SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K/A

CURRENT REPORT

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

Date of Report (Date of earliest event reported): April 23, 1999

CHURCHILL DOWNS INCORPORATED
(Exact name of registrant as specified in its charter)

KENTUCKY	0-01469	61-0156015
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(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)

NOT APPLICABLE
(Former name or former address, if changed since last report)

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

A. FINANCIAL STATEMENTS OF BUSINESSES ACQUIRED

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Calder Race Course, Inc.

In our opinion, the accompanying balance sheets and the related statements of income, of changes in shareholder's deficit and of cash flows present fairly, in all material respects, the financial position of Calder Race Course, Inc. (a wholly-owned subsidiary of K.E. Acquisition Corporation) at December 31, 1998 and 1997, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP
Fort Lauderdale, Florida
February 19, 1999

CALDER RACE COURSE, INC.
(A WHOLLY-OWNED SUBSIDIARY OF K.E. ACQUISITION CORPORATION)
BALANCE SHEETS

	DECEMBER 31, 1998	DECEMBER 31, 1997
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,672,783	$ 311,519
Accounts receivable, net of allowance of $289,000 and $35,000 at December 31, 1998 and 1997, respectively	620,863	598,501
Restricted cash and investments	545,941	545,466
Prepaid expenses	113,867	47,082
Total current assets	4,953,454	1,502,568
Property, plant and equipment:		
Land and improvements	1,054,637	1,054,637
Buildings and improvements	47,341,792	46,580,447
Furniture, fixtures, and equipment	1,857,808	5,290,502
	50,254,237	52,925,586
Less accumulated depreciation	32,161,187	33,868,502
Property, plant and equipment, net	18,093,050	19,057,084
Restricted cash and investments--noncurrent	905,590	895,590
Other assets	203,287	89,137
	1,108,877	984,727
Total assets	$ 24,155,381	$ 21,544,379
LIABILITIES AND SHAREHOLDER'S DEFICIT		
Current liabilities:		
Accounts payable	$ 322,783	$ 103,991
Funds held for stake racing--current	570,117	545,517
Mutuel tickets outstanding	538,309	485,990
Accrued liabilities	762,854	679,114
Redeemable preferred stock payable	--	200,000
Due to affiliate and parent	4,548,380	3,121,717
Total current liabilities	6,742,443	5,136,329
Funds held for stake racing--noncurrent	817,401	817,108
Long-term debt	22,910,647	28,342,941
Deferred tax liability	4,771,119	1,608,983
Total liabilities	35,241,610	35,905,361
Mandatorily redeemable preferred stock, 7% cumulative, $1 par value. Authorized 190 shares; issued and outstanding -0- and 70 shares at December 31, 1998 and 1997, respectively; redemption amount of $10,000 per share	--	700,000
Shareholder's deficit:		
Common stock, $.25 par value. Authorized 800,000 shares; issued and outstanding 667,440 shares at December 31, 1998 and 1997	166,860	166,860
Additional paid-in capital	39,299,247	39,299,247
Accumulated deficit	(50,552,336)	(54,527,089)
Total shareholder's deficit	(11,086,229)	(15,060,982)
Total liabilities and shareholder's deficit	$ 24,155,381	$ 21,544,379

The accompanying notes are an integral part of these financial statements.

CALDER RACE COURSE, INC.
(A WHOLLY-OWNED SUBSIDIARY OF K.E. ACQUISITION CORPORATION)
STATEMENTS OF INCOME

	FOR THE YEARS ENDED DECEMBER 31,		
	1998	1997	1996
Revenues:			
Pari-mutuel commissions	$ 37,157,767	$ 33,700,053	$ 29,583,341
Interstate simulcast commissions	6,170,547	5,485,302	4,131,141
Stake fees for purses	1,595,950	1,531,608	1,273,970
Admissions	575,153	608,177	698,693
Parking, programs and concessions	1,122,232	1,199,114	1,311,421
Breakage	1,467,305	1,358,981	1,057,300
Sundry	1,885,156	1,236,825	1,339,278
Total revenues	49,974,110	45,120,060	39,395,144
Expenses:			
Purses and owners' awards	23,347,422	21,152,506	18,575,516
Advertising and promotion	1,480,848	1,647,781	1,334,982
Depreciation	1,682,188	1,611,697	1,578,500
Insurance	1,332,754	1,331,234	1,372,077
Maintenance and repairs	690,787	740,835	705,202
Payroll and other compensation	5,671,542	5,366,527	5,008,421
Taxes	1,770,203	1,747,056	1,655,176
Services purchased	2,035,327	1,873,546	1,662,633
Totalisator rental	492,992	504,973	469,222
Utilities	1,257,996	1,232,486	1,221,159
Other	2,867,096	2,585,572	2,332,479
Total expenses	42,629,155	39,794,213	35,915,367
Operating income	7,344,955	5,325,847	3,479,777
Other income (expense):			
Rental income	1,010,807	1,067,848	871,676
Interest income	164,861	123,818	108,752
Interest expense	(1,866,600)	(2,312,932)	(2,453,517)
	(690,932)	(1,121,266)	(1,473,089)
Income before income taxes	6,654,023	4,204,581	2,006,688
Provision for income taxes	2,641,046	1,645,873	616,000
Net income	4,012,977	2,558,708	1,390,688
Dividends on preferred stock	38,224	67,822	91,000
Net income attributable to common shareholders	$ 3,974,753	$ 2,490,886	$ 1,299,688

The accompanying notes are an integral part of these financial statements.

CALDER RACE COURSE, INC.
(A WHOLLY-OWNED SUBSIDIARY OF K.E. ACQUISITION CORPORATION)
STATEMENTS OF CHANGES IN SHAREHOLDER'S DEFICIT

	COMMON STOCK				
	NUMBER OF SHARES	PAR VALUE	ADDITIONAL PAID-IN CAPITAL	(ACCUMULATED DEFICIT)	TOTAL SHAREHOLDER'S DEFICIT
Balance at January 1, 1996	667,400	$ 166,860	$ 39,299,247	$ (58,317,663)	$ (18,851,556)
Net income	--	--	--	1,390,688	1,390,688
Dividends on preferred stock	--	--	--	(91,000)	(91,000)
Balance at December 31, 1996	667,400	166,860	39,299,247	(57,017,975)	(17,551,868)
Net income	--	--	--	2,558,708	2,558,708
Dividends on preferred stock	--	--	--	(67,822)	(67,822)
Balance at December 31, 1997	667,400	166,860	39,299,247	(54,527,089)	(15,060,982)
Net income	--	--	--	4,012,977	4,012,977
Dividends on preferred stock	--	--	--	(38,224)	(38,224)
Balance at December 31, 1998	667,400	$ 166,860	$ 39,299,247	$ (50,552,336)	$ (11,086,229)

The accompanying notes are an integral part of these financial statements.

CALDER RACE COURSE, INC.
(A WHOLLY-OWNED SUBSIDIARY OF K.E. ACQUISITION CORPORATION)
STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31, 1998	1997	1996
Cash flows from operating activities:			
Net income	$ 4,012,977	$ 2,558,708	$ 1,390,688
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	1,682,188	1,611,697	1,578,500
Provision for deferred taxes	2,641,046	1,094,983	514,000
Provision for bad debts	254,000	--	--
Adjustment in carrying value of captive insurance company	--	152,123	--
Changes in assets and liabilities:			
(Increase) decrease in:			
Restricted cash and investments	(10,475)	(60,811)	16,172
Accounts receivable	(276,362)	(184,634)	66,300
Prepaid expenses	(66,785)	147,171	(5,486)
Other assets	(114,150)	30,812	(14,960)
Increase (decrease) in:			
Accounts payable	218,792	(15,073)	(62,825)
Funds held for stake racing	24,893	48,686	309,259
Mutuel tickets outstanding	52,319	35,749	(33,708)
Accrued liabilities	83,740	239,556	(188,885)
Net cash provided by operating activities	8,502,183	5,658,967	3,569,055
Cash flows from investing activities:			
Payments for purchases of property and equipment	(718,154)	(629,471)	(303,320)
Net cash used in investing activities	(718,154)	(629,471)	(303,320)
Cash flows from financing activities:			
Advances to affiliate and parent, net	1,947,753	1,054,069	733,286
Redemption of mandatorily redeemable preferred stock	(900,000)	(400,000)	--
Loan payments	(5,432,294)	(5,900,000)	(3,899,728)
Dividends paid on preferred stock	(38,224)	(67,822)	(91,000)
Net cash used in financing activities	(4,422,765)	(5,313,753)	(3,257,442)
Net increase (decrease) in cash and cash equivalents	3,361,264	(284,257)	8,293
Cash and cash equivalents, beginning of period	311,519	595,776	587,483
Cash and cash equivalents, end of period	$ 3,672,783	$ 311,519	$ 595,776
Supplemental cash flow information:			
Interest paid	$ 1,915,779	$ 2,316,208	$ 2,485,840
Supplemental schedule of noncash financing activities:			
Purchase of mandatorily redeemable preferred stock	$ --	$ --	$ 200,000

The accompanying notes are an integral part of these financial statements.

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Calder Race Course, Inc. (the "Company"), holds a pari-mutuel racing permit from the State of Florida and conducts live race meetings for thoroughbred horses and participates in simulcast wagering as a host track and as a receiving track in Dade County, Florida. The Company's operations are classified under one business segment. As provided in the Florida statutes, the Company was authorized to operate a 122-day race meet during the years ended December 31, 1998, 1997 and 1996.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

RESTRICTED CASH

Restricted cash consists of a surety bond made payable to the State of Florida, which is required by the State of Florida in order for Calder to be granted a license to race, and fines collected from horsemen, trainers and jockeys during meets, which are used to subsidize medical and funeral expenses of backside personnel, who are otherwise uninsured or in need. In addition, included in restricted cash at December 31, 1998 and 1997, respectively, are approximately $1,371,000 and $76,000 of amounts to be invested relating to the future Florida Stallion Stakes.

INVESTMENTS

Investments consist of interest-bearing Bankers acceptances and money market accounts held for the future Florida Stallion Stakes races. These securities are carried at accreted cost and are held to maturity. Interest income is accrued as earned.

PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment are stated at cost and are depreciated on a straight-line basis over the estimated useful lives of the respective assets, between 5 and 50 years. During 1998, the Company retired approximately $3.4 million of fully depreciated furniture, fixtures and equipment which are no longer being used in operations.

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1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT OF LONG-LIVED ASSETS

The Company reviews long-term assets for impairment and writes these down to fair value whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107 requires all entities to disclose the fair value of certain financial instruments in their financial statements. Accordingly, the Company reports that the carrying amount of cash and cash equivalents, trade receivables, accounts payable, long-term debt payable and accrued liabilities approximates fair value due to the short maturity of these instruments, and that the carrying amount of marketable securities is stated at fair value.

INCOME TAXES

The Company files a consolidated U.S. Federal income tax return with its parent, K.E. Acquisition Corporation (Parent). Under the terms of a tax sharing arrangement with its parent, the provision for income taxes is computed as if the Company filed a separate tax return, on a year to year, stand-alone basis, with the current tax balances determined based on a consolidated filing position. All current income tax related balances are included as due to parent in the accompanying financial statements.

The Company accounts for income taxes using the asset and liability approach. The asset and liability approach requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of other assets and liabilities. The differences in 1998 and 1997 related primarily to accelerated tax depreciation.

PURSES

In accordance with Florida statutes, the Company is required to distribute a specific amount of purses and owners' awards based on a percentage of the pari-mutuel handle plus additional amounts based on contractual agreements with the Florida Horsemen's Benevolent Protective Association. The Company underpaid approximately $160,000 and $308,000 of purses and owners' awards during December 31, 1998 and 1997, respectively. Such amounts are included in accrued liabilities. The obligation at December 31, 1997 was fulfilled in 1998, and the obligation at December 31, 1998 is expected to be fulfilled in 1999.

HORSEMEN ACCOUNT

During the track meet the Company administers the Horsemen's bank account on their behalf. In addition to the opening balance, these funds include purses which have been paid by the Company to the Horsemen during the track meet but not yet withdrawn by the Horsemen. The funds held and

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1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

administered on behalf of the Horsemen amounted to $109,000 and $37,000 at December 31, 1998 and 1997, respectively. Such funds have been excluded from the financial statements.

RECLASSIFICATIONS

Certain reclassifications have been made to prior period financial statements to conform with current period presentation.

2. ACCOUNTS RECEIVABLE

Accounts receivable consist primarily of amounts due from simulcasting, rent, and from concession activities. The Company maintains an allowance for doubtful accounts at a level which management believes is sufficient to cover potential losses.

3. DEBT

The Company and its affiliate, Tropical Park, Inc. (Tropical), assumed debt of its former owner, of which the Company's allocable share at December 31, 1998 and 1997 amounted to $22,910,647 and $28,342,941, respectively. The debt, which is payable to its Parent, was allocated by agreement between the Company and Tropical. The debt is collateralized by substantially all of the Company's assets. The loan bears interest at adjusted LIBOR plus .75% (6.75% at December 31, 1998). In February 1999, the maturity date was extended to January 1, 2000. Interest payments are payable quarterly. The Company, and its affiliate, Tropical, are jointly and severally liable to their Parent for the total debt assumed which approximates $39,498,000 and $49,000,000 at December 31, 1998 and 1997, respectively.

4. MANDATORILY REDEEMABLE PREFERRED STOCK

On August 5, 1988, the Company entered into a preferred stock exchange agreement whereby 190 shares of $1.00 par value, nonvoting, 7% cumulative preferred stock were authorized and issued. The preferred stock has a liquidation value of $10,000 per share. On August 28, 1998, the Company exercised an option to redeem all the remaining outstanding shares of preferred stock. The Company paid preferred stock dividends of $38,224, $67,822 and $91,000 during 1998, 1997 and 1996, respectively.

5. COMMITMENTS AND CONTINGENCIES

LEASES AND CONTRACTS

The Company entered into a lease with Tropical, an affiliate, for the rental of the Company's racing plant and facilities through March 2004. Rent is calculated at 1.5% of Tropical's on-site pari-mutuel handle. Total rental income under this lease was $803,199, $810,618 and $707,206 for 1998, 1997 and 1996, respectively. The rent, real estate taxes, and maintenance costs are reviewed annually to

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5. COMMITMENTS AND CONTINGENCIES (CONTINUED)

determine whether an adjustment should be made based on increases or decreases in various costs and expenses.

The Company has also agreed to furnish Tropical with personnel necessary for its racing meets. For this service, Tropical is charged with the actual payroll cost plus a fringe benefit charge of 40% of this amount. The Company pays all related payroll costs. Fringe benefit fees for the year ended December 31, 1998, 1997 and 1996 totaled $896,410, $869,248 and $746,162, respectively. Payroll expenses have been reduced by this amount in the accompanying financial statements.

LEGAL MATTERS

The Company is involved in various matters of litigation which arise in the normal course of business. Management believes that liability, if any, arising from such litigation will not have a material adverse effect on the financial position of the Company.

CONCESSION CONTRACT

The Company has two years remaining on its three-year contract with its food and beverage concessionaire. Under the terms of the agreement, the Company is entitled to receive a percentage of the net concession sales, by location. In addition, the contract provides for the concessionaire to reimburse the Company for certain electricity costs in the main building. Amounts owed to the Company at December 31, 1998 and 1997 amounted to $196,278 and $34,300, respectively.

LAND LEASE

The Company has leased a portion of its land, through February 2025, to an operator of a national hotel franchise. As provided by the terms of the lease, the annual base rent is $63,000 plus a percentage of the rent based on the gross receipts of the hotel.

SERVICE AGREEMENTS

The Company has entered into a totalisator service agreement through 1999. The totalisator service charge is based on a tiered percentage of the daily handle, subject to a minimum fee of $2,000 for each racing day. Total charges amounted to $492,992, $504,973 and $469,222 for 1998, 1997 and 1996, respectively.

In 1994, the Company entered into a five-year service agreement with a third party who provides on-track video and support operations. The charge for this service amounted to $468,793, $468,629 and $409,760 for 1998, 1997 and 1996, respectively.

5. COMMITMENTS AND CONTINGENCIES (CONTINUED)

EMPLOYMENT AGREEMENTS

The Company entered into three employment agreements with key employees for which the contract periods and termination dates vary from one year to three years. The agreements provide, in part, for combined compensation to be allocated between the Company and its affiliate, Tropical, of approximately $376,000, $350,000 and $314,000 in 1998, 1997 and 1996, respectively. The Company's portion was approximately $325,000, $296,000 and $255,000 for the years ended December 31, 1998, 1997 and 1996, respectively. Total remaining annual commitments under these agreements amount to approximately $238,700, $183,000 and $42,000 for the years ending 1999, 2000 and 2001, respectively, of which the Company's allocated portion for 1999, 2000 and 2001 will be approximately $202,900, $155,600 and $35,700, respectively.

FUNDS HELD FOR STAKE RACING

Funds held for stake racing represent funds relating to nominating fees from horsemen for the Florida Stallion Stakes to be held in future years. These funds are included as investments and restricted cash in the accompanying financial statements. These funds consist primarily of interest bearing Bankers acceptances and money market accounts carried at accreted cost, maturing during the three years mentioned above. Market value approximates accreted cost.

401(K) PLAN

All employees who have completed at least 1,000 hours of service, not covered by any other qualified pension or profit-sharing plan and are 21 years or older are eligible to participate in the Calder Race Course, Inc. 401(k) Plan. The Company's plan contributions, which are in the form of matching contributions equal to a percentage of the employees' contributions to the plan, totaled $13,281 and $8,948 for the years ended December 31, 1998 and 1997, respectively.

6. INCOME TAXES

The provision for income taxes differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income primarily as a result of certain expenses where the deductions are accelerated for tax purposes.

The Company's results are included in the consolidated U.S. federal income tax return with its parent. Under the terms of the agreed-upon tax sharing arrangement with its parent, the provision for income taxes is computed as if the Company filed a separate tax return, on a year to year, stand-alone basis. The consolidated current income tax liability of the Company's parent is allocated to the Company based on its pro-rata percentage of taxable income of the consolidated group and is included as Due to affiliate and parent in the accompanying financial statements. Other income tax related balances including those arising from temporary differences which generate deferred taxes and the difference in the current liability for income taxes computed as if the Company filed a separate tax return and the

6. INCOME TAXES (CONTINUED)

parent's allocated amount, are included as Deferred tax liability in the accompanying financial statements.

The aggregate amount of current and deferred tax expense, and the net amount of any tax-related balances due to parent was $2,641,046 and $4,771,119, respectively, for 1998 and $1,645,873 and $2,161,873, respectively, for 1997. The current and deferred tax expense was $616,000 for 1996.

7. DUE TO AFFILIATE AND PARENT

Intercompany accounts with affiliate and parent consists of the following:

	AS OF DECEMBER 31,	
	1998	1997
Due to affiliate, net	$ (4,548,380)	$ (2,568,827)
Current taxes payable	--	(552,890)
Total due to affiliate and parent--current	$ (4,548,380)	$ (3,121,717)
Deferred tax liability--noncurrent	$ (956,633)	$ (1,030,720)
Deferred tax sharing agreement liability--noncurrent	(3,814,486)	(578,263)
Deferred tax liability (Due to parent--noncurrent)	$ (4,771,119)	$ (1,608,983)

8. SUBSEQUENT EVENT

On January 21, 1999, K.E. Acquisition Corporation entered into a definitive agreement to sell all of the outstanding shares of the Company and its affiliate, Tropical, to Churchill Downs, Inc. for cash consideration of $86,000,000 subject to certain adjustments at closing. The transaction remains subject to customary closing conditions, including the expiration of the waiting period under the Hard-Scott-Rodino Act and approval of the Florida Department of Business and Professional Regulation. Closing of the transaction is anticipated during the first quarter of 1999.

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CALDER RACE COURSE, INC.

(A WHOLLY-OWNED SUBSIDIARY OF K.E. ACQUISITION CORPORATION)

BALANCE SHEET

	MARCH 31, 1999 (UNAUDITED)
ASSETS	
Current assets:	
Cash and cash equivalents	$ 1,831,507
Accounts receivable, net of allowance of $294,000	430,288
Restricted cash and investments	696,289
Prepaid expenses	38,192
Total current assets	2,996,276
Property, plant and equipment:	
Land and improvements	1,054,637
Buildings and improvements	47,349,817
Furniture, fixtures, and equipment	2,102,563
	50,507,017
Less accumulated depreciation	32,572,024
Property, plant and equipment, net	17,934,993
Restricted cash and investments - noncurrent	778,991
Other assets	806,240
	1,585,231
Total assets	$ 22,516,500
LIABILITIES AND SHAREHOLDER'S DEFICIT	
Current liabilities:	
Accounts payable	$ 318,209
Funds held for stake racing--current	696,288
Mutuel tickets outstanding	835,488
Accrued liabilities	680,487
Due to affiliate and parent	4,670,751
Total current liabilities	7,201,223
Funds held for stake racing - noncurrent	1,153,901
Long-term debt	22,910,647
Deferred tax liability	3,691,519
Total liabilities	34,957,290
Shareholder's deficit:	
Common stock, $.25 par value. Authorized 800,000 shares; issued and outstanding 667,440 shares	166,860
Additional paid-in capital	39,299,247
Accumulated deficit	(51,906,897)
Total shareholder's deficit	(12,440,790)
Total liabilities and shareholder's deficit	$ 22,516,500

The accompanying notes are an integral part of these financial statements.

CALDER RACE COURSE, INC.

(A WHOLLY-OWNED SUBSIDIARY OF K.E. ACQUISITION CORPORATION)

STATEMENTS OF INCOME

	FOR THE THREE MONTHS ENDED MARCH 31, 1999	FOR THE THREE MONTHS ENDED MARCH 31, 1998
	(UNAUDITED)	(UNAUDITED)
Revenues:		
Admissions	$ 2,280	$ --
Parking, programs and concessions	1,861	3,602
Sundry	608,271	561,625
Total revenues	612,412	565,227
Expenses:		
Advertising and promotion	68,318	35,970
Depreciation	420,000	412,500
Insurance	350,372	335,217
Maintenance and repairs	231,064	179,545
Payroll and other compensation	726,214	665,127
Taxes	332,388	311,660
Services purchased	85,504	87,823
Utilities	169,462	169,096
Other	402,845	304,616
Total expenses	2,786,167	2,501,554
Operating loss	(2,173,755)	(1,936,327)
Other income (expense):		
Rental income	100,696	75,680
Interest income	25,844	13,349
Interest expense	(386,946)	(479,937)
	(260,406)	(390,908)
Loss before benefit for income taxes	(2,434,161)	(2,327,235)
Benefit for income taxes	1,079,600	924,000
Net loss	(1,354,561)	(1,403,235)
Dividends on preferred stock	--	(13,728)
Net loss attributable to common shareholders	$ (1,354,561)	$ (1,416,963)

The accompanying notes are an integral part of these financial statements.

CALDER RACE COURSE, INC.

(A WHOLLY-OWNED SUBSIDIARY OF K.E. ACQUISITION CORPORATION)

STATEMENTS OF CASH FLOWS

	FOR THE THREE MONTHS ENDED MARCH 31, 1999	FOR THE THREE MONTHS ENDED MARCH 31, 1998
	(UNAUDITED)	(UNAUDITED)
Cash flows from operating activities:		
Net loss	$ (1,354,561)	$ (1,403,235)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	420,000	412,500
Benefit for deferred taxes	(1,079,600)	(924,000)
Provision for bad debts	5,000	--
Changes in assets and liabilities:		
(Increase) decrease in:		
Restricted cash and investments	(23,749)	(141,864)
Accounts receivable	185,575	64,959
Prepaid expenses	75,675	47,082
Other assets	(602,953)	(460,175)
Increase (decrease) in:		
Accounts payable	(4,574)	355,951
Funds held for stake racing	462,671	479,623
Mutuel tickets outstanding	297,179	167,632
Accrued liabilities	(82,367)	626,725
Net cash used in operating activities	(1,701,704)	(774,802)
Cash flows from investing activities:		
Payments for purchases of property and equipment	(261,943)	(464,170)
Net cash used in investing activities	(261,943)	(464,170)
Cash flows from financing activities:		
Advances from affiliate and parent, net	122,371	3,479,165
Redemption of mandatorily redeemable preferred stock	--	(200,000)
Loan payments	--	(440,000)
Dividends paid on preferred stock	--	(13,726)
Net cash provided by financing activities	122,371	2,825,439
Net (decrease) increase in cash and cash equivalents	(1,841,276)	1,586,467
Cash and cash equivalents, beginning of period	3,672,783	311,519
Cash and cash equivalents, end of period	$ 1,831,507	$ 1,897,986

The accompanying notes are an integral part of these financial statements.

CALDER RACE COURSE, INC.

(A WHOLLY-OWNED SUBSIDIARY OF K.E. ACQUISITION CORPORATION)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1999 (UNAUDITED)

1. UNAUDITED FINANCIAL STATEMENTS

The interim financial data is unaudited; however, in the opinion of Calder Race Course, Inc. (the "Company"), the interim data includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial position and the results of operations for the interim periods.

2. SUBSEQUENT EVENTS

On April 23, 1999, Churchill Downs Incorporated acquired all of the outstanding stock of the Company and its affiliate, Tropical Park, Inc. from K.E. Acquisition Corporation for a purchase price of $86 million cash plus a closing net working capital adjustment of approximately $2.4 million cash and $0.6 million in transaction costs. The purchase included the licenses held by the Company and its affiliate, Tropical Park, Inc. to conduct horse racing at Calder Race Course. The results of operations of the Company and its affiliate, Tropical Park, Inc. will be included in Churchill Downs Incorporated's consolidated financial statements since the date of acquisition during the second quarter of 1999.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Tropical Park, Inc.

In our opinion, the accompanying balance sheets and the related statements of income, of changes in shareholder's deficit and of cash flows present fairly, in all material respects, the financial position of Tropical Park, Inc. (a wholly-owned subsidiary of K.E. Acquisition Corporation) at December 31, 1998 and 1997, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP
Fort Lauderdale, Florida
February 19, 1998

TROPICAL PARK, INC.
(A WHOLLY-OWNED SUBSIDIARY OF K.E. ACQUISITION CORPORATION)
BALANCE SHEETS

	DECEMBER 31, 1998	DECEMBER 31, 1997
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,734,157	$ 7,302,918
Accounts receivable, net of allowance of $156,000 and $30,000 at December 31, 1998 and 1997, respectively	5,330,266	3,758,584
Due from affiliate	4,548,380	2,568,827
Prepaid expenses	83,628	47,160
Total current assets	14,696,431	13,677,489
Property and equipment:		
Building and equipment	7,241,887	7,241,887
Racetrack improvements	2,846,785	2,919,974
	10,088,672	10,161,861
Less accumulated depreciation	8,371,902	8,317,543
Property and equipment, net	1,716,770	1,844,318
Restricted cash	88,352	86,138
Other assets	149,013	149,013
	237,365	235,151
Total assets	$ 16,650,566	$ 15,756,958
LIABILITIES AND SHAREHOLDER'S DEFICIT		
Current liabilities:		
Accounts payable	$ 2,324,037	$ 1,135,343
Mutuel tickets outstanding	382,696	392,120
Accrued and other liabilities	2,074,835	1,792,651
Due to parent	--	280,522
Total current liabilities	4,781,568	3,600,636
Long-term debt	16,587,174	20,311,000
Deferred tax liability	2,652,934	1,127,965
Total liabilities	24,021,676	25,039,601
Shareholder's deficit:		
Common stock, $31.25 stated value. Authorized 1,000 shares; issued and outstanding 195 shares at December 31, 1998 and 1997	6,094	6,094
Additional paid-in capital	19,044,657	19,044,657
Accumulated deficit	(26,421,861)	(28,333,394)
Total shareholder's deficit	(7,371,110)	(9,282,643)
Total liabilities and shareholder's deficit	$ 16,650,566	$ 15,756,958

The accompanying notes are an integral part of these financial statements.

TROPICAL PARK, INC.
(A WHOLLY-OWNED SUBSIDIARY OF K.E. ACQUISITION CORPORATION)
STATEMENTS OF INCOME

	FOR THE YEARS ENDED DECEMBER 31, 1998	1997	1996
Revenues:			
Pari-mutuel commissions	$ 14,583,809	$ 13,909,779	$ 12,361,514
Interstate simulcast commissions	4,445,505	4,207,286	3,496,869
Stake fees for purses	331,450	217,100	176,605
Admissions	268,786	263,522	262,796
Parking, programs, and concessions	487,481	500,113	420,560
Breakage	547,440	527,701	391,798
Sundry	691,616	485,484	402,490
Total revenues	21,356,087	20,110,985	17,512,632
Expenses:			
Purses and owners' awards	9,655,499	9,612,064	8,442,959
Advertising and promotion	752,163	638,339	616,728
Depreciation	127,547	127,694	127,900
Insurance	237,201	234,318	268,468
Rent	817,637	819,195	714,659
Personnel and related costs	2,945,426	2,862,383	2,449,635
Services purchased	858,590	830,216	732,691
Totalisator rental	217,448	209,666	191,337
Utilities	472,112	453,827	560,537
Other	1,036,245	860,225	930,222
Total expenses	17,119,868	16,647,927	15,035,136
Operating income	4,236,219	3,463,058	2,477,496
Other income (expense):			
Rental income	69,863	70,920	68,994
Interest income	173,846	138,206	110,841
Interest expense	(1,347,042)	(1,155,340)	(1,226,759)
	(1,103,333)	(946,214)	(1,046,924)
Income before income taxes	3,132,886	2,516,844	1,430,572
Provision for income taxes	1,221,353	933,487	585,000
Net income	$ 1,911,533	$ 1,583,357	$ 845,572

The accompanying notes are an integral part of these financial statements.

TROPICAL PARK, INC.
(A WHOLLY-OWNED SUBSIDIARY OF K.E. ACQUISITION CORPORATION)
STATEMENTS OF CHANGES IN SHAREHOLDER'S DEFICIT

	COMMON STOCK				
	NUMBER OF SHARES	PAR VALUE	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TOTAL SHAREHOLDER'S DEFICIT
Balance at January 1, 1996	195	$ 6,094	$ 19,044,657	$ (30,762,323)	$ (11,711,572)
Net income	--	--	--	845,572	845,572
Balance at December 31, 1996	195	6,094	19,044,657	(29,916,751)	(10,866,000)
Net income	--	--	--	1,583,357	1,583,357
Balance at December 31, 1997	195	6,094	19,044,657	(28,333,394)	(9,282,643)
Net income	--	--	--	1,911,533	1,911,533
Balance at December 31, 1998	195	$ 6,094	$ 19,044,657	$ (26,421,861)	$ (7,371,110)

The accompanying notes are an integral part of these financial statements.

TROPICAL PARK, INC.
(A WHOLLY-OWNED SUBSIDIARY OF K.E. ACQUISITION CORPORATION)
STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31,		
	1998	1997	1996
Cash flows from operating activities:			
Net income	$ 1,911,533	$ 1,583,357	$ 845,572
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	127,548	127,694	127,900
Provision for deferred taxes	1,221,353	617,965	510,000
Provision for bad debts	126,000	--	--
Adjustment in carrying value of captive insurance company	--	76,031	--
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(1,697,682)	(175,367)	--
Restricted cash	(2,214)	(12,376)	(514)
Prepaid expenses	(36,468)	127,671	(124,624)
Other assets	--	55,280	199,962
Increase (decrease) in:			
Accounts payable	1,188,694	114,002	(2,058,317)
Mutuel tickets outstanding	(9,424)	81,538	(133,361)
Accrued liabilities	282,184	(571,609)	729,521
Net cash provided by operating activities	3,111,524	2,024,186	96,139
Cash flows from investing activities:			
Payments for purchases of property and equipment	--	--	(4,800)
Net cash used in investing activities	--	--	(4,800)
Cash flows from financing activities:			
Advances from affiliate and parent	(1,956,459)	(397,656)	(597,559)
Loan payments	(3,723,826)	--	(299,000)
Net cash used in financing activities	(5,680,285)	(397,656)	(896,559)
Net (decrease) increase in cash and cash equivalents	(2,568,761)	1,626,530	(805,220)
Cash and cash equivalents, beginning of period	7,302,918	5,676,388	6,481,608
Cash and cash equivalents, end of period	$ 4,734,157	$ 7,302,918	$ 5,676,388
Supplemental cash flow information:			
Interest paid	$ 1,341,720	$ 1,158,104	$ 1,242,920

The accompanying notes are an integral part of these financial statements.

TROPICAL PARK, INC.
(A WHOLLY-OWNED SUBSIDIARY OF K.E. ACQUISITION CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Tropical Park, Inc. (the "Company"), holds a pari-mutuel racing permit from the State of Florida and conducts live race meetings for thoroughbred horses and participates in simulcast wagering as a host track and as a receiving track. The Company's operations are classified under one business segment. The Company currently operates its meets at Calder Race Course, Inc. (Calder), an affiliate. As provided in Florida statutes, the Company was authorized to operate one race meet during the period from November 1998 to January 1999, for a period of 51 days. During 1997 and 1996 the race meets were authorized from November 1997 to January 1998 and from November 1996 to January 1997 for 51 days and 50 days, respectively.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

RESTRICTED CASH

Restricted cash consists of a surety bond made payable to the State of Florida. Such bond is required by the State of Florida in order for Tropical to be granted a license to race. Such amounts include fines collected from horsemen, trainers and jockeys during meets which are used to subsidize medical and funeral expenses of backside personnel, who are otherwise uninsured or in need.

PROPERTY AND EQUIPMENT

The Company has made various improvements to the racing plant which it leases from Calder. Property and equipment are stated at cost and depreciated on the straight-line basis over the lesser of their estimated useful lives or the remaining term of the lease, between 5 and 31 years. During 1998, the Company retired approximately $73,000 of fully depreciated racetrack improvements which are no longer used in operations.

IMPAIRMENT OF LONG-LIVED ASSETS

The Company reviews long-term assets for impairment and writes these down to fair value whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107 requires all entities to disclose the fair value of certain financial instruments in their financial statements. Accordingly, the Company reports that the carrying amount of cash and cash equivalents, trade receivables, accounts payable, long term debt payable and accrued liabilities approximates fair value due to the short maturity of these instruments, and that the carrying amount of marketable securities is stated at fair value.

INCOME TAXES

The Company files a consolidated U.S. Federal income tax return with its parent K.E. Acquisition Corporation (Parent). Under the terms of a tax sharing arrangement with its parent, the provision for income taxes is computed as if the Company filed a separate tax return, on a year to year, stand-alone basis, with the current tax balances determined based on a consolidated filing position. All current income tax related balances are included as due to parent in the accompanying financial statements.

The Company accounts for income taxes using the asset and liability approach. The asset and liability approach requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of other assets and liabilities. The differences in 1998 and 1997 related primarily to accelerated book depreciation for financial reporting purposes in excess of tax.

PURSES

In accordance with Florida statutes, the Company is required to distribute a specific amount of purses and owners' awards based on a percentage of the pari-mutuel handle plus additional amounts based on contractual agreements with the Florida Horsemen's Benevolent Protective Association. At December 31, 1998 and 1997, the Company underpaid approximately $968,000 and $779,000, respectively, of purses and owners' awards. Such amounts are included in accrued liabilities. In January 1999 and 1998, the majority of these obligations were fulfilled.

HORSEMEN ACCOUNT

During the track meet the Company administers the Horsemen's bank account on their behalf. In addition to the opening balance, these funds include purses which have been paid by the Company to the Horsemen during the track meet but not yet withdrawn by the Horsemen. The funds held and administered on behalf of the Horsemen amounted to $5,531,000 and $7,234,000 as of December 31, 1998 and 1997, respectively. Such funds have been excluded from the financial statements.

RECLASSIFICATIONS

Certain reclassifications have been made to prior period financial statements to conform with current period presentation.

2. ACCOUNTS RECEIVABLE

Accounts receivable consist primarily of amounts due from simulcasting and from concession activities. The Company maintains an allowance for doubtful accounts at a level which management believes is sufficient to cover potential losses.

3. ACCRUED AND OTHER LIABILITIES

Accrued and other liabilities is comprised of:

	AS OF DECEMBER 31,	
	1998	1997
Purses liability	$ 625,756	$ 840,306
Breeders awards liability. . . .	403,707	529,358
Other liabilities.	1,045,372	422,987
	$2,074,835	$1,792,651

4. DEBT

The Company and its affiliate, Calder, assumed debt of its former owner, of which the Company's allocable share at December 31, 1998 and 1997 amounted to $16,587,174 and $20,311,000, respectively. The debt which is payable to its Parent, was allocated by agreement between the Company and Calder. The debt is collateralized by substantially all of the Company's assets. The loan bears interest at adjusted LIBOR plus .75% (6.75% at December 31, 1998). In February 1999, the maturity date was extended to January 1, 2000. Interest payments are payable quarterly. The Company and its affiliate, Calder, are jointly and severally liable to their Parent for the total debt assumed which approximates $39,498,000 and $49,000,000 at December 31, 1998 and 1997, respectively.

5. COMMITMENTS AND CONTINGENCIES

LEASES AND CONTRACTS

The Company entered into a lease with Calder, an affiliate, for the rental of Calder's racing plant and facilities through March 2004. Rent is calculated at 1.5% of the Company's on-site pari-mutuel handle. Rent expense was $803,199, $810,618 and $707,406 during 1998, 1997 and 1996, respectively. The rent, real estate taxes, and maintenance costs are reviewed annually to determine whether an adjustment should be made based on increases or decreases in various costs and expenses.

Calder has also agreed to furnish the Company with personnel necessary for its racing meets. For this service, the Company is charged with the actual payroll costs and expenses, plus a fringe benefit charge of 40% of this amount. Fringe benefit expense for the years ended December 31, 1998, 1997 and 1996 totaled $896,410, $869,248 and $746,162, respectively.

5. COMMITMENTS AND CONTINGENCIES (CONTINUED)

LEGAL MATTERS

The Company is involved in various matters of litigation which arise in the normal course of business. Management believes that liability, if any, arising from such litigation will not have a material adverse effect on the financial position of the Company.

CONCESSION CONTRACT

The Company has two years remaining on its three-year contract with its food and beverage concessionaire. Under the terms of the agreement, the Company is entitled to receive a percentage of the net concession sales. In addition, the contract provides for the concessionaire to reimburse the Company for certain electricity costs in the main building. Amounts owed to the Company at December 31, 1998 and 1997 amounted to $146,589 and $109,713, respectively.

SERVICE AGREEMENTS

The Company entered into a totalisator service agreement through 1999. The totalisator service charge is based on a tiered percentage of the daily handle, subject to a minimum fee of $2,000 for each racing day. Total charges for 1998, 1997 and 1996 amounted to $217,448, $209,666 and $191,337, respectively.

In 1994, the Company entered into a five year service agreement with a third party who provides on-track video and support operations. The charge for this service for 1998, 1997 and 1996 amounted to $197,444, $188,844 and $197,844, respectively.

EMPLOYMENT AGREEMENTS

An affiliate of the Company entered into three employment agreements with key employees for which the contract periods and termination dates vary from one year to three years. The agreements provide, in part, for combined compensation to be allocated between the Company and its affiliate, Calder, of approximately $376,000, $350,000 and $314,000 in 1998, 1997 and 1996, respectively. The Company's portion was approximately $51,000, $54,000 and $59,000 for the years ended December 31, 1998, 1997 and 1996, respectively. Total remaining annual commitments under these agreements amount to approximately $238,700, $183,000 and $42,000 for the years ending 1999, 2000 and 2001, respectively of which the Company's allocated portion for 1999, 2000 and 2001 will be approximately $35,800, $27,400 and $6,300, respectively.

6. INCOME TAXES

The provision for income taxes differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income primarily as a result of certain expenses not deductible for tax purposes.

6. INCOME TAXES (CONTINUED)

The Company's results are included in the consolidated U.S. federal income tax return with its parent. Under the terms of the agreed-upon tax sharing arrangement with its parent, the provision for income taxes is computed as if the Company filed a separate tax return, on a year to year, stand-alone basis. The consolidated current income tax liability of the Company's parent is allocated to the Company based on its pro-rata percentage of taxable income of the consolidated group and is included as Due to parent in the accompanying financial statements. Other income tax related balances including those arising from temporary differences which generate deferred taxes and the difference in the current liability for income taxes computed as if the Company filed a separate tax return and the parent's allocated amount are included as Deferred tax liability in the accompanying financial statements.

The aggregate amount of current and deferred tax expense, and the net amount of any tax-related balances due to parent was $1,221,353 and $2,652,934, respectively, for 1998 and $933,487 and $1,408,487, respectively, for 1997. The current and deferred tax expense was $585,000 for 1996.

7. DUE TO/FROM AFFILIATE AND PARENT

As of December 31, 1998 and 1997, the Company had a due from its affiliate, Calder, in the amount of $4,548,380 and $2,568,827, respectively, and the amounts due to parent consisted of the following:

	AS OF DECEMBER 31,	
	1998	1997
Due to parent for income taxes-current.	$ -	$ (280,522)
Deferred tax asset-noncurrent	$ 1,046,279	$ 1,102,078
Deferred tax sharing agreement liability-noncurrent	(3,699,213)	(2,230,043)
Net deferred tax liability (Due to parent-noncurrent)	$(2,652,934)	$(1,127,965)

8. SUBSEQUENT EVENTS

On January 21, 1999, K.E. Acquisition Corporation entered into a definitive agreement to sell all of the outstanding shares of the Company and its affiliate, Calder, to Churchill Downs Inc. for cash consideration of $86,000,000, subject to certain adjustments at closing. The transaction remains subject to customary closing conditions, including the expiration of the waiting period under the Hart-Scott-Rodino Act and approval of the Florida Department of Business and Professional Regulation. Closing of the transaction is anticipated during the first quarter of 1999.

* * *

TROPICAL PARK, INC.
(A WHOLLY-OWNED SUBSIDIARY OF K.E. ACQUISITION CORPORATION)
BALANCE SHEET

	MARCH 31, 1999 (UNAUDITED)
ASSETS	
Current assets:	
Cash and cash equivalents	$ 5,407,966
Accounts receivable, net of allowance of $140,000	500,900
Due from affiliate	4,670,751
Total current assets	10,579,617
Property and equipment:	
Building and equipment	7,241,887
Racetrack improvements	2,846,785
	10,088,672
Less accumulated depreciation	8,404,901
Property and equipment, net	1,683,771
Restricted cash	96,136
Other assets	149,013
	245,149
Total assets	$12,508,537
LIABILITIES AND SHAREHOLDER'S DEFICIT	
Current liabilities:	
Accounts payable	$ 133,424
Mutuel tickets outstanding	243,002
Accrued and other liabilities	514,236
Total current liabilities	890,662
Long-term debt	16,587,174
Deferred tax liability	2,542,534
Total liabilities	20,020,370
Shareholder's deficit:	
Common stock, $31.25 stated value. Authorized 1,000 shares; issued and outstanding 195 shares	6,094
Additional paid-in capital	19,044,657
Accumulated deficit	(26,562,584)
Total shareholder's deficit	(7,511,833)
Total liabilities and shareholder's deficit	$12,508,537

The accompanying notes are an integral part of these financial statements.

TROPICAL PARK, INC.
(A WHOLLY-OWNED SUBSIDIARY OF K.E. ACQUISITION CORPORATION)
STATEMENTS OF INCOME

	FOR THE THREE MONTHS ENDED MARCH 31, 1999 (UNAUDITED)	FOR THE THREE MONTHS ENDED MARCH 31, 1998 (UNAUDITED)
Revenues:		
Pari-mutuel commissions	$ 705,146	$ 683,297
Interstate simulcast commissions	325,136	318,242
Admissions	12,708	14,330
Parking, programs, and concessions	21,894	27,235
Breakage	20,343	19,668
Sundry	99,106	156,207
Total revenues	1,184,333	1,218,979
Expenses:		
Purses and owners' awards	499,330	501,694
Advertising and promotion	41,803	60,469
Depreciation	33,000	33,000
Insurance	53,000	49,000
Rent	53,917	31,861
Personnel and related costs	225,887	187,185
Services purchased	40,615	47,565
Totalisator rental	7,656	8,557
Utilities	129,158	94,130
Other	150,643	108,156
Total expenses	1,235,009	1,121,617
Operating (loss) income	(50,676)	97,362
Other income (expense):		
Rental income	15,000	15,000
Interest income	64,638	74,335
Interest expense	(280,085)	(342,045)
	(200,447)	(252,710)
Loss before benefit for income taxes	(251,123)	(155,348)
Benefit for income taxes	110,400	60,600
Net loss	$(140,723)	$ (94,748)

The accompanying notes are an integral part of these financial statements.

TROPICAL PARK, INC.
(A WHOLLY-OWNED SUBSIDIARY OF K.E. ACQUISITION CORPORATION)
STATEMENTS OF CASH FLOWS

	FOR THE THREE MONTHS ENDED MARCH 31, 1999	FOR THE THREE MONTHS ENDED MARCH 31, 1998
	(UNAUDITED)	(UNAUDITED)
Cash flows from operating activities:		
Net loss	$ (140,723)	$ (94,748)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	33,000	33,000
Benefit for deferred taxes	(110,400)	(60,600)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	4,829,366	3,465,641
Restricted cash	(7,784)	(933)
Prepaid expenses	83,628	33,554
Increase (decrease) in:		
Accounts payable	2,190,614	(982,400)
Mutuel tickets outstanding	(139,694)	(85,690)
Accrued liabilities	(1,560,599)	(1,015,321)
Net cash provided by operating activities	796,180	1,292,503
Cash flows from financing activities:		
Advances to affiliate and parent	(122,371)	(4,351,580)
Net cash used in financing activities	(122,371)	(4,351,580)
Net increase (decrease) in cash and cash equivalents	673,809	(3,059,077)
Cash and cash equivalents, beginning of period	4,734,157	7,302,918
Cash and cash equivalents, end of period	$5,407,966	$4,243,841

The accompanying notes are an integral part of these financial statements.

TROPICAL PARK, INC.
(A WHOLLY-OWNED SUBSIDIARY OF K.E. ACQUISITION CORPORATION)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1999 (UNAUDITED)

1. UNAUDITED FINANCIAL STATEMENTS

The interim financial data is unaudited; however, in the opinion of Tropical Park, Inc. (the "Company"), the interim data includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial position and the results of operations for the interim periods.

2. SUBSEQUENT EVENTS

On April 23, 1999, Churchill Downs Incorporated acquired all of the outstanding stock of the Company and its affiliate, Calder Race Course, Inc. from K.E. Acquisition Corporation for a purchase price of $86 million cash plus a closing net working capital adjustment of approximately $2.4 million cash and $0.6 million in transaction costs. The purchase included the licenses held by the Company and its affiliate, Calder Race Course, Inc. to conduct horse racing at Calder Race Course. The results of operations of the Company and its affiliate, Calder Race Course, Inc. will be included in Churchill Downs Incorporated's consolidated financial statements since the date of acquisition during the second quarter of 1999.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

B. PRO FORMA FINANCIAL INFORMATION

CHURCHILL DOWNS INCORPORATED
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following unaudited pro forma condensed balance sheet was derived from our unaudited consolidated balance sheet and the unaudited balance sheets of Calder Race Course, Inc. ("Calder") and Tropical Park, Inc. ("Tropical") (which together comprise Calder Race Course) as of March 31, 1999. The unaudited pro forma condensed statements of earnings for the three-month periods ended March 31, 1999 and 1998 were derived from our unaudited consolidated statements of earnings and the unaudited statements of income of Calder and Tropical for the three-month periods ended March 31, 1999 and 1998 and of Racing Corporation of America (Ellis Park) for the three-month period ended March 31, 1998. The unaudited pro forma condensed statements of earnings for the year ended December 31, 1998 were derived from our audited consolidated statement of earnings for the year ended December 31, 1998, the audited statements of earnings of Calder and Tropical for the year ended December 31, 1998 and the unaudited statement of earnings of Ellis Park for the period from January 1, 1998 through April 21, 1998. The unaudited pro forma financial statements reflect the pro forma effects of the acquisitions of Ellis Park and Calder and Tropical, and our new credit agreement. These unaudited pro forma financial statements give effect to the acquisitions and the new credit agreement as if they had occurred on January 1, 1998 for the statements of earnings and as of March 31, 1999 for the balance sheet. The statements do not purport to represent what our results of operations or financial position actually would have been if the acquisitions and the new credit agreement had occurred on or as of such dates and are not necessarily indicative of future operating results or financial position. The unaudited pro forma condensed consolidated financial statements are based upon, and should be read in conjunction with, the historical consolidated financial statements of Churchill Downs Incorporated, including notes thereto, included in its report on Form 10-K for the year ended December 31, 1998 and its unaudited interim financial statements including notes thereto, included in its report on Form 10-Q for the quarterly period ended March 31, 1999 and the audited annual financial statements and the unaudited interim financial statements of Calder and Tropical, and the notes thereto included in this Form 8-K.

The acquisitions of Ellis Park and Calder Race Course have been accounted for using the purchase method of accounting. Under the purchase method of accounting, the purchase price is allocated to the fair value of the tangible and identifiable intangible assets acquired and liabilities assumed. The pro forma adjustments related to the Calder Race Course acquisition are based on preliminary assumptions of the allocation of the purchase price and are subject to revision once appraisals, evaluations and other studies of the fair value of the assets acquired and liabilities assumed are completed. Actual purchase accounting adjustments related to the Calder Race Course acquisition may differ from the pro forma adjustments presented in this prospectus.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
MARCH 31, 1999

	Historical Churchill Downs	Historical Calder Race Course(1) Calder	Tropical	Pro Forma Adjustments and Eliminations(1)	Pro Forma Churchill Downs
ASSETS					
Current assets:					
Cash and cash equivalents	$ 12,590	$ 1,832	$ 5,408	$ --	$ 19,830
Accounts receivable	8,402	430	501	--	9,333
Due from affiliate	--	--	4,671	(4,671)(2)	
Other current assets	3,325	734	--	--	4,059
Total current assets	24,317	2,996	10,580	(4,671)	33,222
Other assets	5,427	1,585	245	--	7,257
Property, plant and equipment, net	85,827	17,935	1,684	24,659(3)	130,105
Intangibles, net of amortization	11,407	--	--	48,204(4)	
				2,500(5)	62,111
Total assets	$126,978	$22,516	$12,509	$70,692	$232,695
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	$ 11,330	$ 318	$ 133	$ --	$ 11,781
Accrued liabilities	5,308	2,212	758	--	8,278
Due to affiliate	--	4,671	--	(4,671)(2)	--
Dividends payable	--	--	--	--	--
Income tax payable	--	--	--	--	--
Deferred revenue	15,462	--	--	--	15,462
Long-term debt, current portion	570	--	--	--	570
Total current liabilities	32,670	7,201	891	(4,671)	36,091
Long term liabilities:					
Due to parent	--	22,911	16,587	(39,498)(6)	--
Long-term debt, due after one year	21,237	--	--	91,997 (7)	113,234
Other liabilities	3,810	1,154	--	--	4,964
Deferred income taxes	7,011	3,691	2,543	(6,460)(8)	--
				9,371 (9)	16,156
Total liabilities	64,728	34,957	20,021	50,739	170,445
Shareholders' equity:					
Common stock	8,927	167	6	(173)(10)	8,927
Retained earnings (accumulated deficit)	53,589	(51,907)	(26,563)	78,470 (10)	53,589
Additional paid in capital	--	39,299	19,045	(58,344)(10)	--
Deferred compensation costs	(201)	--	--	--	(201)
Notes receivable for common stock	(65)	--	--	--	(65)
Total shareholders' equity	62,250	(12,441)	(7,512)	19,953	62,250
Total liabilities and shareholders' equity	$126,978	$ 22,516	$12,509	$70,692	$232,695

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(1) Adjustments give pro forma effect to the Calder Race Course acquisition and Churchill Downs' new credit agreement as if these transactions had occurred on March 31, 1999.

(2) To eliminate the intercompany balances between Calder and Tropical.

(3) To record the revaluation of acquired property, plant and equipment to its estimated fair value.

(4) To record the excess of the purchase price over the fair value of tangible and identifiable intangible net assets acquired.

(5) To record deferred financing costs associated with Churchill Downs' new credit agreement.

(6) To eliminate liabilities of Calder and Tropical that were not assumed by Churchill Downs in the transaction.

(7) To record the borrowings on Churchill Downs' line of credit necessary to finance the purchase price of $86.0 million plus a working capital adjustment of $2.9 million, related acquisition costs of $600,000 and deferred financing costs of $2.5 million associated with Churchill Downs' new credit agreement.

(8) To record the elimination of income taxes payable not assumed in the acquisition.

(9) To record the revaluation of the deferred tax assets and liabilities based on the revaluation of assets acquired and liabilities assumed.

(10) To eliminate the historical equity accounts of Calder and Tropical.

Unaudited Pro Forma Condensed Consolidated Statement of Earnings
For the Three-Month Period ended March 31, 1999

	Historical Churchill Downs	Historical Calder Race Course(1) Calder	Historical Calder Race Course(1) Tropical	Pro Forma Adjustments and Eliminations(1)	Pro Forma Churchill Downs
	(in thousands, except per share data)				
Net revenues	$17,663	$ 612	$1,184	$ -	$19,459
Operating expenses:					
Purses	5,872	-	499	-	6,371
Other direct expenses	13,285	2,217	551	(54)(2) 58 (3)	16,057
	19,157	2,217	1,050	4	22,428
Gross profit (loss)	(1,494)	(1,605)	134	(4)	(2,969)
Selling, general and administrative expenses	3,130	569	185	-	3,884
Amortization Expense	173	-	-	301(4)	474
Operating income (loss)	(4,797)	(2,174)	(51)	(305)	(7,327)
Other income (expense)					
Interest income	147	26	65	-	238
Interest expense	(435)	(387)	(280)	(991)(5) (135)(6)	(2,228)
Rental income	-	101	15	(54)(2)	62
Miscellaneous income	44	-	-	-	44
	(244)	(260)	(200)	(1,180)	(1,884)
Earnings (loss) before income tax provision (benefit)	(5,041)	(2,434)	(251)	(1,485)	(9,211)
Federal and state income tax provision (benefit)	(2,031)	(1,080)	(110)	(474)(7)	(3,695)
Net earnings (loss)	$(3,010)	$(1,354)	$(141)	$(1,011)	$(5,516)
Earnings (loss) per common share					
Basic	$(0.40)				$(0.73)
Diluted	$(0.40)				$(0.73)
Weighted average shares outstanding					
Basic	7,525				7,525
Diluted	7,525				7,525

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(1) Adjustments necessary to give pro forma effect to the Calder Race Course acquisition and Churchill Downs' new credit agreement as if these transactions had occurred on January 1, 1998. Historical statement of earnings information is based on the unaudited financial statements for the three month period ended March 31, 1999.

(2) To eliminate intercompany rental income and expense between Calder and Tropical.

(3) To record the estimated increase in depreciation expense as a result of the revaluation of the acquired Calder and Tropical property, plant and equipment to its fair value and estimated useful lives.

(4) To record estimated amortization over 40 years of the excess of the Calder Race Course purchase price over the fair value of net assets acquired of $48.2 million.

(5) To record the estimated incremental interest expense using an average 6.70% interest rate on borrowings of $92.0 million necessary to finance the Calder Race Course acquisition and fund deferred financing costs, including amortization expense of $125,000 related to deferred financing costs of $2.5 million over 5 years.

(6) To record the estimated annual commitment fee expense under the new credit agreement on the unused portion of the $250.0 million line of credit of $150.5 million at 0.375%.

(7) To record the income tax effect of the estimated increase in depreciation and incremental interest expense resulting from the Calder Race Course acquisition at our estimated federal and state income tax rate of 40%.

Unaudited Pro Forma Condensed Consolidated Statement of Earnings
For the Three-Month Period ended March 31, 1998

	Historical Churchill Downs	Historical Ellis Park (1)	Pro Forma Ellis Park Adjustments(1)	Pro Forma Combined	Historical Calder Race Course(2) Calder	Historical Calder Race Course(2) Tropical	Pro Forma Adjustments and Elimination(2)	Pro Forma Churchill Downs
	(in thousands, except per share data)							
Net revenues..............	$15,385	$1,556	$ -	$16,941	$565	$1,219	$ -	$18,725
Operating expenses:								
Purses..................	5,374	396	-	5,770	-	502	-	6,272
Other direct expenses..	10,625	1,546	144(3)	12,315	2,018	449	(32)(7) 65 (8)	14,815
	15,999	1,942	144	18,085	2,018	951	33	21,087
Gross profit (loss)....	(614)	(386)	(144)	(1,144)	(1,453)	268	(33)	(2,362)
Selling, general and administrative expenses..	2,134	226	-	2,360	483	171	-	3,014
Amortization Expense......	22	-	40(4)	62	-	-	301(9)	363
Operating income (loss)...	(2,770)	(612)	(184)	(3,566)	(1,936)	97	(334)	(5,739)
Other income (expense)								
Interest income........	189	-	-	189	13	74	-	276
Interest expense.......	(104)	(12)	(273)(5)	(389)	(480)	(342)	(836)(10) (135)(11)	(2,182)
Rental income..........	-	-	-	-	76	15	(32)(7)	59
Miscellaneous income...	117	-	-	117	-	-	-	117
	202	(12)	(273)	(83)	(391)	(253)	(1,003)	(1,730)
Earnings (loss) before income tax benefit......	(2,568)	(624)	(457)	(3,649)	(2,327)	(156)	(1,337)	(7,469)
Federal and state income tax benefit.............	(999)	(204)	(212)(6)	(1,415)	(924)	(61)	(414)(12)	(2,814)
Net earnings (loss).......	(1,569)	(420)	(245)	(2,234)	(1,403)	(95)	(923)	(4,655)
Dividends on preferred stock.........	-	-	-	-	14	-	-	14
Net earnings (loss) attributable to common shareholders............	$(1,569)	$(420)	$(245)	$(2,234)	$(1,417)	$(95)	$(923)	$(4,669)
Earnings (loss) per common share								
Basic...................	(0.21)			$(0.30)				$(0.62)
Diluted	$(0.21)			$(0.30)				$(0.62)
Weighted average shares outstanding......								
Basic...................	7,317		200	7,517				7,517
Diluted.................	7,317		200	7,517				7,517

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(1) The Ellis Park acquisition occurred on April 21, 1998, and the results of operations of Ellis Park have been included in the historical statement of earnings of Churchill Downs since that date. The pro forma Ellis Park adjustments give effect to the Ellis Park acquisition and Churchill Downs' new credit agreement as if these transactions had occurred on January 1, 1998. Historical Ellis Park statement of earnings information is based on the unaudited financial statements for the three-month period ended March 31, 1998.

(2) Adjustments necessary to give pro forma effect to the Calder Race Course acquisition and Churchill Downs' new credit agreement as if these transactions had occurred on January 1, 1998. Historical statement of earnings information is based on the unaudited financial statements for the three month period ended March 31, 1998.

(3) To record additional depreciation expense for the three-month period ended March 31, 1998 as a result of the revaluation of the Ellis Park plant and equipment to its fair value and estimated useful lives.

(4) To record estimated amortization over 40 years for the three-month period ended March 31, 1998 of the excess of the Ellis Park purchase price over the fair value of net assets acquired of $6.4 million.

(5) To record the estimated incremental interest expense using an average of 6.70% interest rate on borrowings of $16.2 million necessary to finance the Ellis Park acquisition.

(6) To adjust historical Ellis Park tax benefit and to record the income tax effect of the estimated increase in depreciation and incremental interest expense resulting from the Ellis Park acquisition at our estimated federal and state income tax rate of 40%.

(7) To eliminate intercompany rental income and expense between Calder and Tropical.

(8) To record the estimated increase in depreciation expense as a result of the revaluation of the acquired Calder and Tropical property, plant and equipment to its fair value and estimated useful lives.

(9) To record estimated amortization over 40 years of the excess of the Calder Race Course purchase price over the fair value of net assets acquired of $48.2 million.

(10) To record the estimated incremental interest expense using an average 6.70% interest rate on borrowings of $92.0 million necessary to finance the Calder Race Course acquisition and fund deferred financing costs, including amortization expense of $125,000 related to deferred financing costs of $2.5 million over 5 years.

(11) To record the estimated annual commitment fee expense under the new credit agreement on the unused portion of the $250.0 million line of credit of $150.5 million at 0.375%.

(12) To record the income tax effect of the estimated increase in depreciation and incremental interest expense resulting from the Calder Race Course acquisition at our estimated federal and state income tax rates of 40%.

Unaudited Pro Forma condensed Consolidated Statement of Earnings
For the Year ended December 31, 1998

	Historical Churchill Downs	Historical Ellis Park (1)	Pro Forma Ellis Park Adjustments(1)	Pro Forma Combined	Historical Calder Race Course(2) Calder	Tropical	Pro Forma Adjustments and Elimination(2)	Pro Forma Churchill Downs
	(in thousands, except per share data)							
Net revenues..............	$147,,300	$1,972	$ -	$149,272	$49,974	$21,356	$ -	$220,602
Operating expenses:								
Purses..................	50,193	491	-	50,684	23,347	9,655		83,686
Other direct expenses...	68,896	2,062	221(3)	71,179	16,858	6,535	(803)(7) 234 (8)	94,003
	119,089	2,553	221	121,863	40,205	16,190	(569)	177,689
Gross profit (loss).....	28,211	(581)	(221)	27,409	9,769	5,166	569	42,913
Selling, general and administrative expenses.	10,815	269	-	11,084	2,424	930	-	14,438
Amortization Expense......	253	-	28(4)	281	-	-	1,205 (9)	1,486
							(625)	
Operating income (loss)......	17,143	(850)	(249)	16,044	7,345	4,236	(636)	26,989
Other income (expense)								
Interest income........	680	-	-	680	165	174	-	1,019
Interest expense.......	(896)	(9)	(333)(5)	(1,238)	(1,867)	(1,347)	(3,420)(10) (518)(11)	(8,390)
Rental income..........	-	-	-	-	1,011	70	(803)(7)	278
Miscellaneous income...	342	-	-	342	-	-	-	342
	126	(9)	(333)	(216)	(691)	(1,103)	(4,741)	(6,751)
Earnings (loss) before income tax provision..............	17,269	(859)	(582)	15,828	6,654	3,133	(5,377)	20,238
Federal and state income tax provision....	6,751	-	(565)(6)	6,186	2,641	1,221	(1,669)(12)	8,379
Net earnings (loss).......	$10,518	$(859)	$(17)	$9,642	$4,013	$1,912	$(3,708)	$11,859
Dividends on preferred stock..................	-	-	-	-	38	-	-	38
Net earnings (loss) attributable to common shareholders...........	$10,518	$(859)	$(17)	$9,642	$3,975	$1,912	$(3,708)	$11,821
Earnings (loss) per common share								
Basic..................	$1.41			$1.28				$1.57
Diluted................	$1.40			$1.27				$1.56
Weighted average shares outstanding								
Basic..................	7,460		60	7,520				7,520
Diluted...............	7,539		60	7,599				7,599

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(1) The Ellis Park acquisition occurred on April 21, 1998, and the results of operations of Ellis Park have been included in the historical statement of earnings of Churchill Downs since that date. The pro forma Ellis Park adjustments give effect to the Ellis Park acquisition and Churchill Downs' new credit agreement as if these transactions had occurred on January 1, 1998. Historical Ellis Park statement of earnings information is based on the unaudited financial statements for the period from January 1, 1998 to April 21, 1998.

(2) Adjustments necessary to give pro forma effect to the Calder Race Course acquisition and Churchill Downs' new credit agreement as if these transactions had occurred on January 1, 1998 and the elimination of the historical Calder and Tropical intercompany transactions.

(3) To record additional depreciation expense from January 1, 1998 through April 21, 1998 as a result of the revaluation of the Ellis Park property, plant and equipment to its fair value and estimated useful lives.

(4) To record estimated amortization over 40 years from January 1, 1998 through April 21, 1998 of the excess of the Ellis Park purchase price over the fair value of net assets acquired of $6.4 million.

(5) To record the estimated incremental interest expense using an average 6.70% interest rate on borrowings of $16.2 million necessary to finance the Ellis Park acquisition.

(6) To adjust historical Ellis Park tax benefit and to record the income tax effect of the estimated increase in depreciation and incremental interest expense resulting from the Ellis Park acquisition at our estimated federal and state income tax rate of 40%.

(7) To eliminate intercompany rental income and expense between Calder and Tropical.

(8) To record the estimated increase in depreciation expense as a result of the revaluation of the acquired Calder and Tropical property, plant and equipment to its fair value and estimated useful lives.

(9) To record estimated amortization over 40 years of the excess of the Calder Race Course purchase price over the fair value of net assets acquired of $48.2 million.

(10) To record the estimated incremental interest expense using an average 6.70% interest rate on borrowings of $92.0 million necessary to finance the Calder Race Course acquisition and fund deferred financing costs, including amortization of $500,000 expense related to deferred financing costs of $2.5 million over 5 years.

(11) To record the estimated annual commitment fee expense under the new credit agreement on the unused portion of the $250.0 million line of credit of $150.5 million at 0.375%.

(12) To record the income tax effect of the estimated increase in depreciation and incremental interest expense resulting from the Calder Race Course acquisition at our estimated federal and state income tax rate of 40%.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

C. EXHIBITS Description of Document

2.1	Stock Purchase Agreement and Joint Escrow Instructions dated as of January 21, 1999 by and among Churchill Downs Incorporated and KE Acquisition Corp.*
2.2	First Amendment to Stock Purchase Agreement dated as of April 19, 1999 by and between Churchill Downs Incorporated, Churchill Downs Management Company and KE Acquisition Corp.*
2.3	Agreement and Plan of Merger and Amendment to Stock Purchase Agreement dated as of April 22, 1999 by and among Churchill Downs Incorporated, Churchill Downs Management Company, CR Acquisition Corp., TP Acquisition Corp., Calder Race Course, Inc., Tropical Park, Inc. and KE Acquisition Corp.*
23	Consent of PricewaterhouseCoopers LLP
99	Press release issued on April 26, 1999 by Churchill Downs Incorporated.*

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* Previously filed

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CHURCHILL DOWNS INCORPORATED

June 17, 1999	/s/ Robert L. Decker ------------------------------ Robert L. Decker Executive Vice President, Chief Financial Officer (Principal Financial Officer)
June 17, 1999	/s/ Vicki L. Baumgardner ------------------------------ Vicki L. Baumgardner Vice President, Finance/Treasurer (Principal Accounting Officer)

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (Nos. 33-85012, 333-62013, and 33-61111) of Churchill Downs Incorporated of our reports dated February 19, 1999, relating to the financial statements of Calder Race Course, Inc. and Tropical Park, Inc. which appear in the Current Report on Form 8-K/A of Churchill Downs Incorporated dated June 18, 1999.

PricewaterhouseCoopers LLP
Fort Lauderdale, Florida
June 15, 1999