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 June 30, 2003

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	61-0156015
(State or other jurisdiction of incorporation or organization)	(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____

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes X No__

The number of shares outstanding of registrant’s common stock at August 13, 2003 was 13,196,573 shares.

CHURCHILL DOWNS INCORPORATED
I N D E X

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CHURCHILL DOWNS INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

ASSETS	June 30, 2003 (unaudited)	December 31, 2002	June 30, 2002 (unaudited)
Current assets:			
Cash and cash equivalents	$ 27,185	$ 14,662	$ 26,381
Restricted cash	14,168	3,247	16,931
Accounts receivable, net	45,695	34,435	36,270
Deferred income taxes	3,043	2,159	2,022
Other current assets	5,564	5,988	5,081
Total current assets	95,655	60,491	86,685
Other assets	11,962	10,606	12,213
Plant and equipment, net	347,699	338,381	338,696
Goodwill, net	52,239	52,239	52,239
Other intangible assets, net	7,313	7,495	7,678
	$ 514,868	$ 469,212	$ 497,511
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Accounts payable	$ 64,435	$ 31,189	$ 75,070
Accrued expenses	35,853	31,782	36,512
Dividends payable	-	6,578	-
Income taxes payable	8,510	727	5,155
Deferred revenue	7,653	14,876	4,979
Long-term debt, current portion	472	508	490
Total current liabilities	116,923	85,660	122,206
Long-term debt, due after one year	119,811	122,840	116,672
Other liabilities	14,053	12,603	13,585
Deferred income taxes	13,103	13,112	15,119
Total liabilities	263,890	234,215	267,582
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: 13,183 shares June 30, 2003, 13,157 shares December 31, 2002, and 13,115 shares June 30, 2002	126,725	126,043	125,132
Retained earnings	125,770	109,241	105,923

Accumulated other comprehensive loss	(1,517)	(222)	(1,061)
Note receivable for common stock	-	(65)	(65)
	250,978	234,997	229,929
	$ 514,868	$ 469,212	$ 497,511

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

CHURCHILL DOWNS INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF NET EARNINGS
for the six and three months ended June 30, 2003 and 2002
(Unaudited)
(In thousands, except per share data)

	Six Months Ended June 30,		Three Months Ended June 30,	
	2003	2002	2003	2002
Net revenues	$ 214,285	$ 203,599	$ 180,496	$ 172,627
Operating expenses	166,967	162,430	123,425	122,701
Gross profit	47,318	41,169	57,071	49,926
Selling, general and administrative expenses	16,873	17,268	8,765	8,872
Operating income	30,445	23,901	48,306	41,054
Other income (expense):				
Interest income	135	174	73	93
Interest expense	(3,306)	(4,967)	(1,479)	(2,315)
Miscellaneous, net	553	(591)	151	(422)
	(2,618)	(5,384)	(1,255)	(2,644)
Earnings before provision for income taxes	27,827	18,517	47,051	38,410
Provision for income taxes	(11,298)	(7,444)	(19,026)	(15,302)
Net earnings	$ 16,529	$ 11,073	$ 28,025	$ 23,108
Net earnings per common share data:				
Basic	$ 1.26	$ 0.84	$ 2.13	$ 1.76
Diluted	$ 1.24	$ 0.83	$ 2.09	$ 1.73
Weighted average shares outstanding:				
Basic	13,167	13,110	13,174	13,115
Diluted	13,367	13,341	13,380	13,338

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

CHURCHILL DOWNS INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
for the six months ended June 30,
(Unaudited)
(in thousands)

	2003	2002

Cash flows from operating activities:		
Net earnings	$ 16,529	$ 11,073
Adjustments to reconcile net earnings to		
net cash provided by operating activities:		
Depreciation and amortization	10,171	9,661
Increase (decrease) in cash resulting from		
changes in operating assets and liabilities:		
Restricted cash	(10,921)	(6,226)
Accounts receivable	(11,260)	(5,095)
Other current assets	424	(3,053)
Accounts payable	34,928	31,800
Accrued expenses	1,891	6,621
Income taxes payable	7,783	4,184
Deferred revenue	(7,223)	(9,262)
Other assets and liabilities	1,857	1,695
Net cash provided by operating activities	44,179	41,398
Cash flows from investing activities:		
Additions to plant and equipment, net	(19,074)	(8,756)
Net cash used in investing activities	(19,074)	(8,756)
Cash flows from financing activities:		
Decrease in long-term debt, net	(279)	(1,035)
Repayments of revolving loan facility for refinancing	(120,929)	--
Proceeds from senior notes, net of expenses	98,229	--
Borrowings on bank line of credit	172,453	141,731
Repayments of bank line of credit	(154,310)	(156,882)
Change in book overdraft	(1,915)	530
Proceeds from note receivable for common stock	65	--
Payment of dividends	(6,578)	(6,549)
Common stock issued	682	382
Net cash used in financing activities	(12,582)	(21,823)
Net increase in cash and cash equivalents	12,523	10,819
Cash and cash equivalents, beginning of period	14,662	15,562
Cash and cash equivalents, end of period	$ 27,185	$ 26,381
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 3,398	$ 4,648
Income taxes	$ 3,442	$ 3,260
Schedule of non-cash activities:		
Plant and equipment additions included in accounts payable	$ 233	$ --

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

CHURCHILL DOWNS INCORPORATED
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the six months ended June 30, 2003 and 2002 (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 of America 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 of America. 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, 2002 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.

($ in thousands, except per share data)

Our revenues and earnings are significantly influenced by our racing calendar. Therefore, revenues and operating results for any interim quarter are generally 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 historically have very few live racing days during the first quarter, with a majority of our live racing occurring in the second, third and fourth quarters, including the running of the Kentucky Derby and Kentucky Oaks in the second quarter.

2. Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees". Had the compensation cost for our stock-based compensation plans been determined consistent with Statement of Financial Accounting Standards ("SFAS") No. 123 "Accounting for Stock-based Compensation" the Company's net earnings and net earnings per common share for the six and three months ended June 30, 2003 and 2002 would approximate the pro forma amounts presented below:

	Six Months Ended June 30, 2003	2002
Net earnings	$ 16,529	$11,073
Pro forma stock-based compensation expense, net of tax benefit	(922)	(697)
Pro forma net earnings	$ 15,607	$ 10,376
Pro forma net earnings per common share:		
Basic	$ 1.19	$ 0.79
Diluted	$ 1.17	$ 0.78

2. Stock-Based Compensation (cont'd)

	Three Months Ended June 30, 2003	2002
Net earnings	$ 28,025	$23,108
Pro forma stock-based compensation expense, net of tax benefit	(539)	(508)
Pro forma net earnings	$ 27,486	$ 22,600
Pro forma net earnings per common share:		
Basic	$ 2.09	$ 1.72
Diluted	$ 2.05	$ 1.69

The effects of applying SFAS No. 123 in this pro forma disclosure are unlikely to be representative of the effects on pro forma net income for future years since variables such as option grants, exercises, and stock price volatility included in the disclosures may not be indicative of future activity. We anticipate making awards in the future under stock-based compensation plans.

3. Long-Term Debt

Long-term debt is as follows:

	As of June 30, 2003	As of December 31, 2002	As of June 30, 2002
$250 million revolving loan facility	$ --	$116,000	$109,596
$100 million variable rate senior notes	100,000	--	--
$200 million revolving line of credit	13,214	--	--
Other notes payable	7,069	7,348	7,566
Total long-term debt	$120,283	$123,348	$117,162

In April 2003, the Company refinanced its $250 million revolving loan facility to meet funding needs for future working capital, capital improvements and potential future acquisitions. The refinancing included a new $200.0 million revolving line of credit through a syndicate of banks with a five-year term and $100.0 million in variable rate senior notes issued by the Company with a seven-year term. Both debt facilities are collateralized by substantially all of the assets of the Company and its wholly owned subsidiaries. The interest rate on the bank line of credit is based upon LIBOR plus a spread of 125 to 225 basis points, determined by certain Company financial ratios. The interest rate on the Company’s senior notes is equal to

($ in thousands, except per share data)

LIBOR plus 155 basis points. The weighted average interest rate on these outstanding borrowings was 2.65% and 2.84% at June 30, 2003 and 2002, respectively. These interest rates are hedged by the interest rate swap contracts entered into by the Company as described in Note 4. These notes require interest only payments during their term with principal due at maturity. Both debt facilities contain financial and other covenant requirements, including specific fixed charge, leverage ratios and maximum levels of net worth. The Company repaid its previously existing revolving line of credit during the second quarter of 2003 with proceeds from the new facilities.

4. Financial Instruments

In order to mitigate a portion of the market risk on variable rate debt, the Company entered into interest rate swap contracts with major financial institutions in March 2003. Under terms of these contracts we receive a LIBOR based variable interest rate and pay a fixed interest rate on notional amounts totaling $60.0 million. As a result of these contracts, the Company will pay a fixed interest rate of approximately 3.55% on $60.0 million of the variable rate debt described in Note 3. We also received a LIBOR based variable interest rate of 1.29% during the three months ended June 30, 2003. The interest rate paid on the contracts is determined based on LIBOR on the last day of each March, June, September and December, which is consistent with the variable rate determination on the underlying debt. These contracts mature in March 2008.

The Company also had three interest rate swaps in effect during 2002 on which the Company received a LIBOR-based variable rate and paid a fixed interest rate. Terms of the swaps are as follows:

Notional Amount	Termination Date	Fixed Rate
$35 million	May 2002	7.30%
$30 million	November 2002	6.40%
$35 million	March 2003	7.015%

The Company has designated its interest rate swaps as cash flow hedges of anticipated interest payments under its variable rate agreements. Gains and losses on these swaps that were recorded in other comprehensive earnings will be reclassified into net earnings as interest expense, net in the periods in which the related variable interest is paid.

Comprehensive earnings consist of the following:

	Six months ended June 30,	
	2003	2002
Net Earnings	$ 16,529	$11,073
Cash flow hedging (net of related tax benefit		
of $885 in 2003 and tax provision of $789 in 2002)	(1,295)	1,239
Comprehensive earnings	$ 15,234	$12,312

	Three months ended June 30,	
	2003	2002
Net Earnings	$ 28,025	$23,108
Cash flow hedging (net of related tax benefit		
of $530 in 2003 and tax provision of $266 in 2002)	(763)	418
Comprehensive earnings	$ 27,262	$23,526

5. Earnings Per Share

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

	Six months ended June 30,		Three months ended June 30,	
	2003	2002	2003	2002
Numerator for basic and diluted earnings per share:	$16,529	$11,073	$28,025	$23,108

($ in thousands, except per share data)

Denominator for weighted average shares				
of common stock outstanding per share:				
Basic	13,167	13,110	13,174	13,115
Plus dilutive effect of stock options	200	231	206	223
Diluted	13,367	13,341	13,380	13,338
Earnings per common share:				
Basic	$ 1.26	$ 0.84	$ 2.13	$ 1.76
Diluted	$ 1.24	$ 0.83	$ 2.09	$ 1.73

Options to purchase 178 and 1 shares for the periods ended June 30, 2003 and 2002, respectively, were not included in the computation of earnings per common share assuming dilution because the options' exercise prices were greater than the average market price of the common shares.

6. Goodwill and Other Intangible Assets

The Company performs annual testing of goodwill and indefinite lived intangible assets in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets." The Company completed the required impairment tests of goodwill and indefinite lived intangible assets during the three months ended March 31, 2003, and no adjustment to the carrying value of goodwill was required.

Effective January 1, 2002, a portion of the goodwill arising from the Company's previous acquisitions was reassigned to the new Churchill Downs Simulcast Network ("CDSN") segment using a relative fair value allocation approach. There has been no change to the carrying value of the Company's net goodwill since January 1, 2002. Net goodwill at June 30, 2003 and 2002 for Kentucky Operations, Calder Racecourse and CDSN was $4.8 million, $36.4 million and $11.0 million, respectively.

6. Goodwill and Other Intangible Assets (cont'd)

The Company's other intangible assets are comprised of the following:

	As of June 30, 2003	As of December 31, 2002	As of June 30, 2002
Illinois Horse Race Equity fund	$ 3,307	$ 3,307	$ 3,307
Arlington Park trademarks	494	494	494
Indiana racing license	2,085	2,085	2,085
Other intangible assets	3,296	3,296	3,296
	9,182	9,182	9,182
Accumulated amortization	(1,869)	(1,687)	(1,504)
	$ 7,313	$ 7,495	$ 7,678

Other intangible assets with indefinite useful lives total $3.8 million and consist primarily of a future right to participate in the Illinois Horse Race Equity fund, which has not been amortized since the Arlington Park merger in September 2000.

Other intangible assets, which are being amortized, are recorded at approximately $3.5 million at June 30, 2003, which is net of accumulated amortization of $1.9 million. Amortization expense for other intangibles of approximately $182 and $183 for the six months ended June 30, 2003 and 2002, respectively, is classified in operating expenses.

Future estimated aggregate amortization expense on other intangible assets for each of the five fiscal years are as follows:

	Estimated Amortization Expense
2003	365
2004	167
2005	167
2006	167
2007	167

($ in thousands, except per share data)

7. Segment Information

The Company has determined that it currently operates in the following seven segments: (1) Kentucky Operations, including Churchill Downs racetrack and its off-track betting facility ("OTB") and Ellis Park racetrack and its on-site simulcast facility; (2) Hollywood Park racetrack and its on-site simulcast facility; (3) Calder Racecourse; (4) Arlington Park and its seven OTBs; (5) Hoosier Park racetrack and its on-site simulcast facility and the other three Indiana simulcast facilities; (6) CDSN, the simulcast product provider of the Company; and (7) other investments, including Charlson Broadcast Technologies LLC ("CBT") and the Company's other various equity interests which are not material. Intercompany net revenues are generated from transactions with other operating segments primarily for activity between CDSN and our racetracks for the purchase of racing signals. Eliminations include the elimination of CDSN activity, management fees and other intersegment transactions.

The Company's recurring revenues are generated from commissions on pari-mutuel wagering at the Company's racetracks and OTBs (net of state pari-mutuel taxes), plus simulcast host fees and source market fees generated from contracts with our in-home wagering providers. In addition to the commissions earned on pari-mutuel wagering we earn pari-mutuel related streams of revenues from sources that are not related to wagering. These other revenues are primarily derived from statutory racing regulations in some of the states where our facilities are located and can fluctuate year-to-year. Non-wagering revenues are primarily generated from admissions, sponsorship, licensing rights and broadcast fees, Indiana riverboat admissions subsidy, lease income 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, 2002. The Company uses revenues and EBITDA (defined as earnings before interest, taxes, depreciation and amortization) as key performance measures of results of operations for purposes of evaluating performance internally. Furthermore, management believes that the use of these measures enables management and investors to evaluate and compare from period to period, our operating performance in a meaningful and consistent manner. Because the Company uses EBITDA as a key performance measure of financial performance, the Company is required by accounting principles generally accepted in the United States of America to provide the information in this footnote concerning EBITDA. However, these measures 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 of America) as a measure of our operating results or cash flows (as determined in accordance with accounting principles generally accepted in the United States of America) or as a measure of our liquidity.

7. Segment Information (cont'd)

The table below presents information about reported segments for the six months and three months ended June 30, 2003 and 2002:

	Six Months Ended June 30,		Three Months Ended June 30,	
	2003	2002	2003	2002
Net revenues from external customers:				
Kentucky Operations	$ 57,852	$ 56,007	$ 52,954	$ 50,411
Hollywood Park	41,765	42,217	36,796	37,185
Calder Race Course	19,988	19,673	18,856	18,603
Arlington Park	34,047	26,417	22,058	20,298
Hoosier Park	20,451	26,629	11,021	14,593
CDSN	37,988	30,742	37,145	30,045
Total racing operations	212,091	201,685	178,830	171,135
Other investments	1,253	1,104	725	692
Corporate revenues	941	810	941	800
	$ 214,285	$ 203,599	$ 180,496	$ 172,627
Intercompany net revenues:				
Kentucky Operations	$ 16,229	$ 13,344	$ 16,229	$ 13,344
Hollywood Park	6,906	6,270	6,902	6,270
Calder Race Course	3,585	3,152	3,337	2,968
Arlington Park	2,732	1,217	2,732	1,217
Hoosier Park	37	34	33	34
Total racing operations	29,489	24,017	29,233	23,833
Other investments	899	876	755	757
Corporate expenses	552	801	269	373
Eliminations	(30,940)	(25,694)	(30,257)	(24,963)
	$ -	$ -	$ -	$ -

($ in thousands, except per share data)

EBITDA:

Kentucky Operations	$ 23,270	$ 19,700	$ 28,417	$ 24,911
Hollywood Park	7,339	6,806	9,554	9,023
Calder Race Course	1,462	819	4,129	3,894
Arlington Park	958	(2,488)	2,427	(227)
Hoosier Park	1,219	3,878	545	1,888
CDSN	9,363	7,505	9,144	7,242
Total racing operations	43,611	36,220	54,216	46,731
Other investments	466	(352)	431	(20)
Corporate expenses	(2,908)	(2,835)	(1,081)	(1,231)
Eliminations	-	(62)	-	(2)
	$ 41,169	$ 32,971	$ 53,566	$ 45,478

7. Segment Information (cont'd)

	As of June 30, 2003	As of December 31, 2002	As of June 30, 2002
Total assets:			
Kentucky Operations	$ 416,327	$ 396,998	$ 396,373
Hollywood Park	175,619	150,627	174,849
Calder Race Course	86,438	87,498	87,097
Arlington Park	83,640	80,766	81,275
Hoosier Park	35,444	34,759	38,494
CDSN	11,018	11,018	11,018
Other investments	89,558	77,724	54,373
	898,044	839,390	843,479
Eliminations	(383,176)	(370,178)	(345,968)
	$ 514,868	$ 469,212	$ 497,511

Following is a reconciliation of total EBITDA to net earnings:

	Six Months Ended June 30,		Three Months Ended June 30,	
	2003	2002	2003	2002
Total EBITDA	$ 41,169	$ 32,971	$ 53,566	$ 45,478
Depreciation and amortization	(10,171)	(9,661)	(5,109)	(4,846)
Interest income (expense), net	(3,171)	(4,793)	(1,406)	(2,222)
Provision for income taxes	(11,298)	(7,444)	(19,026)	(15,302)
Net earnings	$ 16,529	$ 11,073	$ 28,025	$ 23,108

8. Significant Accounting Pronouncement

The Financial Accounting Standards Board ("FASB") issued SFAS No. 146 "Accounting for Exit or Disposal Activities." SFAS No. 146 addresses the recognition, measurement, and reporting of costs that are associated with exit and disposal activities, including certain lease termination costs and severance-type costs under a one-time benefit arrangement rather than an ongoing benefit arrangement or an individual deferred-compensation contract. SFAS No. 146 requires liabilities associated with exit and disposal activities to be expensed as incurred and will be effective for exit or disposal activities that are initiated after December 31, 2002. Adoption of SFAS No. 146 did not impact the Company's results of operations or financial position.

In December 2002, the FASB issued SFAS No. 148 "Accounting for Stock-Based Compensation –Transition and Disclosure, an amendment of FASB Statement No. 123." This Statement amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. Management does not currently expect to change its method of accounting treatment for stock options.

In April 2003, the FASB issued SFAS No. 149 "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." This Statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." The changes in SFAS No. 149 improve financial reporting by requiring that contracts with comparable characteristics be accounted for similarly. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003. Management anticipates that the adoption of SFAS No. 149 will not have a significant effect on the Company's results of operations or financial position.

In May 2003, the FASB issued SFAS No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This statement established standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). This statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. Adoption of SFAS No. 150 did not impact the Company's results of operations or financial position.

---

8. Significant Accounting Pronouncement (cont'd)

In January 2003, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, and interpretation of SFAS No. 5, 57 and 107 and Rescission of FASB Interpretation No. 34" ("FIN 45"). FIN 45 requires that upon issuance of a guarantee, the entity must recognize a liability for the fair value of the obligation it assumes under that guarantee. FIN 45 requires disclosure about each guarantee even if the likelihood of the guarantor's having to make any payments under the guarantee is remote. The provisions for initial recognition and measurement are effective on a prospective basis for guarantees that are issued or modified after December 31, 2002. Adoption of FIN 45 did not impact the Company's results of operations or financial position.

January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51" ("FIN 46"). This Interpretation of Accounting Research Bulletin No. 51 "Consolidated Financial Statements," requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective immediately for all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period beginning after June 15, 2003. Adoption of FIN 46 did not impact the Company's results of operations or financial position.

9. Related Party Transaction

During 2003, the Company was paid $65 by the President and Chief Executive Officer of the Company for repayment of a note receivable to purchase shares of common stock. Notes receivable for common stock was classified in the balance sheet as a reduction of shareholders' equity at December 31, 2002 and June 30, 2002.

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 contains 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 "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "might," "plan," "predict," "project," "should," "will," and similar words, although some forward-looking statements are expressed differently. Although we believe that the expectations reflected in such forward-looking statements are reasonable we can give no assurance that such expectations will prove to be correct. Important factors that could cause actual results to differ materially from our expectations include: the effect of global economic conditions; the effect (including possible increases in the cost of doing business) resulting from future war and terrorist activities or political uncertainties; the impact of increasing insurance costs; the financial performance of our racing operations; the impact of gaming competition (including lotteries and riverboat, cruise ship and land-based casinos) and other sports and entertainment options in those markets in which we operate; a substantial change in law or regulations affecting our pari-mutuel activities; a substantial change in allocation of live racing days; litigation surrounding the Rosemont, Illinois, riverboat casino; changes in Illinois law that impact revenues of racing operations in Illinois; a decrease in riverboat admissions subsidy revenue from our Indiana operations; the impact of an additional Indiana racetrack and its facilities near our operations; our continued ability to effectively compete for the country's top horses and trainers necessary to field high-quality horse racing; our continued ability to grow our share of the interstate simulcast market; the impact of interest rate fluctuations; our ability to execute our acquisition strategy and to complete or successfully operate planned expansion projects; the economic environment; our ability to adequately integrate acquired businesses; market reaction to our expansion projects; 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.

You should read this discussion with the financial statements included in this report and the Company's Form 10-K for the period ended December 31, 2002, for further information.

Overview

We conduct pari-mutuel wagering on live Thoroughbred, Quarter Horse and Standardbred 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 the home of the Kentucky Derby, and Ellis Park Race Course, Inc., a Thoroughbred racing operation in Henderson, Kentucky (collectively referred to as "Kentucky Operations"). We also own and operate Hollywood Park, a Thoroughbred racing operation in Inglewood, California; Arlington Park, a Thoroughbred racing operation in Arlington Heights, Illinois; and Calder Race Course, a Thoroughbred racing operation in Miami, Florida. Additionally, we are the majority owner and operator of Hoosier Park in Anderson, Indiana, which conducts Thoroughbred, Quarter Horse and Standardbred horse racing. We conduct simulcast wagering on horse racing at eleven simulcast wagering facilities in Kentucky, Indiana and Illinois, as well as at our six racetracks.

The Churchill Downs Simulcast Network ("CDSN") segment was developed in 2002 to focus on the distribution of the Company's simulcast signal. CDSN oversees our interstate and international simulcast and wagering opportunities, as well as the marketing, sales, operations and data support efforts related to the Company-owned racing content.

Our revenues and earnings are significantly influenced by our live racing calendar. Therefore, revenues and operating results for any interim quarter are not generally 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 historically have very few live racing days during the first quarter of each year, with a majority of our live racing occurring in the second, third and fourth quarters, including the running of the Kentucky Derby and Kentucky Oaks in the second quarter.

Our pari-mutuel revenues include commissions on pari-mutuel wagering at our racetracks and off-track betting facilities (net of state pari-mutuel taxes), plus simulcast host fees and source market fees generated from contracts with our in-home wagering providers. In addition to the commissions earned on pari-mutuel wagering we earn pari-mutuel related streams of revenues from sources that are not related to wagering. These other revenues are primarily derived from statutory racing regulations in some of the states where our facilities are located and can fluctuate year-to-year. Non-wagering revenues are primarily generated from admissions, sponsorships, licensing rights and broadcast fees, Indiana riverboat admissions subsidy, concessions, lease income and other sources.

Live racing handle includes patron wagers on live races at our tracks and also wagers made at our facilities on imported simulcast signals during live races. Import simulcasting handle includes wagers on imported signals at our racetracks when our respective tracks are not conducting live races and at our OTBs throughout the year. Export handle includes all patron wagers made on our live racing signals sent to other tracks or OTBs.

<u>Critical Accounting Policies</u>

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. Our most significant estimates relate to the valuation of property and equipment, goodwill and other intangible assets, which may be significantly affected by changes in the regulatory environment in which the company operates, and to the aggregate costs for self-insured liability claims. Our significant accounting policies are described in Note 1 to the consolidated financial statements included in Item 8 of the Company's Form 10-K for the period ended December 31, 2002.

Our business can be impacted positively and negatively by legislative changes and from alternative gaming competition. Significant negative changes resulting from these activities could result in a significant impairment of our property and equipment and/or our goodwill and intangible assets in accordance with generally accepted accounting standards.

For our business insurance renewal effective March 1, 2002, we assumed more risk than in the prior years, primarily through higher retentions and higher maximum losses for stop-loss insurance for certain coverages. Our March 1, 2003 business insurance renewals included substantially the same coverages and retentions as the 2002 renewal. Based on our historical loss experience, management does not anticipate that this increased risk assumption will materially impact our results of operations.

During December 2002, we reduced the carrying value of the buildings, equipment and furniture and fixtures of Ellis Park to reflect their estimated fair value in a divestiture transaction. Should a transaction not be completed at the currently estimated sales price, an additional write down of these assets could occur.

Legislative Changes

During the 2003 session of the Indiana legislature, legislation was introduced to evenly split the riverboat subsidy between Hoosier Park and Indiana Downs. Additionally, a second bill was introduced, as part of the state budget, which sought to cap the total horse industry share from the riverboat subsidy at $17 million. Both of these bills subsequently failed. Under current Indiana Horse Racing Commission ("IHRC") rules, which can be changed by the IHRC or by the enactment of legislation, the riverboat subsidy for purses and operating costs will be split evenly during 2003 and 2004 between the two racetracks in Indiana reducing Hoosier Park's subsidy revenues by approximately $5 million in 2003 compared to 2002.

Indiana Downs is also seeking to receive riverboat subsidies for operating costs for amounts earned in 2002 based on the 2003 ruling, which would evenly split the subsidy between Hoosier Park and Indiana Downs. These riverboat subsidies for operating costs were accrued by Hoosier Park during 2002. The IHRC is expected to act on this allocation during the third quarter of 2003.

In the 2003 session of the Illinois General Assembly, Chicago-area racetracks, including Arlington Park, were unsuccessful in their attempt to pass legislation that would authorize the Illinois Gaming Board to award unlimited gaming to riverboat casinos and allow racetracks to operate slot machines and video lottery terminals. Discussions are ongoing between racetracks, horsemen and riverboat operators, with the goal of introducing a similar bill in the 2004 session of the Illinois General Assembly.

During January and February when there is no live racing in Illinois, the Illinois Racing Commission ("IRC") appoints a Thoroughbred racetrack as the host track in Illinois. The IRC appointed Arlington Park as the host track in Illinois during January 2003 resulting in increased pari-mutuel revenues compared to the prior period. Arlington Park's future appointment as the host track is subject to the annual approval by the IRC.

RESULTS OF OPERATIONS

Pari-mutuel wagering information, including intercompany transactions, for our CDSN segment and five live racing segments including on-site simulcast facilities and separate OTBs, which are included in their respective segments, during the three months ended June 30, 2003 and 2002, is as follows ($ in thousands):

	Kentucky Operations	Hollywood Park	Calder Race Course	Arlington Park*	Hoosier Park	CDSN
Pari-mutuel wagering:						
Live Racing						
2003 handle	$ 87,511	$ 93,021	$ 64,560	$ 19,469	$ 3,735	-
2003 no. of days	47	50	51	39	50	-
2002 handle	$ 85,552	$ 98,938	$ 63,985	$ 12,166	$ 4,634	-
2002 no. of days	47	50	50	20	57	-
Export simulcasting**						
2003 handle	$ 23,043	$167,417	$ 85,538	$ 13,254	$26,784	$991,099
2003 no. of days	47	50	51	39	50	187
2002 handle	$ 21,878	$181,927	$ 84,636	$ 7,893	$20,243	$819,387
2002 no. of days	47	50	50	20	57	167
Import simulcasting						
2003 handle	$ 54,691	$102,039	-	$234,388	$62,926	-
2003 no. of days	259	130	-	1,098	670	-
2002 handle	$ 66,249	$112,200	-	$176,129	$69,259	-
2002 no. of days	277	130	-	925	597	-
Number of OTBs	1	-	-	7	3	-
Totals						
2003 handle	$165,245	$362,477	$150,098	$267,111	$93,445	$991,099
2002 handle	$173,679	$393,065	$148,621	$196,188	$94,136	$819,387

	Kentucky Operations	Hollywood Park	Calder Race Course	Arlington Park	Hoosier Park	CDSN
*****Pari-mutuel revenues:**						
2003 Revenues						
Live racing	$10,578	$ 8,955	$ 8,700	$ 3,605	$ 372	-
Export simulcasting	1,421	7,811	9,267	1,191	772	$36,486

Import simulcasting	8,253	5,960	-	14,327	11,368	-
Other revenues	4,196	10,668	867	10,295	383	-
Total 2003 Revenues	$24,448	$33,394	$18,834	$29,418	$12,895	$36,486
2002 Revenues						
Live racing	$10,887	$ 9,710	$ 8,598	$ 2,247	$ 437	-
Export simulcasting	1,308	8,563	9,260	633	556	$29,410
Import simulcasting	9,307	6,283	-	10,637	12,519	-
Other revenues	4,444	8,957	739	8,803	311	-
Total 2002 Revenues	$25,946	$33,513	$18,597	$22,320	$13,823	$29,410

As a result of the reorganization for internal reporting during 2002, this summary above is now reported on a new basis, which separates our CDSN operations into a separate segment.

*Arlington Park's seventh OTB opened during June 2003 and the sixth OTB opened during December 2002.

** CDSN export simulcasting includes all interstate handle activity at our live racing segments except Hoosier Park. Hoosier Park export simulcasting includes interstate and intrastate handle activity for Hoosier Park racetrack.

*** Pari-mutuel revenues for live racing, export simulcasting and import simulcasting include commissions from wagering (net of state pari-mutuel taxes) and simulcast host fees. Other revenues includes source market fees from in-home wagering and other statutory racing revenues.

Six Months Ended June 30, 2003 Compared to Six Months Ended June 30, 2002

Net Revenues

Net revenues during the six months ended June 30, 2003 increased $10.7 million from $203.6 million in 2002 to $214.3 million in 2003. Arlington Park revenues increased $7.6 million primarily due to a change in the racing schedule resulting in an additional 19 days of live racing during the first six months of 2003 compared to 2002. Additionally, during January and February when there is no live racing in Illinois, the IRC appoints a Thoroughbred racetrack as the host track in Illinois. The IRC appointed Arlington Park as the host track in Illinois during January 2003 resulting in increased pari-mutuel revenues compared to the prior period. Kentucky Operations revenues increased $4.7 million primarily due to record wagering for the Kentucky Derby and Kentucky Oaks and revenues from our new Jockey Club luxury suites for Kentucky Derby and Oaks days. Calder Race Course revenues increased $0.7 million primarily due to one additional day of live racing in 2003 compared to 2002. CDSN revenues increased $7.2 million primarily due to increases in overall interstate export simulcasting activity as well as the additional one day of racing at Calder Race Course, 19 additional live race days at Arlington Park and record wagering on the Kentucky Oaks and Kentucky Derby days. These increases were partially offset by a $4.9 million decrease in Indiana riverboat admissions subsidy at Hoosier Park resulting from regulatory changes requiring Hoosier Park to split the subsidy revenues with Indiana Downs. Hoosier Park also had a decrease in pari-mutuel revenues of $0.9 million due to seven fewer live Standardbred race days during 2003 compared to 2002.

Operating Expenses

Operating expenses increased $4.6 million from $162.4 million in 2002 to $167.0 million in 2003 primarily due to increased purse expenses of $4.4 million at Arlington Park resulting from increases in host track pari-mutuel revenues and increased number of live race days noted above. Kentucky Operations and Calder Race Course also had increases in purse expenses of a combined $1.9 million consistent with their increases in pari-mutuel revenues. Hoosier Park purse expenses decreased $3.0 million consistent with the decrease in Indiana riverboat admissions subsidy noted above.

Gross Profit

Gross profit increased $6.1 million from $41.2 million in 2002 to $47.3 million in 2003 primarily due to revenue growth during 2003 discussed above.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses decreased by $0.4 million from $17.3 million in 2002 to $16.9 million in 2003 primarily as a result of a decrease in legislative costs for our Kentucky Operations which were incurred during 2002 related to legislative alternative gaming initiatives.

Other Income and Expense

Interest expense decreased $1.7 million from $5.0 million in 2002 to $3.3 million in 2003 due to lower interest rates and the use of available cash to pay down our line of credit.

Income Tax Provision

Our income tax provision increased $3.9 million as a result of an increase in pre-tax earnings and an increase in our currently estimated effective income tax rate from 40.2% in 2002 to 40.6% in 2003.

Three Months Ended June 30, 2003 Compared to Three Months Ended June 30, 2002

Net Revenues

Net revenues during the three months ended June 30, 2003 increased $7.9 million from $172.6 million in 2002 to $180.5 million in 2003. Arlington Park revenues increased $3.3 million resulting from an additional 19 days of live racing due to the racing calendar starting earlier in the year. Calder Race Course had an increase of $0.6 million in revenues primarily due to one additional day of live racing in 2003 compared to 2002. Kentucky Operation revenues also increased $5.4 million as a result of record wagering for the Kentucky Derby and Kentucky Oaks and revenues from our new Jockey Club luxury suites for Kentucky Derby and Oaks days. CDSN revenues increased $7.1 million primarily due to increases in overall interstate export simulcasting activity as well as the additional one day of racing at Calder Race Course, 19 additional live race days at Arlington Park and record wagering on the Kentucky Oaks and Kentucky Derby days. These increases were partially offset by a $2.7 million decrease in Indiana riverboat admissions subsidy at Hoosier Park resulting from legislative changes requiring Hoosier Park to split the subsidy revenues with Indiana Downs. Hoosier Park also had a decrease in pari-mutuel revenues of $0.8 million due to 14 fewer live Standardbred race days during the second quarter of 2003 compared to 2002.

Operating Expenses

Operating expenses increased $0.7 million from $122.7 million in 2002 to $123.4 million in 2003 primarily due to increased expenses at Calder Race Course and Arlington Park resulting from the increased number of live racing days noted above. Kentucky Operations also had increases in operating expenses of $2.1 million consistent with the increases in pari-mutuel revenues. Hoosier Park operating expenses decreased $2.3 million consistent with the decrease in Indiana riverboat admissions subsidy and 14 fewer live racing days during the second quarter of 2003 compared to 2002.

Gross Profit

Gross profit increased $7.2 million from $49.9 million in 2002 to $57.1 million in 2003 primarily due to increased revenues for the three months ended June 30, 2003 discussed above. These increases were partially offset by a decrease of $1.3 million in Indiana riverboat admissions subsidy, net of purse expenses, as discussed.

Selling, General and Administrative Expenses

SG&A expenses decreased slightly by $0.1 million primarily as a result of a decrease in legislative alternative gaming initiative costs.

Other Income and Expense

Interest expense decreased $0.8 million in 2003 due to lower interest rates and the use of available cash to pay down our line of credit.

Income Tax Provision

Our income tax provision increased $3.7 million as a result of an increase in pre-tax earnings and an increase in our currently estimated effective income tax rate from 39.8% in 2002 to 40.4% in 2003.

Significant Changes in the Balance Sheet June 30, 2003 to December 31, 2002

Restricted cash increased $10.9 million due to the timing of the Hollywood Park and Hoosier Park live meets. Hollywood Park and Hoosier Park’s increases of $12.4 million and $1.7 million, respectively, were offset by a decrease of $3.1 million at Arlington Park for restricted cash balances previously held for the 2002 Breeders’ Cup Championship. Restricted cash represents refundable deposits and amounts due to horsemen for purses, stakes and awards.

Accounts receivable balances increased by $11.3 million in 2003 primarily due to the timing of payments received related to the 2003 live meets for Kentucky Operations, Arlington Park and Hollywood Park with increases in accounts receivable balances of $6.1 million, $3.8 million and $4.4 million, respectively. Hoosier Park also had an increase of $1.0 million and Calder Race Course had a decrease of $4.4 million due to timing of collections.

Net plant and equipment increased $9.3 million primarily as a result of capital expenditures of $12.1 million related to the renovation plan to restore and modernize key areas at our Churchill Downs racetrack facility, referred to as our “Master Plan”. Additional increases were due to routine capital spending at our operating units offset by depreciation of $10.0 million.

Accounts payable increased $33.2 million primarily due to the timing of payments for horsemen accounts, purses payable and other expenses related to the operation of live racing at Arlington Park, Kentucky Operations, Hollywood Park and Hoosier Park.

Dividends payable decreased $6.6 million at June 30, 2003 due to the payment of dividends in the first quarter of 2003.

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

Deferred revenue decreased $7.2 million at June 30, 2003, primarily due to the significant amount of admissions and seat revenue that was received prior to December 31, 2002 recognized as income in May 2003 for the Kentucky Derby and Kentucky Oaks race days.

Significant Changes in the Balance Sheet June 30, 2003 to June 30, 2002

Accounts receivable balances increased by $9.4 million due to the timing of payments related to Kentucky Operations and Hollywood Park's live race meets as well as the timing of payments for Hoosier Park's Indiana riverboat admissions subsidy. Additionally, Kentucky Operations accounts receivable increased $3.2 million for the licensing of our new Jockey Club luxury suites.

Net plant and equipment increased $9.0 million primarily as a result of capital expenditures related to the Master Plan. Additional increases were due to routine capital spending at our operating units offset by depreciation expense.

Accounts payable decreased $10.6 million primarily due to decreases in purses payable at Arlington Park and Hoosier Park resulting from changes in racing schedules. Kentucky Operation purses payable increased as a result of increased handle.

Liquidity and Capital Resources

Cash flows provided by operations were $44.2 million and $41.4 million for the six months ended June 30, 2003 and 2002, respectively. Cash provided by operations increased slightly as compared to 2002 consistent with results from operations offset by timing of accounts receivable collections.

Cash flows used in investing activities were $19.1 million and $8.8 million for the six months ended June 30, 2003 and 2002, respectively. During the six months ended June 30, 2003 we used $12.1 million in cash for the Master Plan renovation of our Churchill Downs racetrack. We are planning capital expenditures, including $15.5 million for the completion of the first phase and $24.9 million for the second phase of our Master Plan renovation, of approximately $53.0 million in 2003.

Cash flows used in financing activities were $12.6 million and $21.8 million for the six months ended June 30, 2003 and 2002, respectively, reflecting the use of cash flows from operations to minimize net borrowings on our debt facilities.

During April 2003, we refinanced our $250 million revolving loan facility to meet our needs for funding future working capital, capital improvements and potential future acquisitions. The refinancing included a new $200.0 million revolving line of credit through a syndicate of banks with a five-year term and $100.0 million in variable rate senior notes issued by us with a seven-year term, of which $113.2 million was outstanding at June 30, 2003. Both debt facilities are collateralized by substantially all of our assets. The interest rate on the bank line of credit is based upon LIBOR plus a spread of 125 to 225 basis points, determined by certain Company financial ratios. The interest rate on our senior notes is equal to LIBOR plus 155 basis points. These notes require interest only payments during their term with principal due at maturity. Both debt facilities contain financial and other covenant requirements, including specific fixed charge, leverage ratios and maximum levels of net worth. We repaid our previously existing revolving line of credit during the second quarter of 2003 with proceeds from the new facilities. Management believes cash flows from operations and borrowings under our current financing facility will be sufficient to fund our cash requirements for the year.

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

Significant Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 146 "Accounting for Exit or Disposal Activities." SFAS No. 146 addresses the recognition, measurement, and reporting of costs that are associated with exit and disposal activities, including certain lease termination costs and severance-type costs under a one-time benefit arrangement rather than an ongoing benefit arrangement or an individual deferred-compensation contract. SFAS No. 146 requires liabilities associated with exit and disposal activities to be expensed as incurred and will be effective for exit or disposal activities that are initiated after December 31, 2002. Adoption of SFAS No. 146 did not impact our results of operations or financial position.

In December 2002, the FASB issued SFAS No. 148 "Accounting for Stock-Based Compensation –Transition and Disclosure, an amendment of FASB Statement No. 123." This Statement amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. Management does not currently expect to change its method of accounting treatment for stock options.

In April 2003, the FASB issued SFAS No. 149 "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." This Statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." The changes in SFAS No. 149 improve financial reporting by requiring that contracts with comparable characteristics be accounted for similarly. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003. Management anticipates that the adoption of SFAS No. 149 will not have a significant effect on our results of operations or financial position.

In May 2003, the FASB issued SFAS No. 150 “Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity.” This statement established standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). This statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. Adoption of SFAS No. 150 did not impact our results of operations or financial position.

In January 2003, the FASB issued FASB Interpretation No. 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, and interpretation of SFAS No. 5, 57 and 107 and Rescission of FASB Interpretation No. 34” (“FIN 45”). FIN 45 requires that upon issuance of a guarantee, the entity must recognize a liability for the fair value of the obligation it assumes under that guarantee. FIN 45 requires disclosure about each guarantee even if the likelihood of the guarantor’s having to make any payments under the guarantee is remote. The provisions for initial recognition and measurement are effective on a prospective basis for guarantees that are issued or modified after December 31, 2002. Adoption of FIN 45 did not impact our results of operations or financial position.

In January 2003, the FASB issued FASB Interpretation No. 46, “Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51” (“FIN 46”). This Interpretation of Accounting Research Bulletin No. 51 “Consolidated Financial Statements,” requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective immediately for all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period beginning after June 15, 2003. Adoption of FIN 46 did not impact our results of operations or financial position.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

At June 30, 2003, we had $113.2 million of debt outstanding under our senior notes and 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 $1.1 million.

In order to mitigate a portion of the market risk associated with our variable rate debt, we entered into interest rate swap contracts with major financial institutions during March 2003. Under terms of these contracts we receive a LIBOR based variable interest rate and pay a fixed interest rate on a notional amounts totaling $60.0 million. As a result of these contracts, the Company will pay a fixed interest rate of approximately 3.55% on $60.0 million of the floating rate debt described in Note 3 in this report. Assuming the June 30, 2003, 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 $0.6 million.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our president and Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this quarterly report, and, based on their evaluation, our CEO and CFO have concluded that these controls and procedures are effective. There were no significant changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2003 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Disclosure controls and procedures are our controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

PART II. OTHER INFORMATION

ITEM 1. <u>Legal Proceedings</u>

Not applicable

ITEM 2. <u>Changes in Securities and Use of Proceeds</u>

(a) “ In June of 2003, the shareholders of the Company approved an amendment to the articles of incorporation of the Company eliminating cumulative voting for the election of directors of the Company. The effect of this amendment is that common shareholders of the Company will no longer have the right to vote their shares cumulatively for the election of directors."

ITEM 3. Defaults Upon Senior Securities

Not applicable

ITEM 4. Submission of Matters to a Vote of Security Holders

The registrant's 2003 Annual Meeting of Shareholders was held on June 19, 2003. Proxies were solicited by the registrant's board of directors pursuant to Regulation 14 under the Securities Exchange Act of 1934. There was no solicitation in opposition to the board's nominees as listed in the proxy statement, and all nominees were elected by vote of the shareholders. Voting results for each nominee were as follows:

Class I Director	Votes For	Votes Withheld
Leonard S. Coleman, Jr.	11,882,258	225,848
Craig J. Duchossois	11,094,668	1,013,438
G. Watts Humphrey, Jr.	11,794,459	313,647
Dennis D. Swanson	11,099,851	1,008,255

A proposal (Proposal No. 2) to approve the Churchill Downs Incorporated 2003 Stock Option Plan was approved by a vote of the majority of the shares of the registrant's common stock represented at the meeting: 11,399,838 shares were voted in favor of the proposal; 559,958 shares were voted against; and 148,308 shares abstained.

A proposal (Proposal No. 3) to approve the amendments to the Company's Articles of Incorporation to eliminate cumulative voting for the election of directors of the Company was approved by a vote of the majority of the shares of the registrant's common stock represented at the meeting: 7,563,074 shares were voted in favor of the proposal; 1,152,967 shares were voted against; 3,357,618 shares were broker non-votes; and 34,447 shares abstained.

PART II. OTHER INFORMATION

ITEM 4. Submission of Matters to a Vote of Security Holders (cont'd)

A proposal (Proposal No. 4) to approve the minutes of the 2002 Annual Meeting of Shareholders' was approved by a vote of the majority of the shares of the registrant's common stock represented at the meeting: 11,124,593 shares were voted in favor of the proposal; 945,382 shares were voted against; and 38,120 shares abstained.

The total number of shares of common stock outstanding as of April 23, 2003, the record date of the Annual Meeting of Shareholders, was 13,168,489.

ITEM 5. Other Information

Not Applicable

ITEM 6. Exhibits and Reports on Form 8-K.

A. Exhibits

See exhibit index.

B. Reports on Form 8-K filed or furnished with the Securities and Exchange Commission

(1) Churchill Downs Incorporated filed a Current Report on Form 8-K dated May 7, 2003, under Item 5, "Other Events", attaching our first quarter 2003 earnings release dated May 6, 2003, which was amended by a Current Report on Form 8-K/A dated May 14, 2003, under Item 9, "Regulation FD Disclosure (Item 12. Results of Operations and Financial Condition)", furnishing our first quarter 2003 earnings release dated May 6, 2003.

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

August 13, 2003

BY: /s/Thomas H. Meeker

Thomas H. Meeker

President and Chief Executive Officer
(Principal Executive Officer)

August 13, 2003

BY: /s/Michael E. Miller

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

EXHIBIT INDEX

Numbers	Description	By Reference To
3(a)	Articles of Amendment to the Articles of Incorporation of Churchill Downs Incorporated dated July 18, 2003	Report on Form 10-Q for the fiscal quarter ended June 30, 2003
3(b)	Articles of Incorporation of Churchill Downs Incorporated as amended through July 18, 2003	Report on Form 10-Q for the fiscal quarter ended June 30, 2003
4(a)	$100,000,000 Churchill Downs Incorporated Note Purchase Agreement for Floating Rate Senior Secured Notes, dated as of April 3, 2003	Exhibit 4(a) to Report on Form 10-Q for the fiscal quarter ended March 31, 2003
10(a)	Credit Agreement among Churchill Downs Incorporated, the guarantors party hereto, the Lenders party hereto and Bank One, Kentucky, NA, a national banking association, as agent, dated April 3, 2003.	Exhibit 10(b) to Report on Form 10-Q for the fiscal quarter ended March 31, 2003
10(b)	Churchill Downs Incorporated 2003 Stock Option Plan	Exhibit 4(e) to the Registrant's Registration Statement on Form S-8 dated June 20, 2003 (No. 333-106310)
99.31(a)	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Report on Form 10-Q for the fiscal quarter ended June 30, 2003
99.31(b)	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Report on Form 10-Q for the fiscal quarter ended June 30, 2003
99.32	Certification of CEO and CFO Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished pursuant to Rule 13a-14(b))	Report on Form 10-Q for the fiscal quarter ended June 30, 2003

ARTICLES OF AMENDMENT
TO THE
ARTICLES OF INCORPORATION
OF
CHURCHILL DOWNS INCORPORATED

Pursuant to the provisions of KRS 271B.10-060, Articles of Amendment to the Articles of Incorporation of Churchill Downs Incorporated (the "Corporation") are hereby adopted:

First: The name of the corporation is Churchill Downs Incorporated.

Second: The text of the amendments adopted is:

A. Article VIII of the Amended and Restated Articles of Incorporation of the Corporation is amended to read in its entirety as follows:

ARTICLE VIII

VOTING RIGHTS OF COMMON STOCK

In stockholders' meetings each holder of Common Stock shall be entitled to one vote for each share of Common Stock standing in his name on the books of the corporation. The presence in person or by proxy of the holders of a majority of the outstanding Common Stock of the corporation shall constitute a quorum at all stockholders' meetings.

B. Article X of the Amended and Restated Articles of Incorporation of the Corporation is amended to read in its entirety as follows:

ARTICLE X

DIRECTORS

The business and affairs of the corporation shall be managed by or under the direction of a Board of Directors consisting of not less than nine (9) nor more than twenty-five (25) directors, the exact number of directors to be determined by affirmative vote of a majority of the entire Board of Directors. The directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as possible, of one-third of the total number of directors constituting the entire Board of Directors.

At each annual meeting of stockholders, successors to the class of directors whose term expires at that annual meeting shall be elected for a three-year term. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case will a decrease in the number of directors shorten the term of any incumbent director. A director shall hold office until the annual meeting of the year in which his term expires and until his successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office. Any vacancy on the Board of Directors that results from an increase in the number of directors may be filled by a majority of the Board of Directors then in office, and any other vacancy occurring in the Board of Directors may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director. Any director elected to fill a vacancy not resulting from an increase in the number of directors shall have the same remaining term as that of his predecessor.

Notwithstanding the foregoing, whenever the holders of any one or more classes or series of Preferred Stock issued by the corporation shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of these Articles of Incorporation applicable thereto, and such directors so elected shall not be divided into classes pursuant to this Article X unless expressly provided by such terms.

Any director or the entire Board of Directors may be removed from office without cause by the affirmative vote of eighty percent (80%) of the votes entitled to be cast by the holders of all then outstanding shares of voting stock of the corporation, voting together as a single class.

Notwithstanding any other provision of these Articles or the bylaws of the corporation and notwithstanding the fact that a lesser percentage or separate class vote may be specified by law, these Articles or the bylaws of the corporation, the affirmative vote of the holders of not less than eighty percent (80%) of the votes entitled to be cast by the holders of all then outstanding shares of voting stock of the corporation, voting together as a single class, shall be required to amend or repeal, or adopt any provisions inconsistent with, this Article X, unless such action has been previously approved by a three-fourths vote of the whole Board of Directors.

Third: The amendments do not provide for an exchange, reclassification, or cancellation of issued shares.

Fourth: The date the amendments were approved by the board of directors of the Corporation was March 13, 2003. The date the amendments were adopted by the shareholders of the corporation was June 19, 2003.

Fifth: At the June 19, 2003 Annual Meeting of Shareholders of Churchill Downs Incorporated, 13,168,489 shares of the Corporation's common stock were outstanding and entitled to vote upon all matters presented to the meeting, including adoption of the amendments. No other voting groups exist. A total of 12,108,106 shares of the common stock of the Corporation were represented at the meeting and a total of 7,563,074 votes were cast for adoption of the amendments to the Amended and Restated Articles of Incorporation of the Corporation, which number is sufficient for approval of the amendments to the Amended and Restated Articles of Incorporation.

IN WITNESS WHEREOF, the Corporation has caused this certificate to be signed by Rebecca C. Reed, its Secretary, this 19th day of June, 2003.

CHURCHILL DOWNS INCORPORATED

By: /s/ Rebecca C. Reed

Rebecca C. Reed
Secretary

ARTICLES OF INCORPORATION
OF CHURCHILL DOWNS INCORPORATED
AS AMENDED THROUGH JULY 18, 2003

ARTICLE I

NAME

The name of the corporation shall be Churchill Downs Incorporated.

ARTICLE II

PURPOSE AND POWERS

The nature of the business to be conducted by the corporation and its objects and purposes shall be the improvement of livestock, particularly thoroughbred horses, by giving exhibitions of contests of speed and races between horses for premiums, purses and other awards. In the furtherance and in the accomplishment of the objects and purposes enumerated, the corporation shall have the power to establish, maintain, purchase or otherwise acquire suitable race tracks located in or without the Commonwealth of Kentucky, with all necessary buildings and improvements and land for the purpose of establishing race tracks; to give or conduct on said race tracks public exhibitions of speed or races between horses for premiums, purses and other awards made up from fees or otherwise, and to charge the public for admission thereto and to the said race tracks; to engage in the registering of bets on exhibitions of speed or races at paid race tracks and premises in such manner as may be authorized or permitted by law; to operate restaurant, cafes, lunch counters and stands for the sale of food and other refreshments to persons on said premises; to purchase and hold title to such real estate as may be necessary or deemed to be necessary to fully carry out the several purposes for which the corporation is formed; to borrow money and give security therefor; to acquire, hold, mortgage, pledge or dispose of the shares, bonds, securities and other evidences of indebtedness of any domestic or foreign corporation and the securities issued by the corporation and the securities issued by the United States or by the Commonwealth of Kentucky or any governmental subdivision thereof to adopt through its Board of Directors a corporate seal and to alter name at the pleasure of the Board of Directors; to make bylaws through its Board of Directors not inconsistent with the law; and to transact any or all lawful business for which corporations may be incorporated.

The corporation shall have the power to purchase shares of the capital stock of the corporation to the extent of unreserved and unrestricted earned surplus and capital surplus of the corporation.

ARTICLE III

DURATION

The corporation shall have perpetual existence.

ARTICLE IV

REGISTERED OFFICE AND AGENT

Until otherwise designated as provided by law, the location and Post Office address of the registered office of the corporation and its principal place of business shall be:

700 Central Avenue
Louisville, Kentucky 40208

ARTICLE V

REGISTERED AGENT

Until otherwise designated as provided by law, the name and Post Office address of the authorized agent of the corporation upon whom process shall be served shall be:

Rebecca C. Reed
700 Central Avenue
Louisville, Kentucky 40208

ARTICLE VI

DEBT LIMITATION

There shall be no limit on the amount of indebtedness which the corporation may incur.

ARTICLE VII

CAPITAL STOCK

The corporation shall be authorized to issue 50,000,000 shares of common stock of no par value (the “Common Stock”), and 250,000 shares of preferred stock of no par value in such series and with such rights, preferences and limitations, including voting rights, as the Board of Directors may determine (the “Preferred Stock”).

A. The Common Stock. Shares of the Common Stock may be issued from time to time as the Board of Directors shall determine and on such terms and for such consideration as shall be fixed by the Board of Directors.

B. The Preferred Stock.

1. Shares of the Preferred Stock may be issued from time to time in one or more series as may from time to time be determined by the Board of Directors of the corporation. Each series shall be distinctly designated. All shares of any one series of the Preferred Stock shall be alike in every particular, except that there may be different dates from which dividends (if any) thereon shall be cumulative, if made cumulative. The relative preferences, participating, optional and other special rights of each such series, and limitations thereof, if any, may differ from those of any and all other series at any time outstanding. The Board of Directors of the corporation is hereby expressly granted authority to fix by resolution or resolutions adopted prior to the issuance of any shares of each particular series of the Preferred Stock, the designation, relative preferences, participating, optional and other special rights and limitations thereof, if any, of such series, including but without limiting the generality of the foregoing, the following:

[a] The distinctive designation of, and the number of shares of the Preferred Stock which shall constitute the series, which number may be increased (except as otherwise fixed by the Board of Directors) or decreased (but not below the number of shares thereof then outstanding) from time to time by action of the Board of Directors;

[b] The rate and times at which, and the terms and conditions upon which dividends, if any, on shares of the series may be paid, the extent of preference or relation, if any, of such dividend to the dividends payable on any other class or classes of stock of the corporation, or on any series of the Preferred Stock or of any other class of stock of the corporation, and whether such dividends shall be cumulative or non-cumulative;

[c] The right, if any, of the holders of shares of the series to convert the same into, or exchange the same for, shares of any other class or classes of stock of the corporation, or of any series of the Preferred Stock and the terms and conditions of such conversion or exchange;

[d] Whether shares of the series shall be subject to redemption and the redemption price or prices and the time or times at which, and the terms and conditions upon which shares of the series may be redeemed;

[e] The rights, if any, of the holders of shares of the series upon voluntary or involuntary liquidation, merger, consolidation, distribution or sale of assets, dissolution or winding up of the corporation;

[f] The terms of the sinking fund or redemption or purchase account, if any, to be provided for shares of the series; and

[g] The voting powers, if any, of the holders of shares of the series which may, without limiting the generality of the foregoing, include the right, voting as a series by itself or together with other series of the Preferred Stock as a class, to vote more or less than one vote per share on any or all matters voted upon by the stockholders and to elect one or more directors of the corporation in the event there shall have been a default in the payment of dividends on any one or more series of the Preferred Stock or under such other circumstances and upon such conditions as the Board of Directors may fix.

C. Other Provisions.

1. The relative preferences, rights and limitations of each Series of Preferred Stock in relation to the preferences, rights and limitations of each other series of Preferred Stock shall, in each case, be as fixed from time to time by the Board of Directors in the resolution or resolutions adopted pursuant to authority granted in this Article VII, and the consent by class or series vote or otherwise, of the holders of the Preferred Stock of such of the series of the Preferred Stock as are from time to time outstanding shall not be required for the issuance by the Board of Directors of any other series of Preferred Stock whether the preferences and rights of such other series shall be fixed by the Board of Directors as senior to, or on a parity with, the preferences and rights of such outstanding series, or any of them; provided, however, that the Board of Directors may provide in such resolution or resolutions adopted with respect to any series of Preferred Stock that the consent of the holders of a majority (or such greater proportion as shall be therein fixed) of the outstanding shares of such series voting thereon shall be required for the issuance of any or all other Series of Preferred Stock.

2. Subject to the provisions of Subparagraph 1 of this Paragraph C, shares of any series of Preferred Stock may be issued from time to time as the Board of Directors shall determine and on such terms and for such consideration as shall be fixed by the Board of Directors.

ARTICLE VIII

VOTING RIGHTS OF COMMON STOCK

In stockholders' meetings each holder of Common Stock shall be entitled to one vote for each share of Common Stock standing in his name on the books of the corporation. The presence in person or by proxy of the holders of a majority of the outstanding Common Stock of the corporation shall constitute a quorum at all stockholders' meetings.

ARTICLE IX

PREEMPTIVE RIGHTS

No holder of any shares of Common Stock of the corporation, whether now or hereafter authorized, issued or outstanding, shall be entitled to a preemptive right to acquire unissued or treasury shares or securities convertible into such shares or carrying a right to subscribe to or acquire shares or any rights or options to purchase shares of the corporation.

ARTICLE X

DIRECTORS

The business and affairs of the corporation shall be managed by or under the direction of a Board of Directors consisting of not less than nine (9) nor more than twenty-five (25) directors, the exact number of directors to be determined by affirmative vote of a majority of the entire Board of Directors. The directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as possible, of one-third of the total number of directors constituting the entire Board of Directors.

At each annual meeting of stockholders, successors to the class of directors whose term expires at that annual meeting shall be elected for a three-year term. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case will a decrease in the number of directors shorten the term of any incumbent director. A director shall hold office until the annual meeting of the year in which his term expires and until his successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office. Any vacancy on the Board of Directors that results from an increase in the number of directors may be filled by a majority of the Board of Directors then in office, and any other vacancy occurring in the Board of Directors may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director. Any director elected to fill a vacancy not resulting from an increase in the number of directors shall have the same remaining term as that of his predecessor.

Notwithstanding the foregoing, whenever the holders of any one or more classes or series of Preferred Stock issued by the corporation shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of these Articles of Incorporation applicable thereto, and such directors so elected shall not be divided into classes pursuant to this Article X unless expressly provided by such terms.

Any director or the entire Board of Directors may be removed from office without cause by the affirmative vote of eighty percent (80%) of the votes entitled to be cast by the holders of all then outstanding shares of voting stock of the corporation, voting together as a single class.

Notwithstanding any other provision of these Articles or the bylaws of the corporation and notwithstanding the fact that a lesser percentage or separate class vote may be specified by law, these Articles or the bylaws of the corporation, the affirmative vote of the holders of not less than eighty percent (80%) of the votes entitled to be cast by the holders of all then outstanding shares of voting stock of the corporation, voting together as a single class, shall be required to amend or repeal, or adopt any provisions inconsistent with, this Article X, unless such action has been previously approved by a three-fourths vote of the whole Board of Directors.

ARTICLE XI

ELIMINATION OF DIRECTOR LIABILITY

No director of the corporation shall be personally liable to the corporation or its stockholders for monetary damages for a breach of his duties as a director except for liability:

[a] For any transaction in which the director’s personal financial interest is in conflict with the financial interest of the corporation or its stockholders;

[b] For acts or omissions not in good faith or which involve intentional misconduct or are known to the director to be a violation of law;

[c] For distributions made in violation of the Kentucky Revised Statutes; or

[d] For any transaction from which the director derives an improper personal benefit.

If the Kentucky Revised Statutes are amended after approval by the stockholders of this Article to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the corporation shall be eliminated or limited to the fullest extent permitted by the Kentucky Revised Statutes, as so amended. Any repeal or modification of this Article XI by the stockholders of the corporation shall not adversely affect any right or protection of a director of the corporation existing at the time of such repeal or modification.

ARTICLE XII

SPECIAL MEETING OF SHAREHOLDERS

Special meetings of the shareholders of the corporation may be called only by:

[a] The Board of Directors; or

[b] The holders of not less than sixty-six and two-thirds percent (66 2/3%) of all shares entitled to cast votes on any issue proposed to be considered at the proposed special meeting upon such holders signing, dating and delivering to the corporation’s Secretary one or more written demands for the meeting, including a description of the purpose or purposes for which the meeting is to be held.

SERIES DESIGNATION FOR SERIES 1998 PREFERRED STOCK

I. Designation and Number of Shares. This series of the Preferred Stock shall be designated as “Series 1998 Preferred Stock” (the “Series 1998 Preferred Stock”). The number of shares initially issuable as the Series 1998 Preferred Stock shall be 15,000; provided, however, that, if more than a total of 15,000 shares of Series 1998 Preferred Stock shall be issuable upon the exercise of Rights (the “Rights”) issued pursuant to the Rights Agreement dated as of March 19, 1998, between the Corporation and Bank of Louisville, as Rights Agent (the “Rights Agreement”), the Board of Directors of the Corporation, shall, if then permitted by the Kentucky Business Corporation Act, direct by resolution or resolutions that Articles of Amendment of the Articles of Incorporation of the Corporation be properly executed and filed with the Secretary of State of Kentucky providing for the total number of shares issuable as Series 1998 Preferred Stock to be increased (to the extent that the Articles of Incorporation then permit) to the largest number of whole shares (rounded up to the nearest whole number) issuable upon exercise of such Rights.

II. Dividends or Distributions.

(a) Subject to the prior and superior rights of the holders of shares of any other series of Preferred Stock or other class of capital stock of the Corporation ranking prior and superior to the shares of Series 1998 Preferred Stock with respect to dividends, the holders of shares of the Series 1998 Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors, out of the assets of the Corporation legally available therefor, (i) annual dividends payable in cash on January 15 of each year, or such other dates as the Board of Directors of the Corporation shall approve (each such date being referred to herein as an "Annual Dividend Payment Date"), commencing on the first Annual Dividend Payment Date after the first issuance of a share or a fraction of a share of Series 1998 Preferred Stock, in the amount of $.01 per whole share (rounded to the nearest cent), less the amount of all cash dividends declared on the Series 1998 Preferred Stock pursuant to the following clause (ii) since the immediately preceding Annual Dividend Payment Date or, with respect to the first Annual Dividend Payment Date, since the first issuance of any share or fraction of a share of Series 1998 Preferred Stock (the total of which shall not, in any event, be less than zero) and (ii) dividends payable in cash on the payment date for each cash dividend declared on the Common Stock in an amount per whole share (rounded to the nearest cent) equal to the Formula Number (as hereinafter defined) then in effect times the cash dividends then to be paid on each share of Common Stock. In addition, if the Corporation shall pay any dividend or make any distribution on the Common Stock payable in assets, securities or other forms of non-cash consideration (other than dividends or distributions solely in shares of Common Stock), then, in each such case, the Corporation shall simultaneously pay or make on each outstanding whole share of Series 1998 Preferred Stock a dividend or distribution in like kind equal to the Formula Number then in effect times such dividend or distribution on each share of the Common Stock. As used herein, the "Formula Number" shall be 1,000; provided, however, that, if at any time after March 19, 1998, excluding, however, the two-for-one stock split or stock dividend declared by the Corporation on March 19, 1998, the Corporation shall (x) declare or pay any dividend on the Common Stock payable in shares of Common Stock or make any distribution on the Common Stock in shares of Common Stock, (y) subdivide (by a stock split or otherwise) the outstanding shares of Common Stock into a larger number of shares of Common Stock or (z) combine (by a reverse stock split or otherwise) the outstanding shares of Common Stock into a smaller number of shares of Common Stock, then, in each such event, the Formula Number shall be adjusted to a number determined by multiplying the Formula Number in effect immediately prior to such event by a fraction, the numerator of which is the number of shares of Common Stock that are outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that are outstanding immediately prior to such event (and rounding the result to the nearest whole number); and, provided further, that, if at any time after March 19, 1998, the Corporation shall issue any shares of its capital stock in a merger, share exchange, reclassification, or change of the outstanding shares of Common Stock, then, in each such event, the Formula Number shall be appropriately adjusted to reflect such merger, share exchange, reclassification or change so that each share of Preferred Stock continues to be the economic equivalent of a Formula Number of shares of Common Stock prior to such merger, share exchange, reclassification or change.

(b) The Corporation shall declare a dividend or distribution on the Series 1998 Preferred Stock as provided in Section II(a) immediately prior to or at the same time it declares a dividend or distribution on the Common Stock (other than a dividend or distribution solely in shares of Common Stock); provided, however, that, in the event no dividend or distribution (other than a dividend or distribution in shares of Common Stock) shall have been declared on the Common Stock during the period between any Annual Dividend Payment Date and the next subsequent Annual Dividend Payment Date, a dividend of $.01 per share on the Series 1998 Preferred Stock shall nevertheless be payable on such subsequent Annual Dividend Payment Date. The Board of Directors may fix a record date for the determination of holders of shares of Series 1998 Preferred Stock entitled to receive a dividend or distribution declared thereon, which record date shall be the same as the record date for any corresponding dividend or distribution on the Common Stock.

(c) Dividends shall begin to accrue and be cumulative on outstanding shares of Series 1998 Preferred Stock from and after the Annual Dividend Payment Date next preceding the date of original issue of such shares of Series 1998 Preferred Stock; provided, however, that dividends on such shares that are originally issued after the record date for the determination of holders of shares of Series 1998 Preferred Stock entitled to receive an annual dividend and on or prior to the next succeeding Annual Dividend Payment Date shall begin to accrue and be cumulative from and after such Annual Dividend Payment Date. Notwithstanding the foregoing, dividends on shares of Series 1998 Preferred Stock that are originally issued prior to the record date for the determination of holders of shares of Series 1998 Preferred Stock entitled to receive an annual dividend on the first Annual Dividend Payment Date shall be calculated as if cumulative from and after the last day of the fiscal quarter next preceding the date of original issuance of such shares. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series 1998 Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding and entitled to receive such dividends.

(d) So long as any shares of the Series 1998 Preferred Stock are outstanding, no dividends or other distributions shall be declared, paid or distributed, or set aside for payment or distribution, on the Common Stock, unless, in each case, the dividend required by this Section II to be declared on the Series 1998 Preferred Stock shall have been declared and paid.

(e) The holders of the shares of Series 1998 Preferred Stock shall not be entitled to receive any dividends or other distributions, except as provided herein.

III. Voting Rights. The holders of shares of Series 1998 Preferred Stock shall have the following voting rights:

(a) Each holder of Series 1998 Preferred Stock shall be entitled to a number of votes equal to the Formula Number then in effect, for each whole share of Series 1998 Preferred Stock held of record on each matter on which holders of the Common Stock or shareholders generally are entitled to vote, multiplied by the maximum number of votes per share which any holder of the Common Stock or shareholders generally then have with respect to such matter (assuming any holding period or other requirement to vote a greater number of shares is satisfied).

(b) Except as otherwise provided herein or by applicable law, the holders of shares of Series 1998 Preferred Stock and the holders of shares of Common Stock shall vote together as one voting group for the election of directors of the Corporation and on all other matters submitted to a vote of shareholders of the Corporation.

(c) If, at the time of any annual meeting of shareholders for the election of directors, the equivalent of two annual dividends (whether or not consecutive) payable on any share or shares of Series 1998 Preferred Stock are in default, the number of directors constituting the Board of Directors of the Corporation shall be increased by two. In addition to voting together with the holders of Common Stock for the election of other directors of the Corporation, the holders of record of the Series 1998 Preferred Stock, voting separately as a voting group to the exclusion of the holders of Common Stock, shall be entitled at said meeting of shareholders (and at each subsequent annual meeting of shareholders), unless all dividends in arrears have been paid or declared and set apart for payment prior thereto, to vote for the election of two directors of the Corporation, the holders of any Series 1998 Preferred Stock being entitled to cast a number of votes per whole share of Series 1998 Preferred Stock equal to the Formula Number. Until the default in payments of all dividends that permitted the election of said directors shall cease to exist, any director who shall have been so elected pursuant to the next preceding sentence may be removed at any time, either with or without cause, only by the affirmative vote of the holders of the shares of Series 1998 Preferred Stock at the time entitled to cast such number of votes as are required by law for the election of any such director at a special meeting of such holders called for that purpose, and any vacancy thereby created may be filled only by the vote of such holders. If and when such default shall cease to exist, the holders of the Series 1998 Preferred Stock shall be divested of the foregoing special voting rights, subject to revesting in the event of each and every subsequent like default in payments of dividends. Upon the termination of the foregoing special voting rights, the terms of office of all persons who may have been elected directors pursuant to said special voting rights shall forthwith terminate to the extent permitted by law, and the number of directors constituting the Board of Directors shall be reduced by two. The voting rights granted by this Section III(c) shall be in addition to any other voting rights granted to the holders of the Series 1998 Preferred Stock in this Section III.

(d) Except as provided herein, in Section XI or by applicable law, holders of Series 1998 Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for authorizing or taking any corporate action.

IV. Certain Restrictions.

(a) Whenever annual dividends or other dividends or distributions payable on the Series 1998 Preferred Stock as provided in Section II are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series 1998 Preferred Stock outstanding shall have been paid in full, the Corporation shall not

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series 1998 Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series 1998 Preferred Stock, except dividends paid ratably on the Series 1998 Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series l998 Preferred Stock; provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series 1998 Preferred Stock; or

(iv) purchase or otherwise acquire for consideration any shares of Series 1998 Preferred Stock, or any shares of stock ranking on a parity with the Series 1998 Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(b) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (a) of this Section IV, purchase or otherwise acquire such shares at such time and in such manner.

V. Liquidation Rights. Upon the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, no distribution shall be made (a) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series 1998 Preferred Stock, unless, prior thereto, the holders of shares of Series 1998 Preferred Stock shall have received an amount equal to the accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, plus an amount equal to the greater of (i) $.01 per whole share or (ii) an aggregate amount per share equal to the Formula Number then in effect times the aggregate amount to be distributed per share to holders of Common Stock or (b) to the holders of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series 1998 Preferred Stock, except distributions made ratably on the Series 1998 Preferred Stock and all other such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up.

VI. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, share exchange, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash or any other property, then, in any such case, the then outstanding shares of Series 1998 Preferred Stock shall at the same time be similarly exchanged or changed into an amount per whole share equal to the Formula Number then in effect times the aggregate amount of stock, securities, cash or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is exchanged or changed. In the event both this Section VI and Section II appear to apply to a transaction, this Section VI will control.

VII. No Redemption; No Sinking Fund.

(a) The shares of Series 1998 Preferred Stock shall not be subject to redemption by the Corporation or at the option of any holder of Series 1998 Preferred Stock; provided, however, that the Corporation may purchase or otherwise acquire outstanding shares of Series 1998 Preferred Stock in the open market or by offer to any holder or holders of shares of Series 1998 Preferred Stock.

(b) The shares of Series 1998 Preferred Stock shall not be subject to or entitled to the operation of a retirement or sinking fund.

VIII. Ranking. The Series 1998 Preferred Stock shall rank junior to all other series of Preferred Stock of the Corporation, unless the Board of Directors shall specifically determine otherwise in fixing the powers, preferences and relative, participating, optional and other special rights of the shares of such series and the qualifications, limitations and restrictions thereof.

IX. Fractional Shares. The Series 1998 Preferred Stock shall be issuable upon exercise of the Rights issued pursuant to the Rights Agreement in whole shares or in any fraction of a share that is one-thousandth (1/1,000) of a share or any integral multiple of such fraction which shall entitle the holder, in proportion to such holder’s fractional shares, to receive dividends, exercise voting rights, participate in distributions and have the benefit of all other rights of holders of Series 1998 Preferred Stock. In lieu of fractional shares, the Corporation, prior to the first issuance of a share or a fraction of a share of Series 1998 Preferred Stock, may elect (a) to make a cash payment as provided in the Rights Agreement for fractions of a share other than one-thousandth (1/1,000) of a share or any integral multiple thereof or (b) to issue depository receipts evidencing such authorized fraction of a share of Series 1998 Preferred Stock pursuant to an appropriate agreement between the Corporation and a depository selected by the Corporation; provided that such agreement shall provide that the holders of such depository receipts shall have all the rights, privileges and preferences to which they are entitled as holders of the Series 1998 Preferred Stock.

X. Reacquired Shares. Any shares of Series 1998 Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred

Stock, without par value, of the Corporation, undesignated as to series, and may thereafter be reissued as part of a new series of such Preferred Stock as permitted by law.

XI. Amendment. None of the powers, preferences and relative, participating, optional and other special rights of the Series 1998 Preferred Stock as provided herein or in the Articles of Incorporation shall be amended in any manner that would alter or change the powers, preferences, rights or privileges of the holders of Series 1998 Preferred Stock so as to affect such holders adversely without the affirmative vote of the holders of at least 66-2/3% of the outstanding shares of Series 1998 Preferred Stock, voting as a separate voting group; provided, however, that no such amendment approved by the holders of at least 66-2/3% of the outstanding shares of Series 1998 Preferred Stock shall be deemed to apply to the powers, preferences, rights or privileges of any holder of shares of Series 1998 Preferred Stock originally issued upon exercise of a Right after the time of such approval without the approval of such holder.

RESOLUTIONS ADOPTED BY THE BOARD OF DIRECTORS ELECTING THAT THE CORPORATION BE SUBJECT GENERALLY, WITHOUT QUALIFICATION OR LIMITATION, TO THE REQUIREMENTS OF KRS 271B.12-210.

WHEREAS, there may be uncertainty as to whether the provisions of the Kentucky Business Combinations statute, KRS 271B.12-210 to 271B.12-230, apply to the Corporation by virtue of the provisions of KRS 271B.12-220(4)(a) and pursuant to the provisions of that subsection, the Board of Directors of the Corporation desires to elect by resolution, adopted by all of the continuing directors of the Corporation, to be subject generally, without qualification or limitation, to the requirements of KRS 271B.12-210;

RESOLVED, that the Corporation be subject generally, without qualification or limitation, to the requirements of KRS 271B.12-210 and the officers of the Corporation are hereby authorized and directed to take any and all actions necessary or appropriate to give effect to this resolution, including, without limitation, making any filings required by statute or regulation, including filing articles of amendment to the articles of incorporation of the Corporation including a copy of this resolution making this election;

RESOLVED, that any and all actions heretofore taken by the officers of the Corporation in connection with the above resolution, in the name of or on behalf of the Corporation, be and hereby are approved, ratified and confirmed.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Thomas H. Meeker, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Churchill Downs Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2003

/s/ Thomas H. Meeker

Thomas H. Meeker
President and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Michael E. Miller, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Churchill Downs Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2003

/s/ Michael E. Miller

Michael E. Miller
Executive Vice President and
Chief Financial Officer

Certification of CEO and CFO Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Churchill Downs Incorporated (the “Company”) for the quarterly period ended June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Thomas H. Meeker, as President and Chief Executive Officer of the Company, and Michael E. Miller, as Executive Vice President and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/Thomas H. Meeker

Thomas H. Meeker
President and Chief Executive Officer
August 13, 2003

/s/Michael E. Miller

Michael E. Miller
Executive Vice President and Chief Financial Officer
August 13, 2003

This certification is being furnished to the Securities and Exchange Commission as an exhibit to the Report and shall not be deemed filed by the Company for purposes of § 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Churchill Downs Incorporated and will be retained by Churchill Downs Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.