorities were to find a key employee unsuitable for licensing, we may be required to sever the employee relationship, or the gaming authorities may require us to terminate the employment of any person who refuses to file appropriate applications. Either result could significantly impact our operations.

We have observed an increasingly competitive labor market. Increased employee turnover, changes in the availability of our workers, or labor shortages in our supply chain could result in increased costs and impact our ability to fully staff our operations, which could negatively affect our financial condition, results of operations, or cash flows.

Our Company faces significant competition, and we expect competition levels to increase

We face an increasingly high degree of competition among a large number of participants operating from physical locations and/or through online or mobile platforms, including destination casinos, riverboat casinos; dockside casinos; land-based casinos; video lottery; iGaming; sports betting; gaming at taverns in certain states, such as Illinois; gaming at truck stop establishments in certain states, such as Louisiana and Pennsylvania; historical horse racing in Kentucky; sweepstakes and poker machines not located in casinos; fantasy sports; Native American gaming; and other forms of gaming in the U.S. Furthermore, competition from internet lotteries, sweepstakes, illegal slot machines and skill games, fantasy sports and internet or mobile-based gaming platforms, which allow their customers to wager on a wide variety of sporting events and/or play Las Vegas-style casino games from home or in non-casino settings could divert customers from our properties and thus adversely affect our financial condition, results of operations and cash flows. Currently, there are proposals that would legalize internet poker, sports betting and other varieties of iGaming in a number of states. Expansion of land-based and iGaming in other jurisdictions (both regulated and unregulated) could further compete with our traditional and iGaming operations, which could have an adverse impact on our financial condition, results of operations and cash flows.

Legalized gaming is currently permitted in various forms throughout the U.S. and on various lands taken into trust for the benefit of certain Native Americans in the U.S. and Canada. Other jurisdictions, including states adjacent to states in which we currently have properties, have recently legalized, implemented and expanded gaming. Established gaming jurisdictions could award additional gaming licenses or permit the expansion or relocation of existing gaming operations. Voters and state legislatures may seek to supplement traditional tax revenue sources of state governments by authorizing or expanding gaming in the states that we operate in or the states that are adjacent to or near our existing properties. New, relocated or expanded operations by other persons could increase competition for our operations and could have a material adverse impact on us.

Our operations also face competition from other leisure and entertainment activities, including shopping, athletic events, television and movies, concerts and travel.

Our Churchill Downs Racetrack and the Kentucky Derby may be adversely affected by changes in consumer preferences, attendance, wagering, and sponsorships

Our Churchill Downs Racetrack is dependent upon the number of people attending and wagering on live horse races. If interest in horse racing is lower in the future, it may have a negative impact on revenue and profitability in our Live and Historical Racing segment. In addition, accidents and adverse events that may occur at our racetrack and any reputational damage as a result may negatively impact attendance at our live horse races. If attendance at and wagering on live horse racing declines, it could have a material adverse impact on our business.

The number and level of sponsorships are important to the success of the Kentucky Derby. Our ability to retain sponsors, acquire new sponsors, and compete for sponsorships and advertising dollars could have a material adverse impact on our business.

We are subject to significant risks associated with our equity investments, strategic alliances, and other third-party agreements

We pursue certain license opportunities, development projects and other strategic business opportunities through equity investments, joint ventures, license arrangements and other alliances with third parties.

Our equity investments are governed by mutually established agreements that we entered into with our co-investors and therefore, we do not unilaterally control the applicable entity or other initiatives. The terms of the equity investments and the rights of our co-investors may preclude us from taking actions that we believe to be in the best interests of the Company. Disagreements with our co-investors could result in delays in project development, including construction delays, and ultimate failure of the project. Our co-investors also may not be able to provide capital to the applicable entity on the terms agreed to or at all, and the applicable entity may be unable to obtain external financing to finance their operations. Also, our ability to exit the equity investments may be subject to contractual and other limitations.

With any third-party arrangement, there is a risk that our partners' economic, business, or legal interests or objectives may not be aligned with ours, leading to potential disagreements and/or failure of the applicable project or initiative. We are also subject to risks relating to our co-investors' failure to satisfy contractual obligations, conflicts arising between us and any of our partners and changes in the ownership of any of our co-investors.

Any of these risks could have a material adverse impact on our business.

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

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

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

A significant amount of our revenue is attributable to slot, HRM, VLTs, and video poker machines operated by us at our properties, and there are a limited number of slot machine and HRM manufacturers servicing the industry. It is important for competitive reasons that we offer the most popular and up-to-date machine games with the latest technology to our guests. A substantial majority of the slot machines sold in the U.S. in recent years were manufactured by a few select companies, and there has been extensive consolidation activity within the gaming equipment sector. Recently, the prices of new machines have escalated faster than the rate of inflation and slot machine manufacturers have occasionally refused to sell slot machines featuring the most popular games, instead requiring participating lease arrangements in order to acquire the machines. Participation slot machine leasing arrangements typically require the payment of a fixed daily rental. Such agreements may also include a percentage payment of coin-in or net win. Generally, a participating lease is substantially more expensive over the long term than the cost to purchase a new machine. For competitive reasons, we may be forced to purchase new slot machines or enter into participating lease arrangements that are more expensive than the costs associated with the continued operation of our existing slot machines. If the newer slot machines do not result in sufficient incremental revenue to offset the increased investment, it could adversely affect our operations and profitability.

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

Our operations in certain jurisdictions depend on agreements with industry constituents including horsemen and other racetracks, and the failure to enter into or maintain these agreements on terms acceptable to us could have a material adverse effect on our business, results of operations and financial condition

Our operations in certain jurisdictions depend on agreements with third parties. If we are unable to renew these agreements on satisfactory terms as they expire, our business may be disrupted. For example, the Interstate Horseracing Act, as well as various state racing laws, require that we have written agreements with the horsemen at our racetracks in order to simulcast races, and, in some cases, conduct live racing. Certain industry groups negotiate these agreements on behalf of the horsemen (the "Horsemen's Groups"). These agreements provide that we must receive the consent of the Horsemen's Groups at the

racetrack conducting live races before we may allow third parties to accept wagers on those races. We currently negotiate formal agreements with the applicable Horsemen's Groups at our racetracks on an annual basis. The failure to maintain agreements with, or obtain consents from, the Horsemen's Groups on satisfactory terms or the refusal by a Horsemen's Group to consent to third parties accepting wagers on our races or our accepting wagers on third-party races could have a material adverse impact on our business, as such failure will result in our inability to conduct live racing and export and import simulcasting.

From time to time, certain Horsemen's Groups have withheld their consent to send or receive racing signals among racetracks. Failure to receive the consent of these Horsemen's Groups for new and renewing simulcast agreements could have a material adverse impact on our business. We also have written agreements with certain Horsemen's Groups with regards to the proceeds of gaming machines in certain states that may be required to operate such gaming.

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

We intend to focus on market access and our retail operations for our TwinSpires Sports and Casino business and there can be no assurance that we will be able to compete effectively or that we will generate sufficient returns on our investment

During the second quarter of 2018, the U.S. Supreme Court overturned the federal ban on sports betting. Thirty-three states have authorized sports betting and thirty of these states have sports betting operational as of December 31, 2022. Additional states may legalize sports betting in the future. Each state has different structures for the number of allowable industry participants, license fees, taxes, and other operational requirements. The market for sports betting and online gaming is rapidly evolving and highly competitive with an increasing number of competitors. The success of our retail and online sportsbook and online casino operations are dependent on a number of factors that are beyond our control, including:

- the timing of adoption of regulations authorizing betting and gaming activities,
- operating requirements and other restrictions,
- the number of allowable industry participants,
- the license fees and tax rates,
- our ability to gain market share in a newly developing market,
- the potential that the market does not develop as we anticipate,
- our ability to compete with new entrants in the market,
- changes in consumer demographics and public tastes and preferences, and
- the availability and popularity of other forms of entertainment.

There can be no assurance as to the returns that we will receive from TwinSpires Sports and Casino business.

Operational Risks

Our business is subject to online security risk, including cyber-security breaches. Loss or misuse of our stored information as a result of such a breach, including customers' personal information, could lead to government enforcement actions or other litigation, potential liability, or otherwise harm our business

We receive, process, store and use personal information and other customer and employee data by maintaining and transmitting customers' personal and financial information, credit card settlements, credit card funds transmissions, mailing lists and reservations information. Our collection of such data is subject to extensive regulation by private groups, such as the payment card industry, as well as governmental authorities, including gaming authorities.

There are numerous federal, state and local laws regarding privacy and the storing, sharing, use, processing, disclosure and protection of personal information and other data, and such privacy laws and regulations continue to evolve. Many states have passed laws requiring notification to customers when there is a security breach for personal data, such as the 2002 amendment to California's Information Practices Act or requiring the adoption of minimum information security standards that are often vaguely defined and difficult to implement. California has adopted the California Consumer Privacy Act of 2018 (the "CCPA"), which went into effect on January 1, 2020, providing California consumers greater control of the information

collected, stored, and sold, and other states are considering similar legislation. The CCPA provides a private right of action (in addition to statutory damages) for California residents whose sensitive personal information was breached as a result of a business's violation of its duty to reasonably secure such information. The costs of compliance with these laws may increase as a result of changes in interpretation or changes in law. Any failure on our part to comply with these laws or our privacy policies may subject us to significant liabilities, including governmental enforcement actions or litigation.

Our systems and processes that are designed to protect customer information and prevent data loss and other security breaches, including systems and processes designed to reduce the impact of a security breach at a third-party vendor, may not be successful. Interruptions in our services or a breach of a customer's secure data could cause current or potential users to believe that our systems are unreliable, which could permanently harm our reputation and brand. These interruptions could also increase the burden on our engineering staff, which, in turn, could delay our introduction of new features and services on our websites and in our casinos. Such incidents could give rise to remediation costs, monetary fines, and other penalties, which could be significant. We attempt to protect against this risk with our property and business interruption insurance, which covers damage or interruption of our systems, although there is no assurance that such insurance will be adequate to cover all potential losses.

Third parties we work with, such as vendors, may violate applicable laws or our privacy policies, and such violations may also put our customers' information at risk and could in turn have an adverse impact on our business. We are also subject to payment card association rules and obligations under each association's contracts with payment card processors. Under these rules and obligations, if information is compromised, we could be liable to payment card issuers for the associated expense and penalties. If we fail to follow payment card industry security standards, even if no customer information is compromised, we could incur significant fines or experience a significant increase in payment card transaction costs.

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

The costs to eliminate or address the foregoing security threats and vulnerabilities before or after a cyber-incident could be significant. Our remediation efforts may not be successful and could result in interruptions, delays or cessation of service, and loss of existing or potential suppliers or customers. As threats related to cyber-attacks develop and grow, we may also find it necessary to make further investments to protect our data and infrastructure, which may impact our results of operations. We have insurance coverage for protection against cyber-attacks, which is designed to cover expenses around notification, credit monitoring, investigation, crisis management, public relations, and legal advice. This insurance coverage may not be sufficient to cover all possible claims, and we could suffer losses that could have a material adverse effect on our business.

Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems, change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures.

Our operations rely heavily on technology services, and catastrophic events and system failures with respect to these technology services could cause a significant and continued disruption to our operations

We rely on information technology and other systems to manage our business. A disruption or failure in our technology systems or operations in the event of a cyber-attack, major earthquake, weather event, terrorist attack or other catastrophic event could interrupt our operations, damage our properties, and reduce the number of customers who visit our facilities in the affected areas. Security breaches could expose the Company to a risk of loss or misuse of our or our customers' information, litigation, and potential liability. In addition, cyber incidents that impact the availability, reliability, speed, accuracy, or other proper functioning of our technology systems could impact our operations. A significant cyber incident, including system failure, security breach, disruption by malware or other damage could interrupt or delay our operations, result in a violation of applicable privacy and other laws, damage our reputation, subject us to litigation, cause a loss of customers or give rise to remediation costs, monetary fines and other penalties, which could be significant.

Our online wagering, HRM and brick-and-mortar casino businesses depend upon our communications hardware and our computer hardware. We have built certain redundancies into our systems to attempt to avoid downtime in the event of outages, system failures or damage. Our systems also remain vulnerable to damage or interruption from floods, fires, power loss, telecommunication failures, terrorist cyber-attacks, hardware or software error, computer viruses, computer denial-of-service attacks and similar events. Despite any precautions we may take, the occurrence of a natural disaster or other unanticipated

problems could result in lengthy interruptions in our services. Any unscheduled interruption in the availability of our websites and our services could result in an immediate, and possibly substantial, loss of revenue.

We may not be able to identify and / or complete acquisitions, divestitures, development of new venues or the expansion of existing facilities on time, on budget or as planned

We pursue acquisitions, divestitures, development of new venues and expansion of existing facilities to grow our business.

We face challenges in identifying and completing acquisitions or divestiture opportunities or other development or expansion projects that fit with our strategic objectives. These projects require significant capital commitments and the incurrence of additional debt. These projects also have risks associated with managing and integrating the acquisition or expansion project.

Supply chain disruptions and inflationary pressure related to these projects could lead to delays and higher project costs. The acquisition or divestiture of businesses may be delayed by external factors beyond our control including federal, state, and local issues.

The impact of these risks may cause us not to realize the intended benefits of these capital investments which could have a material adverse impact on our business.

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

We have completed acquisition transactions in the past, and we may pursue acquisitions from time to time in the future. The successful integration of newly acquired businesses into our operations has required and will continue to require the expenditure of substantial managerial, operating, financial and other resources and may also lead to a diversion of our attention from our ongoing business concerns. We may not be able to successfully integrate new businesses, manage the combined operations or realize projected revenue gains, cost savings and synergies in connection with those acquisitions on the timetable contemplated, if at all. Management of the new business operations, especially those in new lines of business or different geographic areas, may require that we increase our managerial resources. The process of integrating new operations may also interrupt the activities of those businesses, which could have a material adverse impact on our business. The costs of integrating businesses we acquire could significantly impact our short-term operating results. These costs could include the following:

- restructuring charges associated with the acquisitions,
- non-recurring transaction costs, including accounting and legal fees, investment banking fees and recognition of transaction-related costs or liabilities, and
- costs of imposing financial and management controls and operating, administrative and information systems.

We perform financial, operational, and legal diligence on the businesses we purchase; however, an unavoidable level of risk remains regarding the actual condition of these businesses and our ability to continue to operate these businesses successfully and integrate them into our existing operations. In any acquisition we make, we face risks that include the following:

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

If we are unsuccessful in overcoming these risks, it could have a material adverse impact on our business.

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

We may decide to develop, construct and open hotels, casinos, other gaming venues, or racetracks in response to opportunities that may arise. For example, we've announced multiple major multi-year capital investments to transform key areas of Churchill Downs Racetrack, as well as other capital investments such as the build out of Derby City Gaming Downtown, Rosie's Emporia and Dumfries, the Ellis Park Owensboro Annex, a charitable gaming facility in New Hampshire and the Terre Haute Casino Resort. Future development projects may require significant capital commitments and the incurrence of additional debt, which could have a material adverse impact on our business. In addition, we may not receive the intended benefits of such capital investments.

Ownership and development of our real estate requires significant expenditures and ownership of such properties is subject to risk, including risks related to environmental liabilities

We own extensive real estate holdings and make significant capital investments to grow our operations. All real estate investments are subject to risks including the following: general economic conditions, such as the availability and cost of financing; local and national real estate conditions, such as an oversupply of residential, office, retail or warehousing space, or a reduction in demand for real estate in the area; governmental regulation, including taxation of property and environmental legislation; and the attractiveness of properties to potential purchasers or tenants. Significant expenditures, including property taxes, debt repayments, maintenance costs, insurance costs and related charges, must be made throughout the period of ownership of real property. Such expenditures may negatively impact our operating results.

We are subject to a variety of federal, state and local governmental laws and regulations relating to the use, storage, discharge, emission and disposal of hazardous materials. Environmental laws and regulations could hold us responsible for the cost of cleaning up hazardous materials contaminating real property that we own or operate (or previously owned or operated) or properties at which we have disposed of hazardous materials, even if we did not cause the contamination. Some of our facilities are subject to CAFO regulations. If we fail to comply with environmental laws or if contamination is discovered, a court or government agency could impose severe penalties or restrictions on our operations or assess us with the costs of taking remedial actions. Enforcement of such regulations have been receiving increased governmental attention and compliance with these and other environmental laws can, in some circumstances, require significant capital expenditures (including with respect to fines).

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

Personal injuries and injuries to horses have occurred during races or workouts, and may continue to occur, which could subject us to negative publicity and / or litigation. Negative publicity may lead some customers to avoid the Company's properties or could cause horse owners to avoid racing their horses at our racetracks. Any litigation resulting from injuries at our properties could be costly and time consuming and could divert our management and key personnel from our business operations. We buy insurance for all of our racetracks; however, our coverage may not be sufficient for all losses. Due to the potential impact of negative publicity and inherent uncertainty related to the outcome of litigation, there can be no assurance that the resolution of any particular claim or proceeding would not have a material adverse effect on our results of operations, financial position or liquidity.

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

We are subject to risks associated with doing business outside of the U.S., including exposure to complex foreign and U.S. regulations such as the Foreign Corrupt Practices Act (the "FCPA") and other anti-corruption laws which generally prohibit U.S. companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or retaining business. Violations of the FCPA and other anti-corruption laws may result in severe criminal and civil sanctions and other penalties. It may be difficult to oversee the conduct of any contractors, third-party partners, representatives, or agents who are not our employees, potentially exposing us to greater risk from their actions. If our employees or agents fail to comply with applicable laws or company policies governing our international operations, we may face legal proceedings and actions which could result in civil penalties, administration actions and criminal sanctions.

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

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

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

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

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

Some of our employees are represented by labor unions. A strike or other work stoppage at one of our properties could have an adverse impact on our business and results of operations. From time to time, we have also experienced attempts to unionize certain of our non-union employees. We may experience additional union activity in the future. Any such union organization efforts could cause disruptions in our business and result in significant costs.

Legal and Regulatory Risks

We face risks related to pending or future legal proceedings and other actions

From time to time, we are a party in various lawsuits and judicial and governmental actions. No assurance can be provided as to the outcome of these lawsuits and actions which can be expensive and time consuming. We may not be successful in the defense or prosecution of these lawsuits or actions, which could result in settlements, costs or damages that could have a material adverse impact on our business, financial condition, results of operations, and reputation. Such matters may include investigations or litigation from various parties, including vendors, customers, state and federal agencies, stockholders and employees relating to intellectual property, employment, consumer, personal injury, corporate governance, commercial or other matters arising in the ordinary course of business.

We have also been subject to claims in cases concerning or similar to class action allegations. Plaintiffs in such lawsuits often seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss and defense costs relating to such lawsuits may not be accurately estimated. We evaluate all of the claims and proceedings involving us to assess the expected outcome, and where possible, we estimate the potential losses we may incur. In many cases, including class action matters, we may not be able to estimate the potential losses we will incur and/or our estimates may prove to be insufficient. These assessments are made by management based on the information available at the time made and require the use of a significant amount of judgment, and actual outcomes or losses may materially differ. Regardless of whether any claims against us are valid, or whether we are ultimately held liable, such litigation may be expensive to defend and may divert resources away from our operations and negatively impact earnings. We may not be able to obtain adequate insurance to protect us from these types of litigation matters or extraordinary business losses.

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

We conduct live and historical pari-mutuel wagering, online pari-mutuel wagering through ADWs, casino gaming, online gaming, and sports betting operations, which are subject to extensive state and for some local regulation. These regulatory authorities have broad discretion, and may, for any reason set forth in the applicable legislation, rules and regulations, limit, condition, suspend, fail to renew or revoke a license or registration to conduct our operations or prevent another person from owning an equity interest in the Company.

There can be no assurance that we will be able to retain our existing governmental licenses, registrations, permits or approvals necessary to operate our existing businesses or demonstrate suitability to obtain any licenses, registrations, permits, or approvals. The loss of a license in one jurisdiction could trigger the loss of a license or affect our eligibility for a license in another jurisdiction. As we expand our operations in our existing jurisdictions or to new areas, we may have to meet additional suitability requirements and obtain additional licenses, registrations, permits and approvals from authorities in these jurisdictions. The approval process can be time-consuming and costly, and we cannot be sure that we will be successful.

Our Live and Historical Racing segment is subject to extensive state and local regulation, and we depend on continued state approval of legalized pari-mutuel wagering in states where we operate. Our wagering and racing (including HRM) facilities must meet the licensing requirements of various regulatory authorities. We have obtained all governmental licenses, registrations, permits and approvals necessary for operation. However, we may be unable to maintain our existing licenses. The failure to obtain such licenses in the future or the loss of or material change in our business licenses, registrations, permits or approvals may materially limit the number of races we conduct or our racing (including HRM) operation. The loss of a license in one jurisdiction could trigger the loss of a license or affect our eligibility for a license in another jurisdiction.

Regulatory authorities also have input into important aspects of our operations, including hours of operation, location or relocation of a facility, and numbers and types of HRMs. Regulators may also levy substantial fines against or seize our assets or the assets of our subsidiaries or the people involved in violating pari-mutuel laws or regulations. For example, individual plaintiffs associated with video poker and truck stops in Louisiana are challenging the constitutionality of the Louisiana 2021 HHR Act which may adversely impact Fair Ground's historical racing operations.

TwinSpires accepts ADW wagers from customers of certain states who set up and fund accounts from which they may place wagers via telephone, mobile device or through the Internet pursuant to the Interstate Horseracing Act and relevant licenses and consents. The online horse racing wagering business is heavily regulated, and laws governing ADW pari-mutuel wagering vary from state to state. State attorney generals, regulators, and other law enforcement officials may interpret state laws, federal laws, constitutional principles, and the related regulations in a different manner than we do.

States may take affirmative action to make ADW expressly unlawful. We may not be successful in lobbying state legislatures or regulatory bodies to obtain or renew required legislation, licenses, registrations, permits and approvals necessary to facilitate the operation or expansion of our online horse racing wagering business or in any legal challenge to the validity of any restrictions on ADW. Legal challenges and regulatory and legislative processes can be lengthy, costly and uncertain.

Many states have considered and are considering interactive and Internet gaming legislation and regulations which may inhibit our ability to do business in such states or increase competition for online wagering. Anti-gaming conclusions and recommendations of other governmental or quasi-governmental bodies could form the basis for new laws, regulations, and enforcement policies. The extensive regulation by both state and federal authorities of gaming activities also can be significantly affected by changes in the political climate and changes in economic and regulatory policies.

Any of these events could have a material adverse impact on our financial condition, results of operations, and cash flows.

Financial Risks

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

Our debt facilities contain a number of covenants that impose significant operating and financial restrictions on our business, including restrictions on our ability to, among other things, take the following actions:

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

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

Any failure to comply with the financial ratios and other covenants in our debt facilities and other indebtedness could have a material adverse impact on our business

Under our debt facilities, we are required to satisfy and maintain specified financial ratios. Our ability to meet those financial ratios can be affected by events beyond our control, and as a result, we may be unable to meet those ratios. A failure to comply with the financial ratios and other covenants contained in our debt facilities or our other indebtedness could result in an event of default which, if not cured or waived, could have a material adverse impact on our business and financial condition. In the event of any default under our debt facilities or our other indebtedness, the lenders thereunder:

- will not be required to lend any additional amounts to us,

- could elect to declare all borrowings outstanding, together with accrued and unpaid interest and fees, to be due and payable and could terminate all commitments to extend further credit, or
- could require us to apply all of our available cash to repay these borrowings.

We have pledged a significant portion of our assets as collateral under our debt facilities. If any of these lenders accelerate the repayment of borrowings, we may not have sufficient assets to repay our indebtedness and our lenders could exercise their rights against the collateral we have granted them

Increases to interest rates (due to inflation or otherwise), disruptions in the credit markets, or changes to our credit ratings may adversely affect our business.

While we currently generate significant cash flows from ongoing operations and have access to global credit markets through our various financing activities, interest rate increases, disruption in the credit markets, changes that may result from the implementation of new benchmark rates that replace the London Interbank Offered Rate ("LIBOR"), or changes to our credit ratings could negatively impact the availability or cost of funding.

During inflationary periods, interest rates have historically increased, which would have a direct effect on the interest expense of our borrowings. In particular, primarily in response to concerns about inflation, the U.S. Federal Reserve has significantly raised its benchmark federal funds rate, which has led to increases in interest rates in the credit markets. The U.S. Federal Reserve may continue to raise the federal funds rate, which will likely lead to higher interest rates in the credit markets and the possibility of lower asset values, slowing economic growth and/or possibly leading to a recession. We are exposed to increases in interest rates on our variable-rate borrowings, which consist of borrowings under our credit facility and our term loans. Therefore, interest rate increases, due to inflation or otherwise, could, increase our interest expense under these variable-rate facilities in the short-term and increase our financing costs as we refinance our existing variable-rate and fixed-rate long-term borrowings in the long term, or we could incur additional interest expense related to the issuance of incremental debt. These increased costs could reduce our profitability, impair our ability to meet our debt obligations, negatively impact our ability to maintain compliance with the financial covenants in our Credit Agreement, or increase the cost of financing our acquisition, investment, and development activity.

Reduced access to credit or increased costs could adversely affect our liquidity and capital resources or significantly increase our cost of capital.

Our insurance costs may increase, we may not be able to obtain similar insurance coverage in the future, and the extent to which we can recover under our insurance policies for damages sustained at our operating properties in the event of inclement weather and casualty events, all could adversely affect our business

We renew our insurance policies on an annual basis. The cost of coverage may become so high that we may need to further reduce our policy limits or agree to certain additional exclusions from our coverage. If we are unable to obtain sufficient insurance coverage, we could be at risk for increased potential losses, which could be substantial. Our debt instruments and other material agreements require us to meet certain standards related to insurance coverage. If we are unable to obtain sufficient insurance coverage to satisfy these requirements, an event of default could result under these debt instruments or material agreements.

Portions of our business are difficult or impracticable to insure. After carefully weighing the costs, risks, and benefits of retaining versus insuring various risks, as well as the availability of certain types of insurance coverage, we may opt to retain certain risks not covered by our insurance policies. Retained risks are associated with deductible limits or self-insured retentions, partial self-insurance programs and insurance policy coverage ceilings.

Flooding, blizzards, windstorms, earthquakes, hurricanes or other weather conditions could adversely affect our casino and horse racing locations. We maintain insurance coverage that may cover certain costs that we incur as a result of some natural disasters, which coverage is subject to deductibles, exclusions and limits on maximum benefits. We may not be able to fully collect, if at all, on any claims resulting from extreme weather conditions or other disasters. If any of our properties are damaged or if our operations are disrupted or face prolonged closure as a result of weather conditions in the future, or if weather conditions adversely impact general economic or other conditions in the areas in which our properties are located or from which we draw our patrons, the disruption could have a material adverse impact on our business.

We have "all risk" property insurance coverage for our operating properties which covers damage caused by a casualty loss (such as fire, natural disasters, acts of war, or terrorism). Our level of property insurance coverage, which is subject to policy maximum limits and certain exclusions, may not be adequate to cover all losses in the event of a major casualty. In addition, certain casualty events may not be covered at all under our policies. Therefore, certain acts could expose us to substantial uninsured losses. Any losses we incur that are not adequately covered by insurance may decrease our future operating income, require us to fund replacements or repairs for destroyed property and reduce the funds available for payment of our obligations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We own the following real property:

Live and Historical Racing

- Kentucky
 - 100 acres at Churchill Downs and our auxiliary training facility at Derby City Gaming in Louisville
 - Derby City Gaming in Louisville
 - Derby City Gaming Downtown in Louisville
 - Oak Grove Racing & Gaming in Southwestern Kentucky
 - Turfway Park in Northern Kentucky
 - Ellis Park Racing & Gaming in Northwestern Kentucky
- Virginia
 - Colonial Downs Racetrack & Rosie's in New Kent
 - Rosie's in Vinton
 - Rosie's in Richmond

Gaming

- Florida - Calder Casino in Miami Gardens
- Indiana - Terre Haute Casino Resort in Terre Haute (Opening in 2024)
- Iowa - Hard Rock Hotel & Casino in Sioux City
- Louisiana - Fair Grounds Race Course & Slots and certain VSI properties in New Orleans
- Maine - Oxford Casino & Hotel in Oxford
- Maryland - Ocean Downs Casino & Racetrack in Ocean City
- Mississippi - Riverwalk Casino Hotel in Vicksburg
- New York - del Lago Resort & Casino in Waterloo
- Pennsylvania - Presque Isle Downs & Casino in Erie

All Other

- Illinois - Arlington International Race Course in Arlington Heights - We closed on the sale of the property to the Chicago Bears on February 15, 2023.

We lease the following real property:

Live and Historical Racing

- Kentucky
 - Churchill Downs Racetrack in Louisville - we lease 158 acres under a 30-year lease entered into in 2002 where we transferred title of the facility to the City of Louisville, and retained the right to re-acquire the facility at any time for \$1.00, subject to the terms of the lease as part of the financing of the improvements to the facility.
 - Newport Racing & Gaming in Northern Kentucky
- New Hampshire - Chasers Poker Room in Salem
- Virginia
 - Rosie's in Collinsville
 - Rosie's in Hampton
 - Rosie's in Dumfries

TwinSpires

- Kentucky
 - TwinSpires.com and Brisnet offices in Lexington
 - TwinSpires and United Tote offices in Louisville
- New Jersey - TwinSpires offices in Toms River
- California - United Tote offices in San Diego
- Oregon - United Tote offices Portland

Gaming

- Louisiana - Certain VSI properties in New Orleans
- Mississippi - the land and casino for Harlow's Casino Resort & Spa in Greenville
- Pennsylvania - the building for Lady Luck Casino Nemaquin in Farmington

All Other

- Kentucky - Corporate headquarters in Louisville
- Virginia - Corporate office space in Vinton

ITEM 3. LEGAL PROCEEDINGS

In addition to the matters described below, we are also involved in ordinary routine litigation matters which are incidental to our business.

Bob Baffert and Bob Baffert Racing Stables, Inc. v. Churchill Downs Incorporated, Bill Carstanjen and Alex Rankin

On February 28, 2022, plaintiffs Bob Baffert and Bob Baffert Racing Stables, Inc. filed a complaint and motion for preliminary injunction against Churchill Downs Incorporated, its Chief Executive Officer Bill Carstanjen, and its Chairman of the Board of Directors Alex Rankin in the U.S. District Court for the Western District of Kentucky, arising out of the Company's decision to suspend Mr. Baffert from entering horses trained by him at any Company-owned racetrack for a period of two years. The Company's two-year suspension of Mr. Baffert came after Baffert-trained horse, Medina Spirit, finished first in the 147th running of the Kentucky Derby but subsequently tested positive for betamethasone, a banned race-day substance. Plaintiffs allege that the Company's decisions to suspend Mr. Baffert from racing at any Company-owned racetrack and to prohibit horses trained by him (or any other suspended trainer) from accumulating Derby-qualifying points were unlawful. Plaintiffs assert claims for (i) violation of the due process clause, (ii) unlawful exclusion, (iii) violations of the federal antitrust laws, (iv) tortious interference with contract, and (v) tortious interference with prospective business advantage.

In addition to and separate from the Company's suspension of Mr. Baffert, on February 21, 2022, the Kentucky Horse Racing Commission ("KHRC") Board of Stewards suspended Mr. Baffert from racing in Kentucky for 90 days and issued a fine to him. The KHRC rejected Mr. Baffert's requests to stay the suspension. Mr. Baffert unsuccessfully sought judicial intervention relieving him from the KHRC suspension. On March 21, 2022, the Franklin County Circuit Court concluded Mr. Baffert was not entitled to a stay of the KHRC suspension and that he had not satisfied a single element required for a temporary injunction of the KHRC suspension. This decision was affirmed by the Kentucky Court of Appeals on April 1, 2022 in an order denying Mr. Baffert's motion for emergency relief. After the Kentucky Court of Appeals allowed the KHRC's 90-day suspension of Mr. Baffert to stand, plaintiffs voluntarily withdrew their motion for preliminary injunction against the Company without prejudice.

On May 2, 2022, the Company filed a motion to dismiss plaintiffs' complaint. Plaintiffs filed a renewed motion for preliminary injunction on December 15, 2022. On February 17, 2023, the Court issued a memorandum opinion and order granting the Company's motion to dismiss in part, allowing a portion of the due process claim to remain. In the same order, the Court denied Plaintiffs' motion for preliminary injunction, concluding that Plaintiff had not established irreparable injury and was not likely to succeed on the merits of the remaining claim. The Company, Mr. Carstanjen, and Mr. Rankin intend to defend this matter vigorously and believe that there are meritorious legal and factual defenses against plaintiffs' allegations and requests for relief.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market for Common Stock

The Company's common stock is traded on the Nasdaq Global Select Market under the symbol CHDN. As of February 15, 2023, there were approximately 2,230 shareholders of record.

Dividends

Since joining The Nasdaq Global Select Market in 1993, we have declared and paid cash dividends on an annual basis at the discretion of our Board of Directors. The payment and amount of future dividends will be determined by the Board of Directors and will depend upon, among other things, our operating results, financial condition, cash requirements and general business conditions at the time such payment is considered. We declared a dividend of \$0.714 in October 2022, which was paid in January 2023, and we declared a dividend of \$0.667 in October 2021, which was paid in January 2022.

Issuer Purchases of Common Stock

The following table provides information with respect to shares of common stock that we repurchased during the quarter ended December 31, 2022:

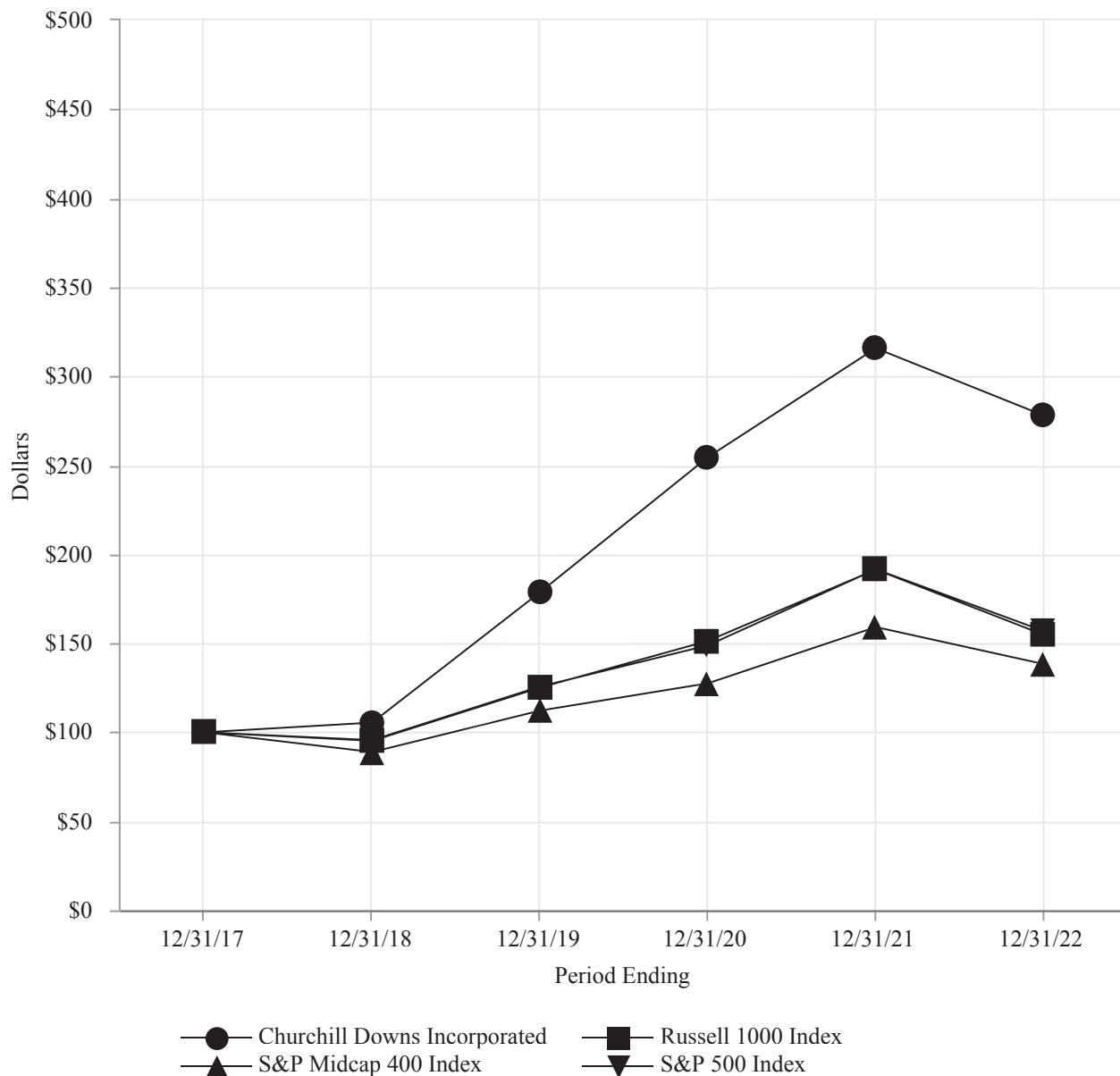
Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased under the Plans or Programs ⁽¹⁾ (in millions)
October 2022	157,334	\$ 202.23	100,435	\$ 280.2
November 2022	22,961	216.35	22,961	275.9
December 2022	31,230	215.02	23,328	270.2
Total	<u>211,525</u>	<u>\$ 205.65</u>	<u>146,724</u>	

⁽¹⁾ On September 29, 2021, the Board of Directors of the Company approved a common stock repurchase program of up to \$500.0 million ("2021 Stock Repurchase Program"). The 2021 Stock Repurchase Program includes and is not in addition to the unspent amount remaining under the prior 2018 Stock Purchase Program authorization. The repurchase program has no time limit and may be suspended or discontinued at any time. For more information, refer to Note 10, Shareholders' Equity, to the notes to consolidated financial statements included in this Annual Report on Form 10-K.

Shareholder Return Performance Graph

The following performance graph and related information shall not be deemed "soliciting material" nor to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, each as amended, except to the extent we specifically incorporate it by reference into such filing.

The following graph depicts the cumulative total shareholder return, assuming reinvestment of dividends, for the periods indicated for our Common Stock compared to the Russell 1000 Index, S&P Midcap 400 Index, and the S&P 500 Index. During 2021, our Company moved from the Russell 2000 Index to the Russell 1000 Index due to our increase in market capitalization. We now consider the Russell 1000 Index to be our most comparable peer group index. We added the S&P Midcap 400 Index as a comparison beginning in our Annual Report on Form 10-K for the year ended December 31, 2018. The S&P Midcap 400 Index includes the Company's results and also reflects companies which have a more comparable market capitalization than the S&P 500 Index.



Form 10-K

	12/31/17	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22
Churchill Downs Incorporated	\$ 100.00	\$ 105.47	\$ 178.75	\$ 254.61	\$ 315.76	\$ 277.99
Russell 1000 Index	\$ 100.00	\$ 95.22	\$ 125.14	\$ 151.37	\$ 191.42	\$ 154.80
S&P Midcap 400 Index	\$ 100.00	\$ 88.92	\$ 112.21	\$ 127.54	\$ 159.12	\$ 138.34
S&P 500 Index	\$ 100.00	\$ 95.62	\$ 125.72	\$ 148.85	\$ 191.58	\$ 156.88

NOTE 1: Index Data: Copyright Russell Investments. Used with permission. All rights reserved.

NOTE 2: Index Data: Copyright Standard and Poor's, Inc. Used with permission. All rights reserved.

ITEM 6. [RESERVED]

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

The following discussion and analysis of our consolidated financial condition and results of operations should be read in conjunction with our audited consolidated financial statements and related notes included in Part II, Item 8. Financial Statements and Supplementary Data. The following discussion provides an analysis of our results of operations and reasons for material changes therein for 2022 as compared to 2021. Discussion regarding our financial condition and results of operations for 2021 as compared to 2020 is included in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on February 23, 2022.

Our Business

Churchill Downs Incorporated ("CDI" or the "Company") has been creating extraordinary entertainment experiences for nearly 150 years, beginning with the Company's most iconic and enduring asset, the Kentucky Derby. Headquartered in Louisville, Kentucky, CDI has expanded through the development of live and historical racing entertainment venues, the growth of the TwinSpires horse racing online wagering business and the operation and development of regional casino gaming properties.

In the first quarter of 2022, we updated our operating segments to reflect the internal management reporting used by our chief operating decision maker to evaluate results of operations and to assess performance and allocate resources. During the first quarter of 2022, our chief operating decision maker decided to include the results of our United Tote business in the TwinSpires segment as we evolve our strategy to integrate the United Tote offering with TwinSpires Horse Racing, which we believe will create additional business-to-business revenue opportunities. For additional information, refer to Note 21 - Segment Information, to the notes to consolidated financial statements included in Item 8. Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

2022 Transactions

Peninsula Pacific Entertainment Acquisition

On November 1, 2022, the Company completed the acquisition of substantially all the assets of Peninsula Pacific Entertainment, LLC ("P2E") with a base purchase price of \$2.75 billion ("P2E Transaction") subject to working capital and other purchase price adjustments. The Company acquired the following properties as part of the P2E Transaction: Colonial Downs Racetrack ("Colonial Downs") in New Kent, Virginia, six historical racing entertainment venues in Virginia, del Lago Resort & Casino in Waterloo, New York ("del Lago"), and the Hard Rock Hotel & Casino in Sioux City, Iowa ("Hard Rock Sioux City"). The P2E Transaction also included development rights for two properties currently under development in Dumfries and Emporia, Virginia with up to five additional Historical Racing Machines ("HRMs") entertainment venues as well as ONE Casino and Resort in collaboration with Urban One.

Chasers Poker Room Acquisition

On September 2, 2022, the Company completed the acquisition of Chasers Poker Room ("Chasers") in Salem, New Hampshire ("Chasers Transaction"). Chasers is a charitable gaming facility located approximately 30 miles from Boston, Massachusetts, that offers poker and a variety of table games. The Company plans to develop an expanded charitable gaming facility in Salem to accommodate HRMs and table games. As part of the Chasers Transaction, the Company made an initial payment to the sellers for rights to operate the poker room and to build a historical racing entertainment venue.

Ellis Park Acquisition

On September 26, 2022, the Company completed the acquisition of Ellis Park Racing & Gaming ("Ellis Park Transaction"). Ellis Park Racing & Gaming ("Ellis Park") is a racetrack and gaming facility venue with HRMs. As part of the acquisition, the Company also acquired the rights to construct an HRM entertainment venue in Owensboro, Kentucky.

Calder Land Sale

On June 17, 2022, the Company closed on the sale of 115.7 acres of land near Calder Casino ("Calder") for \$291.0 million to Link Logistics Real Estate, a Blackstone portfolio company. The Company received cash proceeds of \$279.0 million which was net of \$12.0 million of transaction costs. We recognized a gain of \$274.6 million on the sale of the land, which is included in other income in the accompanying Condensed Consolidated Statements of Comprehensive Income (Loss).

Exacta Systems, LLC Acquisition

On December 19, 2022, the Company announced that it entered into a definitive agreement under which we would acquire all the outstanding equity interests of Exacta Systems, LLC ("Exacta") for total consideration of \$250.0 million in cash (the "Exacta Transaction"), subject to certain working capital and other purchase price adjustments. The Exacta Transaction will provide the Company the ability to realize synergies related to the Company's recent acquisition of the HRM entertainment venues in Virginia.

Other Business Activities

Impairment

During the quarter ended December 31, 2022, the Company evaluated whether events or circumstances changed that would indicate it is more likely than not that any of the Company's intangible assets, goodwill, or property and equipment, were impaired. Based on the Company's evaluation, the Company concluded that a trigger event for impairment testing occurred related to the Presque Isle Downs and Casino ("Presque Isle") gaming rights, trademark, and the reporting unit's goodwill due to continued negative economic conditions that negatively impacted the estimates and assumptions utilized in our indefinite-lived intangible asset impairment assessment. As a result of the updated discount rate to reflect the increased uncertainty of the cash flows and updated projected cash flow stream, the Company recorded a \$33.4 million non-cash impairment charge in fourth quarter of 2022 for the Presque Isle gaming rights and trademark.

Exit of the Direct Online Sports and Casino Business

In 2022, the Company exited the direct online Sports and Casino business in every state except for Pennsylvania and Arizona. During the quarter ended March 31, 2022, the Company evaluated whether this planned exit would indicate it is more likely than not that any of the Company's intangible assets, long-lived assets, current assets or property and equipment, were impaired. Based on the Company's evaluation, the Company recorded a \$4.9 million non-cash impairment charge related to certain assets in the TwinSpires segment. The Company will maintain its retail Sports operations and has monetized two of its online market access licenses

Impact of the COVID-19 Global Pandemic

In March 2020, as a result of the COVID-19 outbreak, we temporarily suspended operations at our wholly-owned and managed gaming properties. In May 2020, we began to reopen our properties with patron restrictions and gaming limitations, which fluctuated with the changing environment. All of our gaming properties have remained open since January 2021.

The 146th Kentucky Oaks and Derby were held in the third quarter of 2020 without spectators. During the second quarter of 2021, we held the 147th Kentucky Oaks and Derby with capacity restrictions in compliance with Kentucky venue limitations at that time. Due to such restrictions, our revenues from the Kentucky Oaks and Derby in each year were significantly less than we would otherwise expect. The 148th Kentucky Oaks and Derby were held in the second quarter of 2022 without capacity restrictions.

The extent to which the COVID-19 pandemic, including the emergence of variant strains, will continue to impact the Company remains uncertain and will depend on many factors that are not within our control. We will continue to monitor for new developments related to the pandemic and assess these developments to maintain continuity in our operations.

Key Indicators to Evaluate Business Results and Financial Condition

Our management monitors a variety of key indicators to evaluate our business results and financial condition. These indicators include changes in net revenue, operating expense, operating income, earnings per share, outstanding debt balance, operating cash flow and capital spend.

Our consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP"). We also use non-GAAP measures, including EBITDA (earnings before interest, taxes, depreciation and amortization) and Adjusted EBITDA. We believe that the use of Adjusted EBITDA as a key performance measure of results of operations enables management and investors to evaluate and compare from period to period our operating performance in a meaningful and consistent manner. Our chief operating decision maker utilizes Adjusted EBITDA to evaluate segment performance, develop strategy and allocate resources. Adjusted EBITDA is a supplemental measure of our performance that is not required by, or presented in accordance with, GAAP. Adjusted EBITDA should not be considered as an alternative to, or more meaningful than, net income (as determined in accordance with GAAP) as a measure of our operating results.

Adjusted EBITDA is defined as earnings before interest, taxes, depreciation and amortization, adjusted for the following:

Adjusted EBITDA includes our portion of EBITDA from our equity investments.

Adjusted EBITDA excludes:

- Transaction expense, net which includes:
 - Acquisition, disposition, and land sale related charges;
 - Direct online Sports and Casino business exit costs; and
 - Other transaction expense, including legal, accounting and other deal-related expense.
- Stock-based compensation expense;
- Rivers Des Plaines' impact on our investments in unconsolidated affiliates from:

- The impact of changes in fair value of interest rate swaps, and
- Legal reserves and transaction costs;
- Asset impairments;
- Gain on Calder land sale;
- Legal reserves;
- Pre-opening expense; and
- Other charges, recoveries and expenses

As of December 31, 2021, Arlington International Racecourse ("Arlington") ceased racing and simulcast operations. On February 15, 2023, the Company closed on the sale of the property to the Chicago Bears. For more information, refer to Note 4, Dispositions and Assets Held for Sale, to the notes to consolidated financial statements included in this Annual Report on Form 10-K. Arlington's operating loss in the current quarter and year is treated as an adjustment to EBITDA and is included in Other expenses, net in the Reconciliation of Comprehensive Income to Adjusted EBITDA.

For segment reporting, Adjusted EBITDA includes intercompany revenue and expense totals that are eliminated in the Consolidated Statements of Comprehensive Income (Loss). See the Reconciliation of Comprehensive Income (Loss) to Adjusted EBITDA included in this section for additional information.

Business Highlights

In 2022, we delivered strong performance while continuing the execution of several organic investments and completing the largest acquisition in our Company's history that collectively we believe will provide long-term sustainable value creation. We delivered strong growth in net revenue, operating income, net income, and Adjusted EBITDA compared to fiscal year 2021:

- Net revenue was \$1.8 billion, up \$212.6 million or 13%;
- Net income was \$439.4 million, up \$190.3 million or 76%;
- Adjusted EBITDA was \$763.6 million, up \$136.6 million, or 22%; and
- Cash from continuing operations was \$510.8 million, up \$51.3 million or 11%.

Live and Historical Racing Segment:

- Adjusted EBITDA was \$287.5 million, up \$112.5 million or 64% from fiscal year 2021.
- Churchill Downs Racetrack:
 - Derby Week successfully returned to full capacity at Churchill Downs Racetrack with the 148th Kentucky Derby with over 147,000 fans gathered in person to watch the most exciting two minutes in sports on the first Saturday in May.
 - We successfully completed the Homestretch Club prior to the 148th Kentucky Derby and approximately \$8.0 million under budget.
 - We continued construction on the new First Turn Experience which will be completed for the 149th Kentucky Derby in May 2023 and the Paddock Project for the 150th Kentucky Derby in May 2024.
 - We extended the partnership with Woodford Reserve as the Presenting Sponsor for the Kentucky Derby through 2027.
- Derby City Gaming delivered record net revenue and Adjusted EBITDA. We continued construction of the gaming floor expansion and new five-story hotel.
- Oak Grove delivered record net revenue and Adjusted EBITDA.
- We celebrated the opening of the new HRM entertainment venue and racetrack facility at Turfway Park in September 2022.
- We began construction of Derby City Gaming Downtown in Louisville, Kentucky as a new HRM entertainment venue.
- We completed the acquisition of Chasers in Salem, New Hampshire on September 2, 2022, which will enable the Company to expand its HRM strategy with table games to the New England market.
- We completed the acquisition of Ellis Park in Henderson, Kentucky in September 2022 including the rights to build an HRM entertainment venue in Owensboro, Kentucky.

TwinSpires Segment:

- Adjusted EBITDA was \$114.1 million, up \$31.4 million or 38% from fiscal year 2021.
- We announced a multi-year agreement with FanDuel to enable FanDuel to create a fully integrated and seamless wagering experience with a single wallet for their customers who want to bet on sports and on horse racing with FanDuel TV driving ongoing engagement beginning in January 2023.
- We announced a multi-year agreement with DraftKings to provide ADW technology and other services.
- We announced the exit of the Online Sports & Casino business in February 2022 and ceased online wagering in Tennessee, Colorado, Indiana, New Jersey, and Michigan.
- We have executed strategic market access agreements with Bet365 in Pennsylvania and with Golden Nugget in Indiana to monetize our online wagering skins.

Gaming

- The Gaming Segment delivered a record \$421.9 million of Adjusted EBITDA, an increase of \$10.0 million or 2.4% from fiscal year 2021.
- We generated wholly-owned same-store casino margins of 34.5% in 2022, down 2.0 basis points from 2021 and 5.8 basis points higher than 2019.
- Rivers Des Plaines completed their \$90 million gaming floor expansion in April 2022 which added 725 gaming positions, a 24-table poker room and additional amenities.
- We began construction of a \$290 million casino, hotel, and entertainment venue in Terre Haute, Indiana.
- We completed the sale of 115.7 acres of land near Calder for \$291.0 million or approximately \$2.5 million per acre to Link Logistics Real Estate on June 17, 2022. We also executed a §1031 transaction to defer approximately \$76.0 million of taxes related to the sale of the land.

Environmental, Social, and Governance

- We expanded our ESG efforts including the ongoing promotion of responsible gaming; initiatives at our properties to lessen energy and water usage, to decrease carbon emissions, and to responsibly manage waste; increasing investments in the communities in which we operate and supporting our teams through educational and leadership development; and further diversification of our Board of Directors and increasing engagement with our shareholders.
- We continued our diversity, equity, and inclusion initiatives (DE&I) including the roll-out of our mission, vision, culture statement, and core values company-wide.

All Other

- We closed the sale of our Arlington Heights, Illinois property to the Chicago Bears for \$197.2 million on February 15, 2023.
- We completed the acquisition of substantially all the assets of P2E with a base purchase price of \$2.75 billion on November 1, 2022. The P2E assets acquired included Colonial Downs and six HRM entertainment venues in Virginia, del Lago in New York, and Hard Rock Sioux City, as well as the development rights for Dumfries and Emporia HRM facilities in Virginia, up to five additional HRM entertainment venues in Virginia, and ONE Casino & Resort in Virginia in collaboration with Urban One.
 - We completed the financing for the acquisition in April 2022 by closing a \$1.2 billion Senior Secured Revolver due 2027, \$800 million of Senior Secured Delayed Draw Term Loan A due 2027, and \$1.2 billion of Senior Notes due 2030 at a 5.75% interest rate.
- We announced a definitive agreement to acquire Exakta for \$250.0 million. The acquisition will provide the Company the opportunity to realize additional synergies related to our recent acquisition of the P2E HRM assets in Virginia.

The Company's total shareholder return was (12)% for 2022 compared to (19)% for the Russell 1000 and (18)% for the S&P 500. The Company's five-year total shareholder return for 2022 was 178% compared to 55% for the Russell 1000 and 57% for the S&P 500. The preceding shareholder return calculations assume dividends are reinvested.

We remain committed to delivering strong financial results and long-term sustainable growth. Our businesses generate strong cash flow and we have a solid balance sheet that supports our organic growth as well as strategic acquisitions that we believe will create long-term value for our shareholders.

Our Operations

We manage our operations through three reportable segments: Live and Historical Racing, TwinSpires, and Gaming.

Refer to Part I, Item 1. Business, of this Annual Report on Form 10-K for more information on our segments and a description of our competition and government regulations and potential legislative changes that affect our business.

Consolidated Financial Results

The following table reflects our net revenue, operating income, net income, Adjusted EBITDA, and certain other financial information:

<i>(in millions)</i>	Years Ended December 31,		Change
	2022	2021	
Net revenue	\$ 1,809.8	\$ 1,597.2	\$ 212.6
Operating income	321.8	284.4	37.4
Operating income margin	17.8 %	17.8 %	
Net income from continuing operations	\$ 439.4	\$ 249.1	\$ 190.3
Adjusted EBITDA	763.6	627.0	136.6

Year Ended December 31, 2022 Compared to the Year Ended December 31, 2021

- Net revenue increased \$212.6 million driven by a \$205.5 million increase from Live and Historical Racing primarily due to revenue attributable to the Virginia properties acquired in the P2E, Ellis Park and Chasers Transactions, the running of the 2022 Kentucky Derby without capacity restrictions that were in place in 2021, and continued growth at our Oak Grove property and at Derby City Gaming and a \$60.5 million increase from Gaming primarily due to our New York and Iowa properties acquired in the P2E Transaction and increased revenue in Maine, Florida, and Maryland as a result of certain capacity restrictions during the first half of 2021 that did not recur. Partially offsetting these increases were a \$15.0 million decrease in TwinSpires primarily due to a decrease in Horse Racing as a higher portion of our patrons returned to wagering at brick-and-mortar facilities instead of wagering online and the exit of our direct online Sports and Casino business in the first quarter of 2022 and a \$38.4 million decrease from All Other, primarily due to Arlington not conducting live racing and simulcast during 2022.
- Operating income increased \$37.4 million due to a \$93.5 million increase in Live and Historical Racing primarily due to the running of the 2022 Kentucky Derby without restrictions, increases in revenue at our historical racing facilities in Kentucky, and the incremental revenue from the acquired properties in Virginia, and a \$37.2 million increase in TwinSpires driven by decreased online marketing and promotions expense. Partially offsetting these increases were a \$34.2 million increase in transaction expense driven by the P2E Transaction, a \$25.7 million increase in selling, general and administrative expenses due to an increase in Corporate compensation related expenses, legal fees, and charitable donations, a \$23.0 million increase in asset impairments, a decrease of \$9.3 million in All Other due to Arlington not conducting live racing in 2022, and a \$1.1 million decrease in Gaming.
- Net income from continuing operations increased \$190.3 million. The following items impacted comparability of the Company's net income from continuing operations for the year ended December 31, 2022 compared to the prior year: a \$198.7 million non-cash after tax gain on the sale of Calder assets and a \$6.5 million after tax decrease in expense related to Rivers Des Plaines' legal reserves and transaction costs. Offsetting these increases in net income were a \$17.8 million non-cash after-tax increase in asset impairments; a \$35.5 million after-tax increase in transaction, pre-opening and other expenses, net, a \$2.8 million after-tax increase in legal reserves, and \$0.7 million of other charges. Excluding these items, net income increased \$41.8 million primarily due to a \$63.5 million after-tax increase driven by the results of our operations and equity in income from our unconsolidated affiliates, partially offset by a \$21.7 million after-tax increase in interest expense associated with higher outstanding debt balances.
- Adjusted EBITDA increased \$136.6 million driven by a \$112.5 million increase from Live and Historical Racing primarily due to an increase attributable to the Virginia properties acquired in the P2E, Ellis Park and Chasers Transactions, an increase due to the running of the 2022 Kentucky Derby without capacity restrictions that were in place in 2021, and continued growth at our Oak Grove property and at Derby City Gaming, a \$31.4 million increase from TwinSpires primarily due to a decrease in marketing spend as a result of exiting the Sports and Casino business, and a \$10.0 million increase from Gaming driven by an increase in New York and Iowa from the properties acquired

as part of the P2E Transaction and an increase primarily from our properties in Maine, Florida, and Louisiana as a result of capacity restrictions in 2021 that did not recur. These increases were partially offset by declines in Mississippi and Pennsylvania driven by the current economic factors and a \$17.3 million decline in All Other primarily due to Arlington not conducting live racing and simulcast operations in 2022.

Revenue by Segment

The following table presents net revenue for our segments, including intercompany revenues:

<i>(in millions)</i>	Years Ended December 31,		Change
	2022	2021	
Live and Historical Racing	\$ 646.4	\$ 430.6	\$ 215.8
TwinSpires	441.6	457.8	(16.2)
Gaming	761.8	698.4	63.4
All Other	3.3	49.2	(45.9)
Eliminations	(43.3)	(38.8)	(4.5)
Net Revenue	\$ 1,809.8	\$ 1,597.2	\$ 212.6

Year Ended December 31, 2022 Compared to the Year Ended December 31, 2021

- Live and Historical Racing revenue for 2022 increased \$215.8 million primarily due to \$62.4 million in revenue attributable to the Virginia properties acquired in the P2E Transaction, \$8.0 million in revenue attributable to properties acquired in the Ellis Park and Chasers Transactions, \$77.6 million increased revenue at Churchill Downs Racetrack primarily due to the running of the 2022 Kentucky Derby without capacity restrictions that were in place in 2021, and \$67.8 million increase driven primarily by growth at our Oak Grove property and Derby City Gaming as well as the opening of Turfway Park in September 2022.
- TwinSpires revenue decreased \$16.2 million primarily due to a decrease in pari-mutuel handle as a higher portion of our patrons returned to wagering at brick-and-mortar facilities instead of wagering online and the decision to exit the direct online Sports and Casino business in the first quarter of 2022.
- Gaming revenue increased \$63.4 million primarily due to \$46.5 million attributable to our New York and Iowa properties acquired in the P2E Transaction, \$25.5 million in Maine, Florida, and Maryland as a result of certain capacity restrictions during the first half of 2021 and a \$9.7 million increase in Louisiana as a result of the 2022 Jazz Festival that was not held in the prior year due to COVID-19 and shutdowns in 2021 due to Hurricane Ida that did not recur. Partially offsetting these increases was a decrease of \$18.3 million primarily from our Mississippi and Pennsylvania properties due to the current economic conditions.
- All Other revenue decreased \$45.9 million primarily as a result of Arlington ceasing racing and simulcast operations at the end of 2021.

Consolidated Operating Expense

The following table is a summary of our consolidated operating expense:

<i>(in millions)</i>	Years Ended December 31,		Change
	2022	2021	
Taxes and purses	\$ 473.7	\$ 434.5	\$ 39.2
Content expense	173.7	182.6	(8.9)
Salaries and benefits	196.0	170.3	25.7
Selling, general and administrative expense	164.2	138.5	25.7
Depreciation and amortization	113.7	103.2	10.5
Marketing and advertising expense	52.9	74.5	(21.6)
Asset impairments	38.3	15.3	23.0
Transaction expense	42.1	7.9	34.2
Other operating expense	233.4	186.0	47.4
Total expense	<u>\$ 1,488.0</u>	<u>\$ 1,312.8</u>	<u>\$ 175.2</u>
Percent of revenue	82 %	82 %	

Year Ended December 31, 2022 Compared to the Year Ended December 31, 2021

Significant items affecting comparability of consolidated operating expense include:

- The additional properties acquired as part of the P2E, Ellis Park and Chasers Transactions drove increases in taxes and purses, salaries and benefits, selling, general and administrative and other operating expenses.
- In May 2022, we ran the Kentucky Derby without capacity restrictions which drove increases in salaries and benefits and other operating expenses.
- In addition to the impacts from the acquisitions, Corporate compensation related expenses, legal fees, and charitable donations also contributed to increases in selling, general and administrative expenses.
- The decline of \$21.6 million in marketing and advertising expense was primarily due to decreased online marketing by our TwinSpires Sports and Casino business due to the decision to exit the direct online Sports and Casino business. This decrease was partially offset by increased marketing spend at the Kentucky HRM properties in our Live and Historical Racing segment.
- The increase in asset impairments was driven by a \$33.4 million non-cash impairment charge at Presque Isle.
- Transaction expense increased \$34.2 million due to the P2E, Ellis Park, and Chasers Transactions.

Adjusted EBITDA by Segment

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

<i>(in millions)</i>	Year Ended December 31,		Change
	2022	2021	
Live and Historical Racing	\$ 287.5	\$ 175.0	\$ 112.5
TwinSpires	114.1	82.7	31.4
Gaming	421.9	411.9	10.0
Total segment Adjusted EBITDA	823.5	669.6	153.9
All Other	(59.9)	(42.6)	(17.3)
Total Adjusted EBITDA	\$ 763.6	\$ 627.0	\$ 136.6

Year Ended December 31, 2022 Compared to the Year Ended December 31, 2021

- Live and Historical Racing Adjusted EBITDA increased \$112.5 million due to a \$30.1 million increase attributable to the Virginia properties acquired in the P2E Transaction, a \$0.7 million increase attributable to properties acquired in the Ellis Park and Chasers Transactions, a \$59.1 million increase at Churchill Downs Racetrack primarily due to the running of the 2022 Kentucky Derby without capacity restrictions that were in place in 2021, and a \$22.6 million increase primarily due to the continued growth at our Oak Grove property and at Derby City Gaming.
- TwinSpires Adjusted EBITDA increased \$31.4 million primarily due to a \$40.0 million increase from our Sports and Casino business primarily due to decreased marketing and promotional activities and an \$8.6 million decrease attributable to lower Horse Racing net revenue.
- Gaming Adjusted EBITDA increased \$10.0 million driven by a \$17.9 million increase in New York and Iowa from the properties acquired as part of the P2E Transaction, an \$11.6 million increase primarily from our properties in Maine, Florida, and Louisiana as a result of capacity restrictions in 2021 that did not recur, and a \$2.8 million increase from our equity investments. Partially offsetting these increases was a decrease of \$22.3 million primarily from our Mississippi and Pennsylvania properties due to the current economic conditions.
- All Other Adjusted EBITDA decreased \$17.3 million primarily due to the elimination of the \$9.7 million operating income related to Arlington as a result of ceasing racing and simulcast operations at the end of 2021 and a \$7.6 million increase in Corporate compensation related expenses, legal fees, and charitable donations.

Reconciliation of Comprehensive Income to Adjusted EBITDA

<i>(in millions)</i>	Years Ended December 31,		
	2022	2021	Change
Net income and comprehensive income attributable to Churchill Downs Incorporated	\$ 439.4	\$ 249.1	\$ 190.3
Net loss attributable to noncontrolling interest	—	—	—
Net income	439.4	249.1	190.3
Loss from discontinued operations, net of tax	—	—	—
Income from continuing operations, net of tax	439.4	249.1	190.3
Additions:			
Depreciation and amortization	113.7	103.2	10.5
Interest expense	147.3	84.7	62.6
Income tax provision	169.4	94.5	74.9
EBITDA	\$ 869.8	\$ 531.5	\$ 338.3
Adjustments to EBITDA:			
Selling, general and administrative:			
Stock-based compensation expense	\$ 31.8	\$ 27.8	\$ 4.0
Legal reserves	3.8	—	3.8
Other charges	7.4	0.2	7.2
Pre-opening expense and other expense	13.2	5.8	7.4
Other income, expense:			
Interest, depreciation and amortization expense related to equity investments	42.8	41.5	1.3
Changes in fair value of Rivers Des Plaines' interest rate swaps	(12.6)	(12.9)	0.3
Rivers Des Plaines' legal reserves and transactions costs	0.6	9.9	(9.3)
Other charges and recoveries, net	1.0	—	1.0
Gain on Calder land sale	(274.6)	—	(274.6)
Transaction expense, net	42.1	7.9	34.2
Asset impairments	38.3	15.3	23.0
Total adjustments to EBITDA	(106.2)	95.5	(201.7)
Adjusted EBITDA	\$ 763.6	\$ 627.0	\$ 136.6

Consolidated Balance Sheet

The following table is a summary of our overall financial position:

<i>(in billions)</i>	As of December 31,		
	2022	2021	Change
Total assets	\$ 6.2	\$ 3.0	\$ 3.2
Total liabilities	5.6	2.7	2.9
Total shareholders' equity	0.6	0.3	0.3

- Total assets increased \$3.2 billion driven by a \$2.4 billion increase in goodwill and other intangibles from the P2E, Ellis Park and Chasers Transactions and a \$1.0 billion increase in property and equipment, net from the P2E and Ellis Park Transactions and construction projects. Partially offsetting these increases was a \$0.2 billion decrease in cash and cash equivalents due to outflows for bond and term loan interest, capital expenditures related to ongoing construction projects and payments for the purchases of Ellis Park and Chasers.
- Total liabilities increased \$2.9 billion driven by a \$1.2 billion increase in notes payable, net of debt issuance costs, related to the closing of the 2030 Senior Notes, a \$1.4 billion increase in long-term debt, driven by the P2E

Transaction, a \$0.2 billion increase in liabilities assumed as part of the P2E, Ellis Park and Chasers Transactions, and an increase in deferred income taxes.

- Total shareholders' equity increased \$0.3 billion driven by net income of \$0.4 billion, partially offsetting this increase was \$0.1 billion of primarily stock repurchases, and taxes paid related to net share settlement of stock awards.

Liquidity and Capital Resources

Our primary sources of liquidity and capital resources have been and will continue to be cash flow from operations, borrowings under our credit facility, and proceeds from the issuance of debt securities. Our ongoing liquidity will depend on a number of factors, including available cash resources, cash flow from operations, acquisitions or equity investments, funding of construction for development projects, and our compliance with our covenants under our credit facility.

The following table is a summary of our liquidity and cash flows:

<i>(in billions)</i>	Year Ended December 31,		Change
	2022	2021	
Cash Flows from:			
Operating activities	\$ 0.5	\$ 0.5	\$ —
Investing activities	(3.1)	(0.1)	(3.0)
Financing activities	2.4	—	2.4

Operating Cash Flow

Cash provided by operating activities increased from increased operating income, increased distributions from unconsolidated affiliates, and tax refunds in the current year driven by prior years' tax return losses. These increases were partially offset by an increase in net interest paid and transaction costs paid as part of the P2E Transaction and other operating expenses. We anticipate that cash flows from operations over the next twelve months will be adequate to fund our business operations and capital expenditures.

Investing Cash Flow

Cash used in investing activities increased \$3.0 billion driven primarily by \$3.0 billion used for the P2E, Ellis Park and Chasers Transactions, increased capital maintenance expenditures of \$0.3 billion, partially offset by proceeds from the Calder land sale of \$0.3 billion.

Financing Cash Flow

Cash provided by financing activities increased \$2.4 billion primarily driven by a \$2.3 billion increase in net borrowings from long-term debt and a \$0.1 billion decrease in common stock repurchases.

Capital Expenditures

Included in cash flows from investing activities are capital maintenance expenditures and capital project expenditures. Capital maintenance expenditures relate to the replacement of existing fixed assets with a useful life greater than one year that are obsolete, exhausted, or no longer cost effective to repair. Capital project expenditures represent fixed asset additions related to land or building improvements to new or existing assets or purchases of new (non-replacement) equipment or software related to specific projects deemed necessary expenditures.

We have announced several project capital investments, including the following: Churchill Downs Racetrack First Turn Experience and the Paddock Project, the Derby City Gaming Expansion and Hotel, Derby City Gaming Downtown, the Ellis Park HRM facility in Owensboro, Kentucky, the Terre Haute Casino Resort, a New Hampshire HRM Facility, the Virginia HRM entertainment venues in Dumfries and Emporia, and HRMs in our Louisiana OTBs. We currently expect our project capital to be approximately \$575 to \$675 million in 2023, although this amount may vary significantly based on the timing of work completed, unanticipated delays, and timing of payments to third parties.

Common Stock Repurchase Program

On September 29, 2021, the Board of Directors of the Company approved a common stock repurchase program of up to \$500.0 million ("2021 Stock Repurchase Program"). The 2021 Stock Repurchase Program includes and is not in addition to the unspent amount remaining under the prior 2018 Stock Purchase Program authorization. Repurchases may be made at management's discretion from time to time on the open market (either with or without a 10b5-1 plan) or through privately negotiated transactions. The repurchase program has no time limit and may be suspended or discontinued at any time. We had \$270.2 million of repurchase authority remaining under this program on December 31, 2022.

Dividends

On October 25, 2022, the Company's Board of Directors approved an annual cash dividend on our common stock of \$0.714 per outstanding share, which represented a 7% increase over the prior year. The dividend was payable on January 6, 2023 to shareholders of record as of the close of business on December 2, 2022. The 7% increase marked the 12th consecutive year that the Company has increased the dividend. The payment and amount of future dividends will be determined by the Board of Directors and will depend upon, among other things, our operating results, financial condition, cash requirements and general business conditions at the time such payment is considered.

Credit Facilities and Indebtedness

The following table presents our debt outstanding, bond premium and debt issuance costs:

<i>(in millions)</i>	As of December 31,		Change
	2022	2021	
Term Loan B due 2024	\$ 380.0	\$ 384.0	\$ (4.0)
Term Loan B-1 due 2028	294.7	297.8	(3.1)
Term Loan A due 2027	800.0	—	800.0
Revolver	664.1	—	664.1
2027 Senior Notes	600.0	600.0	—
2028 Senior Notes	700.0	700.0	—
2030 Senior Notes	1,200.0	—	1,200.0
Total debt	4,638.8	1,981.8	2,657.0
Current maturities of long-term debt	47.0	7.0	40.0
Total debt, net of current maturities	4,591.8	1,974.8	2,617.0
Issuance cost and fees	(33.1)	(13.8)	(19.3)
Total debt	<u>\$ 4,558.7</u>	<u>\$ 1,961.0</u>	<u>\$ 2,597.7</u>

Credit Agreement

On December 27, 2017, we entered into a senior secured credit agreement ("2017 Credit Agreement") with a syndicate of lenders. The 2017 Credit Agreement provided for a \$700.0 million senior secured revolving credit facility due 2024 (the "Revolver") and a \$400.0 million senior secured term loan B due 2024 (the "Term Loan B"). Included in the maximum borrowing of \$700.0 million under the Revolver was a letter of credit sub facility not to exceed \$50.0 million and a swing line commitment up to a maximum principal amount of \$50.0 million.

The Term Loan B bears interest at LIBOR plus 200 basis points and requires quarterly payments of 0.25% of the original \$400.0 million balance, or \$1.0 million per quarter. The Term Loan B may be subject to additional mandatory prepayment from excess cash flow on an annual basis per the provisions of the 2017 Credit Agreement. The Company is required to pay a commitment fee on the unused portion of the Revolver as determined by a pricing grid based on the consolidated total net secured leverage ratio of the Company. For the period ended December 31, 2022, the Company's commitment fee rate was 0.175%.

On March 17, 2021, the Company entered into the Incremental Joinder Agreement No. 1 (the "Joinder") to its 2017 Credit Agreement which provided \$300.0 million in New Term Loan Commitments ("Term Loan B-1") as a new tranche of term loans under the existing 2017 Credit Agreement (as conformed to recognize the new loan) and carries a maturity date of March 17, 2028.

The Term Loan B-1 bears interest at LIBOR plus 200 basis points and requires quarterly payments of 0.25% of the original \$300.0 million balance. The Term Loan B-1 may be subject to additional mandatory prepayment from excess cash flow on an annual basis per the provisions of the 2017 Credit Agreement.

On April 13, 2022, the Company amended the 2017 Credit Agreement (as amended, the "Credit Agreement") to extend the maturity date of its existing Revolver to April 13, 2027, to increase the commitments under the existing Revolver from \$700.0 million to \$1.2 billion, and to increase the swing line commitment from \$50.0 million to \$100.0 million. The amendment also provides for a senior secured Delayed Draw Term Loan A due April 13, 2027 in the amount of \$800.0 million, which was drawn on November 1, 2022 as part of the financing for the P2E Transaction. For more information regarding the P2E Transaction, refer to Note 3, Acquisitions, to the notes to consolidated financial statements included in Item 8. Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

The Revolver and Delayed Draw Term Loan A bear interest at the Secured Overnight Financing Rate ("SOFR") plus 10 basis points, plus a variable applicable margin which is determined by the Company's net leverage ratio. As of December 31, 2022, that applicable margin was 125 basis points which was based on the pricing grid in the Credit Agreement. During 2022, we have borrowed \$664.1 million on our Revolver which provided the Company with financing for the Chasers, Ellis Park, and P2E Transactions. For more regarding the Chasers, Ellis Park and P2E Transactions, refer to Note 3, Acquisitions, to the notes to consolidated financial statements included in Item 8. Financial Statements and Supplementary Data of this Annual Report on Form 10-K. The Company had \$524.8 million available borrowing capacity, after consideration of \$11.1 million in outstanding letters of credit, under the Revolver as of December 31, 2022.

The phase-out of LIBOR for existing debt agreements is set for June 30, 2023. The Credit Agreement includes a general process for establishing an alternative reference rate to the extent LIBOR is phased out. The Company is in the process of transitioning its financing from LIBOR to alternative reference rates. These transition activities are not expected to have a material impact on the Company's financial statements.

The Credit Agreement is collateralized by substantially all the wholly-owned assets of the Company. The Credit Agreement contains certain customary affirmative and negative covenants, which include limitations on liens, investments, indebtedness, dispositions, mergers and acquisitions, the making of restricted payments, changes in the nature of business, changes in fiscal year, and transactions with affiliates. The Credit Agreement also contains financial covenants providing for the maintenance of a maximum consolidated secured net leverage ratio and maintenance of a minimum consolidated interest coverage ratio.

	Actual as of December 31, 2022	Requirement
Interest coverage ratio	6.6 to 1.0	> 2.5 to 1.0
Consolidated total secured net leverage ratio	0.9 to 1.0	< 4.0 to 1.0

The Company was compliant with all applicable covenants on December 31, 2022.

2027 Senior Notes

On March 25, 2019, we completed an offering of \$600.0 million in aggregate principal amount of 5.50% Senior Unsecured Notes that mature on April 1, 2027 (the "2027 Senior Notes") in a private offering to qualified institutional buyers pursuant to Rule 144A that is exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"), and to certain non-U.S. persons in accordance with Regulation S under the Securities Act. The 2027 Senior Notes were issued at par, with interest payable on April 1st and October 1st of each year, commencing on October 1, 2019.

The 2027 Senior Notes were issued pursuant to an indenture, dated March 25, 2019 (the "2027 Indenture"), among the Company, certain subsidiaries of the Company as guarantors (the "2027 Guarantors"), and U.S. Bank National Association, as trustee. The Company may redeem some or all of the 2027 Senior Notes at any time at redemption prices set forth in the 2027 Indenture. The terms of the 2027 Indenture, among other things, limit the ability of the Company to: (i) incur additional debt and issue preferred stock, (ii) pay dividends or make other restricted payments, (iii) make certain investments, (iv) create liens, (v) allow restrictions on the ability of certain of our subsidiaries to pay dividends or make other payments, (vi) sell assets, (vii) merge or consolidate with other entities, and (viii) enter into transactions with affiliates.

2028 Senior Notes

On December 27, 2017, we completed an offering of \$500.0 million in aggregate principal amount of 4.75% Senior Unsecured Notes that mature on January 15, 2028 (the "Existing 2028 Notes") in a private offering to qualified institutional buyers pursuant to Rule 144A that is exempt from registration under the Securities Act, and to certain non-U.S. persons in accordance with Regulation S under the Securities Act. The Existing 2028 Notes were issued at par, with interest payable on January 15th and July 15th of each year, commencing on July 15, 2018. The Company used the net proceeds from the offering to repay a portion of our \$600.0 million 5.375% Senior Unsecured Notes due in 2021.

On March 17, 2021, the Company completed an offering of \$200.0 million in aggregate principal amount of 4.75% Senior Unsecured Notes that mature on January 15, 2028 (the "Additional 2028 Notes") in a private offering to qualified institutional buyers pursuant to Rule 144A that is exempt from registration under the Securities Act, and to certain non-U.S. persons in accordance with Regulation S under the Securities Act. The Additional 2028 Notes were offered under the indenture dated as of December 27, 2017, governing the \$500.0 million aggregate principal amount of 4.75% Senior Unsecured Notes due 2028 and form a part of the same series for purposes of the indenture. Upon completion of this offering, the aggregate principal amount outstanding of the Existing 2028 Notes, together with the Additional 2028 Notes (collectively, the "2028 Senior Notes"), is \$700.0 million.

The Additional 2028 Notes were issued at 103.25% of the principal amount, plus interest deemed to have accrued from January 15, 2021, with interest payable on January 15th and July 15th of each year, commencing on July 15, 2021. The 2028 Senior

Notes will vote as one class under the indenture governing the 2028 Senior Notes. The 3.25% premium is being amortized through interest expense, net over the term of the Additional 2028 Notes.

The Company used the net proceeds from the Additional 2028 Notes and the Term Loan B-1: (i) to repay indebtedness outstanding under our Revolver, (ii) to fund related transaction fees and expenses, and (iii) for working capital and other general corporate purposes.

The 2028 Senior Notes were issued pursuant to an indenture, dated December 27, 2017 (the "2028 Indenture"), among the Company, certain subsidiaries of the Company as guarantors (the "2028 Guarantors"), and U.S. Bank National Association, as trustee. The Company may redeem some or all the 2028 Senior Notes at redemption prices set forth in the 2028 Indenture. The terms of the 2028 Indenture, among other things, limit the ability of the Company to: (i) incur additional debt and issue preferred stock, (ii) pay dividends or make other restricted payments, (iii) make certain investments, (iv) create liens, (v) allow restrictions on the ability of certain of our subsidiaries to pay dividends or make other payments, (vi) sell assets, (vii) merge or consolidate with other entities, and (viii) enter into transactions with affiliates.

2030 Senior Notes

On April 13, 2022, a wholly-owned subsidiary of the Company completed an offering of \$1.2 billion in aggregate principal amount of 5.75% Senior Unsecured Notes that mature on April 13, 2030 (the "2030 Senior Notes") in a private offering to qualified institutional buyers pursuant to Rule 144A that was exempt from registration under the Securities Act, and to certain non-U.S. persons in accordance with Regulation S under the Securities Act. The offering of the 2030 Senior Notes was part of the financing utilized for the P2E Transaction. The Company held the net proceeds of this transaction of \$1.2 billion in escrow until the proceeds were utilized to complete the P2E Transaction on November 1, 2022, at which time CDI assumed the obligation and became the Issuer.

The 2030 Senior Notes were issued at 100% of the principal amount, plus interest deemed to have accrued from April 13, 2022, with interest payable in arrears on April 1st and October 1st of each year, commencing on October 1, 2022. The 2030 Senior Notes will vote as one class under the indenture governing the 2030 Senior Notes.

The Issuer may redeem some of or all the 2030 Senior Notes at any time prior to April 1, 2025, at redemption prices set forth in the 2030 Offering Memorandum.

Contractual Obligations

Our commitments to make future payments as of December 31, 2022, are estimated as follows:

<i>(in millions)</i>	2023	2024-2025	2026-2027	Thereafter	Total
Dividends	\$ 27.0	\$ —	\$ —	\$ —	\$ 27.0
Term Loan B	4.0	376.0	—	—	380.0
Interest on Term Loan B ⁽¹⁾	22.1	21.7	—	—	43.8
Revolver	—	—	664.1	—	664.1
Interest on Revolver ⁽¹⁾	38.3	76.6	49.2	—	164.1
Term Loan B-1	3.0	6.0	6.0	279.8	294.8
Interest on Term Loan B-1 ⁽¹⁾	17.2	33.9	33.1	3.5	87.7
Term Loan A	40.0	80.0	680.0	—	800.0
Interest on Term Loan A ⁽¹⁾	45.9	84.9	49.4	—	180.2
2027 Senior Notes	—	—	600.0	—	600.0
2028 Senior Notes	—	—	—	700.0	700.0
2030 Senior Notes	—	—	—	1,200.0	1,200.0
Interest on 2027 Senior Notes	33.0	66.0	49.5	—	148.5
Interest on 2028 Senior Notes	33.3	66.5	66.5	16.6	182.9
Interest on 2030 Senior Notes	69.0	138.0	138.0	175.0	520.0
Operating and Finance Leases	8.9	16.5	12.0	22.0	59.4
All other	2.5	5.2	5.0	11.6	24.3
Total	<u>\$ 344.2</u>	<u>\$ 971.3</u>	<u>\$ 2,352.8</u>	<u>\$ 2,408.5</u>	<u>\$ 6,076.8</u>

⁽¹⁾ Interest includes the estimated contractual payments under our Credit Facility assuming no change in the weighted average borrowing rate of 5.77%, which was the rate in place as of December 31, 2022.

As of December 31, 2022, we had approximately \$6.4 million of unrecognized tax benefits.

Critical Accounting Policies and Estimates

Our significant accounting policies and recently adopted accounting policies are more fully described in Note 2, Significant Accounting Policies of the notes to consolidated financial statements included in Item 8. Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

Our consolidated financial statements have been prepared in conformity with GAAP, which requires management to make estimates, judgments and assumptions that we believe are reasonable based on our historical experience, contract terms, observance of known trends in our Company and the industry as a whole and information available from other outside sources. Our estimates affect the reported amounts of assets and liabilities and related disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results may differ from those initial estimates.

Our critical accounting estimates relate to goodwill and certain indefinite-lived intangible assets.

Goodwill and certain indefinite-lived intangible assets

Acquisition of certain identifiable indefinite-lived intangible assets

In conjunction with the acquisition of a business, the Company records identifiable indefinite-lived intangible assets acquired at their respective fair values as of the date of acquisition. Our indefinite-lived intangible assets primarily consist of gaming rights and trademarks. Gaming rights and trademarks are considered indefinite-lived intangible assets that do not require amortization based on our future expectations to operate our gaming facilities and use the trademarks indefinitely, and our historical experience in renewing these intangible assets at minimal cost with various state gaming commissions.

We use various valuation methods to determine initial fair value of our indefinite-lived intangible assets, including the Greenfield Method and relief-from-royalty method of the income approach, all of which use significant unobservable inputs, or Level 3 inputs, as defined by the fair value hierarchy. The use of these valuation methods requires us to make significant estimates and assumptions about future revenue and operating expenses, expected start-up costs, capital expenditures, royalty rate, and the discount rate. The fair values of gaming rights are generally determined using the Greenfield Method, which is an income approach methodology that calculates the present value based on a projected cash flow stream. This method assumes

that the gaming rights provides the opportunity to develop a casino or historical racing facility in a specified region, and that the present value of the projected cash flows are a result of the realization of advantages contained in these rights. Under this methodology, the acquirer is expected to absorb all start-up costs, as well as incur all expenses pertaining to the acquisition and/or the creation of all tangible and intangible assets. The estimated future revenue and operating expenses, start-up costs of the acquired business, and the discount rate are the primary assumptions and estimates used in these valuations. The fair values of trademarks are generally determined using the relief-from-royalty method of the income approach, which estimates the fair value of the intangible asset by discounting the fair value of the hypothetical royalty payments a market participant would be willing to pay to enjoy the benefits of the trademarks. The estimated future revenue, royalty rate, and the discount rate are the primary assumptions and estimates used in these valuations. The discount rates used to discount expected future cash flows to present value are generally derived from the weighted average cost of capital analysis and adjusted for the size and/or risk of the asset. Changes in estimates or the application of alternative assumptions could produce significantly different results.

Assessments of goodwill and indefinite-lived intangible assets

We perform our annual review for impairment of goodwill and indefinite-lived intangible assets on April 1 of each fiscal year, or more frequently if events or changes in circumstances indicate that it is more likely than not the asset is impaired. Adverse industry or economic trends, lower projections of profitability, or a sustained decline in our market capitalization, among other items, may be indications of potential impairment issues which are triggering events requiring the testing of an asset's carrying value for recoverability.

Goodwill and indefinite-lived intangible assets are required to be tested annually or more frequently if events or changes in circumstances indicate that it is more likely than not that an asset is impaired. An entity may first assess qualitative factors to determine whether it is necessary to complete the impairment test using a more likely than not criteria. If an entity believes it is more likely than not that the fair value of a reporting unit is greater than the reporting unit's carrying value, including goodwill, the quantitative impairment test can be bypassed. Alternatively, an entity has an unconditional option to bypass the qualitative assessment and proceed directly to performing the quantitative impairment test. If a quantitative impairment test of goodwill is required, we generally determine the fair value under the market and income valuation approaches using inputs primarily related to discounted projected cash flows and price multiples of publicly traded comparable companies. If a quantitative impairment test of our indefinite-lived intangible assets is required, we generally determine the fair value using the Greenfield Method for gaming rights and relief-from-royalty method of the income approach for trademarks. Qualitative factors include macroeconomic conditions, industry and market conditions, cost factors and overall financial performance, among others. These factors require significant judgments and estimates, and application of alternative assumptions could produce materially different results. Evaluations of possible impairment require us to estimate, among other factors, forecasts of future operating results, revenue growth, operating expense, tax rates, start-up costs, capital expenditures, depreciation, working capital, discount rates, long-term growth rates, risk premiums, royalty rates, terminal values, and fair values of our reporting units and assets. The impairment tests for goodwill and indefinite-lived intangible assets are subject to uncertainties arising from such events as changes in competitive conditions, the current economic environment, material changes in growth rate assumptions that could positively or negatively impact anticipated future operating conditions and cash flows, changes in the discount rate, and the impact of strategic decisions. If any of these factors were to materially change, such change may require a reevaluation of our goodwill and indefinite-lived intangible assets. Changes in estimates or the application of alternative assumptions could produce significantly different results.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks arising from adverse changes in:

- general economic trends; and
- interest rate and credit risk.

General economic trends

Our business is sensitive to consumer confidence and reductions in consumers' discretionary spending, which may result from challenging economic conditions, unemployment levels and other changes in the economy. Demand for entertainment and leisure activities is sensitive to consumers' disposable incomes, which can be adversely affected by economic conditions and unemployment levels. This could result in fewer patrons visiting our racetracks, HRM entertainment venues, online wagering sites, and gaming facilities, and/or may impact our customers' ability to wager with the same frequency and to maintain wagering levels.

Interest rate and credit risk

Our primary exposure to market risk relates to changes in interest rates. On December 31, 2022, we had \$2.1 billion outstanding under our Credit Agreement, which bears interest at LIBOR and SOFR based variable rates. We are exposed to market risk on variable rate debt due to potential adverse changes in these rates. Assuming the outstanding balance of the debt facility remains constant, a one-percentage point increase in the LIBOR or SOFR rate would reduce net income and cash flows from operating activities by \$15.4 million. The phase-out of LIBOR for existing debit agreements is set for June 30, 2023. The Credit Agreement includes a general process for establishing an alternative reference rate to the extent LIBOR is phased out. The Company is in the process of transitioning its financing from LIBOR to alternative reference rates. These transition activities are not expected to have a material impact on the Company's financial statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
CHURCHILL DOWNS INCORPORATED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
for the years ended December 31,

(in millions, except per common share data)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Net revenue:			
Live and Historical Racing	\$ 614.6	\$ 409.1	\$ 169.6
TwinSpires	436.4	451.4	430.1
Gaming	755.9	695.4	435.3
All Other	2.9	41.3	19.0
Total net revenue	<u>1,809.8</u>	<u>1,597.2</u>	<u>1,054.0</u>
Operating expense:			
Live and Historical Racing	400.9	288.9	179.0
TwinSpires	293.6	345.8	293.1
Gaming	537.9	476.3	357.9
All Other	11.0	40.1	30.5
Selling, general and administrative expense	164.2	138.5	114.8
Asset impairments	38.3	15.3	17.5
Transaction expense	42.1	7.9	1.0
Total operating expense	<u>1,488.0</u>	<u>1,312.8</u>	<u>993.8</u>
Operating income	<u>321.8</u>	<u>284.4</u>	<u>60.2</u>
Other income (expense):			
Interest expense, net	(147.3)	(84.7)	(80.0)
Equity in income of unconsolidated affiliates	152.7	143.2	27.7
Gain on Calder land sale	274.6	—	—
Miscellaneous, net	7.0	0.7	0.1
Total other income (expense)	<u>287.0</u>	<u>59.2</u>	<u>(52.2)</u>
Income from continuing operations before provision for income taxes	608.8	343.6	8.0
Income tax (provision) benefit	(169.4)	(94.5)	5.3
Income from continued operations, net of tax	439.4	249.1	13.3
Loss from discontinued operations, net of tax	—	—	(95.4)
Net income (loss)	<u>439.4</u>	<u>249.1</u>	<u>(82.1)</u>
Net loss attributable to noncontrolling interest	—	—	(0.2)
Net income (loss) and comprehensive income (loss) attributable to Churchill Downs Incorporated	<u>\$ 439.4</u>	<u>\$ 249.1</u>	<u>\$ (81.9)</u>
Net income (loss) per common share data - basic:			
Continuing operations	\$ 11.58	\$ 6.45	\$ 0.34
Discontinued operations	\$ —	\$ —	\$ (2.41)
Net income (loss) per common share - basic	<u>\$ 11.58</u>	<u>\$ 6.45</u>	<u>\$ (2.07)</u>
Net income (loss) per common share data - diluted:			
Continuing operations	\$ 11.42	\$ 6.35	\$ 0.33
Discontinued operations	\$ —	\$ —	\$ (2.41)
Net income (loss) per common share - diluted	<u>\$ 11.42</u>	<u>\$ 6.35</u>	<u>\$ (2.08)</u>
Weighted average shares outstanding:			
Basic	37.9	38.6	39.6
Diluted	38.5	39.2	40.1

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

CHURCHILL DOWNS INCORPORATED
CONSOLIDATED BALANCE SHEETS
December 31,

(in millions)

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 129.8	\$ 291.3
Restricted cash	74.9	64.3
Accounts receivable, net	81.5	42.3
Income taxes receivable	14.0	66.0
Other current assets	44.3	37.6
Total current assets	<u>344.5</u>	<u>501.5</u>
Property and equipment, net	1,978.3	994.9
Investment in and advances to unconsolidated affiliates	659.4	663.6
Goodwill	723.8	366.8
Other intangible assets, net	2,391.8	348.1
Other assets	27.0	18.9
Long-term assets held for sale	82.0	87.8
Total assets	<u>\$ 6,206.8</u>	<u>\$ 2,981.6</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 145.5	\$ 81.6
Accrued expenses and other current liabilities	361.0	231.7
Income taxes payable	2.1	0.9
Current deferred revenue	39.0	47.7
Current maturities of long-term debt	47.0	7.0
Dividends payable	27.0	26.1
Total current liabilities	<u>621.6</u>	<u>395.0</u>
Long-term debt (net of current maturities and loan origination fees of \$10.2 in 2022 and \$6.2 in 2021)	2,081.6	668.6
Notes payable (net of debt issuance costs of \$22.9 in 2022 and \$7.6 in 2021)	2,477.1	1,292.4
Non-current deferred revenue	11.8	13.3
Deferred income taxes	340.8	252.9
Other liabilities	122.4	52.6
Total liabilities	<u>5,655.3</u>	<u>2,674.8</u>
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, no par value; 0.3 shares authorized; no shares issued or outstanding	—	—
Common stock, no par value; 150.0 shares authorized; 37.4 shares issued and outstanding December 31, 2022 and 38.1 shares at December 31, 2021	—	—
Retained earnings	552.4	307.7
Accumulated other comprehensive loss	(0.9)	(0.9)
Total shareholders' equity	<u>551.5</u>	<u>306.8</u>
Total liabilities and shareholders' equity	<u>\$ 6,206.8</u>	<u>\$ 2,981.6</u>

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

CHURCHILL DOWNS INCORPORATED
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
for the years ended December 31, 2022, 2021 and 2020

<i>(in millions, except per common share data)</i>	Common Stock		Retained Earnings	Accumulated	Noncontrolling Interest	Total Shareholders' Equity
	Shares	Amount		Other Comprehensive Loss		
Balance, December 31, 2019	39.7	\$ —	\$ 509.2	\$ (0.9)	\$ 2.7	\$ 511.0
Net loss			(81.9)		(0.2)	(82.1)
Purchase of noncontrolling interest			(0.5)		(2.5)	(3.0)
Issuance of common stock	0.1	2.4				2.4
Repurchase of common stock	(0.2)	(4.3)	(23.6)			(27.9)
Cash settlement of stock awards			(12.7)			(12.7)
Taxes paid related to net share settlement of stock awards	(0.1)	(3.6)	(15.1)			(18.7)
Stock-based compensation		23.7				23.7
Adoption of ASC 842			(0.5)			(0.5)
Cash dividends (\$0.622 per share)			(25.1)			(25.1)
Balance, December 31, 2020	39.5	18.2	349.8	(0.9)	—	367.1
Net income			249.1			249.1
Issuance of common stock	0.2	2.5				2.5
Repurchase of common stock	(1.5)	(48.5)	(249.0)			(297.5)
Taxes paid related to net share settlement of stock awards	(0.1)		(16.1)			(16.1)
Stock-based compensation		27.8				27.8
Cash dividends (\$0.667 per share)			(26.1)			(26.1)
Balance, December 31, 2021	38.1	—	307.7	(0.9)	—	306.8
Net income			439.4			439.4
Issuance of common stock	0.3	2.7				2.7
Repurchase of common stock	(0.9)	(34.5)	(141.0)			(175.5)
Taxes paid related to net share settlement of stock awards	(0.1)		(26.9)			(26.9)
Stock-based compensation		31.8				31.8
Cash dividends (\$0.714 per share)			(26.8)			(26.8)
Balance, December 31, 2022	37.4	\$ —	\$ 552.4	\$ (0.9)	\$ —	\$ 551.5

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

CHURCHILL DOWNS INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended December 31,

(in millions)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:			
Net income (loss)	\$ 439.4	\$ 249.1	\$ (82.1)
Loss from discontinued operations, net of tax	—	—	(95.4)
Income from continuing operations, net of tax	<u>\$ 439.4</u>	<u>\$ 249.1</u>	<u>\$ 13.3</u>
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	113.7	103.2	92.9
Equity in income of unconsolidated affiliates	(152.7)	(143.2)	(27.7)
Distributions from unconsolidated affiliates	156.9	109.4	30.7
Stock-based compensation	31.8	27.8	23.7
Deferred income taxes	108.7	9.8	30.1
Asset impairments	38.3	15.3	17.5
Amortization of operating lease assets	5.3	5.3	5.0
Gain on Calder land sale	(274.6)	—	—
Other	7.4	5.3	4.5
Changes in operating assets and liabilities, net of businesses acquired and dispositions:			
Income taxes	28.2	12.9	(34.6)
Deferred revenue	(12.7)	10.7	(8.3)
Other assets and liabilities	21.1	53.9	(3.9)
Net cash provided by operating activities	<u>510.8</u>	<u>459.5</u>	<u>143.2</u>
Cash flows from investing activities:			
Capital maintenance expenditures	(50.2)	(39.5)	(23.0)
Capital project expenditures	(373.3)	(52.3)	(211.2)
Acquisition of businesses, net of cash acquired	(2,918.5)	—	—
Acquisition of gaming rights, net of cash acquired	(33.3)	—	—
Proceeds from the Calder land sale	279.0	—	—
Other	(7.4)	(8.6)	(5.2)
Net cash used in investing activities	<u>(3,103.7)</u>	<u>(100.4)</u>	<u>(239.4)</u>
Cash flows from financing activities:			
Proceeds from borrowings under long-term debt obligations	2,862.4	780.8	726.1
Repayments of borrowings under long-term debt obligations	(205.4)	(430.9)	(580.4)
Payment of dividends	(26.0)	(24.8)	(23.4)
Repurchase of common stock	(174.9)	(297.5)	(28.4)
Cash settlement of stock awards	—	—	(12.7)
Taxes paid related to net share settlement of stock awards	(28.4)	(12.9)	(18.7)
Debt issuance costs	(27.3)	(6.9)	(2.0)
Change in bank overdraft	13.3	(10.5)	13.4
Other	2.3	2.2	2.1
Net cash provided by (used in) financing activities	<u>2,416.0</u>	<u>(0.5)</u>	<u>76.0</u>
Cash flows from discontinued operations:			
Operating cash flows of discontinued operations	26.0	(124.0)	(1.3)
Net (decrease) increase in cash, cash equivalents and restricted cash	<u>(150.9)</u>	<u>234.6</u>	<u>(21.5)</u>
Cash, cash equivalents and restricted cash, beginning of year	355.6	121.0	142.5
Cash, cash equivalents and restricted cash, end of year	<u>\$ 204.7</u>	<u>\$ 355.6</u>	<u>\$ 121.0</u>

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

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

(in millions)

	2022	2021	2020
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	\$ 133.6	\$ 77.5	\$ 79.6
Cash paid for income taxes	68.6	72.4	1.6
Cash received from income tax refunds	61.6	—	—
Schedule of non-cash investing and financing activities:			
Dividends payable	\$ 27.0	\$ 27.0	\$ 25.8
Deferred payment on gaming rights included in accounts payable and accrued expenses	50.6	—	—
Property and equipment additions included in accounts payable and accrued expense and other current liabilities	51.3	18.7	12.9
Repurchase of common stock in payment of income taxes on stock-based compensation included in accrued expense and other current liabilities	1.7	3.2	—

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

1. DESCRIPTION OF BUSINESS

Churchill Downs Incorporated ("CDI" or the "Company") has been creating extraordinary entertainment experiences for nearly 150 years, beginning with the Company's most iconic and enduring asset, the Kentucky Derby. Headquartered in Louisville, Kentucky, CDI has expanded through the development of live and historical racing entertainment venues, the growth of the TwinSpires horse racing online wagering business and the operation and development of regional casino gaming properties.

We own and operate 13 live and historical racing entertainment venues in three states, one of the largest online horse racing wagering platforms in the U.S., twelve casino gaming properties in ten states and ten retail sportsbooks. We were organized as a Kentucky corporation in 1928, and our principal executive offices are located in Louisville, Kentucky.

In the first quarter of 2022, we updated our operating segments to reflect the internal management reporting used by our chief operating decision maker to evaluate results of operations and to assess performance and allocate resources. During the first quarter of 2022, our chief operating decision maker decided to include the results of our United Tote business in the TwinSpires segment as we evolve our strategy to integrate the United Tote offering with TwinSpires Horse Racing, which we believe will create additional business-to-business revenue opportunities. For additional information, refer to Note 21, Segment Information.

Acquisition of Peninsula Pacific Entertainment

On November 1, 2022, the Company completed the acquisition of substantially all of the assets of Peninsula Pacific Entertainment LLC ("P2E") with a base purchase price of \$2.75 billion ("P2E Transaction") subject to working capital and other purchase price adjustments. The P2E assets acquired included Colonial Downs Racetrack ("Colonial Downs") and six Historical Racing Machine ("HRM") entertainment venues in Virginia, del Lago Resort & Casino in New York ("del Lago"), and Hard Rock Hotel & Casino in Iowa ("Hard Rock Sioux City"), as well as the development rights for Dumfries and Emporia HRM facilities in Virginia, up to five additional HRM entertainment venues in Virginia, and the potential for ONE Casino and Resort in Virginia in collaboration with Urban One.

Refer to Note 3, Acquisitions, for further information on the transaction.

Acquisition of Ellis Park and Chasers Poker Room

Chasers Poker Room Acquisition

On September 2, 2022, the Company completed the acquisition of Chasers Poker Room ("Chasers") in Salem, New Hampshire (the "Chasers Transaction"). As part of the transaction, we made an initial payment to the sellers for rights to operate the poker room and to build an HRM venue. Additional payments will be made once all necessary permits are obtained, and the planned historical racing entertainment venue is opened. The Company plans to develop an expanded charitable gaming facility in Salem to accommodate HRMs and table games.

Ellis Park Acquisition

On September 26, 2022, the Company completed the acquisition of Ellis Park Racing & Gaming ("Ellis Park") in Henderson, Kentucky, from Enchantment Holdings, LLC, an affiliate of Laguna Development Corporation, for total consideration of \$79.0 million in cash, subject to certain working capital and other purchase price adjustments (the "Ellis Park Transaction").

Refer to Note 3, Acquisitions, for further information on the transactions.

Impact of the COVID-19 Global Pandemic

In March 2020, as a result of the COVID-19 outbreak, we temporarily suspended operations at our wholly-owned and managed gaming properties. In May 2020, we began to reopen our properties with patron restrictions and gaming limitations, which fluctuated with the changing environment. All of our gaming properties have remained open since January 2021.

The 146th Kentucky Oaks and Derby were held in the third quarter of 2020 without spectators. During the second quarter of 2021, we held the 147th Kentucky Oaks and Derby with capacity restrictions in compliance with Kentucky venue limitations at that time. Due to such restrictions, our revenues from the Kentucky Oaks and Derby in each year were significantly less than we would otherwise expect. The 148th Kentucky Oaks and Derby were held in the second quarter of 2022 without capacity restrictions.

The extent to which the COVID-19 pandemic, including the emergence of variant strains, will continue to impact the Company remains uncertain and will depend on many factors that are not within our control. We will continue to monitor for new developments related to the pandemic and assess these developments to maintain continuity in our operations.

Exit of the Direct Online Sports and Casino Business

In 2022, the Company exited the direct online Sports and Casino business in every state except for Pennsylvania and Arizona. The Company will maintain its retail Sports operations and has monetized two of its online market access licenses.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

We consolidate all subsidiaries in which we have a controlling financial interest and variable interest entities ("VIEs") for which we or one of our consolidated subsidiaries is the primary beneficiary. We consolidate a VIE when we have both the power to direct the activities that most significantly impact the results of the VIE and the right to receive benefits or the obligation to absorb losses of the entity that could be potentially significant to the VIE.

Use of Estimates

Our financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP"), which requires management to make estimates, judgments and assumptions that we believe are reasonable based on our historical experience, contract terms, observance of known trends in our Company and the industry as a whole and information available from other outside sources. Our estimates affect the reported amounts of assets and liabilities and related disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results may differ from those initial estimates.

Goodwill and Indefinite-Lived Intangible Assets

Goodwill and indefinite-lived intangible assets are required to be tested annually or more frequently if events or changes in circumstances indicate that it is more likely than not that an asset is impaired. An entity may first assess qualitative factors to determine whether it is necessary to complete the impairment test using a more likely than not criteria. If an entity believes it is more likely than not that the fair value of a reporting unit is greater than the reporting unit's carrying value, including goodwill, the quantitative impairment test can be bypassed. Alternatively, an entity has an unconditional option to bypass the qualitative assessment and proceed directly to performing the quantitative impairment test. If a quantitative impairment test of goodwill is required, we generally determine the fair value under the market and income valuation approaches using inputs primarily related to discounted projected cash flows and price multiples of publicly traded comparable companies. If a quantitative impairment test of our indefinite-lived intangible assets is required, we generally determine the fair value using the Greenfield Method for gaming rights and relief-from-royalty method of the income approach for trademarks. The Greenfield Method is an income approach methodology that calculates the present value based on a projected cash flow stream. Qualitative factors include macroeconomic conditions, industry and market conditions, cost factors and overall financial performance, among others. These factors require judgments and estimates, and application of alternative assumptions could produce significantly different results. Evaluations of possible impairment require us to estimate, among other factors, forecasts of future operating results, revenue growth, operating expense, tax rates, start-up costs, capital expenditures, depreciation, working capital, discount rates, long-term growth rates, risk premiums, royalty rates, terminal values and fair market values of our reporting units and assets. The estimated future revenue, operating expenses, start-up costs and discount rate are the primary inputs to the Greenfield Method. Changes in estimates or the application of alternative assumptions could produce significantly different results.

We perform our annual review for impairment of goodwill and indefinite-lived intangible assets on April 1 of each fiscal year, or more frequently if events or changes in circumstances indicate that it is more likely than not the relevant asset is impaired. Adverse industry or economic trends, lower projections of profitability, or a sustained decline in our market capitalization, among other items, may be indications of potential impairment issues, which are triggering events requiring the testing of an asset's carrying value for recoverability. Goodwill is allocated and evaluated for impairment at the reporting unit level, which is defined as an operating segment or one level below an operating segment, referred to as a component. We are required to aggregate the components of an operating segment into one reporting unit if they have similar economic characteristics.

Our gaming rights and trademarks are considered indefinite-lived intangible assets that do not require amortization based on our future expectations to operate our gaming facilities and use the trademarks indefinitely and our historical experience in renewing these intangible assets at minimal cost with various state gaming commissions. The indefinite lived-intangible assets carrying value are tested annually, or more frequently, if indicators of impairment exist, by comparing the fair value of the recorded assets to the associated carrying amount. If the carrying amount of the gaming rights and trademark intangible assets exceed fair value, an impairment loss is recognized.

Property and Equipment

We review the carrying value of our property and equipment to be held and used in our operations whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable from estimated future undiscounted cash flows expected to result from the asset's use and eventual disposition. Adverse industry or economic trends, lower projections of profitability, or a significant adverse change in legal factors or in the business climate, among other items, may be indications of potential impairment issues. If the undiscounted cash flows exceed the carrying value, no impairment is indicated. If the undiscounted cash flows do not exceed the carrying value, an impairment is recorded based on the fair value of the asset.

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

Revenue Recognition

We generate revenue from pari-mutuel wagering transactions with customers related to live races, simulcast races, and historical races as well as simulcast host fees earned from other wagering sites. Our racetracks that host live races also generate revenue through sponsorships, admissions (including luxury suites), personal seat licenses ("PSLs"), television rights, concessions, programs and parking. Concessions, programs, and parking revenue is recognized once the good or service is delivered.

Our live racetracks' revenue and income are influenced by our racing calendar. Similarly, TwinSpires Horse Racing revenue and income is influenced by racing calendars. Therefore, revenue and operating results for any interim quarter are not generally indicative of the revenue and operating results for the year and may not be comparable with results for the corresponding period of the previous year. We historically have had fewer live racing days during the first quarter of each year, and the majority of our live racing revenue occurs during the second quarter with the running of the Kentucky Oaks and Kentucky Derby.

For live races we present at our racetracks, we recognize revenue on wagers we accept from customers at our racetrack ("on-track revenue") and revenue we earn from exporting our live racing signals to other racetracks, off-track betting facilities ("OTBs"), and advance deposit wagering providers ("export revenue"). For simulcast races we display at our racetracks, OTBs, and TwinSpires' platforms, we recognize revenue we earn from providing a wagering service to our customers on these imported live races ("import revenue"). TwinSpires import revenue is generated through advance deposit wagering which consists of patrons wagering through an advance deposit account. Each wagering contract for on-track revenue, and import revenue contains a single performance obligation and our export revenue contracts contain a series of distinct services that form a single performance obligation. The transaction price for on-track revenue and import revenue is fixed based on the established commission rate we are entitled to retain. The transaction price for export revenue is variable based on the simulcast host fee we charge our customers for exporting our signal. We may provide cash incentives in conjunction with wagering transactions we accept from TwinSpires' customers. These cash incentives represent consideration payable to a customer and therefore are treated as a reduction of the transaction price for the wagering transaction. Our export revenue contracts generally have a duration of one year or less. These arrangements are licenses of intellectual property containing a usage-based royalty. As a result, we have elected to use the practical expedient to omit disclosure related to remaining performance obligations for our export revenue contracts. We recognize on-track revenue, export revenue, and import revenue once the live race event is made official by the relevant racing regulatory body.

We recognize revenue we earn from providing a wagering service to our customers on historical races at our HRM facilities. The transaction price for HRM revenue is based on the established commission rate we are entitled to retain for each wager on the HRM. We recognize HRM revenue once the historical race has been completed on the HRM, net of the liability to the pool.

We evaluate our on-track revenue, export revenue, import revenue, and HRM revenue contracts in order to determine whether we are acting as the principal or as the agent when providing services, which we consider in determining if revenue should be reported gross or net. An entity is a principal if it controls the specified service before that service is transferred to a customer.

The revenue we recognize for on-track revenue, import revenue, and HRM revenue is the commission we are entitled to retain for providing a wagering service to our customers. For these arrangements, we are the principal as we control the wagering service; therefore, any charges, including any applicable simulcast fees, we incur for delivering the wagering service are presented as operating expenses.

For export revenue, our customer is the third-party wagering site such as a racetrack, OTB, or advance deposit wagering provider. Therefore, the revenue we recognize for export revenue is the simulcast host fee we earn for exporting our racing signal to the third-party wagering site.

Our admission contracts are either for a single live racing event day or multiple days. Our PSLs, sponsorships, and television rights contracts generally relate to multiple live racing event days. Multiple day admission, PSLs, sponsorships, and television

rights contracts contain a distinct series of services that form single performance obligations. Sponsorship contracts generally include performance obligations related to admissions and advertising rights at our racetracks. Television rights contracts contain a performance obligation related to the rights to distribute certain live racing events on media platforms. The transaction prices for our admissions, PSLs, sponsorships, and television rights contracts are fixed. We allocate the transaction price to our sponsorship contract performance obligations based on the estimated relative standalone selling price of each distinct service.

The revenue we recognize for admissions to a live racing event day is recognized once the related event is complete. For admissions, PSLs, sponsorships, and television rights contracts that relate to multiple live racing event days, we recognize revenue over time using an output method of each completed live racing event day as our measure of progress. Each completed live racing event day corresponds with the transfer of the relevant service to a customer and therefore is considered a faithful depiction of our efforts to satisfy the promises in these contracts. This output method results in measuring the value transferred to date to the customer relative to the remaining services promised under the contracts. Certain premium live racing event days such as the Kentucky Derby and Oaks result in a higher value of revenue allocated relative to other live racing event days due to, among other things, the quality of thoroughbreds racing, higher levels of on-track attendance, national broadcast audience, local and national media coverage, and overall entertainment value of the event. While these performance obligations are satisfied over time, the timing of when this revenue is recognized is directly associated with the occurrence of our live racing events, which is when the majority of our revenues recognized at a point in time are also recognized.

Timing of revenue recognition may differ from the timing of invoicing to customers for our long-term contracts for racing event-related services. We generally invoice customers prior to delivery of services for our admissions, PSLs, sponsorships, and television rights contracts. We recognize a receivable and a contract liability at the time we have an unconditional right to receive payment. When cash is received in advance of delivering services under our contracts, we defer revenue and recognize it in accordance with our policies for that type of contract. In situations where the timing of revenue recognition differs from the timing of invoicing, we have determined our contracts do not include a significant financing component. The primary purpose of our invoicing terms is to allow our customers to secure the right to the specific services provided under our contracts, not to receive financing from our customers.

Gaming revenue primarily consists of gaming transactions. Other operating revenue, such as food and beverage or hotel revenue, is recognized once delivery of the product or service has occurred.

The transaction price for gaming transactions is the difference between gaming wins and losses. Gaming wager revenue is recognized when the wager settles.

The majority of our HRM facilities and gaming properties offer loyalty programs that enable customers to earn loyalty points based on their play. HRM and gaming transactions involve two performance obligations for those customers earning loyalty points under the Company's loyalty programs and a single performance obligation for customers who do not participate in the program. Loyalty points are primarily redeemable for free wagering activities and food and beverage. For purposes of allocating the transaction price in an HRM and gaming transaction between the wagering performance obligation and the obligation associated with the loyalty points earned, the Company allocates an amount to the loyalty point contract liability based on the stand-alone selling price of the points earned, which is determined by the value of a loyalty point that can be redeemed for wagering activities or food and beverage. For gaming transactions, an amount of the transaction price allocated to the gaming performance obligation using the residual approach as the stand-alone price for wagers is highly variable and no set established price exists for such wagers. For HRM transactions, the amount of the transaction price allocated to the HRM performance obligation is the commission rate we are entitled to retain. The loyalty point contract liability amount is deferred and recognized as revenue when the customer redeems the points for a wagering transaction or food and beverage, and such goods or services are delivered to the customer.

Income Taxes

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

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

When tax returns are filed, it is highly certain that some positions taken will be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that will be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with the tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying Consolidated Balance Sheets, along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

Cash and Cash Equivalents

We consider investments with original maturities of three months or less that are readily convertible to cash to be cash equivalents. We have, from time to time, cash in the bank in excess of federally insured limits. Under our cash management system, checks issued but not yet presented to banks that would result in negative bank balances when presented are classified as a current liability in the accompanying Consolidated Balance Sheets.

Restricted Cash and Account Wagering Deposit Liabilities

Restricted cash includes deposits collected from our TwinSpires' customers. Other amounts included in restricted cash represent amounts due to horsemen for purses, stakes and awards that are paid in accordance with the terms of our contractual agreements or statutory requirements.

Allowance for Doubtful Accounts Receivable

Upon our adoption of Accounting Standards Update ("ASU") of the Accounting Standards Codification ("ASC") No. 2016-13, Financial Instruments - Credit Losses ("ASC 326") on January 1, 2020, we maintain an allowance for doubtful accounts for current expected credit losses on our financial assets measured at amortized cost which are primarily included in Accounts receivable, net in the accompanying Consolidated Balance Sheets. The Company evaluates current expected credit losses on a collective (pool) basis when similar risk characteristics exist. Write-offs are recognized when the Company concludes that all or a portion of a financial asset is no longer collectible. Any subsequent recovery is recognized when it occurs.

Internal Use Software

Internal use software costs for our TwinSpires' segment software are capitalized in Property and equipment, net in the accompanying Consolidated Balance Sheets, in accordance with accounting guidance governing computer software developed or obtained for internal use. Once the software is placed in operation, we amortize the capitalized software over the software's estimated economic useful life, which is generally three years. We capitalized internal use software of approximately \$11.2 million in 2022, \$10.7 million in 2021, and \$10.5 million in 2020. We incurred amortization expense of approximately \$10.7 million in 2022, \$10.3 million in 2021, and \$9.4 million in 2020, for projects which had been placed in service.

Fair Value of Assets and Liabilities

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

Investments in and Advances to Unconsolidated Affiliates

We have investments in unconsolidated affiliates accounted for under the equity method. Under the equity method, carrying value is adjusted for our share of the investees' income and losses, amortization of certain basis differences as well as capital contributions to and distributions from these companies. We use the cumulative earnings approach to present distributions received from equity method investees. Distributions in excess of equity method income are recognized as a return of investment and recorded as investing cash inflows in the accompanying Consolidated Statements of Cash Flows. We classify income and losses as well as gains and impairments related to our investments in unconsolidated affiliates as a component of Other income (expense) in the accompanying Consolidated Statements of Comprehensive Income (Loss).

We evaluate our investments in unconsolidated affiliates for impairment whenever events or changes in circumstances indicate that the carrying value of the investment may have experienced an "other-than-temporary" decline in value. If such conditions exist, we compare the estimated fair value of the investment to the investment's carrying value to determine if an impairment is

indicated and determine whether the impairment is "other-than-temporary" based on an assessment of all relevant factors, including consideration of our intent and ability to retain our investment until the recovery of the unrealized loss. We estimate fair value using a discounted cash flow analysis based on estimated future results of the investee.

Business Combinations

We account for acquisitions of businesses in accordance with ASC 805, Business Combinations. We initially allocate the purchase price of an acquisition to the assets acquired and liabilities assumed based on their estimated fair values, with any excess of consideration transferred recorded as goodwill. The results of operations of acquisitions are included in the consolidated financial statements from their respective dates of acquisition. Costs incurred to complete the business combination are not considered part of consideration and are expensed as incurred. Refer to Note 3, Acquisitions, for further information.

Leases

We determine if an arrangement is a lease at inception and categorize as either operating or finance based on the criteria of ASC 842. An arrangement contains a lease when the arrangement conveys the right to control the use of an identified asset over the lease term. Operating and finance leases are included in Property and equipment, net; Accrued expense and Other current liabilities; and Other liabilities in the accompanying Consolidated Balance Sheets. We generally do not separate lease and non-lease components for our lease contracts. We do not apply the right-of-use assets ("ROUA") and leases liability recognition requirements to short-term leases.

Lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. These leases do not provide an implicit rate, so therefore we use our incremental borrowing rate based on the information available at the commencement date in determining the present value of future lease payments. ROUAs are recognized at the lease commencement date at the value of the lease liability, adjusted for any lease payments made prior to commencement and exclude lease incentives and initial direct costs incurred. The lease terms include all non-cancelable periods and may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term for operating leases. Interest expense on the finance lease liabilities is recorded separately using the interest method.

We do not have any material leases where we are the lessor.

Debt Issuance Costs and Loan Origination Fees

Debt issuance costs and loan origination fees associated with our term debt, revolver, and notes payable are amortized as interest expense over the term of each respective financial instrument. Debt issuance costs and loan origination fees associated with our term debt and notes payable are presented as a direct deduction from the carrying amount of the related liability. Debt issuance costs and loan origination fees associated with our revolver are presented as an asset.

Casino and Pari-mutuel Taxes

We recognize casino and pari-mutuel tax expense based on the statutory requirements of the federal, state, and local jurisdictions in which we conduct business. All of our casino taxes and the majority of our pari-mutuel taxes are gross receipts taxes levied on the gaming entity. We recognize these taxes as Live and Historical Racing, TwinSpires, Gaming, and All Other operating expenses in our Consolidated Statements of Comprehensive Income (Loss). In certain jurisdictions governing our pari-mutuel contracts with customers, there are specific pari-mutuel taxes that are assessed on winning wagers from our customers, which we collect and remit to the government. These taxes are presented on a net basis.

Purse Expense

We recognize purse expense based on the statutorily or contractually determined amount that is required to be paid out in the form of purses to the qualifying finishers of horse races run at our racetracks in the period in which wagering occurs. We incur a liability for all unpaid purses that will be paid out on a future live race event.

Self-insurance Accruals

We are self-insured up to certain limits for costs associated with general liability, workers' compensation and certain employee health coverage costs, and we purchase insurance for claims that exceed our self-insurance retention or deductible levels. We record self-insurance reserves that include accruals of estimated settlements for known claims ("Case Reserves"), as well as accruals of third-party actuarial estimates for claims incurred but not yet reported ("IBNR"). Case Reserves represent estimated liabilities for unpaid losses, based on a claims administrator's estimates of future payments on individual reported claims, including allocated loss adjustment expense, which generally include claims settlement costs such as legal fees. IBNR includes the provision for unreported claims, changes in case reserves and future payments on reopened claims.

Key variables and assumptions include, but are not limited to, loss development factors and trend factors such as changes in workers' compensation laws, medical care costs and wages. These loss development factors and trend factors are developed using our actual historical losses. It is possible that reasonable alternative selections would produce different reserve estimates.

Advertising and Marketing

We expense the costs of general advertising, marketing and associated promotional expenditures at the time the costs are incurred. We incurred advertising and marketing expense of approximately \$52.9 million in 2022, \$74.5 million in 2021, and \$31.4 million in 2020 in our accompanying Consolidated Statements of Comprehensive Income (Loss).

Stock-Based Compensation

All stock-based payments to employees and directors, including grants of performance share units and restricted stock, are recognized as compensation expense over the service period based on the fair value on the date of grant. For awards that have a graded vesting schedule, we recognize expense on a straight-line basis for each separately vesting portion of the award. We recognize forfeitures of awards as incurred.

Computation of Net Income per Common Share

Net income per common share is presented for both basic earnings per common share ("Basic EPS") and diluted earnings per common share ("Diluted EPS"). Basic EPS is based upon the weighted average number of common shares outstanding, excluding unvested stock awards, during the period plus vested common stock equivalents that have not yet been converted to common shares. Diluted EPS is based upon the weighted average number of shares used to calculate Basic EPS and potentially dilutive common shares outstanding during the period. Potentially dilutive common shares result from applying the treasury stock method to unvested stock awards.

Common Stock Share Repurchases

From time-to-time, we repurchase shares of our common stock under share repurchase programs and privately negotiated transactions authorized by our Board of Directors. Share repurchases constitute authorized but unissued shares under the Kentucky laws under which we are incorporated. Our common stock has no par or stated value. We record the full value of share repurchases, upon the trade date, against common stock on our Consolidated Balance Sheets except when to do so would result in a negative balance in such common stock account. In such instances, we record the cost of any further share repurchases as a reduction to retained earnings. Due to the large number of shares of our common stock repurchased over the past several years, our common stock balance will frequently be zero at the end of any given reporting period. Refer to Note 10, Shareholders' Equity, for additional information on our share repurchases.

Insurance Recoveries

The Company maintains insurance policies that provide coverage for property damages and business interruption. Losses due to physical damages are recognized during the accounting period in which the loss occurs, while the amount of monetary assets to be received from the insurance policy is recognized when receipt of insurance recoveries is probable. Losses, which are reduced by the related probable insurance recoveries, are recorded as operating expenses on the accompanying Consolidated Statements of Comprehensive Income (Loss). Anticipated proceeds in excess of recognized losses would be considered a gain contingency and recognized when the contingency related to the insurance claim has been resolved.

Recent Accounting Pronouncements - Adopted on January 1, 2021

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes, which simplifies the accounting for income taxes by removing certain exceptions to the general principles in ASC Topic 740, Income Taxes. The amendments also clarify and amend existing guidance to improve consistent application of and simplify GAAP for other areas of Topic 740. This ASU was effective for public business entities for fiscal years and interim periods beginning after December 15, 2020. The adoption of this ASU did not have a material impact on our business.

Recent Accounting Pronouncements - effective in 2023 or thereafter

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting, which provides optional expedients and exceptions to applying the guidance on contract modifications, hedge accounting, and other transactions, and to simplify the accounting for transitioning from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates. The guidance was effective upon issuance. In December 2022, the FASB deferred the date for which this guidance can be applied from December 31, 2022 to December 31, 2024. The use of LIBOR was phased out at the end of 2021, although the phase-out of U.S. dollar LIBOR for existing agreements has been delayed until June 2023. We continue to monitor developments related to the LIBOR transition and identification of an alternative, market-accepted rate.

3. ACQUISITIONS

Chasers Poker Room

On September 2, 2022, the Company completed the Chasers Transaction which was treated as an asset acquisition because substantially all the value of the gross assets acquired was concentrated in the gaming rights. The Company made an initial payment at closing and recorded a liability for the remaining payments due on a future date. In conjunction with the acquisition, the Company recorded an \$82.2 million gaming rights intangible asset which represented its fair value at the date of acquisition.

The fair value of the gaming rights acquired in the Chasers Transaction was determined using the Greenfield Method, which is an income approach methodology that calculates the present value of the gaming rights intangible asset based on a projected cash flow stream. This method assumes that the gaming rights intangible asset provides the opportunity to develop a gaming or historical racing facility in a specified region, and that the present value of the projected cash flows is a result of the realization of advantages contained in these rights. Under this methodology, the acquirer is expected to absorb all start-up costs, as well as incur all expenses pertaining to the acquisition and/or the creation of all tangible and intangible assets. The estimated future revenue, future operating expenses, start-up costs, and discount rate were the primary inputs in the valuation. The gaming rights intangible asset was assigned an indefinite useful life based on the Company's expected use of the asset and determination that no legal, regulatory, contractual, competitive, economic, or other factors limit the useful life of the gaming rights.

Ellis Park

On September 26, 2022, the Company completed the Ellis Park Transaction for total consideration of \$79.0 million in cash, plus \$3.5 million in working capital and other preliminary purchase price adjustments. The fair values of the Ellis Park Transaction were based upon preliminary valuations. Estimates and assumptions used in such valuations are subject to change, which could be significant, within the measurement period up to one year from the acquisition date. The areas of the preliminary valuations that are not yet finalized relate to the amounts for income taxes, working capital adjustments and the final amount of residual goodwill. The Company expects to continue to obtain information to assist in determining fair values of net assets acquired at the acquisition date during the measurement period. The preliminary fair values of the assets acquired and liabilities assumed, net of cash acquired of \$1.4 million, at the date of acquisition were as follows: property and equipment of \$19.3 million, indefinite-lived gaming rights of \$47.4 million, indefinite-lived trademark of \$3.6 million, goodwill of \$9.2 million, and net working capital of \$1.6 million.

The Company has not included other disclosures regarding the Chasers or Ellis Park Transactions as they are immaterial to our business.

P2E Transaction

On November 1, 2022, the Company completed the acquisition of substantially all the assets of P2E for a preliminary purchase consideration of \$2,835.9 million, net of cash acquired. The P2E assets acquired included Colonial Downs and six HRM entertainment venues in Virginia, del Lago in New York, and Hard Rock Sioux City in Iowa, as well as the development rights for Dumfries and Emporia HRM facilities in Virginia, up to five additional HRM entertainment venues in Virginia, and ONE Casino & Resort in Virginia in collaboration with Urban One.

The following table summarizes the preliminary fair value of the assets acquired and liabilities assumed, net of cash acquired of \$126.4 million, as of November 1, 2022:

Churchill Downs Incorporated
Notes to Consolidated Financial Statements

<i>(in millions)</i>	<u>Total</u>
Accounts receivable, net	\$ 9.8
Other current assets	7.2
Property and equipment	611.2
Goodwill	347.8
Other intangible assets	1,941.5
Deferred taxes	20.8
Other assets	16.0
Total assets acquired	<u>\$ 2,954.3</u>
Accounts payable	4.0
Accrued expenses and other current liabilities	96.9
Other liabilities assumed	17.5
Total liabilities assumed	<u>\$ 118.4</u>
Net assets acquired (net of cash)	<u><u>\$ 2,835.9</u></u>

The fair value of the intangible assets consists of the following:

<i>(in millions)</i>	<u>Fair Value Recognized</u>
Gaming rights	\$ 1,865.6
Trademark	75.9
Total intangible assets	<u><u>\$ 1,941.5</u></u>

Current assets and current liabilities were valued at the existing carrying values, as these items are short term in nature and represent management's estimated fair value of the respective items at November 1, 2022.

The property and equipment acquired primarily relates to land, buildings, equipment, and furniture and fixtures. The fair value of the land was determined using the market approach and the fair values of the remaining property and equipment were primarily determined using the cost replacement method which is based on replacement or reproduction costs of the assets.

The fair value of the gaming rights was determined using the Greenfield Method, which is an income approach methodology that calculates the present value of the overall business enterprise based on a projected cash flow stream. This method assumes that the gaming rights intangible assets provide the opportunity to develop a casino or historical racing facility in a specified region, and that the present value of the projected cash flows are a result of the realization of advantages contained in these rights. Under this methodology, the acquirer is expected to absorb all start-up costs, as well as incur all expenses pertaining to the acquisition and/or the creation of all tangible and intangible assets. The estimated future revenue and operating expenses, start-up costs, and discount rates were the primary assumptions and estimates in the valuation of the gaming rights. The gaming rights intangible assets were assigned an indefinite useful life based on the Company's expected use of the assets and determination that no legal, regulatory, contractual, competitive, economic, or other factors limit the useful life of the gaming rights.

The trademark intangible assets were valued using the relief-from-royalty method of the income approach, which estimates the fair value of the intangible assets by discounting the fair value of the hypothetical royalty payments a market participant would be willing to pay to enjoy the benefits of the assets. The estimated future revenue, royalty rates, and discount rates were the primary assumptions and estimates in the valuation of the trademarks. The trademarks were assigned an indefinite useful life based on the Company's intention to keep the trademarks for an indefinite period of time.

Goodwill of \$347.8 million was recognized due to the expected contribution of P2E to the Company's overall business strategy. The goodwill was assigned to the Gaming segment in the amount of \$129.1 million and to the Live and Historical Racing segment in the amount of \$218.7 million and is mostly deductible for tax purposes.

Estimates and assumptions used in such valuations are subject to change, which could be significant, within the measurement period up to one year from the acquisition date. The preliminary purchase consideration is subject to adjustment upon finalization of customary post-closing adjustments related to working capital. The primary areas of the preliminary valuation that are not yet finalized relate to the fair values of amounts for income taxes, property and equipment, and intangible assets, adjustments to working capital, and the final amount of residual goodwill. The Company expects to continue to obtain information to assist in determining fair values of net assets acquired at the acquisition date during the measurement period.

For the period November 1, 2022 through December 31, 2022, the operations of the properties acquired as part of the P2E Transaction, including the associated retail sportsbooks, generated net revenue of \$109.7 million and net income of \$42.9 million.

The following unaudited pro forma consolidated financial information for the Company has been prepared assuming the P2E Transaction had occurred as of January 1, 2021. The unaudited pro forma financial information is not necessarily indicative of either future results of operations or results of operations that might have been achieved had the acquisition been consummated as of January 1, 2021.

<i>(in millions)</i>	Year Ended December 31, 2022	Year Ended December 31, 2021
Net revenue	\$ 2,348.7	\$ 2,153.6
Net income	\$ 535.4	\$ 205.1

4. DISPOSITIONS, ASSETS HELD FOR SALE & DISCONTINUED OPERATIONS

Calder Land Sale

On June 17, 2022, the Company closed on the sale of 115.7 acres of land near Calder Casino ("Calder") for \$291.0 million or approximately \$2.5 million per acre to Link Logistics Real Estate, a Blackstone portfolio company. The Company received cash proceeds of \$279.0 million which was net of \$12.0 million of transaction costs. We recognized a gain of \$274.6 million on the sale of the land, which is included in Other income in the accompanying Condensed Consolidated Statements of Comprehensive Income (Loss). The gain consisted of cash proceeds of \$279.0 million offset by the carrying value of the assets sold of \$4.4 million. The proceeds were held by a qualifying intermediary in an interest-bearing account until they could be utilized in a like-kind exchange.

The Company utilized proceeds and interest earned from the sale to purchase property as part of the P2E Transaction and to invest in other replacement properties that qualify as Internal Revenue Code §1031 transactions to defer the federal income tax on the gain on the Calder land sale. The Company completed one reverse like-kind exchange in June 2022 involving our \$9.9 million investment in real property for the Derby City Gaming Downtown facility in Louisville, Kentucky, and one reverse like-kind exchange in December 2022 involving our \$24.9 million investment in real property for the Terre Haute Casino Resort in Vigo County, Indiana ("Terre Haute"). The remaining proceeds were used to execute a forward like-kind exchange with the P2E Transaction to purchase real property associated with del Lago in November 2022.

As of December 31, 2022, the Company recorded a \$76.0 million deferred tax liability on the Condensed Consolidated Balance Sheets.

As of December 31, 2021, the assets sold as part of the Calder land sale were classified as held for sale on the accompanying Condensed Consolidated Balance Sheets. Calder's operations and assets are included in the Gaming segment in our consolidated results.

Assets Held for Sale

On September 29, 2021, the Company announced an agreement to sell the 326-acre property in Arlington Heights, Illinois (the "Arlington Property"), to the Chicago Bears for \$197.2 million.

The Company has classified certain assets of Arlington International Racecourse ("Arlington") totaling \$82.0 million and \$81.5 million as held for sale as of December 31, 2022 and December 31, 2021, respectively, on the accompanying Consolidated Balance Sheets. Arlington's operations and assets are included in All Other in our consolidated results.

The Company executed a forward like-kind exchange transaction by purchasing certain property as part of the P2E Transaction for \$197.2 million. An exchange accommodation titleholder ("EAT"), a type of variable interest entity, was used to facilitate this reverse like-kind exchange. The Company determined that it is the primary beneficiary of the EAT, thus the property held by the EAT has been consolidated and recorded in Property and equipment, net on the Condensed Consolidated Balance Sheets. On February 15, 2023, the Company closed on the sale and fully realized all the planned tax savings.

Discontinued Operations

On January 9, 2018, the Company completed the sale of its mobile gaming subsidiary, Big Fish Games, Inc. ("Big Fish Games"). The Big Fish Games business met the criteria for discontinued operation presentation. The Consolidated Statements of Comprehensive Income (Loss), Consolidated Statements of Cash Flows, and the Notes to Consolidated Financial Statements reflect Big Fish Games as discontinued operations for all periods presented.

On May 22, 2020, we entered into an agreement in principle to settle Cheryl Kater v. Churchill Downs Incorporated and Manasa Thimmegowda v. Big Fish Games, Inc. The \$124.0 million settlement was paid on March 25, 2021. During 2022, the Company received a \$26.0 million tax refund related to the capital loss associated with this settlement.

5. PROPERTY AND EQUIPMENT

Property and equipment, net is comprised of the following:

<i>(in millions)</i>	December 31,	
	2022	2021
Grandstands and buildings	\$ 1,217.8	\$ 745.5
Equipment	574.5	491.9
Tracks and other improvements	304.3	221.7
Land	161.2	101.3
Furniture and fixtures	172.0	78.9
Construction in progress	353.7	65.8
	2,783.5	1,705.1
Accumulated depreciation	(837.1)	(736.7)
Subtotal	1,946.4	968.4
Operating lease right-of-use assets	31.9	26.5
Total	\$ 1,978.3	\$ 994.9

Depreciation expense was \$109.0 million in 2022, \$98.4 million in 2021 and \$88.0 million in 2020 and is classified in operating expense in the accompanying Consolidated Statements of Comprehensive Income (Loss).

6. GOODWILL

Goodwill, by segment, is comprised of the following:

<i>(in millions)</i>	Live and Historical	TwinSpires	Gaming	All Other	Total
Balance, December 31, 2020	\$ 52.4	\$ 152.2	\$ 161.2	\$ 1.0	\$ 366.8
Adjustments	—	—	—	—	—
Balance, December 31, 2021	52.4	152.2	161.2	1.0	366.8
Additions	227.9	—	129.1	—	357.0
Balance, December 31, 2022	\$ 280.3	\$ 152.2	\$ 290.3	\$ 1.0	\$ 723.8

In 2022, we established goodwill of \$9.2 million related to the Ellis Park Transaction and \$347.8 million related to the P2E Transaction. Refer to Note 3 - Acquisitions for more information on the Ellis Park and P2E Transactions.

We performed our annual goodwill impairment analysis as of April 1, 2022. We assessed goodwill for impairment by performing qualitative or quantitative analyses for each reporting unit. Based on the results of these analyses, no goodwill impairments were identified in connection with our annual impairment testing.

7. OTHER INTANGIBLE ASSETS

Other intangible assets, net is comprised of the following:

<i>(in millions)</i>	December 31, 2022			December 31, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Definite-lived intangible assets:						
Favorable contracts	\$ 11.0	\$ (10.1)	\$ 0.9	\$ 11.0	\$ (9.4)	\$ 1.6
Other	10.2	(5.5)	4.7	10.4	(4.6)	5.8
Customer relationships	4.7	(3.3)	1.4	4.7	(2.8)	1.9
Gaming licenses	5.1	(2.5)	2.6	5.1	(2.3)	2.8
	\$ 31.0	\$ (21.4)	\$ 9.6	\$ 31.2	\$ (19.1)	\$ 12.1
Indefinite-lived intangible assets:						
Trademarks			125.7			47.7
Gaming rights			2,256.5			288.2
Other			—			0.1
Total			\$ 2,391.8			\$ 348.1

During 2022 we established indefinite-lived intangibles assets of \$5.0 million for gaming rights associated with the planned development of Terre Haute. We also established indefinite-lived intangible assets of \$82.2 million for the gaming rights related to the Chasers Transaction, as well as, \$47.4 million for gaming rights and \$3.6 million for trademarks related to the Ellis Park Transaction. We also established indefinite-lived intangible assets of \$1.9 billion for the gaming rights and \$75.9 million for the trademarks related to the P2E Transaction. Refer to Note 3 - Acquisitions for more information on the Chasers, Ellis Park and P2E Transactions.

Amortization expense for definite-lived intangible assets was \$4.7 million in 2022, \$4.8 million in 2021, and \$4.9 million in 2020, and is classified in operating expense in the accompanying Consolidated Statements of Comprehensive Income (Loss). We submitted payments of \$2.3 million in 2022 and 2021 for annual license fees for Calder, which are being amortized to expense over the annual license period.

Indefinite-lived intangible assets consist primarily of trademarks and state gaming rights in Indiana, Maine, Maryland, Mississippi, Louisiana, Pennsylvania, Kentucky, New Hampshire, New York, Iowa, and Virginia.

Refer to Note 8, Asset Impairments, for information regarding intangible asset impairments recognized during 2022.

We performed our annual indefinite-lived intangible assets impairment analysis as of April 1, 2022, which included an assessment of qualitative and quantitative factors to determine whether it is more likely than not that the fair values of the indefinite-lived intangible assets are less than the carrying amount. We concluded that the fair values of our indefinite-lived intangible assets exceeded their carrying value other than impairments described in Note 8, Assets Impairments.

Future estimated aggregate amortization expense on existing definite-lived intangible assets for each of the next five fiscal years is as follows (in millions):

Years Ended December 31,	Estimated Amortization Expense
2023	\$ 2.4
2024	1.8
2025	1.0
2026	0.5
2027	0.3

Future estimated amortization expense does not include additional payments of \$2.3 million in 2023 and in each year thereafter for the ongoing amortization of future expected annual Calder license fees not yet incurred or paid.

8. ASSET IMPAIRMENTS

Presque Isle Impairment 2022

During the quarter ended December 31, 2022, the Company evaluated whether it was more likely than not that any of the Company's intangible assets, goodwill, or property and equipment, were impaired. The Company concluded that a trigger event for impairment testing occurred related to the Presque Isle Downs and Casino ("Presque Isle") gaming rights, trademark, and the reporting unit's goodwill due to the impact and uncertainty of current negative economic trends. Factors considered in this evaluation included, among other things, the amount of the fair value over carrying value from the annual impairment testing performed as of April 1, 2022, changes in carrying values, changes in discount rates, and the impact of negative economic trends on cash flows.

Based on the 2022 trigger event, the Company updated the discount rate to reflect the increased uncertainty of the cash flows and updated the projected cash flow stream. As a result, the Company recognized an impairment of \$33.4 million in the fourth quarter of 2022 for the Presque Isle gaming rights and trademark.

The fair value of the Presque Isle reporting unit's goodwill was determined under the market and income valuation approaches using inputs primarily related to discounted projected cash flows and price multiples of publicly traded comparable companies.

In accordance with Accounting Standards Codification 350, Intangibles - Goodwill and Other, the Company performed the impairment testing of the Presque Isle gaming rights and trademark prior to testing Presque Isle goodwill. Based on the trigger event, the Company updated the discount rate to reflect the increased uncertainty of the cash flows and updated the project cash flow stream. As a result, the Company did not recognize an impairment for Presque Isle goodwill in the fourth quarter of 2022 because the fair value exceeded the carrying value.

Other Impairments

On February 24, 2022, the Company announced plans to exit the direct online Sports and Casino business. The Company will maintain its retail Sports operations and pursue monetization of its online market access licenses. During the quarter ended March 31, 2022, the Company evaluated whether this planned exit would indicate it is more likely than not that any of the Company's intangible assets, long-lived assets, current assets or property and equipment, were impaired. Based on the Company's evaluation, the Company concluded that a trigger event for impairment testing occurred related to certain TwinSpire assets. As a result, the Company recorded a \$4.9 million non-cash impairment charge related to certain assets in the TwinSpire segment.

During the quarter ended December 31, 2021, the Company recorded a \$4.1 million non-cash impairment charge related to certain assets in the TwinSpire segment due to changes in expectations of future realization of certain third-party market access royalty prepayments related to our New Jersey sports betting and iGaming that resulted in projected future cash flows being less than carrying value in the fourth quarter of 2021.

During the quarter ended June 30, 2021, the Company recorded an \$11.2 million non-cash impairment charge related to certain assets at Churchill Downs Racetrack included in our Live and Historical Racing segment. The impairment was due to a change in the Churchill Downs Racetrack capital plans and the Company's planned use of these assets.

Presque Isle Impairment 2020

During the quarter ended March 31, 2020, the Company evaluated whether events or circumstances changed that would indicate it is more likely than not that any of the Company's intangible assets, goodwill, or property and equipment, were impaired. The Company concluded that a trigger event for impairment testing occurred related to the Presque Isle gaming rights, trademark, and the reporting unit's goodwill due to the impact and uncertainty of the COVID-19 global pandemic.

The initial fair value of Presque Isle gaming rights in the first quarter of 2019 was determined using the Greenfield Method, which is an income approach methodology that calculates the present value based on a projected cash flow stream. This method assumes that the Presque Isle gaming rights provide the opportunity to develop a casino and online wagering platform in a specified region, and that the present value of the projected cash flows are a result of the realization of advantages contained in these rights. Under this methodology, the acquirer is expected to absorb all start-up costs, as well as incur all expenses pertaining to the acquisition and / or the creation of all tangible and intangible assets. The estimated future revenue, operating expenses, start-up costs, and discount rate were the primary inputs in the valuation.

Based on the trigger event, the Company updated the discount rate to reflect the increased uncertainty of the cash flows and updated the projected cash flow stream. As a result, the Company recognized an impairment of \$15.0 million in first quarter of 2020 for the Presque Isle gaming rights.

9. INCOME TAXES

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

<i>(in millions)</i>	Years Ended December 31,		
	2022	2021	2020
Current provision (benefit):			
Federal	\$ 41.0	\$ 66.1	\$ (38.7)
State and local	19.7	18.5	3.0
Foreign	—	0.1	0.1
	60.7	84.7	(35.6)
Deferred provision:			
Federal	79.9	7.5	28.7
State and local	28.8	2.3	1.5
Foreign	—	—	0.1
	108.7	9.8	30.3
Income tax provision (benefit)	\$ 169.4	\$ 94.5	\$ (5.3)

Income from continuing operations before provision for income taxes were as follows:

<i>(in millions)</i>	Years Ended December 31,		
	2022	2021	2020
Domestic	\$ 608.9	\$ 343.7	\$ 8.2
Foreign	(0.1)	(0.1)	(0.2)
Income from continuing operations before provision for income taxes	\$ 608.8	\$ 343.6	\$ 8.0

Our income tax provision (benefit) is different from the amount computed by applying the federal statutory income tax rate to income from continuing operations before taxes as follows:

<i>(in millions)</i>	Years Ended December 31,		
	2022	2021	2020
Federal statutory tax on earnings before income taxes	\$ 127.9	\$ 72.1	\$ 1.7
State income taxes, net of federal income tax benefit	32.6	15.8	(0.6)
Non-deductible officer's compensation	7.6	6.4	3.5
Valuation allowance - state and foreign net operating losses	2.5	1.8	1.1
Uncertain tax positions	2.3	0.1	1.7
Re-measurement of deferred taxes	1.3	(1.5)	1.9
Windfall deduction from equity compensation	(2.3)	(1.4)	(1.3)
Net operating loss carry back - CARES Act	—	—	(13.3)
Other	(2.5)	1.2	—
Income tax provision (benefit)	\$ 169.4	\$ 94.5	\$ (5.3)

The CARES Act provided, among other things, that any net operating loss arising in a tax year beginning in 2018, 2019 or 2020 may be carried back five years or carried forward indefinitely, offsetting up to 100% of taxable income in tax years beginning before 2021. The Company filed a refund claim in 2021 from carrying back our 2020 net operating loss to a year before the statutory corporate tax rate was reduced from 35% to 21% by the Tax Act. Due to the higher statutory rate applied to this net operating loss, the Company recognized an income tax benefit of \$13.3 million for the year ended December 31, 2020.

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Components of our deferred tax assets and liabilities were as follows:

<i>(in millions)</i>	December 31,	
	2022	2021
Deferred tax assets:		
§ 163(j) interest expense limitation carryforward	\$ 18.2	\$ —
Lease liabilities	12.6	10.2
Net operating losses and credits carryforward	8.1	8.8
Deferred liabilities	7.4	5.1
Deferred compensation plans	7.0	6.9
Deferred income	3.6	4.7
Research and experimental expenditures	3.0	—
Deferred tax assets	59.9	35.7
Valuation allowance	(5.7)	(3.2)
Net deferred tax asset	54.2	32.5
Deferred tax liabilities:		
Property and equipment in excess of tax basis	158.7	69.7
Equity investments in excess of tax basis	141.6	128.9
Intangible assets in excess of tax basis	78.1	74.1
Right-of-use assets	12.3	9.9
Other	4.3	2.8
Deferred tax liabilities	395.0	285.4
Net deferred tax liability	\$ (340.8)	\$ (252.9)

As of December 31, 2022, we had U.S. state and foreign net operating losses with tax values of \$7.7 million and \$0.5 million, respectively. We have recorded a valuation allowance of \$5.7 million due to the fact that it is unlikely that we will generate income in certain state and foreign jurisdictions which is necessary to utilize the deferred tax assets. We also had U.S. state tax credits with a tax value of \$1.3 million that do not expire which we expect to fully utilize.

The Internal Revenue Service has completed audits through 2012. Tax years 2019 and after are open to examination. Tax year 2015 and 2018 are open to examination as a result of the Company's claim for refund of 2015 and 2018 tax from carrying back its 2020 net operating loss and 2021 capital loss pursuant to the CARES Act.

As of December 31, 2022, we had approximately \$6.4 million of total gross unrecognized tax benefits, excluding interest of \$0.5 million. If the total gross unrecognized tax benefits were recognized, there would be a \$5.8 million effect to the annual effective tax rate. We anticipate a decrease in our unrecognized tax positions of approximately \$2.8 million during the next twelve months primarily due to expected settlements with tax authorities and the expiration of statutes of limitation.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

<i>(in millions)</i>	2022	2021	2020
Balance as of January 1	\$ 3.9	\$ 3.9	\$ 1.8
Additions for tax positions related to the current year	0.1	0.1	0.1
Additions for tax positions of prior years	2.9	1.0	2.6
Reductions for tax positions of prior years	(0.5)	(1.1)	(0.6)
Balance as of December 31	\$ 6.4	\$ 3.9	\$ 3.9

10. SHAREHOLDERS' EQUITY

Stock Repurchase Programs

On October 30, 2018, the Board of Directors of the Company approved a common stock repurchase program of up to \$300.0 million ("2018 Stock Repurchase Program"). The 2018 Stock Repurchase Program was in effect until September 29, 2021 and had unused authorization of \$97.9 million.

On September 29, 2021, the Board of Directors of the Company approved a common stock repurchase program of up to \$500.0 million ("2021 Stock Repurchase Program"). The 2021 Stock Repurchase Program includes and is not in addition to any unspent amount remaining under the prior 2018 Stock Purchase Program authorization. Repurchases may be made at management's discretion from time to time on the open market (either with or without a 10b5-1 plan) or through privately negotiated transactions. The repurchase program has no time limit and may be suspended or discontinued at any time. We had \$270.2 million of repurchase authority remaining under this program on December 31, 2022.

We repurchased the following shares under the 2018 and 2021 Stock Repurchase Programs:

	For the year ending December 31,					
	2022		2021		2020	
<i>(in millions, except share data)</i>	Shares	Aggregate Purchase Price	Shares	Aggregate Purchase Price	Shares	Aggregate Purchase Price
Repurchase Program						
2021 Stock Repurchase Program	873,922	\$ 175.5	226,232	\$ 54.4	—	\$ —
2018 Stock Repurchase Program	—	—	245,132	49.2	235,590	27.9
Total	873,922	\$ 175.5	471,364	\$ 103.6	235,590	\$ 27.9

The Duchossois Group ("TDG") Share Repurchase

On February 1, 2021, the Company entered into an agreement (the "Stock Repurchase Agreement") with an affiliate of TDG to repurchase 1,000,000 shares of the Company's common stock for \$193.94 per share in a privately negotiated transaction for an aggregate purchase price of \$193.9 million. The repurchase of shares of common stock from TDG pursuant to the Stock Repurchase Agreement was approved by the Company's Board of Directors separately from, and did not reduce the authorized amount remaining under, the existing common stock repurchase program. The Company repurchased the shares using available cash and borrowings under the Revolver (as defined in Note 12, Debt).

11. STOCK-BASED COMPENSATION PLANS

Our total compensation expense, which includes expense related to restricted stock awards, restricted stock unit awards, performance share unit awards, and stock options associated with our employee stock purchase plan, was \$31.8 million in 2022, \$27.8 million in 2021, and \$23.7 million in 2020. We recorded a tax benefit related to stock-based compensation expense of \$1.6 million in 2022, \$1.5 million in 2021, and \$1.9 million in 2020. Our stock-based employee compensation plans are described below.

2016 Omnibus Stock Incentive Plan

We have a stock-based employee compensation plan with awards outstanding under the Churchill Downs Incorporated 2016 Omnibus Stock Incentive Plan (the "2016 Plan") and Executive Long-Term Incentive Compensation Plan, which was adopted pursuant to the 2016 Plan. The 2016 Plan is intended to advance our long-term success by encouraging stock ownership among key employees and the Board of Directors. Awards may be in the form of stock options, stock appreciation rights, restricted stock awards ("RSA"), restricted stock units ("RSU"), performance share units ("PSU"), performance units, or performance cash. The 2016 Plan has a minimum vesting period of one year for awards granted.

Restricted Stock, Restricted Stock Units, and Performance Share Units

The 2016 Plan permits the award of RSAs, RSUs, or PSUs to directors and key employees responsible for the management, growth and protection of our business. The fair value of RSAs and RSUs that vest solely based on continued service under the Plan is determined by the product of the number of shares granted and the grant date market price of our common stock.

RSAs and RSUs granted to employees under the 2016 Plan generally vest either in full upon three years from the date of grant or on a pro rata basis over a three-year term. RSAs are legally issued common stock at the time of grant, with certain restrictions placed on them. RSUs granted to employees are converted into shares of our common stock at vesting. The RSUs

granted to directors under the 2016 Plan generally vests in full upon one year from the date of grant. RSUs granted to directors are converted into shares of our common stock at the time of the director's retirement.

In 2020, 2021, and 2022, the Company granted three-year performance and total shareholder return ("TSR") PSU awards (the "PSU Awards") to certain named executive officers ("NEOs"). The two performance criteria for the PSU Awards are: (1) a cumulative Adjusted EBITDA target that was set at the beginning of the plan performance period for the three-year period; and (2) a cash flow metric that is the aggregate of the cash flow targets for the three individual years that is set annually at the beginning of each year. The cash flow metric is defined as cash flow from operating activities and discontinued operations excluding the change in restricted cash, plus distributions of capital from equity investments less capital maintenance expenditures. The Compensation Committee of the Board of Directors (the "Compensation Committee") can make adjustments as it may deem appropriate to these metrics. Measurement against these criteria will be determined against a payout curve which provides up to 200% of performance share units based on the original award.

The PSU Awards may be adjusted based on the Company's TSR performance relative to the TSR performance during the performance period of the companies remaining in the Russell 2000 index and Russell 1000 index beginning with 2022 grants at the end of the performance period as follows:

1. The PSU Awards will increase by 25% if the Company's TSR is in the top quartile;
2. The PSU Awards will decrease by 25% if the Company's TSR is in the bottom quartile; and
3. The PSU Awards will not change if the Company's TSR is in the middle two quartiles.

The maximum number of PSU Awards, including the impact of the TSR performance, that can be earned for a performance period is 250% of the original award.

On February 12, 2020, the Compensation Committee offered, and the NEOs accepted, to settle the 2017 PSU Awards in cash.

In October 2018, the Company granted a special equity award to two NEOs ("7-Year Grant") consisting of PSU Awards that may be adjusted up to 200% based on the Company's relative TSR performance versus the Russell 2000 over a three-year period ending October 29, 2021, and service-based RSU awards, both of which vest in 25% annual increments over four years beginning on the fourth anniversary of the grant date, totaling seven years to be fully vested. The performance period ended on October 29, 2021, and the TSR performance was 200%.

The total compensation cost recognized for PSU Awards is determined using the Monte Carlo valuation methodology, which factors in the value of the TSR when determining the grant date fair value of the award. Compensation cost for the PSU Awards is recognized during the three-year performance and service period based on the probable achievement of the two performance criteria, with the exception of the 7-Year Grant, which compensation cost is recognized during the seven-year service period. All PSUs awards are converted into shares of our common stock at the time the award value is finalized.

A summary of the 2022 RSUs, and PSUs granted to certain NEOs, employees, and the Board of Directors is presented below (shares/units in thousands):

Grant Year	Award Type	Number of Units Awarded ⁽¹⁾	Vesting Terms
2022	RSU	62	Vest equally over three service periods ending in 2025
2022	PSU	34	Three-year performance and service period ending in 2024
2022	RSU	5	One year service period ending in 2023

⁽¹⁾ PSUs presented are based on the target number of units for the original PSU grant.

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Activity for our RSAs, RSUs, and PSUs is presented below (shares/units in thousands):

	PSUs		RSAs and RSUs		Total	
	Number of Shares / Units	Weighted Average Grant Date Fair Value	Number of Shares / Units	Weighted Average Grant Date Fair Value	Number of Shares / Units	Weighted Average Grant Date Fair Value
<i>(in thousands, except grant date values)</i>						
Balance, December 31, 2019	314	\$ 72.84	265	\$ 85.07	579	\$ 78.45
Granted	37	\$ 182.45	94	\$ 150.12	131	\$ 159.30
Performance adjustment ⁽¹⁾	41	\$ 90.73	—	\$ —	41	\$ 90.73
Vested	(90)	\$ 90.73	(121)	\$ 90.01	(211)	\$ 90.32
Canceled/forfeited	—	\$ —	(3)	\$ 121.39	(3)	\$ 121.39
Balance, December 31, 2020	302	\$ 83.40	235	\$ 107.90	537	\$ 94.14
Granted	27	\$ 254.29	68	\$ 211.11	95	\$ 223.25
Performance adjustment ⁽¹⁾	258	\$ 68.87	—	\$ —	258	\$ 68.87
Vested	(108)	\$ 92.90	(112)	\$ 121.77	(220)	\$ 107.63
Canceled/forfeited	—	\$ —	(12)	\$ 160.42	(12)	\$ 160.42
Balance, December 31, 2021	479	\$ 82.99	179	\$ 135.01	658	\$ 90.27
Granted	34	\$ 220.25	67	\$ 222.16	101	\$ 221.52
Performance adjustment ⁽¹⁾	47	\$ 182.45	—	\$ —	47	\$ 182.45
Vested	(184)	\$ 115.32	(92)	\$ 158.89	(276)	\$ 129.65
Canceled/forfeited	(6)	\$ 213.8	(6)	\$ 204.71	(12)	\$ 208.82
Balance, December 31, 2022	<u>370</u>	<u>\$ 90.07</u>	<u>148</u>	<u>\$ 160.18</u>	<u>518</u>	<u>\$ 110.13</u>

⁽¹⁾ Adjustment to number of target units awarded for PSUs based on achievement of underlying performance goals.

The fair value of shares and units vested was \$56.9 million in 2022, \$45.4 million in 2021, and \$36.9 million in 2020.

A summary of total unrecognized stock-based compensation expense related to RSAs, RSUs, and PSUs (based on current performance estimates), on December 31, 2022, is presented below:

<i>(in millions, except years)</i>	December 31, 2022	Weighted Average Remaining Vesting Period (Years)
Unrecognized expense:		
RSU	\$ 8.8	1.52
PSU	13.2	1.71
Total	<u>\$ 22.0</u>	1.63

Employee Stock Purchase Plan

Under the Employee Stock Purchase Plan (the "ESP Plan"), we are authorized to sell, pursuant to short-term stock options, shares of our common stock to our full-time and qualifying part-time employees at a discount from our common stock's fair market value. The ESP Plan operates on the basis of recurring, consecutive one-year periods. Each period commences on August 1 and ends on the following July 31. Compensation expense related to the ESP Plan was not material for any year included in our accompanying Consolidated Statements of Comprehensive Income (Loss).

12. DEBT

The following table presents our total debt outstanding:

<i>(in millions)</i>	December 31, 2022		
	Outstanding Principal	Issuance Costs and Fees	Long-Term Debt, Net
Term Loan B due 2024	\$ 380.0	\$ 1.6	\$ 378.4
Term Loan B-1 due 2028	294.7	3.1	291.6
Term Loan A due 2027	800.0	5.5	794.5
Revolver	664.1	—	664.1
2027 Senior Notes	600.0	4.7	595.3
2028 Senior Notes	700.0	1.6	698.4
2030 Senior Notes	1,200.0	16.6	1,183.4
Total debt	4,638.8	33.1	4,605.7
Current maturities of long-term debt	47.0	—	47.0
Total debt, net of current maturities	\$ 4,591.8	\$ 33.1	\$ 4,558.7

<i>(in millions)</i>	December 31, 2021		
	Outstanding Principal	Issuance Costs and Fees	Long-Term Debt, Net
Term Loan B due 2024	\$ 384.0	\$ 2.4	\$ 381.6
Term Loan B-1 due 2028	297.8	3.8	294.0
2027 Senior Notes	600.0	5.7	594.3
2028 Senior Notes	700.0	1.9	698.1
Total debt	1,981.8	13.8	1,968.0
Current maturities of long-term debt	7.0	—	7.0
Total debt, net of current maturities	\$ 1,974.8	\$ 13.8	\$ 1,961.0

Credit Agreement

On December 27, 2017, we entered into a senior secured credit agreement ("2017 Credit Agreement") with a syndicate of lenders. The 2017 Credit Agreement provided for a \$700.0 million senior secured revolving credit facility due 2024 (the "Revolver") and a \$400.0 million senior secured term loan B due 2024 (the "Term Loan B"). Included in the maximum borrowing of \$700.0 million under the Revolver was a letter of credit sub facility not to exceed \$50.0 million and a swing line commitment up to a maximum principal amount of \$50.0 million.

The Term Loan B bears interest at LIBOR plus 200 basis points and requires quarterly payments of 0.25% of the original \$400.0 million balance, or \$1.0 million per quarter. The Term Loan B may be subject to additional mandatory prepayment from excess cash flow on an annual basis per the provisions of the 2017 Credit Agreement. The Company is required to pay a commitment fee on the unused portion of the Revolver as determined by a pricing grid based on the consolidated total net secured leverage ratio of the Company. For the period ended December 31, 2022, the Company's commitment fee rate was 0.175%.

On April 28, 2020, the Company entered into an amendment to the 2017 Credit Agreement (as amended, the "Credit Agreement"), which provided for a financial covenant relief period through the date on which the Company delivered the Company's quarterly financial statements and compliance certificate for the fiscal quarter ended June 30, 2021, subject to certain exceptions (the "Financial Covenant Relief Period"). On February 1, 2021, the Company entered into an amendment to increase the amount of certain otherwise restricted payments permitted from \$26.0 million to \$226.0 million during the Financial Covenant Relief Period.

On March 17, 2021, the Company entered into the Incremental Joinder Agreement No. 1 (the "Joinder") to its Credit Agreement which provided \$300.0 million in New Term Loan Commitments ("Term Loan B-1") as a new tranche of term loans under the existing Credit Agreement (as conformed to recognize the new loan) and carries a maturity date of March 17, 2028.

The Company capitalized \$3.5 million of debt issuance costs associated with the Joinder which are being amortized as interest expense over the 7-year term of the Term Loan B-1.

The Term Loan B-1 bears interest at LIBOR plus 200 basis points and requires quarterly payments of 0.25% of the original \$300.0 million balance. The Term Loan B-1 may be subject to additional mandatory prepayment from excess cash flow on an annual basis per the provisions of the Credit Agreement.

On April 13, 2022, the Company amended the Credit Agreement to extend the maturity date of its existing Revolver to April 13, 2027, to increase the commitments under the existing Revolver from \$700.0 million to \$1.2 billion, and to increase the swing line commitment from \$50.0 million to \$100.0 million. The amendment also provides for a senior secured Delayed Draw Term Loan A due April 13, 2027 in the amount of \$800.0 million, which was drawn on November 1, 2022 as part of the financing for the P2E Transaction. Refer to Note 3, Acquisitions for more information regarding the P2E Transaction. The Company capitalized \$3.2 million of debt issuance costs associated with the Revolver commitment increase and \$6.4 million of debt issuance costs associated with the Delayed Draw Term Loan A which are being amortized as interest expense over the 5-year term.

The Revolver and Delayed Draw Term Loan A bear interest at the Secured Overnight Financing Rate ("SOFR") plus 10 basis points, plus a variable applicable margin which is determined by the Company's net leverage ratio. As of December 31, 2022, that applicable margin was 125 basis points which was based on the pricing grid in the Credit Agreement. During 2022, we have borrowed \$664.1 million on our Revolver which provided the Company with financing for the Chasers, Ellis Park, and P2E Transactions. Refer to Note 3, Acquisitions for more regarding the Chasers, Ellis Park and P2E Transactions. The Company had \$524.8 million available borrowing capacity, after consideration of \$11.1 million in outstanding letters of credit, under the Revolver as of December 31, 2022.

The phase-out of LIBOR in existing debt agreements is set for June 30, 2023. The Credit Agreement includes a general process for establishing an alternative reference rate to the extent LIBOR is phased out. The Company is in the process of transitioning its financing from LIBOR to alternative reference rates. These transition activities are not expected to have a material impact on the Company's financial statements.

The Credit Agreement is collateralized by substantially all the wholly-owned assets of the Company. The Credit Agreement contains certain customary affirmative and negative covenants, which include limitations on liens, investments, indebtedness, dispositions, mergers and acquisitions, the making of restricted payments, changes in the nature of business, changes in fiscal year, and transactions with affiliates. The Credit Agreement also contains financial covenants providing for the maintenance of a maximum consolidated secured net leverage ratio and maintenance of a minimum consolidated interest coverage ratio.

	Actual as of December 31, 2022	Requirement
Interest coverage ratio	6.6 to 1.0	> 2.5 to 1.0
Consolidated total secured net leverage ratio	0.9 to 1.0	< 4.0 to 1.0

The Company was compliant with all applicable covenants on December 31, 2022.

2027 Senior Notes

On March 25, 2019, we completed an offering of \$600.0 million in aggregate principal amount of 5.50% Senior Unsecured Notes that mature on April 1, 2027 (the "2027 Senior Notes") in a private offering to qualified institutional buyers pursuant to Rule 144A that is exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"), and to certain non-U.S. persons in accordance with Regulation S under the Securities Act. The 2027 Senior Notes were issued at par, with interest payable on April 1st and October 1st of each year, commencing on October 1, 2019. The Company used the net proceeds from the offering to repay the then-outstanding balance on the Revolver portion of our Credit Agreement. In connection with the offering, we capitalized \$8.9 million of debt issuance costs which are being amortized as interest expense over the term of the 2027 Senior Notes.

The 2027 Senior Notes were issued pursuant to an indenture, dated March 25, 2019 (the "2027 Indenture"), among the Company, certain subsidiaries of the Company as guarantors (the "2027 Guarantors"), and U.S. Bank National Association, as trustee. The Company may redeem some or all of the 2027 Senior Notes at any time at redemption prices set forth in the 2027 Indenture. The terms of the 2027 Indenture, among other things, limit the ability of the Company to: (i) incur additional debt and issue preferred stock, (ii) pay dividends or make other restricted payments, (iii) make certain investments, (iv) create liens, (v) allow restrictions on the ability of certain of our subsidiaries to pay dividends or make other payments, (vi) sell assets, (vii) merge or consolidate with other entities, and (viii) enter into transactions with affiliates.

In connection with the issuance of the 2027 Senior Notes, the Company and the 2027 Guarantors entered into a Registration Rights Agreement to register any 2027 Senior Notes under the Securities Act for resale that are not freely tradable 366 days from March 25, 2019.

2028 Senior Notes

On December 27, 2017, we completed an offering of \$500.0 million in aggregate principal amount of 4.75% Senior Unsecured Notes that mature on January 15, 2028 (the "Existing 2028 Notes") in a private offering to qualified institutional buyers pursuant to Rule 144A that is exempt from registration under the Securities Act, and to certain non-U.S. persons in accordance with Regulation S under the Securities Act. The Existing 2028 Notes were issued at par, with interest payable on January 15th and July 15th of each year, commencing on July 15, 2018. The Company used the net proceeds from the offering to repay a portion of our \$600.0 million 5.375% Senior Unsecured Notes due in 2021. In connection with the offering, we capitalized \$7.7 million of debt issuance costs which are being amortized as interest expense over the term of the Existing 2028 Notes.

On March 17, 2021, the Company completed an offering of \$200.0 million in aggregate principal amount of 4.75% Senior Unsecured Notes that mature on January 15, 2028 (the "Additional 2028 Notes") in a private offering to qualified institutional buyers pursuant to Rule 144A that is exempt from registration under the Securities Act, and to certain non-U.S. persons in accordance with Regulation S under the Securities Act. The Additional 2028 Notes were offered under the indenture dated as of December 27, 2017, governing the \$500.0 million aggregate principal amount of 4.75% Senior Unsecured Notes due 2028 and form a part of the same series for purposes of the indenture. In connection with the offering, we capitalized \$3.4 million of debt issuance costs which are being amortized as interest expense over the term of the Additional 2028 Notes. Upon completion of this offering, the aggregate principal amount outstanding of the Existing 2028 Notes, together with the Additional 2028 Notes (collectively, the "2028 Senior Notes"), is \$700.0 million.

The Additional 2028 Notes were issued at 103.25% of the principal amount, plus interest deemed to have accrued from January 15, 2021, with interest payable on January 15th and July 15th of each year, commencing on July 15, 2021. The 2028 Senior Notes will vote as one class under the indenture governing the 2028 Senior Notes. The 3.25% premium is being amortized through interest expense, net over the term of the Additional 2028 Notes.

The Company used the net proceeds from the Additional 2028 Notes and the Term Loan B-1: (i) to repay indebtedness outstanding under our Revolver, (ii) to fund related transaction fees and expenses, and (iii) for working capital and other general corporate purposes.

The 2028 Senior Notes were issued pursuant to an indenture, dated December 27, 2017 (the "2028 Indenture"), among the Company, certain subsidiaries of the Company as guarantors (the "2028 Guarantors"), and U.S. Bank National Association, as trustee. The Company may redeem some or all the 2028 Senior Notes at redemption prices set forth in the 2028 Indenture. The terms of the 2028 Indenture, among other things, limit the ability of the Company to: (i) incur additional debt and issue preferred stock, (ii) pay dividends or make other restricted payments, (iii) make certain investments, (iv) create liens, (v) allow restrictions on the ability of certain of our subsidiaries to pay dividends or make other payments, (vi) sell assets, (vii) merge or consolidate with other entities, and (viii) enter into transactions with affiliates.

In connection with the issuance of the Additional 2028 Notes, the Company and the 2028 Guarantors entered into a Registration Rights Agreement to register any 2028 Senior Notes under the Securities Act for resale that are not freely tradable 366 days from March 17, 2021.

2030 Senior Notes

On April 13, 2022, a wholly-owned subsidiary of the Company completed an offering of \$1.2 billion in aggregate principal amount of 5.75% Senior Unsecured Notes that mature on April 13, 2030 (the "2030 Senior Notes") in a private offering to qualified institutional buyers pursuant to Rule 144A that was exempt from registration under the Securities Act, and to certain non-U.S. persons in accordance with Regulation S under the Securities Act. The offering of the 2030 Senior Notes was part of the financing utilized for the P2E Transaction. In connection with the offering, we capitalized \$18.3 million of debt issuance costs which are being amortized as interest expense over the term of the 2030 Senior Notes. The Company held the net proceeds of this transaction of \$1.2 billion in escrow until the proceeds were utilized to complete the P2E Transaction on November 1, 2022, at which time CDI assumed the obligation and became the Issuer.

The 2030 Senior Notes were issued at 100% of the principal amount, plus interest deemed to have accrued from April 13, 2022, with interest payable in arrears on April 1st and October 1st of each year, commencing on October 1, 2022. The 2030 Senior Notes will vote as one class under the indenture governing the 2030 Senior Notes.

The Issuer may redeem some of or all the 2030 Senior Notes at any time prior to April 1, 2025, at redemption prices set forth in the 2030 Offering Memorandum.

In connection with the issuance of the 2030 Senior Notes, the Escrow Issuer and the guarantors of the 2030 Senior Notes entered into a Registration Rights Agreement to register any 2030 Senior Notes under the Securities Act for resale that are not freely tradable 366 days from April 13, 2022.

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

<u>Years Ended December 31,</u>	
2023	\$ 47.0
2024	419.0
2025	43.0
2026	43.0
2027	1,907.0
Thereafter	2,179.8
Total	<u>\$ 4,638.8</u>

13. REVENUE FROM CONTRACTS WITH CUSTOMERS

Performance Obligations

As of December 31, 2022, our Live and Historical Racing segment had remaining performance obligations on contracts with a duration greater than one year relating to television rights, sponsorships, personal seat licenses, and admissions, with an aggregate transaction price of \$154.4 million. The revenue we expect to recognize on these remaining performance obligations is \$46.0 million in 2023, \$39.6 million in 2024, \$30.5 million in 2025, and the remainder thereafter.

As of December 31, 2022, our remaining performance obligations on contracts with a duration greater than one year in segments other than Live and Historical Racing were not material.

Contract Assets and Contract Liabilities

Contract assets were not material as of December 31, 2022 and 2021.

Contract liabilities were \$58.7 million as of December 31, 2022 and \$64.9 million as of December 31, 2021. Contract liabilities are included in current deferred revenue, non-current deferred revenue, and accrued expense and other current liabilities in the accompanying Consolidated Balance Sheets. Contract liabilities primarily relate to our Live and Historical Racing segment. The decrease in contract liabilities from December 31, 2021 to December 31, 2022 was due to the recognition of revenue for fulfilled performance obligations. We recognized \$49.9 million of revenue during the year ended December 31, 2022 that was included in the contract liabilities balance on December 31, 2021. We recognized \$33.0 million of revenue during the year ended December 31, 2021 that was included in the contract liabilities balance on December 31, 2020.

Disaggregation of Revenue

The Company has included its disaggregated revenue disclosures as follows:

- For the Live and Historical Racing segment, revenue is disaggregated between Churchill Downs Racetrack and historical racing properties given that our racing facilities revenues primarily revolve around live racing events while our historical racing properties revenues primarily revolve around historical racing. This segment is also disaggregated by location given the geographic economic factors that affect the revenue of service offerings. Within the Live and Historical racing segment, revenue is further disaggregated between live and simulcast racing, historical racing, racing event-related services, and other services.
- For the TwinSpires segment, revenue is disaggregated between live and simulcast racing, gaming, and other services.
- For the Gaming segment, revenue is disaggregated by location given the geographic economic factors that affect the revenue of Gaming service offerings. Within the Gaming segment, revenue is further disaggregated between live and simulcast racing, racing event-related services, gaming, and other services.

We believe that these disclosures depict how the amount, nature, timing, and uncertainty of cash flows are affected by economic factors. The tables below present net revenue from external customers and intercompany revenue from each of our segments:

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<i>(in millions)</i>	Years Ended December 31,		
	2022	2021	2020
Net revenue from external customers:			
Live and Historical Racing:			
Churchill Downs Racetrack	\$ 196.8	\$ 128.1	\$ 63.3
Louisville	169.9	154.3	79.5
Northern Kentucky	46.1	26.0	10.2
Southwestern Kentucky	131.4	100.7	16.6
Western Kentucky	4.5	—	—
Virginia	62.4	—	—
New Hampshire	3.5	—	—
Total Live and Historical Racing	\$ 614.6	\$ 409.1	\$ 169.6
TwinSpires:	\$ 436.4	\$ 451.4	\$ 430.1
Gaming:			
Florida	\$ 106.2	\$ 100.0	\$ 51.8
Iowa	15.6	—	—
Louisiana	140.8	133.6	97.6
Maine	114.4	99.8	44.9
Maryland	105.3	100.6	60.2
Mississippi	101.8	117.3	87.0
New York	30.9	—	—
Pennsylvania	140.9	144.1	93.8
Total Gaming	\$ 755.9	\$ 695.4	\$ 435.3
All Other	2.9	41.3	19.0
Net revenue from external customers	\$ 1,809.8	\$ 1,597.2	\$ 1,054.0
Intercompany net revenues:			
Live and Historical Racing	\$ 31.8	\$ 21.5	\$ 19.2
TwinSpires	5.2	6.4	5.5
Gaming	5.9	3.0	2.5
All Other	0.4	7.9	7.8
Eliminations	(43.3)	(38.8)	(35.0)
Intercompany net revenue	\$ —	\$ —	\$ —

Year Ended December 31, 2022

<i>(in millions)</i>	Live and Historical Racing	TwinSpires	Gaming	Total Segments	All Other	Total
Net revenue from external customers						
Pari-mutuel:						
Live and simulcast racing	\$ 66.8	\$ 367.4	\$ 28.1	\$ 462.3	\$ —	\$ 462.3
Historical racing ^(a)	374.1	—	9.8	383.9	—	383.9
Racing event-related services	129.8	—	1.8	131.6	—	131.6
Gaming ^(a)	3.5	28.2	647.4	679.1	—	679.1
Other ^(a)	40.4	40.8	68.8	150.0	2.9	152.9
Total	<u>\$ 614.6</u>	<u>\$ 436.4</u>	<u>\$ 755.9</u>	<u>\$ 1,806.9</u>	<u>\$ 2.9</u>	<u>\$ 1,809.8</u>

Year Ended December 31, 2021

<i>(in millions)</i>	Live and Historical Racing	TwinSpires	Gaming	Total Segments	All Other	Total
Net revenue from external customers						
Pari-mutuel:						
Live and simulcast racing	\$ 64.0	\$ 380.7	\$ 28.2	\$ 472.9	\$ 29.7	\$ 502.6
Historical racing ^(a)	253.0	—	—	253.0	—	253.0
Racing event-related services	68.5	—	1.2	69.7	7.0	76.7
Gaming ^(a)	—	34.8	622.0	656.8	—	656.8
Other ^(a)	23.6	35.9	44.0	103.5	4.6	108.1
Total	<u>\$ 409.1</u>	<u>\$ 451.4</u>	<u>\$ 695.4</u>	<u>\$ 1,555.9</u>	<u>\$ 41.3</u>	<u>\$ 1,597.2</u>

Year Ended December 31, 2020

<i>(in millions)</i>	Live and Historical Racing	TwinSpires	Gaming	Total Segments	All Other	Total
Net revenue from external customers						
Pari-mutuel:						
Live and simulcast racing	\$ 46.5	\$ 387.5	\$ 22.9	\$ 456.9	\$ 18.2	\$ 475.1
Historical racing ^(a)	93.6	—	—	93.6	—	93.6
Racing event-related services	21.0	—	3.4	24.4	0.3	24.7
Gaming ^(a)	—	11.3	381.3	392.6	—	392.6
Other ^(a)	8.5	31.3	27.7	67.5	0.5	68.0
Total	<u>\$ 169.6</u>	<u>\$ 430.1</u>	<u>\$ 435.3</u>	<u>\$ 1,035.0</u>	<u>\$ 19.0</u>	<u>\$ 1,054.0</u>

- (a) Food and beverage, hotel, and other services furnished to customers for free as an inducement to wager or through the redemption of our customers' loyalty points are recorded at the estimated standalone selling prices in Other revenue with a corresponding offset recorded as a reduction in historical racing pari-mutuel revenue for HRMs or gaming revenue for our casino properties. These amounts were \$33.9 million in 2022, \$20.9 million in 2021, and \$13.1 million in 2020.

14. OTHER BALANCE SHEET ITEMS

Accounts receivable

Accounts receivable is comprised of the following:

<i>(in millions)</i>	December 31,	
	2022	2021
Trade receivables	\$ 12.5	\$ 7.6
Simulcast and online wagering receivables	54.1	29.6
Other receivables	20.6	10.5
	87.2	47.7
Allowance for doubtful accounts	(5.7)	(5.4)
Total	\$ 81.5	\$ 42.3

We recognized bad debt expense of \$2.3 million in 2022, \$3.2 million in 2021 and \$2.5 million in 2020.

Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consisted of the following:

<i>(in millions)</i>	December 31,	
	2022	2021
Account wagering deposits liability	\$ 57.8	\$ 47.5
Accrued salaries and related benefits	39.6	39.9
Purses payable	46.1	28.6
Accrued interest	47.8	23.9
Accrued fixed assets	39.5	17.1
Other	130.2	74.7
Total	\$ 361.0	\$ 231.7

15. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED AFFILIATES

Investments in and advances to unconsolidated affiliates as of December 31, 2022 and 2021 primarily consisted of a 61.3% interest in Midwest Gaming Holdings, LLC ("Midwest Gaming"), the parent company of Rivers Casino Des Plaines ("Rivers Des Plaines"), a 50% interest in Miami Valley Gaming ("MVG"), and other immaterial joint ventures.

Rivers Des Plaines

On March 5, 2019, the Company completed the acquisition of certain ownership interests of Midwest Gaming, the parent company of Rivers Des Plaines to acquire approximately 42% of Midwest Gaming from affiliates and co-investors of Clairvest Group Inc. ("Clairvest") and members of High Plains Gaming, LLC ("High Plains"), an affiliate of Rush Street Gaming, LLC and Casino Investors, LLC ("Casino Investors") for cash consideration of approximately \$406.6 million and \$3.5 million of certain transaction costs and working capital adjustments (the "Sale Transaction"). Following the closing of the Sale Transaction, the parties completed a recapitalization transaction on March 6, 2019 (the "Recapitalization"), pursuant to which Midwest Gaming used approximately \$300.0 million in proceeds from amended and extended credit facilities to redeem, on a pro rata basis, additional Midwest Gaming units held by High Plains and Casino Investors. As a result of the Recapitalization, the Company's ownership of Midwest Gaming increased to 61.3%. High Plains retained ownership of 36.0% of Midwest Gaming and Casino Investors retained ownership of 2.7% of Midwest Gaming.

We also recognized a \$103.2 million deferred tax liability and a corresponding increase in our investment in unconsolidated affiliates related to an entity we acquired in conjunction with our acquisition of the Clairvest ownership stake in Midwest Gaming.

A new limited liability company agreement was entered into by the members of Midwest Gaming as a result of the change in ownership structure. Under the new limited liability company agreement, both the Company and High Plains have participating rights over Midwest Gaming, and both must consent to Midwest Gaming's operating, investing and financing decisions. As a result, we account for Midwest Gaming using the equity method.

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The Company's investment in Midwest Gaming is presented at our initial cost of investment plus the Company's accumulated proportional share of income or loss, including depreciation/accretion of the difference in the historical basis of the Company's contribution, less any distributions it has received. Following the Sale Transaction and Recapitalization, the carrying value of the Company's investment in Midwest Gaming was \$835.0 million higher than the Company's underlying equity in the net assets of Midwest Gaming. This equity method basis difference was comprised of \$853.7 million related to goodwill and indefinite-lived intangible assets, \$(13.7) million related to non-depreciable land, \$(9.5) million related to buildings that will be accreted into income over a weighted average useful life of 35.3 years, and \$4.5 million related to personal property that will be depreciated over a weighted average useful life of 3.7 years. As of December 31, 2022, the net aggregate basis difference between the Company's investment in Midwest Gaming and the amounts of the underlying equity in net assets was \$835.0 million.

Our investment in Rivers Des Plaines was \$544.9 million as of December 31, 2022 and \$554.8 million as of December 31, 2021. The Company received distributions from Rivers Des Plaines of \$123.8 million in 2022, \$67.2 million in 2021 and \$10.7 million in 2020.

Miami Valley Gaming

Delaware North Companies Gaming & Entertainment Inc. ("DNC") owns the remaining 50% interest in MVG. Since both we and DNC have participating rights over MVG, and both must consent to MVG's operating, investing and financing decisions, we account for MVG using the equity method.

Our investment in MVG was \$114.4 million as of December 31, 2022 and \$108.7 million as of December 31, 2021. The Company received distributions from MVG of \$33.0 million in 2022, \$42.0 million in 2021 and \$20.0 million in 2020.

Summarized Financial Results for our Unconsolidated Affiliates

The financial results for our unconsolidated affiliates are summarized below. The summarized income statement information for 2022 and 2021 and summarized balance sheet information as of December 31, 2022 and 2021 includes the following equity investments: MVG, Rivers Des Plaines, and other immaterial joint ventures.

<i>(in millions)</i>	December 31,		
	2022	2021	
Assets			
Current assets	\$ 91.0	\$ 96.0	
Property and equipment, net	345.7	312.3	
Other assets, net	265.0	264.1	
Total assets	\$ 701.7	\$ 672.4	
Liabilities and Members' Deficit			
Current liabilities	\$ 97.9	\$ 95.3	
Long-term debt	838.6	786.9	
Other liabilities	0.2	20.6	
Members' deficit	(235.0)	(230.4)	
Total liabilities and members' deficit	\$ 701.7	\$ 672.4	
	Years Ended December 31,		
<i>(in millions)</i>	2022	2021	2020
Net revenue	\$ 825.5	\$ 740.0	\$ 386.3
Operating and SG&A expense	509.1	434.2	252.1
Depreciation and amortization	25.8	17.6	17.0
Operating income	290.6	288.2	117.2
Interest and other expense, net	(24.8)	(38.6)	(63.1)
Net income	\$ 265.8	\$ 249.6	\$ 54.1

16. LEASES

Our operating leases with terms greater than one year are primarily related to buildings and land. Our operating leases with terms less than one year are primarily related to equipment. Most of our building and land leases have terms of 2 to 10 years and include one or more options to renew, with renewal terms that can extend the lease term from 1 to 5 years or more. Certain of our lease agreements include lease payments based on a percentage of net gaming revenue and others include rental payment adjustments periodically for inflation. The estimated discount rate for each of our leases is determined based on adjustments made to our secured debt borrowing rate.

The components of total lease cost were as follows:

<i>(in millions)</i>	Years Ended December 31,	
	2022	2021
Short-term lease cost ^{(a) (b)}	\$ 12.5	\$ 11.1
Operating lease cost ^(b)	8.1	7.8
Finance lease interest expense	0.4	0.3
Finance lease amortization expense ^(b)	0.7	0.5
Total lease cost	\$ 21.7	\$ 19.7

^(a) Includes leases with terms of one year or less.

^(b) Includes variable lease costs, which were not material.

Supplemental cash flow information related to leases are as follows:

<i>(in millions)</i>	Years Ended December 31,	
	2022	2021
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 6.5	\$ 6.5
Operating cash flows from finance leases	\$ 0.5	\$ 0.3
Financing cash flows from finance leases	\$ 0.4	\$ 0.2
ROUAs obtained in exchange for lease obligations		
Operating leases	\$ 10.7	\$ 9.8
Finance leases	\$ 6.2	\$ 4.4

Other information related to operating leases was as follows:

	December 31,	
	2022	2021
Weighted Average Remaining Lease Term		
Operating leases	6.5 years	5.9 years
Finance leases	14.9 years	16.0 years
Weighted Average Discount Rate		
Operating leases	4.1%	3.5%
Finance leases	4.1%	3.3%

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As of December 31, 2022, the future undiscounted cash flows associated with the Company's operating and financing lease liabilities were as follows:

(in millions)

Years Ended December 31,	Operating Leases	Finance Leases
2023	\$ 7.6	\$ 1.3
2024	7.1	1.4
2025	6.6	1.4
2026	6.2	1.4
2027	3.0	1.4
Thereafter	7.0	15.0
Total future minimum lease payments	37.5	21.9
Less: Imputed interest	4.5	5.8
Present value of lease liabilities	<u>\$ 33.0</u>	<u>\$ 16.1</u>
Reported lease liabilities as of December 31, 2022		
Accrued expense and other current liabilities (current maturities of leases)	\$ 7.0	\$ 0.9
Other liabilities (non-current maturities of leases)	26.0	15.2
Present value of lease liabilities	<u>\$ 33.0</u>	<u>\$ 16.1</u>

17. BOARD OF DIRECTOR AND EMPLOYEE BENEFIT PLANS

Board of Directors and Officers Retirement Plan

Under the 2005 Deferred Compensation Plan (the "Deferred Plan"), members of our Board of Directors may elect to invest the deferred director fee compensation into our common stock within the Deferred Plan. Investments in our common stock are credited as hypothetical shares of common stock based on the market price of the stock at the time the compensation was earned. Upon the end of the director's service, common stock shares are issued to the director.

Prior to December 13, 2019, we provided eligible executives the opportunity to defer the receipt of base and bonus compensation to a future date and included a Company matching contribution on base compensation with certain limits through the Deferred Plan. On December 13, 2019, the Compensation Committee elected to freeze the Deferred Plan for eligible executives after the 2019 plan year.

On December 13, 2019, the Compensation Committee adopted the Churchill Downs Incorporated Restricted Stock Unit Deferral Plan, effective January 1, 2020 (the "RSU Deferral Plan"). Under the RSU Deferral Plan, certain individual employees who are management or highly compensated employees of the Company may elect to defer settlement of RSUs granted pursuant to the 2016 Plan.

Other Retirement Plans

We have a profit-sharing plan for all employees with three months or more of service who are not otherwise participating in an associated profit-sharing plan. We match contributions made by employees up to 3% of the employee's annual compensation and match at 50% any contributions made by the employee up to an additional 2% of compensation with certain limits. We may also contribute a discretionary amount determined annually by the Board of Directors as well as a year-end discretionary match not to exceed 4% of compensation. Our cash contribution to the plan was \$4.3 million in 2022, \$4.1 million in 2021, and \$3.7 million in 2020.

18. FAIR VALUE OF ASSETS AND LIABILITIES

We endeavor to utilize the best available information in measuring fair value. Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate:

Restricted Cash

Our restricted cash accounts that are held in interest-bearing accounts qualify for Level 1 in the fair value hierarchy, which includes unadjusted quoted market prices in active markets for identical assets.

Debt

The fair value of the Company's Senior Secured Term Loan B, Term Loan B-1, Term Loan A and Revolver under the Credit Agreement approximate the gross carrying value of the variable rate debt and as such are Level 2 measurements. The fair value of the Company's 2030 Senior Notes, 2028 Senior Notes and 2027 Senior Notes are estimated based on unadjusted quoted prices for identical or similar liabilities in markets that are not active and as such are Level 2 measurements.

The carrying amounts and estimated fair values by input level of the Company's financial instruments are as follows:

		December 31, 2022				
<i>(in millions)</i>	Carrying Amount	Fair Value	Level 1	Level 2	Level 3	
Financial assets:						
Restricted cash	\$ 74.9	\$ 74.9	\$ 74.9	\$ —	\$ —	
Financial liabilities:						
Term Loan B	\$ 378.4	\$ 380.0	\$ —	\$ 380.0	\$ —	
Term Loan B-1	291.6	294.8	—	294.8	—	
Term Loan A	794.5	800.0	—	800.0	—	
Revolver	664.1	664.1	—	664.1	—	
2027 Senior Notes	595.3	574.5	—	574.5	—	
2028 Senior Notes	698.4	626.5	—	626.5	—	
2030 Senior Notes	1,183.4	1,079.4	—	1,079.4	—	

		December 31, 2021				
<i>(in millions)</i>	Carrying Amount	Fair Value	Level 1	Level 2	Level 3	
Financial assets:						
Restricted cash	\$ 64.3	\$ 64.3	\$ 64.3	\$ —	\$ —	
Financial liabilities:						
Term Loan B	\$ 381.6	\$ 384.0	\$ —	\$ 384.0	\$ —	
Term Loan B-1	294.0	297.8	—	297.8	—	
2027 Senior Notes	594.3	619.5	—	619.5	—	
2028 Senior Notes	698.1	724.5	—	724.5	—	

19. CONTINGENCIES

We are involved in litigation arising in the ordinary course of conducting business. We carry insurance for workers' compensation claims from our employees and general liability for claims from independent contractors, customers and guests. We are self-insured up to an aggregate stop loss for our general liability and workers' compensation coverages.

We review all litigation on an ongoing basis when making accrual and disclosure decisions. For certain legal proceedings, we cannot reasonably estimate losses or a range of loss, if any, particularly for proceedings that are in the early stages of development or where the plaintiffs seek indeterminate damages. Various factors, including but not limited to, the outcome of potentially lengthy discovery and the resolution of important factual questions, may need to be determined before probability can be established or before a loss or range of loss can be reasonably estimated. In accordance with current accounting standards for loss contingencies and based upon information currently known to us, we establish reserves for litigation when it is probable that a loss associated with a claim or proceeding has been incurred and the amount of the loss or range of loss can be reasonably estimated. When no amount within the range of loss is a better estimate than any other amount, we accrue the minimum amount of the estimable loss. To the extent that such litigation against us may have an exposure to a loss in excess of

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the amount we have accrued, we believe that such excess would not be material to our consolidated financial condition, results of operations, or cash flows. Legal fees are expensed as incurred.

If the loss contingency in question is not both probable and reasonably estimable, we do not establish an accrual and the matter will continue to be monitored for any developments that would make the loss contingency both probable and reasonably estimable. In the event that a legal proceeding results in a substantial judgment against, or settlement by us, there can be no assurance that any resulting liability or financial commitment would not have a material adverse impact on our business.

20. NET INCOME (LOSS) PER COMMON SHARE COMPUTATIONS

The following is a reconciliation of the numerator and denominator of the net income (loss) per common share computations:

	Years Ended December 31,		
	2022	2021	2020
<i>(in millions, except per share data)</i>			
Numerator for basic net income (loss) per common share:			
Net income from continuing operations	\$ 439.4	\$ 249.1	\$ 13.3
Net loss attributable to noncontrolling interest	—	—	(0.2)
Net income from continuing operations, net of loss attributable to noncontrolling interests	439.4	249.1	13.5
Net loss from discontinued operations	—	—	(95.4)
Numerator for basic net income (loss) per common share	<u>\$ 439.4</u>	<u>\$ 249.1</u>	<u>\$ (81.9)</u>
Numerator for diluted net income from continuing operations per common share	<u>\$ 439.4</u>	<u>\$ 249.1</u>	<u>\$ 13.5</u>
Numerator for diluted net income (loss) per common share	<u>\$ 439.4</u>	<u>\$ 249.1</u>	<u>\$ (81.9)</u>
Denominator for net income (loss) per common share:			
Basic	37.9	38.6	39.6
Plus dilutive effect of stock awards	0.6	0.6	0.5
Diluted	<u>38.5</u>	<u>39.2</u>	<u>40.1</u>
Net income (loss) per common share data:			
Basic			
Continuing operations	\$ 11.58	\$ 6.45	\$ 0.34
Discontinued operations	—	—	(2.41)
Net income (loss) per common share - basic	<u>\$ 11.58</u>	<u>\$ 6.45</u>	<u>\$ (2.07)</u>
Diluted			
Continuing operations	\$ 11.42	\$ 6.35	\$ 0.33
Discontinued operations ⁽¹⁾	—	—	(2.41)
Net income (loss) per common share - diluted	<u>\$ 11.42</u>	<u>\$ 6.35</u>	<u>\$ (2.08)</u>

⁽¹⁾ Amounts exclude all potential common equivalent shares for periods when there is a net loss from discontinued operations.

21. SEGMENT INFORMATION

We manage our operations through three reportable segments: Live and Historical Racing, TwinSpires, and Gaming. Refer to Note 1, Description of Business, for additional information regarding the changes we made to our segments during the first quarters of 2021 and 2022. Prior year amounts have been reclassified to conform to this presentation. Our operating segments reflect the internal management reporting used by our chief operating decision maker to evaluate results of operations and to assess performance and allocate resources.

- **Live and Historical Racing**

The Live and Historical Racing segment includes live and historical pari-mutuel racing related revenue and expenses at Churchill Downs Racetrack and our historical racing properties in Kentucky, Virginia, and New Hampshire.

Our Live and Historical Racing properties earn commissions primarily from pari-mutuel wagering on live and historical races; simulcast fees earned from other wagering sites, fees from racing event-related services including admissions, personal seat licenses, sponsorships, television rights, and other miscellaneous services, and revenue from food and beverage services.

- **TwinSpires**

The TwinSpires segment includes the revenue and expenses for TwinSpires Horse Racing, TwinSpires Sports and Casino and United Tote businesses and these businesses are headquartered in Louisville, Kentucky.

TwinSpires Horse Racing operates the online horse racing wagering business for TwinSpires.com, BetAmerica.com, and other white-label platforms; facilitates high dollar wagering by international customers; and provides the Bloodstock Research Information Services platform for horse racing statistical data.

Our sports betting and casino business includes the retail and online TwinSpires sports betting and online casino gaming operations.

Our TwinSpires Sports and Casino business includes the results of our nine retail sportsbooks at our wholly-owned gaming properties and our casino platform in Pennsylvania. Rivers Des Plaines retail and online BetRivers sportsbook is included in the Gaming segment.

The Company exited the direct online Sports and Casino business during 2022 in every state except Pennsylvania and Arizona.

United Tote manufactures and operates pari-mutuel wagering systems for racetracks, OTBs and other pari-mutuel wagering businesses. United Tote provides totalisator services which accumulate wagers, calculate payoffs and displays wagering data to patrons who wager on horse races. United Tote has contracts to provide totalisator services to third-party racetracks, OTBs and other pari-mutuel wagering businesses and also provides these services at our facilities.

- **Gaming**

The Gaming segment includes revenue and expenses for the casino properties and associated racetrack facilities which support the casino license as applicable. The Gaming segment has approximately 13,980 slot machines and video lottery terminals ("VLTs") and 358 table games located in ten states.

The Gaming segment revenue and expenses includes the following properties:

- Florida - Calder Casino ("Calder")
- Iowa - Hard Rock Hotel & Casino ("Hard Rock Sioux City")
- Louisiana - Fair Grounds Slots, Fair Grounds Race Course, and Video Services, LLC ("VSI") (collectively, "Fair Grounds and VSI")
- Maryland - Ocean Downs Casino & Racetrack ("Ocean Downs")
- Maine - Oxford Casino & Hotel ("Oxford")
- Mississippi
 - Harlow's Casino Resort and Spa ("Harlow's")
 - Riverwalk Casino Hotel ("Riverwalk")
- New York - del Lago Resort & Casino ("del Lago")
- Pennsylvania
 - Presque Isle Downs & Casino ("Presque Isle")
 - Lady Luck Casino Nemaquin ("Lady Luck Nemaquin") management agreement

The Gaming segment also includes net income for our ownership portion of the Company's equity investments in the following:

- Illinois - 61.3% equity investment in Midwest Gaming, the parent company of Rivers Des Plaines
- Ohio - 50% equity investment in MVG

The Gaming segment includes revenue and expenses for the casino properties and associated racetracks which support the casino license. The Gaming segment generates revenue and expenses from slot machines, table games, VLTs, video poker, HRMs, ancillary food and beverage services, hotel services, commission on pari-mutuel wagering, racing event-related services, and other miscellaneous operations.

We have aggregated Arlington as well as certain corporate operations, and other immaterial joint ventures in All Other to reconcile to consolidated results.

Churchill Downs Incorporated
Notes to Consolidated Financial Statements

Eliminations include the elimination of intersegment transactions. We utilize non-GAAP measures, including EBITDA (earnings before interest, taxes, depreciation and amortization) and Adjusted EBITDA. Our chief operating decision maker utilizes Adjusted EBITDA to evaluate segment performance, develop strategy and allocate resources. Adjusted EBITDA includes the following adjustments:

Adjusted EBITDA includes our portion of EBITDA from our equity investments.

Adjusted EBITDA excludes:

- Transaction expense, net which includes:
 - Acquisition, disposition, and land sale related charges;
 - Direct online Sports and Casino business exit costs; and
 - Other transaction expense, including legal, accounting, and other deal-related expense;
- Stock-based compensation expense;
- Rivers Des Plaines' impact on our investments in unconsolidated affiliates from:
 - The impact of changes in fair value of interest rate swaps; and
 - Legal reserves and transaction costs;
- Asset impairments;
- Gain on Calder Land sale;
- Legal reserves;
- Pre-opening expense; and
- Other charges, recoveries, and expenses

As of December 31, 2021, Arlington ceased racing and simulcast operations. On February 15, 2023, the Company closed on the sale of the property to the Chicago Bears. Refer to Note 4, Dispositions and Assets Held for Sale for additional information. Arlington's operating loss in the current quarter and year is treated as an adjustment to EBITDA and is included in Other expenses, net in the Reconciliation of Comprehensive Income to Adjusted EBITDA.

We utilize the Adjusted EBITDA metric to provide a more accurate measure of our core operating results and enable management and investors to evaluate and compare from period to period our operating performance in a meaningful and consistent manner. Adjusted EBITDA should not be considered as an alternative to operating income as an indicator of performance, as an alternative to cash flows from operating activities as a measure of liquidity, or as an alternative to any other measure provided in accordance with GAAP. Our calculation of Adjusted EBITDA may be different from the calculation used by other companies and, therefore, comparability may be limited. For segment reporting, Adjusted EBITDA includes intercompany revenue and expense totals that are eliminated in the accompanying Consolidated Statements of Comprehensive Income (Loss).

The tables below present net revenue from external customers and intercompany revenue from each of our segments, Adjusted EBITDA by segment and reconciles comprehensive income to Adjusted EBITDA:

Net revenue by segment is comprised of the following:

	Years Ended December 31,		
	2022	2021	2020
<i>(in millions)</i>			
Live and Historical Racing	\$ 614.6	\$ 409.1	\$ 169.6
TwinSpires	436.4	451.4	430.1
Gaming	755.9	695.4	435.3
All Other	2.9	41.3	19.0
Net Revenue	\$ 1,809.8	\$ 1,597.2	\$ 1,054.0

Adjusted EBITDA by segment is comprised of the following:

	Year Ended December 31, 2022		
<i>(in millions)</i>	Live and Historical Racing	TwinSpires	Gaming
Revenue	\$ 646.4	\$ 441.6	\$ 761.8
Taxes and purses	(168.6)	(27.0)	(278.1)
Marketing and advertising	(19.8)	(13.0)	(18.9)
Salaries and benefits	(63.4)	(26.8)	(102.7)
Content expense	(3.4)	(203.3)	(8.3)
Selling, general and administrative expense	(18.6)	(9.7)	(31.3)
Other operating expense	(85.5)	(47.8)	(91.5)
Other income	0.4	0.1	190.9
Adjusted EBITDA	<u>\$ 287.5</u>	<u>\$ 114.1</u>	<u>\$ 421.9</u>
	Year Ended December 31, 2021		
<i>(in millions)</i>	Live and Historical Racing	TwinSpires	Gaming
Revenue	\$ 430.6	\$ 457.8	\$ 698.4
Taxes and purses	(126.3)	(30.7)	(264.4)
Marketing and advertising	(12.9)	(49.4)	(11.8)
Salaries and benefits	(48.4)	(27.0)	(87.1)
Content expense	(2.5)	(206.6)	(4.7)
Selling, general and administrative expense	(12.8)	(11.0)	(27.9)
Other operating expense	(53.0)	(50.4)	(72.3)
Other income	0.3	—	181.7
Adjusted EBITDA	<u>\$ 175.0</u>	<u>\$ 82.7</u>	<u>\$ 411.9</u>
	Year Ended December 31, 2020		
<i>(in millions)</i>	Live and Historical Racing	TwinSpires	Gaming
Revenue	\$ 188.8	\$ 435.6	\$ 437.8
Taxes and purses	(64.1)	(25.1)	(171.6)
Marketing and advertising	(6.2)	(16.5)	(7.5)
Salaries and benefits	(32.5)	(24.6)	(75.9)
Content expense	(1.5)	(202.7)	(3.5)
Selling, general and administrative expense	(8.7)	(10.4)	(25.4)
Other operating expense	(36.8)	(40.5)	(59.7)
Other income	0.1	0.1	78.9
Adjusted EBITDA	<u>\$ 39.1</u>	<u>\$ 115.9</u>	<u>\$ 173.1</u>

Churchill Downs Incorporated
Notes to Consolidated Financial Statements

<i>(in millions)</i>	Years Ended December 31,		
	2022	2021	2020
Reconciliation of Comprehensive Income (Loss) to Adjusted EBITDA:			
Net income (loss) and comprehensive income (loss) attributable to Churchill Downs Incorporated	\$ 439.4	\$ 249.1	\$ (81.9)
Net loss attributable to noncontrolling interest	—	—	0.2
Net income (loss)	439.4	249.1	(82.1)
Loss from discontinued operations, net of tax	—	—	95.4
Income from continuing operations, net of tax	439.4	249.1	13.3
Additions:			
Depreciation and amortization	113.7	103.2	92.9
Interest expense	147.3	84.7	80.0
Income tax provision (benefit)	169.4	94.5	(5.3)
EBITDA	<u>\$ 869.8</u>	<u>\$ 531.5</u>	<u>\$ 180.9</u>
Adjustments to EBITDA:			
Selling, general and administrative:			
Stock-based compensation expense	\$ 31.8	\$ 27.8	\$ 23.7
Legal reserves	3.8	—	—
Other charges	7.4	0.2	0.8
Pre-opening expense and other expense	13.2	5.8	11.2
Other income, expense:			
Interest, depreciation and amortization expense related to equity investments	42.8	41.5	38.5
Changes in fair value of Rivers Des Plaines' interest rate swaps	(12.6)	(12.9)	12.9
Rivers Des Plaines' legal reserves and transactions costs	0.6	9.9	—
Other charges and recoveries, net	1.0	—	—
Gain on Calder land sale	(274.6)	—	—
Transaction expense, net	42.1	7.9	1.0
Asset impairments	38.3	15.3	17.5
Total adjustments to EBITDA	<u>(106.2)</u>	<u>95.5</u>	<u>105.6</u>
Adjusted EBITDA	<u>\$ 763.6</u>	<u>\$ 627.0</u>	<u>\$ 286.5</u>
Adjusted EBITDA by segment:			
Live and Historical Racing	\$ 287.5	\$ 175.0	\$ 39.1
TwinSpires	114.1	82.7	115.9
Gaming	421.9	411.9	173.1
Total segment Adjusted EBITDA	823.5	669.6	328.1
All Other	(59.9)	(42.6)	(41.6)
Total Adjusted EBITDA	<u>\$ 763.6</u>	<u>\$ 627.0</u>	<u>\$ 286.5</u>

The table below presents total asset information for each of our segments:

<i>(in millions)</i>	December 31,	
	2022	2021
Total assets:		
Live and Historical Racing	\$ 3,345.4	\$ 682.7
TwinSpires	287.9	289.6
Gaming	1,824.2	1,003.3
Total segment assets	5,457.5	1,975.6
All Other	749.3	1,006.0
	\$ 6,206.8	\$ 2,981.6

The table below presents total capital expenditures for each of our segments:

<i>(in millions)</i>	Years Ended December 31,		
	2022	2021	2020
Capital expenditures:			
Live and Historical Racing	\$ 307.0	\$ 60.1	\$ 213.3
TwinSpires	87.6	18.6	6.7
Gaming	11.8	10.3	11.6
Total segment capital expenditures	406.4	89.0	231.6
All Other	17.1	2.8	2.6
Total capital expenditures	\$ 423.5	\$ 91.8	\$ 234.2

22. RELATED PARTY TRANSACTIONS

Directors and employees may from time to time own or have interests in horses racing at our racetracks. All such races are conducted under the regulations of each state's respective regulatory agency, as applicable, and no director or employee receives any extra or special benefit with regard to having his or her horses selected to run in races or in connection with the actual running of races. There is no material financial statement impact attributable to directors or employees who may have interests in horses racing at our racetracks.

In the ordinary course of business, we may enter into transactions with certain of our officers and directors for the sale of personal seat licenses, suite accommodations, and tickets for our live racing events. We believe that each such transaction has been on terms no less favorable for us than could have been obtained in a transaction with a third party, and no officer or director received any extra or special benefit in connection with such transactions.

Stock Repurchase Agreement

On February 1, 2021, the Company entered into an agreement (the "Stock Repurchase Agreement") with an affiliate of TDG to repurchase 1,000,000 shares of the Company's common stock for \$193.94 per share in a privately negotiated transaction. The aggregate purchase price was \$193.9 million. The Stock Repurchase Agreement contains customary representations, warranties and covenants of the parties.

The repurchase of shares of common stock from TDG pursuant to the Stock Repurchase Agreement was approved by the Company's Board of Directors separately from, and did not reduce the authorized amount remaining under, the existing common stock repurchase program from October 2018. The Company repurchased the shares using available cash and borrowings under the Revolver.

Amendment to Credit Agreement

Also, on February 1, 2021, the Company entered into an amendment to the Credit Agreement to increase the amount of certain otherwise restricted payments permitted during the Financial Covenant Relief Period from \$26.0 million to \$226.0 million to accommodate the repurchase of shares of common stock from TDG described above.

23. SUBSEQUENT EVENTS

On February 15, 2023, we closed on the sale of 326-acres of property in Arlington Heights, Illinois, to the Chicago Bears for \$197.2 million per the agreement announced in September 2021.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Churchill Downs Incorporated

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Churchill Downs Incorporated and its subsidiaries (the “Company”) as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive income (loss), of shareholders' equity and of cash flows for each of the three years in the period ended December 31, 2022, including the related notes and schedule of valuation and qualifying accounts for each of the three years in the period ended December 31, 2022 appearing under Item 15(a)(2) (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As described in Management's Report on Internal Control over Financial Reporting, management has excluded the properties acquired as part of the Peninsula Pacific Entertainment LLC (“P2E”) acquisition and Ellis Park Racing & Gaming (“Ellis Park”) from its assessment of internal control over financial reporting as of December 31, 2022, because they were acquired by the Company in purchase business combinations during 2022. We have also excluded the properties acquired as part of the P2E acquisition and Ellis Park from our audit of internal control over financial reporting. The properties acquired as part of the P2E acquisition and Ellis Park are wholly-owned subsidiaries whose total assets and total revenues excluded from management's assessment and our audit of internal control over financial reporting represent approximately 11.3% and less than 1% of total assets, respectively and approximately 6.1% and less than 1% of total revenues, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2022.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures

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

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

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Acquisition of Peninsula Pacific Entertainment LLC – Valuation of Indefinite-Lived Gaming Rights Intangible Assets

As described in Notes 1 and 3 to the consolidated financial statements, on November 1, 2022, the Company completed the acquisition of substantially all of the assets of Peninsula Pacific Entertainment LLC (“P2E”) for a preliminary purchase consideration of \$2,835.9 million, net of cash acquired, which resulted in \$1,865.6 million of indefinite-lived gaming rights intangible assets being recorded. The fair value of the gaming rights was determined using the Greenfield method, which is an income approach methodology. In estimating the fair value of the indefinite-lived gaming rights intangible assets, management makes significant estimates and assumptions about future revenue and operating expenses, start-up costs, and the discount rates.

The principal considerations for our determination that performing procedures relating to the indefinite-lived gaming rights intangible assets acquired in the acquisition of P2E is a critical audit matter are (i) the significant judgment by management when developing the fair value estimate of the indefinite-lived gaming rights, (ii) a high degree of auditor judgment, subjectivity, and effort in applying procedures and evaluating management's significant assumptions related to estimated future revenue and operating expenses, start-up costs, and discount rates; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the acquisition accounting, including controls over management's valuation of the gaming rights intangible assets. These procedures also included, among others, (i) reading the purchase agreement, (ii) testing management's process for developing the fair value estimate of the indefinite-lived gaming rights intangible assets, (iii) evaluating the appropriateness of the income approach methodology, (iv) testing the completeness and accuracy of the data used in the methodology, and (v) evaluating the reasonableness of significant assumptions related to the future revenue and operating expenses, start-up costs, and discount rates. Evaluating the reasonableness of the future revenue and operating expenses and start-up costs involved considering the past performance of P2E, economic and industry forecasts, and whether the assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of the appropriateness of the Company's income approach methodology and the reasonableness of the discount rates assumption.

/s/ PricewaterhouseCoopers LLP

Louisville, Kentucky
February 22, 2023

We have served as the Company's auditor since 1990.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in our reports that we filed or submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

As required by the Securities and Exchange Commission Rule 13a-15(e), we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2022. Based upon the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There has been no change in our internal controls over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Our process for evaluating controls and procedures is continuous and encompasses constant improvement of the design and effectiveness of established controls and procedures.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting of Churchill Downs Incorporated, as defined in Rules 13a-15(f) or 15d-15(f) under the Securities Exchange Act of 1934, as amended. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of Churchill Downs Incorporated's internal control over financial reporting based upon the framework in the *Integrated Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have excluded the properties acquired as part of the Peninsula Pacific Entertainment LLC ("P2E") acquisition and Ellis Park Racing & Gaming ("Ellis Park") from our assessment of internal control over financial reporting as of December 31, 2022, because these properties were acquired by us in business acquisitions during 2022. The total assets excluded were 11.3% and less than 1% of total assets, respectively and approximately 6.1% and less than 1% of total revenues, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2022.

Based upon our evaluation under the framework in the *Internal Control-Integrated Framework (2013)* management has concluded that Churchill Downs Incorporated's internal control over financial reporting was effective as of December 31, 2022.

<u>/s/ William C. Carstanjen</u>	<u>/s/ Marcia A. Dall</u>	<u>/s/ Jon E. Rauch</u>
William C. Carstanjen	Marcia A. Dall	Jon E. Rauch
Chief Executive Officer	Executive Vice President and	Vice President and
February 22, 2023	Chief Financial Officer	Chief Accounting Officer
	February 22, 2023	February 22, 2023

The effectiveness of the Company's internal control over financial reporting as of December 31, 2022 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

ITEM 9B. OTHER INFORMATION

None.

Item 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information with respect to our directors and audit committee is incorporated by reference to the definitive proxy statement on Schedule 14A to be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2022.

We have adopted a Code of Conduct that applies to all directors, employees, and officers, including our Chief Executive Officer, Chief Financial Officer and principal financial officers. This Code of Conduct is available on our corporate website, www.churchilldownsincorporated.com, under the "Corporate Governance" subheading of the "Investors" heading and is also available to shareholders upon request.

Information about our Executive Officers

Name	Age as of 2/22/2023	Principal Occupation for the Past Five Years and Position with Churchill Downs Incorporated
William C. Carstanjen	55	Chief Executive Officer since August 2014; President and Chief Operating Officer from March 2011 to August 2014.
William E. Mudd	51	President and Chief Operating Officer since October 2015; President and Chief Financial Officer from August 2014 to October 2015; Executive Vice President and Chief Financial Officer from October 2007 to August 2014.
Marcia A. Dall	59	Executive Vice President and Chief Financial Officer since October 2015; Executive Vice President and Chief Financial Officer of Erie Insurance Group and Erie Indemnity Company, a public corporation (Nasdaq: ERIE), from March 2009 through October 2015.
Bradley K. Blackwell	51	Senior Vice President, General Counsel and Secretary since March 2017; Vice President, Operations from February 2015 to March 2017; Vice President, Legal from April 2011 to February 2015; Vice President, Legal and Regulatory Affairs for TwinSpires from January 2007 to May 2011; Corporate Counsel from April 2005 to December 2007.
Maureen Adams	59	Senior Vice President of Gaming Operations since February 2022; Vice President of Gaming Operations from July 2019 to February 2022; President and General Manager of Calder Casino from August 2013 to July 2019.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item with respect to executive compensation is incorporated by reference to the definitive proxy statement on Schedule 14(a) to be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2022; provided, that the Compensation Committee Report will not be deemed to be "filed" with this Report.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

The information required by this item with respect to security ownership of certain beneficial owners and management and related shareholder matters is with respect to securities authorized for issuance under equity compensation plans incorporated by reference to the definitive proxy statement on Schedule 14A to be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2022.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item with respect to transactions with related persons and director independence matters is incorporated by reference to the definitive proxy statement on Schedule 14A to be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2022.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item with respect to principal accounting fees and services is incorporated by reference to the definitive proxy statement on Schedule 14A to be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2022.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULE

	<u>Pages</u>
(a) (1) Consolidated Financial Statements	
The following financial statements of Churchill Downs Incorporated for the years ended 2022, 2021 and 2020 are included in Part II, Item 8:	
<u>Consolidated Statements of Comprehensive Income (Loss)</u>	<u>46</u>
<u>Consolidated Balance Sheets</u>	<u>47</u>
<u>Consolidated Statements of Shareholders' Equity</u>	<u>48</u>
<u>Consolidated Statements of Cash Flows</u>	<u>49</u>
<u>Notes to Consolidated Financial Statements</u>	<u>51</u>
<u>Report of Independent Registered Public Accounting Firm (PCAOB ID 238)</u>	<u>87</u>
(2) <u>Schedule II—Valuation and Qualifying Accounts</u>	<u>99</u>
All other schedules are omitted because they are not applicable, not significant or not required, or because the required information is included in the consolidated financial statements or notes thereto.	
(3) For the list of required exhibits, see exhibit index.	<u>93</u>
(b) Exhibits	<u>93</u>
<u>See exhibit index.</u>	
(c) All financial statements and schedules except those items listed under Items 15(a)(1) and (2) above are omitted because they are not applicable or not required, or because the required information is included in the consolidated financial statements or notes thereto.	

EXHIBIT INDEX

<u>Numbers</u>	<u>Description</u>	<u>By Reference To</u>
2.1	Purchase Agreement, dated as of February 18, 2022, by and between Peninsula Pacific Entertainment Intermediate Holdings LLC and Churchill Downs Incorporated	Exhibit 2.1 to Current Report on Form 8-K filed February 22, 2022
2.2	Amendment No. 1 to Purchase Agreement, dated as of September 2, 2022, by and between Peninsula Pacific Entertainment Intermediate Holdings LLC and Churchill Downs Incorporated	Exhibit 2.1 to Current Report on Form 8-K filed September 6, 2022
3.1	Amended and Restated Articles of Incorporation of Churchill Downs Incorporated, as amended and restated on January 25, 2019	Exhibit 3.2 to Current Report on Form 8-K filed January 17, 2019
3.2	Amended and Restated Bylaws of Churchill Downs Incorporated, as amended October 25, 2022	Exhibit 3.1 to Current Report on Form 8-K filed October 25, 2022
4.1	Rights Agreement, dated as of March 19, 2008 by and between Churchill Downs Incorporated and National City Bank [NC(1)]	Exhibit 4.1 to Current Report on Form 8-K filed March 17, 2008
4.2	Indenture, dated as of December 27, 2017, by and among Churchill Downs Incorporated, the guarantors party thereto and U.S. Bank National Association	Exhibit 4.1 to Current Report on Form 8-K filed December 27, 2017
4.3	Indenture, dated as of March 25, 2019, by and among Churchill Downs Incorporated, the guarantors party thereto and U.S. Bank National Association	Exhibit 4.1 to Current Report on Form 8-K filed March 26, 2019
4.4	Second Supplemental Indenture, dated as of March 17, 2021, by and among Churchill Downs Incorporated, the guarantors party thereto and U.S. Bank National Association	Exhibit 4.1 to Current Report on Form 8-K filed March 18, 2021
4.5	Indenture, dated April 13, 2022, by and between CDI Escrow Issuer, Inc. and U.S. Bank National Association as trustee	Exhibit 4.1 to Current Report on Form 8-K filed April 14, 2022
4.6	Registration Rights Agreement, dated as of December 27, 2017, by and among Churchill Downs Incorporated, the guarantors party thereto and J.P. Morgan Securities LLC	Exhibit 4.2 to Current Report on Form 8-K filed December 27, 2017
4.7	Registration Rights Agreement, dated as of March 25, 2019, by and among Churchill Downs Incorporated, the guarantors party thereto and J.P. Morgan Securities, LLC	Exhibit 4.2 to Current Report on Form 8-K filed March 26, 2019
4.8	Registration Rights Agreement, dated as of March 17, 2021, by and among Churchill Downs Incorporated, the guarantors party thereto and J.P. Morgan Securities LLC	Exhibit 4.2 to Current Report on Form 8-K filed March 18, 2021
4.9	Registration Rights Agreement, dated April 13, 2022, by and between CDI Escrow Issuer, Inc. and J.P. Morgan Securities LLC, as representative of the initial purchasers	Exhibit 4.2 to Current Report on Form 8-K filed April 14, 2022
4.10	Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934	Exhibit 4(f) to Annual Report on Form 10-K for the fiscal year ended December 31, 2020 filed February 24, 2021
10.1	Churchill Downs Incorporated Amended and Restated Supplemental Benefit Plan effective December 1, 1998†	Exhibit 10(a) to Annual Report on Form 10-K for the fiscal year ended December 31, 1998 filed March 31, 1999
10.2	Churchill Downs Incorporated Amended and Restated Deferred Compensation Plan for Employees and Directors†	Exhibit 10(a) to Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2001 filed May 15, 2001
10.3	2005 Churchill Downs Incorporated Deferred Compensation Plan†	Exhibit 10.1 to Current Report on Form 8-K filed June 21, 2005

<u>Numbers</u>	<u>Description</u>	<u>By Reference To</u>
10.4	2006 Amendment to 2005 Churchill Downs Incorporated Deferred Compensation Plan†	Exhibit 10.1 to Current Report on Form 8-K filed June 8, 2006
10.5	Amendment to Churchill Downs Incorporated 2005 Deferred Compensation Plan Adopted June 28, 2007†	Exhibit 10(b) to Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2007 filed August 7, 2007
10.6	2005 Churchill Downs Incorporated Deferred Compensation Plan (As Amended as of December 1, 2008)†	Exhibit 10 (ww) to Annual Report on Form 10-K for the fiscal year ended December 31, 2008 filed March 4, 2009
10.7	Third Amendment to the 2005 Churchill Downs Incorporated Deferred Compensation Plan†	Exhibit 10.2 to Current Report on Form 8-K filed December 19, 2019
10.8	Fourth Amendment to the 2005 Churchill Downs Incorporated Deferred Compensation Plan† **	
10.9	Fifth Amendment to the 2005 Churchill Downs Incorporated Deferred Compensation Plan† **	
10.10	Sixth Amendment to the 2005 Churchill Downs Incorporated Deferred Compensation Plan† **	
10.11	Churchill Downs Incorporated Restricted Stock Unit Deferred Compensation Plan†	Exhibit 10.1 to Current Report on Form 8-K filed December 19, 2019
10.12	Churchill Downs Incorporated 2007 Omnibus Stock Incentive Plan†	Exhibit A to Schedule 14A filed April 30, 2007
10.13	Amendment to the Churchill Downs Incorporated 2007 Omnibus Stock Incentive Plan†	Exhibit B to Schedule 14A filed May 3, 2012
10.14	Amended and Restated Terms and Conditions of Performance Stock Awards Issued Pursuant to the Churchill Downs Incorporated 2007 Omnibus Stock Incentive Plan, dated as of December 19, 2008†	Exhibit 10.1 to Current Report on Form 8-K filed December 22, 2008
10.15	Form of Churchill Downs Incorporated Restricted Stock Agreement pursuant to the 2007 Omnibus Stock Incentive Plan†	Exhibit 10(LL) to Annual Report on Form 10-K for the fiscal year ended December 31, 2011 filed March 12, 2012
10.16	Form of Restricted Stock Agreement pursuant to the 2007 Omnibus Stock Incentive Plan, dated as of February 9, 2015, by and between Churchill Downs Incorporated and each of William C. Carstanjen and William E. Mudd†	Exhibit 10.1 to Current Report on Form 8-K filed February 12, 2015
10.17	Form of Churchill Downs Incorporated Performance Share Unit Agreement pursuant to the 2007 Omnibus Stock Incentive Plan†	Exhibit 10.1B to Current Report on Form 8-K filed September 28, 2015
10.18	Churchill Downs Incorporated 2016 Omnibus Stock Incentive Plan†	Exhibit 10.1 to Current Report on Form 8-K filed April 29, 2016
10.19	Form of Performance Share Unit Agreement pursuant to the 2016 Omnibus Stock Incentive Plan by and between Churchill Downs Incorporated and each of William C. Carstanjen and William E. Mudd†	Exhibit 10.1 to Current Report on Form 8-K filed November 5, 2018
10.20	Form of Restricted Stock Unit Agreement pursuant to the 2016 Omnibus Stock Incentive Plan by and between Churchill Downs Incorporated and each of William C. Carstanjen and William E. Mudd†	Exhibit 10.2 to Current Report on Form 8-K filed November 5, 2018
10.21	First Amendment to the Churchill Downs Incorporated Amended and Restated Incentive Compensation Plan (1997), effective November 14, 2008†	Exhibit 10 (vv) to Annual Report on Form 10-K for the fiscal year ended December 31, 2008 filed March 4, 2009
10.22	Churchill Downs Incorporated Executive Annual Incentive Plan, effective January 1, 2013†	Exhibit A to Schedule 14A filed May 3, 2012

<u>Numbers</u>	<u>Description</u>	<u>By Reference To</u>
10.23	Churchill Downs Incorporated 2022 Executive Annual Incentive Plan, effective as of January 1, 2022†	Exhibit 10.1 to Current Report on Form 8-K filed August 4, 2022
10.24	Form of Churchill Downs Incorporated Non-Employee Director Restricted Share Units Agreement†	Exhibit 10(a) to Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2016 filed August 3, 2016
10.25	First Amended and Restated Churchill Downs Incorporated 2000 Employee Stock Purchase Plan†	Exhibit B to Schedule 14A filed March 29, 2016
10.26	Churchill Downs Incorporated Senior Vice President, Vice President & Other Key Employee Severance Policy (Amended Effective as of December 1, 2015)†**	
10.27	Executive Change in Control, Severance and Indemnity Agreement, dated as of October 30, 2018, by and between Churchill Downs Incorporated and William C. Carstanjen†	Exhibit 10.3 to Current Report on Form 8-K filed November 5, 2018
10.28	Executive Change in Control, Severance and Indemnity Agreement, dated as of October 30, 2018, by and between Churchill Downs Incorporated and William E. Mudd†	Exhibit 10.4 to Current Report on Form 8-K filed November 5, 2018
10.29	Change in Control, Severance, and Indemnity Agreement, dated as of October 1, 2019, by and between Churchill Downs Incorporated and Austin W. Miller†	Exhibit 10.1 to Current Report on Form 8-K filed October 2, 2019
10.30	Executive Change in Control, Severance and Indemnity Agreement, dated as of July 27, 2020, by and between Churchill Downs Incorporated and Marcia A. Dall†	Exhibit 10.1 to Current Report on Form 8-K filed July 30, 2020
10.31	Executive Change in Control, Severance and Indemnity Agreement, dated as of July 26, 2022, by and between Churchill Downs Incorporated and Maureen Adams†**	
10.32	Executive Change in Control, Severance and Indemnity Agreement, dated as of July 26, 2022, by and between Churchill Downs Incorporated and Brad Blackwell†**	
10.33	Memorandum of Understanding by and between Austin W. Miller and Churchill Downs Incorporated dated February 10, 2022†	Exhibit 10.1 to Current Report on Form 8-K filed February 10, 2022
10.34	Lease Agreement, dated as of January 1, 2002, by and between the City of Louisville, Kentucky and Churchill Downs Incorporated	Exhibit 2.1 to Current Report on Form 8-K filed January 6, 2003
10.35	Class Action Settlement Agreement, dated as of July 24, 2020, by and between Kater et al. and Churchill Downs Incorporated et al.	Exhibit 10(kk) to Annual Report on Form 10-K for the fiscal year ended December 31, 2020 filed February 24, 2021
10.36	Amended and Restated Stockholder's Agreement, dated as of June 9, 2017, by and between Churchill Downs Incorporated and CDI Holdings, LLC	Exhibit 10.2 to Current Report on Form 8-K filed June 12, 2017
10.37	Credit Agreement, dated as of December 27, 2017, by and among Churchill Downs Incorporated, the subsidiary guarantors party thereto, the lenders party thereto, JPMorgan Chase Bank, N.A. and PNC Bank, National Association	Exhibit 4.3 to Current Report on Form 8-K filed December 27, 2017
10.38	First Amendment to Credit Agreement, dated March 16, 2020, among Churchill Downs Incorporated, the subsidiary guarantors party thereto, the lenders party thereto, JPMorgan Chase Bank, N.A., and PNC Bank, National Association	Exhibit 10.1 to Current Report on Form 8-K filed March 16, 2020

<u>Numbers</u>	<u>Description</u>	<u>By Reference To</u>
10.39	Second Amendment to Credit Agreement, dated April 28, 2020, among Churchill Downs Incorporated, the subsidiary guarantors and the lenders party thereto, and JPMorgan Chase Bank, N.A., and PNC Bank, National Association	Exhibit 10.1 to Current Report on Form 8-K filed April 29, 2020
10.40	Third Amendment to Credit Agreement, dated February 1, 2021, among Churchill Downs Incorporated, the subsidiary guarantors and the lenders parties thereto, and JPMorgan Chase Bank, N.A.	Exhibit 10.2 to Current Report on Form 8-K filed February 2, 2021
10.41	Incremental Joinder Agreement No. 1, dated March 17, 2021, among Churchill Downs Incorporated, the credit parties thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A.	Exhibit 10.1 to Current Report on Form 8-K filed March 18, 2021
10.42	Fourth Amendment to Credit Agreement, dated April 13, 2022, by and among Churchill Downs Incorporated, the credit parties party thereto, the Lenders party thereto and JP Morgan Chase Bank N.A., as agent	Exhibit 10.01 to Current Report on Form 8-K filed April 14, 2022
21	Subsidiaries of the Registrant**	
23	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm**	
31(a)	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**	
31(b)	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**	
32	Certification of Chief Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished pursuant to Rule 13a-14(b))***	
101	INS	Inline XBRL Instance Document**
101	SCH	Inline XBRL Taxonomy Extension Schema Document**
101	CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document**
101	DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document**
101	LAB	Inline XBRL Taxonomy Extension Label Linkbase Document**
101	PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document**
104	Cover Page Interactive Data File (formatted in inline XBRL and contained in Exhibit 101)	

† Management contract or compensatory plan or arrangement.

** Filed herewith.

*** Furnished herewith.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on the Company's behalf by the undersigned, thereunto duly authorized.

CHURCHILL DOWNS INCORPORATED

/s/ William C. Carstanjen

William C. Carstanjen
Chief Executive Officer
(Principal Executive Officer)
February 22, 2023

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ William C. Carstanjen

William C. Carstanjen
Chief Executive Officer
February 22, 2023
(Director and Principal Executive Officer)

/s/ William E. Mudd

William E. Mudd
President and
Chief Operating Officer
February 22, 2023

/s/ Marcia A. Dall

Marcia A. Dall
Executive Vice President and
Chief Financial Officer
February 22, 2023
(Principal Financial and
Accounting Officer)

/s/ R. Alex Rankin

R. Alex Rankin
February 22, 2023
(Chairman of the Board)

/s/ Ulysses L. Bridgeman

Ulysses L. Bridgeman
February 22, 2023
(Director)

/s/ Andréa Carter

Andréa Carter
February 22, 2023
(Director)

/s/ Robert L. Fealy

Robert L. Fealy
February 22, 2023
(Director)

/s/ Douglas C. Grissom

Douglas C. Grissom
February 22, 2023
(Director)

/s/ Daniel P. Harrington

Daniel P. Harrington
February 22, 2023
(Director)

/s/ Karole F. Lloyd

Karole F. Lloyd
February 22, 2023
(Director)

/s/ Paul C. Varga

Paul C. Varga
February 22, 2023
(Director)

CHURCHILL DOWNS INCORPORATED
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

<i>(in millions)</i>	Balance Beginning of Year	Change in Accounting Standard	Charged to Expense	Deductions	Balance End of Year
Allowance for doubtful accounts:					
December 31, 2022	\$ 5.4	\$ —	\$ 2.3	\$ (2.0)	\$ 5.7
December 31, 2021	4.9	—	3.2	(2.7)	5.4
December 31, 2020	4.4	0.5	2.5	(2.5)	4.9

<i>(in millions)</i>	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Deferred income tax asset valuation allowance:				
December 31, 2022	\$ 3.2	\$ 2.5	\$ —	\$ 5.7
December 31, 2021	1.4	1.8	—	3.2
December 31, 2020	0.2	1.2	—	1.4

DIRECTORS AND EXECUTIVE OFFICERS

Directors

Ulysses L. Bridgeman, Jr.
Owner & CEO
Heartland Coca-Cola Bottling
Company, LLC

William C. Carstanjen
Chief Executive Officer
Churchill Downs Incorporated

Robert L. Fealy
Managing Director
Limerick Investments, LLC

Douglas C. Grissom
Managing Director
Madison Dearborn Partners

Daniel P. Harrington
President & CEO
HTV Industries, Inc.

Karole F. Lloyd
Former Vice Chair and Southeast
Regional Managing Partner,
Ernst & Young, LLC

R. Alex Rankin
Chairman of the Board,
Churchill Downs Incorporated
Chairman, Sterling G. Thompson Company,
LLC; President, Upson Downs Farm, Inc.

Paul C. Varga
Former Chairman and CEO
Brown-Forman Corporation

Executive Officers

William C. Carstanjen
 Chief Executive Officer

William E. Mudd
 President & Chief Operating Officer

Marcia A. Dall
 Executive Vice President &
 Chief Financial Officer

Bradley K. Blackwell
 Executive Vice President &
 General Counsel

Maureen Adams
 Executive Vice President,
 Gaming Operations

Corporate Office

Churchill Downs Incorporated
 600 N. Hurstbourne Parkway
 Suite 400
 Louisville, KY 40222

Stock Information

Churchill Downs Incorporated is traded on the NASDAQ Global Market under the ticker symbol "CHDN."

Annual Meeting

Shareholders will attend the Annual Meeting by visiting www.proxydocs.com/CHDN at 9:00 a.m. Eastern time Tues., 4/25/2023.

Transfer Agent and Registrar

American Stock Transfer & Trust Company, LLC
 59 Maiden Lane, Plaza Level
 New York, NY 10038
 Tel: (877) 715-0510

Other Information

Copies of our 2022 Annual Report on Form 10-K and other filings with the Securities and Exchange Commission may be obtained without charge by contacting our corporate office or through our website: www.churchilldownsincorporated.com

CHURCHILL DOWNS
INCORPORATED

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Louisville, Kentucky 40222
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