

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2000

OR

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

for the transition period from to

Commission file number 0-1469

CHURCHILL DOWNS INCORPORATED

(Exact name of registrant as specified in its charter)

Kentucky

(State or other jurisdiction of
incorporation or organization)

61-0156015

(IRS Employer
Identification No.)

700 Central Avenue, Louisville, KY 40208

(Address of principal executive offices)
(Zip Code)

(502) 636-4400

(Registrant's telephone number, including area code)

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

Yes X No _____

The number of shares outstanding of registrant's common stock at May 15, 2000 was 9,853,627 shares.

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CHURCHILL DOWNS INCORPORATED

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CHURCHILL DOWNS INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(in thousands)

ASSETS	March 31, 2000 ----	December 31, 1999 ----	March 31, 1999 ----
Current assets:			
Cash and cash equivalents	\$ 8,577	\$ 29,060	\$ 12,590
Accounts receivable	12,555	24,279	8,402
Income taxes receivable	5,788	-	2,375
Other current assets	4,107	2,751	950
	-----	-----	-----
Total current assets	31,027	56,090	24,317
Other assets	7,229	4,740	5,427
Plant and equipment, net	276,712	274,882	85,827
Intangible assets, net	61,813	62,334	11,407
	-----	-----	-----
	\$376,781	\$398,046	\$ 126,978
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$14,743	\$ 14,794	\$ 11,330
Accrued expenses	14,231	23,821	5,308
Dividends payable	-	4,927	-
Income taxes payable	-	336	-
Deferred revenue	18,576	10,860	15,462
Long-term debt, current portion	511	552	570
	-----	-----	-----
Total current liabilities	48,061	55,290	32,670
Long-term debt, due after one year	175,075	180,898	21,236
Other liabilities	8,726	8,263	3,810
Deferred income taxes	15,534	15,474	7,012
Commitments and contingencies	-	-	-
Shareholders' equity:			
Preferred stock, no par value; 250 shares authorized; no shares issued	-	-	-
Common stock, no par value; 50,000 shares authorized; issued: 9,854 shares March 31, 2000 and December 31, 1999, and 7,525 shares March 31, 1999	71,634	71,634	8,927
Retained earnings	57,902	66,667	53,589
Deferred compensation costs	(86)	(115)	(201)
Note receivable for common stock	(65)	(65)	(65)
	-----	-----	-----
	129,385	138,121	62,250
	-----	-----	-----
	\$376,781	\$398,046	\$ 126,978
	=====	=====	=====

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

CHURCHILL DOWNS INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
for the three months ended March 31,
(Unaudited)

(In thousands, except per share data)

	2000 ----	1999 ----
Net revenues	\$25,645	\$17,663
Operating expenses	31,004	19,157
	-----	-----
Gross loss	(5,359)	(1,494)
Selling, general and administrative expenses	6,181	3,303
	-----	-----
Operating loss	(11,540)	(4,797)
	-----	-----
Other income (expense):		
Interest income	266	147
Interest expense	(3,751)	(435)
Miscellaneous, net	42	44
	-----	-----
	(3,443)	(244)
	-----	-----
Loss before income tax benefit	(14,983)	(5,041)
Income tax benefit	6,218	2,031
	-----	-----
Net loss	\$ (8,765)	\$ (3,010)
	=====	=====
Basic and diluted net loss per common share	\$ (0.89)	\$ (0.40)
Basic and diluted weighted average shares outstanding	9,854	7,525

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

CHURCHILL DOWNS INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
for the three months ended March 31,
(Unaudited)
(in thousands)

	2000	1999
	----	----
Cash flows from operating activities:		
Net earnings	\$ (8,765)	\$ (3,010)
Adjustments to reconcile net earnings to net cash (used in) provided by operating activities:		
Depreciation and amortization	4,093	1,903
Deferred income taxes	99	74
Deferred compensation	189	99
Increase (decrease) in cash resulting from changes in operating assets and liabilities:		
Accounts receivable	13,190	4,405
Income taxes receivable	(5,788)	(2,375)
Other current assets	(1,395)	113
Accounts payable	(51)	4,713
Accrued expenses	(9,590)	(2,869)
Income taxes payable	(336)	(258)
Deferred revenue	6,252	6,259
Other assets and liabilities	(2,264)	(1,205)
	-----	-----
Net cash (used in) provided by operating activities	(4,366)	7,849
	-----	-----
Cash flows from investing activities:		
Additions to plant and equipment, net	(5,326)	(2,564)
Acquisition of business, net of cash acquired of \$26 in 1999	-	(2,925)
	-----	-----
Net cash used in investing activities	(5,326)	(5,489)
	-----	-----
Cash flows from financing activities:		
Decrease in long-term debt, net	(164)	(938)
Borrowings on bank line of credit	7,000	8,000
Repayments of bank line of credit	(12,700)	(1,000)
Payment of dividends	(4,927)	(3,762)
Capital contribution by minority interest in subsidiary	-	1,551
	-----	-----
Net cash (used in) provided by financing activities	(10,791)	3,851
	-----	-----
Net (decrease) increase in cash and cash equivalents	(20,483)	6,211
Cash and cash equivalents, beginning of period	29,060	6,379
	-----	-----
Cash and cash equivalents, end of period	\$ 8,577	\$12,590
	=====	=====
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 3,541	\$ 526
Income taxes	\$ 452	-
Schedule of non-cash activities:		
Invoicing for future events	\$ 1,465	\$ 790

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

CHURCHILL DOWNS INCORPORATED
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the three months ended March 31, 2000 and 1999 (Unaudited)
(\$ in thousands, except per share data)

1. Basis of Presentation

The accompanying condensed consolidated financial statements are presented in accordance with the requirements of Form 10-Q and consequently do not include all of the disclosures normally required by accounting principles generally accepted in the United States or those normally made in Churchill Downs Incorporated's (the "Company") annual report on Form 10-K. The year end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States. Accordingly, the reader of this Form 10-Q may wish to refer to the Company's Form 10-K for the period ended December 31, 1999 for further information. The accompanying condensed consolidated financial statements have been prepared in accordance with the registrant's customary accounting practices and have not been audited. Certain prior period financial statement amounts have been reclassified to conform to the current period presentation. In the opinion of management, all adjustments necessary for a fair presentation of this information have been made and all such adjustments are of a normal recurring nature.

Because of the seasonal nature of the Company's business and recent acquisition activity, revenues and operating results for any interim quarter are not indicative of the revenues and operating results for the year and are not necessarily comparable with results for the corresponding period of the previous year. The accompanying condensed consolidated financial statements reflect a disproportionate share of annual net earnings (loss) as the Company normally earns a substantial portion of its net earnings in the second quarter of each year during which four of its five racetracks are open, and the Kentucky Derby and Kentucky Oaks are run. The Kentucky Derby and Kentucky Oaks are run on the first weekend in May. Through recent acquisitions, the size of the Company's racing operations significantly expanded, however, only two of the 260 days of live racing offered during 2000 occurred in the first quarter.

CHURCHILL DOWNS INCORPORATED
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
for the three months ended March 31, 2000 and 1999 (Unaudited)
(\$ in thousands, except per share data)

2. Long-Term Debt

On April 23, 1999, the Company increased its line of credit to \$250 million under a revolving loan facility through a syndicate of banks headed by its principal lender to meet working capital and other short-term requirements and to provide funding for acquisitions. This credit facility replaced a \$100 million line of credit obtained during 1998. The interest rate on the borrowing is based upon LIBOR plus 75 to 250 additional basis points, which is determined by certain Company financial ratios. There was \$172.3 million outstanding on this line of credit at March 31, 2000 compared to \$178.0 million outstanding at December 31, 1999, and under a previous line of credit there was \$18.0 million outstanding at March 31, 1999. The line of credit is collateralized by substantially all of the assets of the Company and its wholly owned subsidiaries, and matures in 2004.

The Company has entered into interest rate swap contracts with major financial institutions which have termination dates through March 2003. Under the terms of the contracts we receive a LIBOR based variable interest rate and pay a fixed interest rate of 5.89% on a notional amount of \$35.0 million, which matures in August 2000, and 7.015% on a notional amount of \$35.0 million, which matures in March 2003. The variable interest rate paid on the contracts is determined based on LIBOR on the last day of each month, which is consistent with the variable rate determination on the underlying debt.

3. Acquisitions

On September 10, 1999, the Company acquired the assets of the Hollywood Park racetrack and the Hollywood Park Casino in Inglewood, California, including approximately 240 acres of land upon which the racetrack and casino are located, for a purchase price of \$140.0 million plus approximately \$2.5 million in transaction costs. The Company leases the Hollywood Park Casino facility to the seller under a 10-year lease with one 10-year renewal option. The lease provides for annual rent of \$3.0 million, subject to adjustment during the renewal period. The entire purchase price of \$142.5 million was allocated to the acquired assets and liabilities based on their fair values on the acquisition date. The acquisition was accounted for by the Company as an asset purchase and, accordingly, the financial position and results of operations of Hollywood Park racetrack have been included in the Company's consolidated financial statements since the date of acquisition. The allocation of the purchase price may require adjustment in the Company's future financial statements based on a final determination of the fair value of assets acquired in the acquisition.

CHURCHILL DOWNS INCORPORATED
 CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 for the three months ended March 31, 2000 and 1999 (Unaudited)
 (\$ in thousands, except per share data)

3. Acquisitions (cont'd)

On April 23, 1999, the Company acquired all of the outstanding stock of Calder Race Course, Inc. and Tropical Park, Inc. from KE Acquisition Corp. for a purchase price of \$86 million cash plus a closing net working capital adjustment of approximately \$2.9 million cash and \$0.6 million in transaction costs. The purchase included Calder Race Course in Miami and the licenses held by Calder Race Course, Inc. and Tropical Park, Inc. to conduct horse racing at Calder Race Course. The purchase price, including additional costs, of \$89.5 million was allocated to the acquired assets and liabilities based on their fair values on the acquisition date with the excess of \$49.4 million being recorded as goodwill, which is being amortized over 40 years. The acquisition was accounted for by the Company under the purchase method of accounting and, accordingly, the financial position and results of operations of Calder Race Course, Inc. and Tropical Park, Inc. have been included in the Company's consolidated financial statements since the date of acquisition.

Following are the unaudited pro forma results of operations as if the September 10, 1999 acquisition of Hollywood Park Racetrack, the July 20, 1999 stock issuance, and the April 23, 1999 acquisition of Calder Race Course had occurred on January 1, 1999:

	Three Months Ended March 31, 1999
Net revenues	\$25,707
Net loss	\$(7,461)
Basic and diluted net loss per share	\$ (.76)
Basic and diluted weighted average shares	9,825

This unaudited proforma financial information is not necessarily indicative of the operating results that would have occurred had the transaction been consummated as of January 1, 1999, nor is it necessarily indicative of future operating results.

CHURCHILL DOWNS INCORPORATED
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
for the three months ended March 31, 2000 and 1999 (Unaudited)
(\$ in thousands, except per share data)

4. Earnings Per Share

The following is a reconciliation of the numerator and denominator of the earnings per common share computations:

	Three months ended	
	March 31,	
	2000	1999
	----	----
Loss (numerator) amounts used for basic and diluted per share computations:	\$(8,765)	\$(3,010)
	-----	-----
Basic and diluted weighted average shares (denominator) of common stock outstanding per share:	9,854	7,525
Basic and diluted net loss per common share	\$ (.89)	\$ (.40)

Options to purchase 608 and 478 shares for the three months ended March 31, 2000 and 1999, respectively, are excluded from the computation of diluted net earnings (loss) per common share since their effect is antidilutive because of net losses for the periods.

5. Segment Information

The Company has adopted SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information." The Company has determined that it currently operates in the following six segments: (1) Churchill Downs racetrack and the Louisville Sports Spectrum simulcast facility (2) Hollywood Park racetrack and its on-site simulcast facility (3) Calder Race Course (4) Ellis Park racetrack and its on-site simulcast facility (5) Hoosier Park racetrack and its on-site simulcast facility and the other three Indiana off-track betting facilities ("OTBs") and (6) Other investments, including Kentucky Horse Center, Charlson Broadcast Technologies LLC ("CBT") and the Company's other various equity interests, which are not material. Eliminations include the elimination of management fees and other intersegment transactions. As a result of a reorganization for internal reporting during 2000, the Company's segment disclosures are presented on a new basis to correspond with internal reporting for corporate expenses which, for the three months ended March 31, 1999 and 2000, are now reported separate of Churchill Downs racetrack expenses.

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

The accounting policies of the segments are the same as those described in the "Summary of Significant Accounting Policies" in the Company's annual report to stockholders for the year ended December 31, 1999. EBITDA should not be considered as an alternative to, or more meaningful than, net income (as determined in accordance with accounting principles generally accepted in the United States) as a measure of our operating results or cash flows (as determined in accordance with accounting principles generally accepted in the United States) or as a measure of our liquidity.

CHURCHILL DOWNS INCORPORATED
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
for the three months ended March 31, 2000 and 1999 (Unaudited)
(\$ in thousands, except per share data)

5. Segment Information (cont'd)

The table below presents information about reported segments for the three months ended March 31, 2000 and 1999:

	Three Months Ended March 31,	
	2000	1999
	----	----
Net Revenues:		
Churchill Downs	\$ 4,557	\$ 4,643
Hollywood Park	5,759	-
Calder Race Course	1,877	-
Hoosier Park	11,185	10,948
Ellis Park	1,312	1,166
Other investments	1,320	1,214
	-----	-----
	26,010	17,971
Eliminations	(365)	(308)
	-----	-----
	\$ 25,645	\$17,663
	=====	=====
EBITDA:		
Churchill Downs	\$ (3,530)	\$ (3,283)
Hollywood Park	(1,621)	-
Calder Race Course	(2,029)	-
Hoosier Park	1,887	1,678
Ellis Park	(391)	(382)
Other investments	135	329
	-----	-----
	(5,549)	(1,658)
Corporate expenses*	(2,008)	(1,192)
	-----	-----
	\$ (7,557)	\$ (2,850)
	=====	=====
Operating income (loss):		
Churchill Downs	\$ (4,453)	\$ (4,198)
Hollywood Park	(2,680)	-
Calder Race Course	(2,919)	-
Hoosier Park	1,556	1,377
Ellis Park	(751)	(702)
Other investments	(285)	(82)
	-----	-----
	(9,532)	(3,605)
Corporate expenses*	(2,008)	(1,192)
	-----	-----
	\$ (11,540)	\$ (4,797)
	=====	=====

* As a result of a reorganization for internal reporting during 2000, the Company's segment disclosures are presented on a new basis to correspond with internal reporting for corporate expenses. Corporate expenses for the three months ended March 31, 1999 and 2000 are reported separately.

CHURCHILL DOWNS INCORPORATED
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
for the three months ended March 31, 2000 and 1999 (Unaudited)
(\$ in thousands, except per share data)

5. Segment Information (cont'd)

	As of March 31, 2000	As of December 31, 1999	As of March 31, 1999
	-----	-----	-----
Total assets:			
Churchill Downs	\$355,548	\$345,909	\$ 98,429
Hollywood Park	149,156	153,126	-
Calder Race Course	96,440	114,396	-
Hoosier Park	33,665	32,559	32,835
Ellis Park	24,513	25,015	22,788
Other investments	311,375	312,272	83,277
	-----	-----	-----
	970,697	983,277	237,329
Eliminations	(593,916)	(585,231)	(110,351)
	-----	-----	-----
	\$376,781	\$398,046	\$126,978
	=====	=====	=====

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

	Three Months Ended March 31,	
	2000	1999
	----	----
Total EBITDA	\$ (7,557)	\$ (2,850)
Depreciation and amortization	(3,941)	(1,903)
Interest income (expense), net	(3,485)	(288)
	-----	-----
Earnings before provision for income taxes	\$ (14,983)	\$ (5,041)
	=====	=====

6. Subsequent Events

On April 21, 2000, Keeneland Association, Inc. ("Keeneland") purchased the Company's Thoroughbred training and boarding facility known as Kentucky Horse Center ("KHC") for a cash payment of \$5 million. Proceeds from the sale were used to repay the Company's line of credit, and to fund operating expenses and capital expenditures during the second quarter of 2000.

The Company has entered into a definitive agreement with Centaur, Inc. ("Centaur") to sell a 26% interest in Hoosier Park, LP ("HPLP") for a purchase price of \$8.5 million. HPLP is an Indiana limited partnership that owns Hoosier Park racetrack and related OTBs. Upon closing, the Company will retain a 51% interest in HPLP and continue to manage its day-to-day operations. Centaur, which already owned a portion of HPLP prior to the agreement, will then hold a 39% minority interest in HPLP. The transaction is subject to certain closing conditions, including the approval of the Indiana Horse Racing Commission and various regulatory agencies. The agreement also contains a provision under which Centaur has the right to purchase our remaining interest at any time prior to July 31, 2001. Upon failure of Centaur to exercise this provision both parties will have an opportunity to purchase the other's remaining interest. Closing is expected during the second quarter of 2000.

CHURCHILL DOWNS INCORPORATED

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

Information set forth in this discussion and analysis contain various "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The Private Securities Litigation Reform Act of 1995 (the "Act") provides certain "safe harbor" provisions for forward-looking statements. All forward-looking statements made in this Quarterly Report on Form 10-Q are made pursuant to the Act. These statements represent our judgment concerning the future and are subject to risks and uncertainties that could cause our actual operating results and financial condition to differ materially. Forward-looking statements are typically identified by the use of terms such as "may," "will," "expect," "anticipate," "estimate," and similar words, although some forward-looking statements are expressed differently. Although we believe that the expectations reflected in such forward-looking statements are reasonable we can give no assurance that such expectations will prove to be correct. Important factors that could cause actual results to differ materially from our expectations include: the impact of gaming competition (including lotteries and riverboat, cruise ship and land-based casinos) and other sports and entertainment options in those markets in which we operate; a substantial change in law or regulations affecting our pari-mutuel activities; a substantial change in allocation of live racing days; a decrease in riverboat admissions revenue from our Indiana operations; the impact of an additional racetrack near our Indiana operations; our continued ability to effectively compete for the country's top horses and trainers necessary to field high-quality horse racing; our continued ability to grow our share of the interstate simulcast market; the impact of interest rate fluctuations; our ability to execute our acquisition strategy and to complete or successfully operate planned expansion projects; our ability to adequately integrate acquired businesses; the loss of our totalisator companies or their inability to keep their technology current; our accountability for environmental contamination; the loss of key personnel and the volatility of our stock price.

Overview

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

We own and operate the Churchill Downs racetrack in Louisville, Kentucky, which has conducted Thoroughbred racing since 1875 and is internationally known as home of the Kentucky Derby. We also own and operate Hollywood Park, a Thoroughbred racetrack in Inglewood, California ("Hollywood Park"); Calder Race Course, a Thoroughbred racetrack in Miami, Florida, which owns racing licenses held by Calder Race Course, Inc. and Tropical Park, Inc. ("Calder Race Course"); and Ellis Park, a Thoroughbred racetrack in Henderson, Kentucky ("Ellis Park").

Additionally, we are the majority owner and operator of Hoosier Park at Anderson in Anderson,

CHURCHILL DOWNS INCORPORATED

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (Continued)

Indiana, which conducts Thoroughbred, Quarter Horse and Standardbred horse racing ("Hoosier Park"). Hoosier Park is owned by Hoosier Park, LP ("HPLP"), an Indiana limited partnership. We have entered into a definitive agreement with Centaur, Inc. ("Centaur") to sell a 26% interest in Hoosier Park, LP for a purchase price of \$8.5 million. Upon closing, we will retain a 51% interest in Hoosier Park and continue to manage its day-to-day operations. Centaur, which already owned a portion of HPLP prior to the agreement, will then hold a 39% minority interest in HPLP. The transaction is subject to certain closing conditions, including the approval of the Indiana Horse Racing Commission ("IHRC") and various regulatory agencies, and closing is expected during the second quarter of 2000. We also conduct simulcast wagering on horse racing at our off-track betting facilities (OTBs) located in Louisville, Kentucky, and in Indianapolis, Merrillville and Fort Wayne, Indiana, as well as at our racetracks.

Because of the seasonal nature of our business and recent acquisition activity, revenues and operating results for any interim quarter are likely not indicative of the revenues and operating results for the year and are not necessarily comparable with results for the corresponding period of the previous year. We normally earn a substantial portion of our net earnings in the second quarter of each year during which four of our five racetracks are open, and the Kentucky Derby and the Kentucky Oaks are run. The Kentucky Derby and the Kentucky Oaks are run on the first weekend in May.

Our primary source of revenue is commissions on pari-mutuel wagering at our racetracks and OTBs. Other sources of revenue include simulcast fees, Indiana riverboat admissions subsidy revenue, lease income, admissions and concessions revenue.

In Kentucky, two pieces of legislation significant to our operations were passed in the 2000 session of the Kentucky General Assembly. First, an excise tax credit for racetracks was included in the 2000-2002 Kentucky state budget. The measure calls for a two-year phase-in of a graduated excise tax, with live on-track daily handle of \$1.2 million and below to be taxed at 2.5% and handle in excess of \$1.2 million to be taxed at 3.5%. Under previous Kentucky law, tracks with average daily handle of \$1.2 million and above, such as Churchill Downs, were taxed at a flat rate of 3.5%. This credit of nearly \$1.4 million in new revenue is earmarked for horsemen's incentives and necessary capital improvements at Churchill Downs racetrack over the next two years. Though this legislation is set to expire in 2002, we are hopeful that a permanent 2% tax reduction can be passed by 2002.

The Kentucky General Assembly also enacted legislation that eliminates the excise tax on Breeders' Cup Championship Day wagering at the Kentucky track that hosts the event. This legislation is aimed at attracting the Breeders' Cup to Kentucky, and Churchill Downs, on a more frequent basis. In 1998, Breeders' Cup Day wagering at Churchill Downs totaled \$13.4 million and generated excise taxes of approximately \$315,000. This tax exemption will not become effective until January 1, 2001, and therefore will not apply to the 2000 Breeders' Cup at Churchill Downs. The exemption will continue if the Breeders' Cup returns to Kentucky within three years of the previously held event.

CHURCHILL DOWNS INCORPORATED

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (Continued)

RESULTS OF OPERATIONS

Pari-mutuel wagering information, including intercompany transactions, for our five live racing facilities and four separate OTBs, which are included in their respective racetracks, during the three months ended March 31, 2000 and 1999 is as follows (\$ in thousands):

	Churchill Downs	Hollywood Park*	Calder Race Course*	Hoosier Park	Ellis Park
Live Racing					
2000 handle	-	-	\$3,114	-	-
2000 no. of days	-	-	2	-	-
1999 handle	-	-	\$3,105	-	-
1999 no. of days	-	-	2	-	-
Export simulcasting					
2000 handle	-	-	\$12,252	-	-
2000 no. of days	-	-	2	-	-
1999 handle	-	-	\$11,915	-	-
1999 no. of days	-	-	2	-	-
Import simulcasting					
2000 handle	\$40,704	\$86,362	-	\$35,758	\$11,401
2000 no. of days	78	65	-	299	91
1999 handle	\$41,517	\$79,888	-	\$33,972	\$11,538
1999 no. of days	77	64	-	284	90
Totals					
2000 handle	\$40,704	\$86,362	\$15,366	\$35,758	\$11,401
1999 handle	\$41,517	\$79,888	\$15,020	\$33,972	\$11,538

* Pari-mutuel wagering information is provided for the three months ended March 31, 2000 and 1999. Although the summary reflects handle for the first quarter of 2000 and 1999 as if the acquisitions had taken place at the beginning of the year, only revenues generated since the subsidiaries' acquisition dates have been included in the Company's consolidated statements of earnings.

CHURCHILL DOWNS INCORPORATED

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (Continued)

Three Months Ended March 31, 2000 Compared to Three Months Ended March 31, 1999

Net Revenues

Net revenues during the three months ended March 31, 2000 increased \$8.0 million (45%) from \$17.7 million in 1999 to \$25.6 million in 2000. The increase was primarily due to revenues contributed by the prior year acquisitions of Calder Race Course of \$1.9 million and Hollywood Park of \$5.8 million. Other segments, including Churchill Downs, Hoosier Park, Ellis Park and other operations, comprised the remaining \$0.3 million of the increase.

Operating Expenses

Operating expenses increased \$11.8 million (62%) from \$19.2 million in 1999 to \$31.0 million in 2000. Calder Race Course and Hollywood Park incurred 2000 operating expenses of \$3.8 million and \$7.4 million, respectively, versus none in the first three months of 1999. Other segments, including Churchill Downs, Hoosier Park, Ellis Park and other operations, comprised the remaining \$0.6 million of the increase.

Gross Loss

Gross loss increased \$3.9 million from \$1.5 million loss in 1999 to \$5.4 million loss in 2000. The increased loss was primarily due to a \$1.9 million and \$1.6 million increase in gross loss from Calder Race Course and Hollywood Park, respectively. Gross losses were incurred as a result of only 2 days of live racing during the first quarter. Live racing will begin at four of our five racetracks during the second quarter.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses increased by \$2.9 million (87%) from \$3.3 million in 1999 to \$6.2 million in 2000. Calder Race Course and Hollywood Park contributed \$1.0 million each to this increase. SG&A expenses at Churchill Downs increased \$1.0 million (48%) due primarily to increased corporate staffing reflecting the Company's strengthened corporate services to meet the needs of new business units.

Other Income and Expense

Interest expense increased \$3.3 million from \$0.4 million in 1999 to \$3.7 million in 2000 primarily as a result of borrowings to finance the acquisitions of Calder Race Course and Hollywood Park in 1999.

CHURCHILL DOWNS INCORPORATED

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (Continued)

Income Tax Provision

Our income tax benefit increased by \$4.2 million from \$2.0 million in 1999 to \$6.2 million in 2000 primarily as the result of an increase in pre-tax loss of \$9.9 million. The effective income tax rate increased from 40.3% in 1999 to 41.5% in 2000 due primarily to non-deductible amortization expense related to the acquisitions of Calder Race Course and CBT.

Significant Changes in the Balance Sheet March 31, 2000 to December 31, 1999

Accounts receivable balances decreased by \$11.7 million in 2000 primarily due to the collection of 1999 live meet receivables for Hollywood Park, Calder Race Course, Churchill Downs and Hoosier Park with decreases in accounts receivables of \$4.0 million, \$2.8 million, \$2.3 million and \$2.2 million, respectively.

Income taxes receivable increased \$5.8 million as a result of the estimated income tax benefit (receivable) associated with the quarterly net loss.

Accrued liabilities decreased \$9.6 million primarily due to the decrease of horseman accounts and purses payable related to live racing at Calder Race Course.

Dividends payable decreased \$4.9 million at March 31, 2000 due to the payment of dividends (declared in 1999) in the first quarter 2000.

Deferred revenue increased \$7.7 million at March 31, 2000, primarily due to Churchill Downs increase of \$7.6 million for the collection of revenues for corporate sponsor event tickets, season box and membership sales and future wagering related to the 2000 Kentucky Derby and Kentucky Oaks race days held in the second quarter of 2000.

Significant Changes in the Balance Sheet March 31, 2000 to March 31, 1999

The net plant and equipment increase of \$190.9 million included \$186.1 million for the acquisitions of Hollywood Park and Calder Race Course. The remaining increase was due to capital spending offset by depreciation expense, including \$2.9 million for the expansion of Churchill Downs' main entrance and corporate offices which is expected to be completed in spring 2000.

Intangible assets increased \$50.4 million primarily a result of the addition of approximately \$48.3 million of net goodwill due to the acquisition of Calder Race Course. In addition, deferred financing costs of \$3.1 million related to our \$250 million revolving loan facility are included. These increases were partially offset by amortization expense of \$2.2 million since the first quarter of 1999.

CHURCHILL DOWNS INCORPORATED

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (Continued)

Accrued liabilities increased \$8.9 million primarily as a result of increases of \$3.4 million and \$2.2 million for Hollywood Park and Calder Race Course, respectively.

The long-term debt increase of \$153.8 million was due primarily to line of credit borrowings used to fund the acquisitions of Hollywood Park and Calder Race Course.

Deferred income tax liabilities increased by \$8.5 million primarily as a result of the Calder Race Course acquisition during the second quarter of 1999.

Common stock increased by \$62.7 million primarily due to \$62.1 million in net proceeds received from our public offering during the third quarter of 1999.

Liquidity and Capital Resources

The working capital deficiency was \$17.0 million and \$8.4 million for the three months ended March 31, 2000 and 1999, respectively, reflecting the seasonality of our businesses. The prior year acquisitions of Calder Race Course and Hollywood Park contributed \$10.4 million and \$2.9 million, respectively, to the consolidated working capital deficiency for the three months ended March 31, 2000. Cash flows (used in) provided by operations were \$(4.4) and \$7.8 million for the three months ended March 31, 2000 and 1999, respectively. Management believes cash flows from operations and available borrowings during 2000 will be sufficient to fund our cash requirements for the year, including capital improvements and future acquisitions.

Cash flows used in investing activities were \$5.3 and \$5.5 million for the three months ended March 31, 2000 and 1999, respectively. The \$5.5 million in 1999 is comprised of the \$2.9 million acquisition of a majority interest in CBT during the first quarter and \$2.6 million in capital spending at our facilities. Capital spending of \$5.3 million in 2000 is \$2.9 million greater than 1999 and is primarily the result of capital spending at Calder Race Course and Hollywood Park. The capital additions for all locations, including the expansion of Churchill Downs' main entrance corporate offices, are expected to approximate \$16.6 million for 2000.

Cash flows (used in) provided by financing activities were \$(10.8) and \$3.9 million for the three months ended March 31, 2000 and 1999, respectively. We borrowed \$7.0 million and repaid \$12.7 million on our line of credit during 2000.

In April 1999, our total line of credit was increased to \$250 million under a revolving loan facility, of which \$172.3 million was outstanding at March 31, 2000. This credit facility replaced a \$100 million line of credit obtained during the third quarter of 1998. The new facility is collateralized by substantially all of our assets. This credit facility is intended to provide funds for acquisitions and to meet working capital, capital expenditures and other short-term requirements. Proceeds from the sale of KHC were used to repay \$2.0 million of this credit facility during the second quarter of 2000. In addition, proceeds from the pending sale of a portion of our interest in Hoosier Park are expected to be used to repay a portion of this credit facility. The new revolving loan facility matures in 2004.

CHURCHILL DOWNS INCORPORATED

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (Continued)

Impact of Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, Accounting for Derivatives and Hedging Activities (SFAS 133), which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities. SFAS 133, as amended by SFAS 137, is effective for the Company's year ending December 31, 2001. Management of the Company is currently analyzing the impact of SFAS 133 but anticipates that the adoption of SFAS 133 will not have a material effect on the Company's results of operations or financial position.

On December 3, 1999, the staff of the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 (SAB 101), Revenue Recognition in Financial Statements. SAB 101 summarizes some of the staff's interpretations of the application of generally accepted accounting principles to revenue recognition. All registrants are expected to apply the accounting and disclosure requirements that are described in SAB 101 no later than the second quarter of the fiscal year beginning after December 15, 1999. Management of the Company is currently analyzing the impact of SAB 101 but anticipates that the adoption of SAB 101 will not have a material effect on the Company's results of operations or financial position.

Subsequent Events

On April 21, 2000, Keeneland Association, Inc. ("Keeneland") purchased our Thoroughbred training and boarding facility known as Kentucky Horse Center ("KHC"). Keeneland purchased KHC for a cash payment of \$5 million. Proceeds from the sale were used to repay our line of credit and to fund operating expenses and capital expenditures during the second quarter of 2000.

We have also entered into a definitive agreement with Centaur, Inc. ("Centaur") to sell a 26% interest in Hoosier Park, LP ("HPLP") for a purchase price of \$8.5 million. HPLP is an Indiana limited partnership that owns Hoosier Park racetrack and related OTBs. Upon closing, we will retain a 51% interest in HPLP and continue to manage its day-to-day operations. Centaur, which already owned a portion of HPLP prior to the agreement, will then hold a 39% minority interest in HPLP. The transaction is subject to certain closing conditions, including the approval of the IHRC and various regulatory agencies. The agreement also contains a provision under which Centaur has the right to purchase our remaining interest at any time prior to July 31, 2001. Upon failure of Centaur to exercise this provision both parties will have an opportunity to purchase the other's remaining interest. Closing is expected during the second quarter of 2000.

CHURCHILL DOWNS INCORPORATED

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

At March 31, 2000, we had \$172.3 million of debt outstanding under our revolving loan facility, which bears interest at LIBOR based variable rates. We are exposed to market risk on variable rate debt due to potential adverse changes in the LIBOR rate. Assuming the outstanding balance on the revolving loan facility remains constant, a one percentage point increase in the LIBOR rate would reduce annual pre-tax earnings and cash flows by \$1.7 million.

In order to mitigate a portion of the market risk associated with our variable rate debt, we have entered into interest rate swap contracts with major financial institutions. Under the terms of the contracts we receive a LIBOR based variable interest rate and pay a fixed interest rate of 5.89% on a notional amount of \$35.0 million, which matures in August 2000 and 7.015% on a notional amount of \$35.0 million, which matures in March 2003. Assuming the March 31, 2000 notional amounts under the interest rate swap contracts remain constant, a one percentage point increase in the LIBOR rate would increase annual pre-tax earnings and cash flows by \$0.7 million.

In early May 2000, we entered into a 2-year interest rate swap in which we pay a fixed interest rate of 7.30% on a notional amount of \$35.0 million. Management plans to engage in further interest rate swap agreements in the future to protect our interest rate exposure.

PART II. OTHER INFORMATION

- ITEM 1. Legal Proceedings
Not Applicable
- ITEM 2. Changes in Securities and Use of Proceeds
Not applicable
- ITEM 3. Defaults Upon Senior Securities
Not Applicable
- ITEM 4. Submission of Matters to a Vote of Security Holders
Not Applicable
- ITEM 5. Other Information
Not Applicable
- ITEM 6. Exhibits and Reports on Form 8-K.
- A. Exhibits
See exhibit index on page 22.
 - B. Reports on Form 8-K

Not Applicable

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 its behalf by the undersigned, thereunto duly authorized.

CHURCHILL DOWNS INCORPORATED

May 15, 2000	\s\Thomas H. Meeker Thomas H. Meeker President and Chief Executive Officer (Director and Principal Executive Officer)
May 15, 2000	\s\Robert L. Decker Robert L. Decker Executive Vice President and Chief Financial Officer (Principal Financial Officer)
May 15, 2000	\s\Michael E. Miller Michael E. Miller Senior Vice President, Finance (Principal Accounting Officer)

EXHIBIT INDEX

Numbers	Description	By Reference To
(2)	Partnership Interest Purchase Agreement dated as of February 16, 2000 by and among Anderson Park, Inc., Churchill Downs Management Company and Centaur, Inc.	Exhibit (2)(h) to Report on Form 10-K for the year ended December 31, 1999
(3)	Restated Bylaws of Churchill Downs Incorporated as amended	Page 23, Report on Form 10-Q for the fiscal quarter ended March 31, 2000
(10)	Third Amendment, Waiver and Consent to \$250,000,000 Revolving Credit Facility Credit Agreement dated February 23, 2000	Exhibit (10)(c) to Report on Form 10-K for the year ended December 31, 1999
(27)	Financial Data Schedule for the fiscal quarter ended March 31, 2000	Page 38, Report on Form 10-Q for the fiscal quarter ended March 31, 2000

RESTATED BYLAWS OF
CHURCHILL DOWNS INCORPORATED

ARTICLE I

OFFICE AND SEAL

SECTION 1. OFFICES. The principal office of the Corporation in the State of Kentucky shall be located at 700 Central Avenue, Louisville, Kentucky. The Corporation may have such other offices, either within or without the State of Kentucky, as the business of the Corporation may require from time to time.

SECTION 2. THE CORPORATE SEAL. The Seal of the Corporation shall be circular in form, mounted upon a metal die suitable for impressing same upon paper, and along the upper periphery of the seal shall appear the word "Churchill Downs" and along the lower periphery thereof the word "Kentucky". The center of the seal shall contain the word "Incorporated".

ARTICLE II

STOCKHOLDERS MEETINGS AND RECORD DATES

SECTION 1. ANNUAL MEETING. The date of the annual meeting of the stockholders for the purpose of electing directors and for the transaction of such other business as may come before the meeting shall be established by the Board of Directors, but shall not be later than 180 days following the end of the Corporation's fiscal year. If the election of Directors shall not be held on the day designated for any annual meeting, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the stockholders to be held as soon thereafter as may be convenient.

SECTION 2. SPECIAL MEETINGS. Special meetings of the stockholders may be called by holders of not less than 66²/₃% of all shares entitled to vote at the meeting, or by a majority of the members of the Board of Directors.

SECTION 3. PLACE OF MEETING. The Board of Directors may designate any place within or without the State of Kentucky as

the place of meeting for any annual meeting of stockholders, or any place either within or without the State of Kentucky as the place of meeting for any special meeting called by the Board of Directors.

If no designation is made, or if a special meeting be called by other than the Board of Directors, the place of meeting shall be the principal office of the Corporation in the State of Kentucky.

SECTION 4. NOTICE OF MEETINGS. Written notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) nor more than sixty (60) days before the date of the meeting, either personally or by mail, by or at the direction of the President, or the Secretary, or the officer or persons calling the meeting, to each stockholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope addressed to the stockholder at his address as it appears on the records of the Corporation, with first class postage thereon prepaid.

SECTION 5. RECORD DATE. The Corporation's record date shall be fixed by the Board of Directors for the determination of stockholders entitled to notice of or to vote at a meeting of stockholders, or stockholders entitled to receive any distribution. When a determination of stockholders entitled to vote at any meeting of stockholders has been made as provided herein, such determination shall apply to any adjournment thereof.

SECTION 6. VOTING LISTS AND SHARE LEDGER. The Secretary shall prepare a complete list of the stockholders entitled to vote at any meeting, or any adjournment thereof, arranged in alphabetical order, with the address of and the number of shares held by each stockholder, which list shall be produced and kept open at the meeting and shall be subject to the inspection of any stockholder during the meeting. The original share ledger or stock transfer book, or a duplicate thereof kept in this State, shall be prima facie evidence as to the stockholders entitled to examine such list or share ledger or stock transfer book, or the

stockholders entitled to vote at any meeting of stockholders or to receive any dividend.

SECTION 7. QUORUM. A majority of the outstanding shares entitled to vote, represented in person or by proxy, shall constitute a quorum at any meeting of stockholders. The stockholders present at a duly organized meeting can continue to do business at any adjourned meeting, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

SECTION 8. PROXIES. At all meetings of stockholders, a stockholder may vote by proxy. An appointment of a proxy shall be executed in writing by the stockholder or by his duly authorized attorney-in-fact and be filed with the Secretary of the Corporation before or at the time of the meeting.

SECTION 9. NATURE OF BUSINESS. At any meeting of stockholders, only such business shall be conducted as shall have been brought before the meeting by or at the direction of the Board of Directors or by any stockholder who complies with the procedures set forth in this Section 9.

No business may be transacted at any meeting of stockholders, other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) otherwise properly brought before such meeting of stockholders by or at the direction of the Board of Directors, or (c) in the case of any annual meeting of stockholders or a special meeting called for the purpose of electing directors, otherwise properly brought before such meeting by any stockholder (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 9 and on the record date for the determination of stockholders entitled to vote at such meeting of stockholders and (ii) who complies with the notice procedures set forth in this Section 9.

In addition to any other applicable requirements, for business to be properly brought before any annual meeting of stockholders by a stockholder, or for a nomination of a person to serve as a Director, to be made by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary.

To be timely, a stockholder's notice to the Secretary must be delivered or mailed to and be received at the principal executive offices of the Corporation (a) in the case of the annual meeting of stockholders, not less than ninety(90) nor more than one hundred and twenty (120) days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting of stockholders is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the stockholder, in order to be timely, must be so received not later than the close of business on the tenth (10th) day following the day on which notice of the date of the annual meeting of stockholders was mailed or public disclosure of the date of such meeting was made, whichever first occurs; and (b) in the case of a special meeting of stockholders called for the purpose of electing directors, not later than the close of business on the tenth (10th) day following the day on which notice of the date of the special meeting of stockholders was mailed or public disclosure of the date of such meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice to the Secretary must set forth as to each matter (including nominations) such stockholder proposes to bring before the meeting of stockholders (a) a brief description of the business desired to be brought before the meeting and the reasons for conducting the business at the meeting, (b) the name and record address of such stockholder, (c) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder as of the record date for the meeting (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice, (d) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business, (e) as to each person whom the stockholder proposes to nominate for election as a director (i) the name, age, business address and residence address of the person and (ii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by the person as of the record date for the meeting (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice, (f) any other

information which would be required to be disclosed in a proxy statement or other filings required to be made in connection with the solicitations of proxies for the proposal (including, if applicable, with respect to the election of directors) pursuant to Section 14 of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder if such stockholder were engaged in such solicitation, and (g) a representation that such stockholder intends to appear in person or by proxy at the meeting to bring such business before the meeting. Any notice concerning the nomination of a person for election as a director must be accompanied by a written consent of the proposed nominee to being named as a nominee and to serve as a director if elected.

No business shall be conducted and no person shall be eligible for election as a Director at any annual meeting of stockholders or a special meeting of stockholders called for the purpose of electing directors except business or nominations brought before such meeting in accordance with the procedures set forth in this Section 9; provided, however, that, once business has been properly brought before the meeting in accordance with such procedures, nothing in this Section 9 shall be deemed to preclude discussion by any stockholder of any such business. If the chairman of the meeting of stockholders determines that business was not properly brought before such meeting, or a nomination was not properly made, as the case may be, in accordance with the foregoing procedures, the chairman shall declare to the meeting that (a) the business was not properly brought before the meeting and such business shall not be transacted, or, if applicable, (b) the nomination was defective and such defective nomination shall be disregarded.

ARTICLE III

DIRECTORS

SECTION 1. GENERAL POWERS. The business and affairs of the Corporation shall be managed by a Board of Directors.

SECTION 2. NUMBER AND TENURE. The Board of Directors shall consist of twelve (12) members but the number may be increased or decreased by amendment of this Bylaw. The Directors shall be divided into three classes, consisting of four (4) Class I Directors, four (4) Class II Directors and four (4) Class III

Directors. Each director shall hold office for a term of three (3) years or until his successor shall have been elected and qualifies for the office, whichever period is longer. Except for any individual who is serving as Chairman of the Board of Directors at the time of nomination of directors, a person shall not be qualified for election as a Director unless he shall be less than seventy-two (72) years of age on the date of election. Each Director other than the Chairman of the Board of Directors shall become a Director Emeritus upon expiration of his current term following the date the Director is no longer qualified for election as a Director due to age. Directors Emeritus may attend all regular and special meetings of the Board of Directors and shall serve in an advisory capacity without a vote in Board actions.

SECTION 3. REGULAR MEETINGS. A regular meeting of the Board of Directors shall be held without other notice than this bylaw, immediately after, and at the same place as, the annual meeting of stockholders. The Board of Directors may provide, by resolution, the time and place, either within or without the State of Kentucky, for the holding of additional regular meetings without other notice than such resolution.

SECTION 4. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by or at the request of the President, the Chairman of the Board or the majority of the Board of Directors. The person or persons authorized to call special meetings of the Board of Directors may fix any place, either within or without the State of Kentucky, as the place for holding any special meeting of the Board of Directors.

SECTION 5. NOTICE. Notice of any special meeting of the Board of Directors shall be given by notice delivered personally, by mail, by telegraph or by telephone. If mailed, such notice shall be given at least five (5) days prior thereto and such mailed notice shall be deemed to have been delivered upon the earlier of receipt or five (5) days after it is deposited in the United States mail in a sealed envelope so addressed, with first class postage thereon prepaid. If notice is given by telegram, it shall be delivered at least twenty-four (24) hours prior to the special meeting and such telegram notice shall be deemed to have been delivered when the telegram is delivered to the telegraph company. Personal notice and notice by telephone shall be given at least twenty-four (24) hours prior to the special meeting and

shall be deemed delivered upon receipt. Any Director may waive notice of any meeting. The attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, except when a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

SECTION 6. QUORUM. A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, provided that if less than a majority of the Directors are present at said meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.

SECTION 7. MANNER OF ACTING. The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

SECTION 8. VACANCIES. Any vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining Directors though less than a quorum of the Board of Directors. A Director elected to fill a vacancy shall serve until the next annual meeting of the stockholders.

SECTION 9. INFORMAL ACTION. Any action required or permitted to be taken of the Board of Directors or of a committee of the Board, may be taken without a meeting if a consent, in writing, setting forth action so taken shall be signed by all of the Directors, or all of the members of the committee, as the case may be. Members of the Board of Directors or any committee designated by the Board may participate in a meeting of such Board or committee by means of conference telephone or similar communications equipment whereby all persons participating in the meeting can hear or speak to each other at the same time. Participation in a meeting pursuant to this section shall constitute presence in person at the meeting.

SECTION 10. NOMINATION OF DIRECTORS. Only persons who are nominated in accordance with the procedures set forth in Section 9 of Article II of these Bylaws shall be eligible for election as Directors of the Corporation, except as may be

otherwise provided in the Restated Articles of Incorporation with respect to the right of holders of preferred stock of the Corporation to nominate and elect a specified number of Directors in certain circumstances.

ARTICLE IV

COMMITTEES OF THE BOARD

SECTION 1. COMMITTEES. The Board of Directors shall have authority to establish such committees as it may consider necessary or convenient for the conduct of its business. All committees so established shall keep minutes of every meeting thereof and such minutes shall be submitted at the next regular meeting of the Board of Directors at which a quorum is present, and any action taken by the Board with respect thereto shall be entered in the minutes of the Board. Each committee so established shall elect a Chairman of the committee. On all committees where the Chairman of the Board is not appointed as a voting member, the Chairman of the Board shall be an ex officio, nonvoting member of that committee.

SECTION 2. THE EXECUTIVE COMMITTEE. The Board of Directors shall appoint and establish an Executive Committee composed of up to six (6) Directors who shall be appointed by the Board annually. The Executive Committee shall have and may exercise when the Board of Directors is not in session, all of the authority of the Board of Directors that may lawfully be delegated; provided, however, the Executive Committee shall not have the power to enter into any employment agreement with an officer of the Corporation, without the specific approval and ratification of the Board of Directors. A majority in membership of the Executive Committee shall constitute a quorum.

SECTION 3. THE AUDIT COMMITTEE. The Board of Directors shall appoint and establish an Audit Committee composed of up to five (5) Directors, none of whom shall be officers, who shall be appointed by the Board annually. The Audit Committee shall make an examination every twelve months into the affairs of the Corporation and report the results of such examination in writing to the Board of Directors at the next regular meeting thereafter. Such report shall state whether the Corporation is in sound condition and whether adequate internal audit controls and procedures are being maintained and shall include recommendations to the Board of Directors regarding such changes in the manner of doing business or conducting the affairs of the Corporation as shall be deemed advisable.

SECTION 4. THE COMPENSATION COMMITTEE. The Board of Directors shall appoint and establish a Compensation Committee to be composed of four (4) Directors who shall be appointed by the Board annually. Each member of the Compensation Committee shall be a director who is not, during the one year prior to service or during such service, granted or awarded equity securities pursuant to any executive compensation plan of the Company. It shall be the duty of the Compensation Committee to administer the Company's Supplemental Benefit Plan[s], the Company's Incentive Compensation Plan[s], the Company's Stock Option Plan[s], any executive compensation plan and any shareholder approved employee stock purchase or thrift plan, including without limitation, matters relating to the amendment, administration, interpretation, employee eligibility for and participation in, and termination of, the foregoing plans. It shall further be the duty of the Compensation Committee to review annually the salary paid to the President and Chief Executive Officer of the Company and to exercise any other authorities relating to compensation that the Board may lawfully delegate to it; provided, however, the Compensation Committee shall not have the power to enter into any employment agreement with an officer of the Company without the specific approval and ratification of the Board of Directors.

SECTION 5. THE RACING COMMITTEE. The Board of Directors shall appoint and establish a Racing Committee to be composed of up to four (4) Directors who shall be appointed by the Board annually. The Racing Committee shall be responsible for and shall have the authority to obligate the Corporation with respect to matters concerning the Corporation's contracts and relations with horsemen, jockeys and others providing services relating to the conduct of horse racing, including the authority to approve and cause the Corporation to enter into contracts with organizations representing horsemen and/or commit to provide benefits or services by the Corporation to horsemen and others.

SECTION 6. NOTICE OF COMMITTEE MEETINGS. Notice of all meetings by the committees established in this Article shall be given in accordance with the special meeting notice section, Article III, Section 5, of these Bylaws.

ARTICLE V

OFFICERS

SECTION 1. CLASSES. The officers of the Corporation shall be a Chairman of the Board, a President, one or more Vice Presidents, a Secretary, a Treasurer and such other officers and agents as may be provided by the Board and elected in accordance with the provisions of this Article. Any of the offices may be combined in one person in accordance with the provisions of law. The Chairman of the Board of Directors shall be a member of the Board but none of the other officers is required to be a member of the Board.

SECTION 2. ELECTION AND TERM OF OFFICE. The officers of the Corporation shall be elected annually by the Board of Directors at the first meeting of the Board held after each annual meeting of stockholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as convenient. Vacancies may be filled or new offices created and filled at any meeting of the Board of Directors. Each officer shall hold office until his successor shall have been duly elected and shall have qualified or until his death or until he shall resign or shall have been removed from office in the manner hereinafter provided.

SECTION 3. REMOVAL. Any officer elected by the Board of Directors may be removed by the President whenever in his judgment the best interest of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed and shall be subject always to supervision and control of the Board of Directors. Election or appointment of an officer or agent shall not of itself create contractual rights.

SECTION 4. CHAIRMAN OF THE BOARD. The Chairman of the Board of Directors shall call to order and preside at all stockholders' meetings and at all meetings of the Board of Directors. He shall perform such other duties as he may be authorized to perform by the Board of Directors.

SECTION 5. PRESIDENT. The President shall be the chief executive officer of the Corporation and as such shall in general supervise and control all of the business operations and affairs of the Corporation. In the absence of

the Chairman of the Board of Directors, or in the event of the death or incapacity of the Chairman, the President shall perform the duties of the Chairman until a successor Chairman is elected or until the incapacity of the Chairman terminates. The President shall have full power to employ and cause to be employed and to discharge and cause to be discharged all employees of the Corporation, subject always to supervision and control of the Board of Directors. When authorized so to do by the Board of Directors, he shall execute contracts and other documents for and in behalf of the Corporation. Unless otherwise ordered by the Board of Directors, the President shall have full power and authority on behalf of the Corporation to attend, act and vote at any meeting of stockholders of any corporation in which this Corporation may hold stock. He shall perform such other duties as may be specified in the Bylaws and such other duties as he may be authorized to perform by the Board of Directors.

SECTION 6. EXECUTIVE VICE PRESIDENT. In the case of the death of the President or in the event of his inability to act, the Executive Vice President designated by the Board shall perform the duties of the President and, when so acting, shall have all the powers of and be subject to all restrictions upon the President. The Executive Vice President shall perform such other duties as from time to time may be assigned by the President or by the Board of Directors.

SECTION 7. TREASURER. The Treasurer, subject to the control of the Board of Directors, and together with the President, shall have general supervision of the finances of the Corporation. He shall have care and custody of and be responsible for all moneys due and payable to the Corporation from any source whatsoever and deposit such moneys in the name of the Corporation in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of these Bylaws. The Treasurer shall have the care of, and be responsible for all securities, evidences of value and corporate instruments of the Corporation, and shall supervise the officers and other persons authorized to bank, handle and disburse its funds, informing himself as to whether all deposits are or have been duly made and all expenditures duly authorized and evidenced by proper receipts and vouchers. He shall cause full and accurate books to be kept, showing the transactions of the Corporation, its accounts, assets, liabilities and financial condition, which shall at all times be open to the inspection of any Director, and he shall make due reports to the Board of Directors and the stockholders, and such statements and reports as are

required of him by law. Subject to the Board of Directors, he shall have such other powers and duties as are incident to his office and not inconsistent with the Bylaws, or as may be assigned to him at any time by the Board.

SECTION 8. SECRETARY. The Secretary shall attend all meetings of the Board of Directors, make a record of the business transacted and record same in one or more books kept for that purpose. The Secretary shall see that the Stock Transfer Agent of the Corporation keeps proper records of all transfers, cancellations and reissues of stock of the Corporation and shall keep a list of the stockholders of the Corporation in alphabetical order, showing the Post Office address and number of shares owned by each. The Secretary shall also keep and have custody of the seal of the Corporation and when so directed and authorized by the Board of Directors shall affix such seal to instruments requiring same. The Secretary shall be responsible for authenticating records of the Corporation and shall perform such other duties as may be specified in the Bylaws or as he may be authorized to perform by the Board of Directors.

SECTION 9. VICE PRESIDENTS. There may be additional Vice Presidents elected by the Board of Directors who shall have such responsibilities, powers and duties as from time to time may be assigned by the President or by the Board of Directors.

ARTICLE VI

CONTRACTS, LOANS, CHECKS AND DEPOSITS

SECTION 1. CONTRACTS AND AGREEMENTS. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or agreement or execute and deliver any instruments in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

SECTION 2. LOANS. No loans shall be contracted on behalf of the Corporation, and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

SECTION 3. CHECKS, DRAFTS, ORDERS, ETC. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents, of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

SECTION 4. DEPOSITS. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies, or other depositories as the Board of Directors may select.

ARTICLE VII

CERTIFICATES FOR SHARES AND THEIR TRANSFER

SECTION 1. CERTIFICATES FOR SHARES. Certificates representing shares of the Corporation shall be in such form as may be determined by the Board of Directors. Such certificates shall be signed by the President or Vice President and by the Secretary or an assistant Secretary and may be sealed with the seal of the Corporation of a facsimile thereof. All certificates surrendered to the Corporation for transfer shall be canceled, and no new certificate shall be issued until the former certificate for all like number of shares shall have been surrendered and cancelled, except that in case of a lost, destroyed or mutilated certificate, a new one may be issued therefor upon such terms and indemnity to the Corporation as the Board of Directors may prescribe.

SECTION 2. TRANSFER OF SHARES. Transfer of shares of the Corporation shall be made only on the books of the Corporation by the registered holder thereof or by his attorney authorized by power of attorney duly executed and filed with the Secretary of the Corporation, and on surrender for cancellation of the certificate for such shares. The person in whose name shares stand on the books of the Corporation shall be deemed the owner thereof for all purposes as regards the Corporation.

ARTICLE VIII

FISCAL YEAR

The fiscal year of the Corporation shall begin on the 1st day of January and end on the 31st day of December.

ARTICLE IX

WAIVER OF NOTICE

Whenever any notice is required to be given under the provisions of these Bylaws, or under the provisions of the Articles of Incorporation, or under the provisions of the corporation laws of the State of Kentucky, waiver thereof in writing, signed by the person, or persons, entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE X

INDEMNIFICATION OF OFFICERS AND DIRECTORS

The Corporation shall indemnify and may advance expenses to all Directors, officers, employees, or agents of the Corporation, and their executors, administrators or heirs, who are, were or are threatened to be made a defendant or respondent to any threatened, pending or completed action, suit or proceedings (whether civil, criminal, administrative or investigative) by reason of the fact that he is or was a Director, officer, employee or agent of the Corporation, or while a Director, officer, employee or agent of the Corporation, is or was serving the Corporation or any other legal entity in any capacity at the request of the Corporation (hereafter a "Proceeding"), to the fullest extent that is expressly permitted or required by the statutes of the Commonwealth of Kentucky and all other applicable law.

In addition to the foregoing, the Corporation shall, by action of the Board of Directors, have the power to indemnify and to advance expenses to all Directors, officers, employees or agents of the Corporation who are, were or are threatened to be made a defendant or respondent to any Proceeding, in such amounts, on such terms and conditions, and based upon such standards of conduct as the Board of Directors may deem to be in the best interests of the Corporation.

ARTICLE XI

FIDELITY BONDS

The Board of Directors shall have authority to require the execution of fidelity bonds by all or any of the officers, agents and employees of the Corporation in such amount as the Board may determine. The cost of any such bond shall be paid by the Corporation as an operating expense.

ARTICLE XII

AMENDMENT OF BYLAWS

The Board of Directors may alter, amend or rescind these Bylaws, subject to the right of the stockholders to repeal or modify such actions.

5
1,000
U.S. Dollars

3-MOS
DEC-31-2000
JAN-01-2000
MAR-31-2000

1		8,577
0		
12,555		
141		
643		
31,027		
	337,689	
60,977		
376,781		
48,061		
	0	
	71,634	
0		
	0	
	57,751	
376,781		
	25,645	
25,645		
	31,004	
	37,185	
(308)		
0		
3,751		
(14,983)		
(6,218)		
(8,765)		
0		
0		
	0	
	(8,765)	
	(.089)	
	(0.89)	