UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2021
OR

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

For the transition period from ______ to ______
Commission file number 001-33998

Churchill Downs Incorporated

(Exact name of registrant as specified in its charter)

Kentucky	**61-0156015**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**
600 North Hurstbourne Parkway, Suite 400	
Louisville, Kentucky	**40222**
(Address of principal executive offices)	**(Zip Code)**

(502) 636-4400
(Registrant's telephone number, including area code)

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

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

Securities registered pursuant to Section 12(g) of the Act:
None
(Title of class)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

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

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

As of February 16, 2022, 38,090,006 shares of the Registrant's Common Stock were outstanding. As of June 30, 2021 (based upon the closing sale price for such date on the Nasdaq Global Select Market), the aggregate market value of the shares held by non-affiliates of the Registrant was $6,668,442,585.

Portions of the Registrant's Proxy Statement for its Annual Meeting of Shareholders to be held on April 26, 2022 are incorporated by reference herein in response to Items 10, 11, 12, 13 and 14 of Part III of Form 10-K.

CHURCHILL DOWNS INCORPORATED
INDEX TO ANNUAL REPORT ON FORM 10-K
For the Year Ended December 31, 2021

Cautionary Statement Regarding Forward-Looking Information

This Annual Report on Form 10-K ("Report") including the information incorporated by reference herein, 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 Report are made pursuant to the Act. The reader is cautioned that such forward-looking statements are based on information available at the time and/or management's good faith belief with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements. Forward-looking statements speak only as of the date the statement was made. We assume no obligation to update forward-looking information to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information. Forward-looking statements are typically identified by the use of terms such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "might", "plan", "predict", "project", "seek", "should", "will", and similar words, 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 expectations include the factors described in Item 1A. Risk Factors, of this Report.

PART I

ITEM 1. BUSINESS

Overview

Churchill Downs Incorporated (the "Company", "we", "us", "our") is an industry-leading racing, online wagering and gaming entertainment company anchored by our iconic flagship event, the Kentucky Derby. We own and operate three pari-mutuel gaming entertainment venues with approximately 3,050 historical racing machines ("HRMs") in Kentucky. We also own and operate TwinSpires, one of the largest and most profitable online wagering platforms for horse racing, sports and iGaming in the U.S. and we have nine retail sportsbooks. We are also a leader in brick-and-mortar casino gaming in eight states with approximately 11,000 slot machines and video lottery terminals ("VLTs") and 200 table games. We were organized as a Kentucky corporation in 1928, and our principal executive offices are in Louisville, Kentucky.

Impact of the COVID-19 Global Pandemic

In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. The COVID-19 global pandemic resulted in travel limitations and business and government shutdowns which had a significant negative economic impact in the United States and to our business. Although vaccines are available, we cannot predict the duration of the COVID-19 global pandemic. The extent to which the COVID-19 pandemic, including the emergence of variant strains, will continue to impact the Company remains uncertain and will depend on many factors that are not within our control.

In March 2020, as a result of the COVID-19 outbreak, we temporarily suspended operations at our wholly owned and managed gaming properties, announced the temporary furlough of our employees at these properties and certain racing operations and implemented a temporary salary reduction for all remaining non-furloughed salaried employees based on a percentage that varied dependent upon the amount of each employee’s salary. The most senior level of executive management received the largest salary decrease, based on both percentage and dollar amount.

In May 2020, we began to reopen our properties with patron restrictions and gaming limitations. One property suspended operations again in July 2020 and reopened in August 2020, and three properties suspended operations in December 2020 and reopened in January 2021. All of our gaming properties have remained open since January 2021. Although all of our properties are now open to customers, certain locations continue to operate with certain restrictions, and the continued impact of the pandemic could result in further suspension of operations.

The 146th Kentucky Oaks and Derby were held in the third quarter of 2020 without spectators. During the second quarter of 2021, we held the 147th Kentucky Oaks and Derby with capacity restrictions in compliance with Kentucky venue limitations at that time. The capacity restrictions limited reserved seating in each area to approximately 40% to 60% capacity and limited general admission tickets. Due to such restrictions, our revenues from the Kentucky Oaks and Derby in each year were significantly less than we would otherwise expect.

Business Segments

During the first quarter of 2021, we updated our operating segments to reflect the internal management reporting used by our chief operating decision maker to evaluate results of operations and to assess performance and allocate resources. Our internal management reporting changed primarily due to the continued growth from Oak Grove Racing, Gaming & Hotel ("Oak Grove") and Turfway Park Racing & Gaming (“Turfway Park”), which opened its annex HRM facility, Newport Racing & Gaming ("Newport"), in October 2020, which resulted in our chief operating decision maker's decision to include Oak Grove, Turfway Park and Newport in the new Live and Historical Racing segment. The Live and Historical Racing segment now includes Churchill Downs Racetrack, Derby City Gaming, Oak Grove, Turfway Park, and Newport. We also realigned our retail sports betting results at our wholly owned casinos from our Gaming segment to our TwinSpires segment. As a result of this realignment, our operating segments that meet the requirements to be disclosed separately as reportable segments are: Live and Historical Racing, TwinSpires, and Gaming. Financial information about these segments is set forth in Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations contained within this Report.

We conduct our business through these reportable segments and report net revenue and operating expense associated with these reportable segments in Part II, Item 8. Financial Statements and Supplementary Data, contained within this Report. The prior year results in the accompanying consolidated statements of comprehensive income (loss) were reclassified to conform to this presentation.

Live and Historical Racing

The Live and Historical Racing segment includes live and historical pari-mutuel racing related revenue and expenses at Churchill Downs Racetrack, Derby City Gaming, Oak Grove, Turfway Park, and Newport.

Churchill Downs Racetrack is the home of the Kentucky Derby and conducts live racing. Derby City Gaming is an HRM facility that operates under the Churchill Downs pari-mutuel racing license at the auxiliary training facility for Churchill Downs Racetrack in Louisville, Kentucky. Oak Grove conducts live harness racing and operates an HRM facility under its pari-mutuel racing license. Turfway Park conducts live racing, and Newport is an ancillary HRM facility that operates under the Turfway Park pari-mutuel racing license.

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

Churchill Downs Racetrack

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

We conducted 74 live racing days in 2019, 65 live race days in 2020, and 71 live race days in 2021. In 2022, we anticipate conducting up to 77 live race days.

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

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

In April 2020, we completed a state-of-the-art equine medical center and quarantine barns on the backside area of Churchill Downs Racetrack which reinforces our ongoing commitment to equine and jockey safety and supports our long-term international growth strategy.

In July 2021, we announced three major multi-year capital investments to transform key areas of Churchill Downs Racetrack: The Homestretch Club, the Turn 1 Experience, and the Paddock and Under the Spires projects.

The Company is investing $45.0 million in the Homestretch Club project. The Homestretch Club will replace the grandstand area below the Jockey Club suites and alongside the Winner’s Circle suites on the homestretch. The Homestretch Club project will convert 5,200 outdoor bleacher seats into 3,250 premium reserved seats with all-inclusive amenities. Plans for the new area include 2,610 stadium club seats, 66 covered terraced dining tables for up to 440 guests, 30 Trackside Lounges for up to 200 guests offering a “courtside seat” experience, five private 60-person VIP Hospitality Lounges as upgrades and an 18,600 square-foot indoor hospitality space with a grand staircase and 100-foot feature bar. The Company is planning to debut the new area in May 2022 for the 148th Kentucky Derby.

The Company is investing $90.0 million in the Turn 1 Experience project. The Turn 1 Experience will provide additional permanent stadium seating and a new track-level hospitality club replacing current temporary Oaks and Derby seating at the first turn of the racetrack. Plans for the new area will replace 3,400 temporary seats with 5,100 permanent covered stadium seats and a new 50,000 square-foot climate-controlled hospitality venue with reserved dining room tables, a trackside viewing terrace, and two new seating concourses to allow for better guest circulation and amenities for an incremental 2,000 reserved seats. The Company is planning to debut the new area in May 2023 for the 149th Kentucky Derby.

The Company is also developing a newly designed Paddock and Under the Spires area to enhance the experience for nearly every guest. The redesigned area will improve the flow of guests throughout the Paddock. The project will create a larger paddock walking ring for viewing the horses prior to the races, a new Paddock Club in the area on the first floor under the Twin Spires that will provide views of the paddock and views of the tunnel that the horses walk through, new hospitality and other amenities for guests in certain areas of the 3rd floor clubhouse seats, and new terraces including a new Turf Club balcony overlooking the Paddock. The Company is planning to debut these new areas in May 2024 for the 150th Kentucky Derby.

Derby City Gaming

Derby City Gaming is an 85,000 square-foot, state-of-the-art HRM facility that was opened in September 2018 at the Churchill Downs Racetrack auxiliary training facility in Louisville, Kentucky. Derby City Gaming operates under the Churchill Downs Racetrack pari-mutuel racing license, and has approximately 1,225 HRMs, a simulcast center, and a dining facility.

In July 2021, we announced plans to invest $76.0 million at Derby City Gaming to expand our gaming facility for up to 450 additional gaming positions and to build a five-story hotel with 123 rooms including amenities to better serve and attract guests. Plans for the project will add 135,000 square feet to the facility and the new gaming space will open with 200 additional gaming positions. The new gaming expansion will include a VIP gaming area, a new sports bar, a stage for live entertainment and an upscale-casual restaurant and bar to create a variety of new food and beverage options for gaming and hotel guests throughout the entire day. The new gaming space expansion is scheduled for completion in the fourth quarter of 2022 and the hotel is scheduled for completion by second quarter of 2023.

Derby City Gaming Downtown

In September 2021, we announced plans to invest $80.0 million to build a new HRM entertainment venue called Derby City Gaming Downtown ("DCG Downtown") in an existing building in downtown Louisville. Plans for DCG Downtown will include 500 HRMs, three unique bar concepts and over 200 onsite parking spaces. The new entertainment venue will provide guests, including locals, tourists, and convention attendees, a main-level sports bar with a stage for music and live entertainment, a premium bourbon library and an elegant wine and charcuterie lounge. A retail and merchandise store will be located on the street level where guests can shop for Kentucky Derby-themed merchandise. The Company completed the purchase of the building and property in December 2021 for $5.2 million. DCG Downtown is anticipated to open in mid-2023.

Oak Grove

Oak Grove is a premier state-of-the-art live harness racing and historical racing entertainment venue located on 240 acres approximately one-hour north of Nashville, Tennessee in Oak Grove, Kentucky. Oak Grove owns and operates a 5/8-mile harness racing track. In September 2020, the Company opened the simulcast and HRM facility with approximately 1,325 HRMs, event center and food and beverage venues. The 128-room hotel opened in October 2020. Oak Grove also has a 1,200-person grandstand, 3,000-person capacity outdoor amphitheater and stage, a state-of-the-art equestrian center, and a recreational vehicle park.

Turfway Park

In October 2019, the Company purchased Turfway Park which is located on 197 acres in Florence, Kentucky. The Company is investing up to $148.0 million to build a 155,000 square foot state-of-the-art live thoroughbred racing and historical racing entertainment venue facility including a grandstand, sports bar, food offerings, and up to 1,200 HRMs, which we plan to open in September 2022.

Newport

On October 2, 2020, the Company opened Newport, located in Newport, Kentucky, after investing approximately $33.1 million to create a premier entertainment experience as an extension of Turfway Park. Newport has a pari-mutuel simulcast area, an approximately 23,000 square-foot gaming floor with approximately 500 HRMs, and a feature bar.

TwinSpires

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

Horse Racing

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

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

Sports and Casino

Our TwinSpires Sports and Casino business operates our sports betting platform in multiple states, including Colorado, Indiana, Maryland, Michigan, Mississippi, New Jersey, Pennsylvania, Tennessee, and Arizona. Our casino iGaming platform is operated in Michigan, New Jersey, and Pennsylvania. The Sports and Casino business includes the results of mobile sports betting, online sports betting, casino iGaming, and our retail sportsbooks. We operate eight retail sportsbooks in Colorado, Indiana, Maryland, Michigan, Arizona, Pennsylvania, and Mississippi, four of which operate under a third party's casino license. River Casino Des Plaines ("Rivers Des Plaines") retail and online BetRivers sportsbook are included in the Gaming segment.

Gaming

The Gaming segment includes revenue and expenses for the casino properties and associated racetrack or jai alai facilities which support the casino license. The Gaming segment has approximately 11,000 slot machines and VLTs and 200 table games located in eight states.

The Gaming segment revenue and Adjusted EBITDA includes the following properties:

- Calder Casino and Racing ("Calder")
- Fair Grounds Slots, Fair Grounds Race Course, and Video Services, LLC ("VSI") (collectively, "Fair Grounds and VSI")
- Harlow's Casino Resort and Spa ("Harlow's")
- Ocean Downs Casino and Racetrack ("Ocean Downs")
- Oxford Casino and Hotel ("Oxford")
- Presque Isle Downs and Casino ("Presque Isle")
- Riverwalk Casino Hotel ("Riverwalk")
- Lady Luck Casino Nemacolin ("Lady Luck Nemacolin") management agreement

The Gaming segment Adjusted EBITDA also includes the Adjusted EBITDA related to the Company's equity investments in the following:

- 61.3% equity investment in Rivers Des Plaines
- 50% equity investment in Miami Valley Gaming and Racing ("MVG")

The Gaming segment generates revenue and expenses from slot machines, table games, VLTs, video poker, ancillary food and beverage services, hotel services, commission on pari-mutuel wagering, racing event-related services, and other miscellaneous operations.

Calder

Calder owns and operates a 106,000 square foot casino with approximately 1,100 slot machines and two dining facilities. Calder also has an entertainment venue, a one-mile dirt track, a 7/8-mile turf track, barns, and stabling facilities for thoroughbred horse racing. Calder is located on 170 acres of land in Miami Gardens, Florida near Hard Rock Stadium, home of the Miami Dolphins.

On November 22, 2021, the Company announced an agreement to sell 115.7 acres of land near Calder Casino for $291.0 million or approximately $2.5 million per acre to Link Logistics Real Estate, a Blackstone portfolio company. The closing of the sale of the property is subject to the satisfaction of various closing conditions. The Company anticipates closing the sale of the property in the first half of 2022.

Fair Grounds and VSI

Fair Grounds Race Course & Slots is located on 145 acres in New Orleans, Louisiana. Fair Grounds Slots owns and operates a 33,000 square-foot slot facility with approximately 600 slot machines, two concession areas, a bar, a simulcast facility, and other amenities. The Fair Grounds Race Course consists of a one-mile dirt track, a 7/8-mile turf track, a grandstand, and a stabling area. The facility includes clubhouse and grandstand seating for approximately 5,000 guests, a general admissions area, and dining facilities. The stable area consists of barns that can accommodate approximately 1,900 horses and living quarters for approximately 130 people. Fair Grounds Race Course also operates pari-mutuel wagering in 15 off-track betting facilities ("OTBs") and VSI is the owner and operator of approximately 1,000 video poker machines in 12 OTBs in Louisiana.

In August 2021, Hurricane Ida caused damage to portions of Louisiana, including Fair Grounds Race Course & Slots, and 15 OTBs. All the Fair Grounds and VSI operations were reopened as of December 31, 2021, except for two OTBs.

Harlow's

Harlow's owns and operates a 33,000 square-foot casino with approximately 700 slot machines, 15 table games, a retail sportsbook, a 105-room hotel, a 5,600 square-foot multi-functional event center, and four dining facilities located on 85 acres of leased land in Greenville, Mississippi.

Ocean Downs

Ocean Downs is located on 167 acres near Ocean City, Maryland. Ocean Downs owns and operates a 70,000 square-foot casino with approximately 900 VLTs, 18 table games, a retail sportsbook, and three dining facilities. Ocean Downs also conducts approximately 40 live harness racing days each year.

Oxford

Oxford owns and operates a 27,000 square-foot casino with approximately 950 slot machines, 30 table games, a 100-room hotel, and three dining facilities located on 97 acres in Oxford, Maine.

Presque Isle

Presque Isle owns and operates a 153,000 square-foot casino with approximately 1,550 slot machines, 34 table games, a retail sportsbook, a poker room, and four dining facilities located on 270 acres in Erie, Pennsylvania. Presque Isle also conducts 100 live thoroughbred racing days each year.

Riverwalk

Riverwalk owns and operates a 25,000 square-foot casino with approximately 650 slot machines, 15 table games, a retail sportsbook, a five-story 80-room hotel, and two dining facilities on 22 acres in Vicksburg, Mississippi.

Lady Luck Nemacolin

The Company manages Lady Luck Nemacolin, which is in Farmington, Pennsylvania, approximately one mile from the Nemacolin Woodlands Resort. Lady Luck Nemacolin has approximately 600 slot machines, 27 table games, and a dining facility.

Terre Haute

In November 2021, we announced the Indiana Gaming Commission ("IGC") selected our application for a casino owner's license to develop the Queen of Terre Haute Casino Resort (the "Queen of Terre Haute") in Vigo County, Indiana. Our up to $260.0 million investment in the Queen of Terre Haute will feature a total of 400,000 square-feet space with 1,000 slot machines, 50 table games, a 125-room luxury hotel, a retail sportsbook, and several food and beverage offerings. We paid the $5.0 million license fee to the IGC in January 2022. The expected completion of the Queen of Terre Haute is scheduled for the second half of 2023.

Rivers Des Plaines

Rivers Des Plaines owns and operates a 140,000 square-foot casino with approximately 1,000 slot machines and 69 table games, seven dining and entertainment facilities, and an approximate 5,000 square-foot state-of-the-art BetRivers Sports Bar on 21 acres in Des Plaines, Illinois. We acquired 61.3% equity ownership in Midwest Gaming Holdings, LLC ("Midwest Gaming"), the parent company of Rivers Des Plaines, in March 2019. In the third quarter of 2020, Rivers Des Plaines completed the expansion of the parking garage. Rivers Des Plaines is investing $87.0 million in a 78,000 square-foot expansion between the existing casino building and the recently enlarged parking garage. Plans for the two-story addition include a new restaurant and an expanded gaming floor on the first floor, as well as a 24-table poker room, a 10,000 square-foot ballroom for private events and live entertainment, and a slot machine gaming area on the second floor. The expansion will also add approximately 725 additional gaming positions. The expected completion of the expansion is scheduled for the first half of 2022.

Miami Valley Gaming

MVG owns and operates a 186,000 square-foot casino with approximately 1,950 VLTs, four dining facilities, a racing simulcast center, and a 5/8-mile harness racetrack located on 120 acres in Lebanon, Ohio. We have a 50% equity investment in MVG.

All Other

We have aggregated the following businesses as well as certain corporate operations, and other immaterial joint ventures in "All Other" to reconcile to consolidated results:

- Arlington International Racecourse ("Arlington")
- United Tote
- Corporate

Arlington

Arlington is located on 326 acres in Arlington Heights, Illinois. On September 29, 2021, the Company announced an agreement to sell the property to the Chicago Bears for $197.2 million. The closing of the sale of the property is subject to the satisfaction of various closing conditions. The Company anticipates closing the sale of the Arlington Property in early 2023.

United Tote

United Tote manufactures and operates pari-mutuel wagering systems for racetracks, OTBs and other pari-mutuel wagering businesses. United Tote provides totalisator services which accumulate wagers, record sales, calculate payoffs and display wagering data to patrons who wager on horse races. United Tote has contracts to provide totalisator services to several third-party racetracks, OTBs and other pari-mutuel wagering businesses and also provides these services at our facilities.

Corporate

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

Competition

Overview

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

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

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

Live and Historical Racing

In 2021, approximately 34,000 thoroughbred horse races were conducted in the U.S., which was up 21% compared to 2020 due to the impact of almost all of the racetracks across the U.S. being closed for a portion of the prior year as a result of the COVID-19 global pandemic. As a racetrack operator, we compete for horses with other racetracks running live racing meets at or near the same time as our races. Our ability to compete is substantially dependent on the racing calendar, number of horses racing and purse sizes. As a content provider, we compete for wagering dollars in the simulcast market with other racetracks conducting races at or near the same times as our races. In recent years, competition has increased as more states legalize gaming and allow slot machines at racetracks with mandatory purse contributions. Derby City Gaming, Oak Grove, Turfway Park, and Newport compete with regional casinos in the area and other forms of legal and illegal gaming.

TwinSpires

Horse Racing

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

Sports and Casino

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

Gaming

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

Human Capital

We believe our human capital is material to our operations and core to the long-term success of the Company as an industry-leading racing, online wagering and gaming entertainment company anchored by our iconic flagship event, The Kentucky Derby. Our focus is on attracting innovative and collaborative team members who want to build their skills in a successful and growing set of businesses focused on creating unique experiences for our guests.

Our People

As of December 31, 2021, we had a total of approximately 5,000 team members, of which 3,800 are full-time employees. As of December 31, 2021, the Live and Historical Racing segment had 1,200 team members, the TwinSpires segment had 300 team members; and the Gaming segment had 3,100 team members. Nearly one-quarter of the Live and Historical Racing segment team members are full-time employees and nearly all the TwinSpires and Gaming segment team members are full-time employees. The Company's corporate staff consists of approximately 200 full-time employees. The number of seasonal employees fluctuates significantly through the course of the year primarily due to the seasonal nature of our businesses. We have the highest level of seasonal team members during the second quarter when we traditionally run the Kentucky Derby.

As of December 31, 2021, approximately 550 full-time employees were covered by 18 collective bargaining agreements. We have experienced no material interruptions of operations due to disputes with our team members.

Diversity and Inclusion

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

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

Talent Acquisition, Development and Retention

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

Compensation, Benefits, Safety and Wellness

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

Governmental Regulations and Potential Legislative Changes

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

Live and Historical Racing Regulations

Horse racing is a highly regulated industry. In the U.S., interstate pari-mutuel wagering on horse racing is subject to the Interstate Horseracing Act of 1978, as amended in 2000 ("IHA"). Under the IHA, racetracks and ADWs can accept interstate off-track wagers if the racetracks and ADWs have approvals from (1) the host horse racetrack including a written agreement with the horsemen’s group, if applicable; (2) the host racing commission, and (3) the off-track racing commission. If these requirements are met, racetracks can commingle wagers from different racetracks and wagering facilities and broadcast horse racing events to other licensed establishments.

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

The total number of days on which each racetrack conducts live racing fluctuates annually according to each calendar year and the determination of applicable regulatory authorities.

Kentucky

In Kentucky, horse racing racetracks and HRM facilities are subject to the licensing and regulation of the Kentucky Horse Racing Commission ("KHRC"), which is responsible for overseeing horse racing and regulating the state equine industry and overseeing the annual licensing and operations of HRMs in Kentucky. Licenses to conduct live thoroughbred and standardbred racing meets, to participate in simulcasting, and to accept advance deposit wagers from Kentucky residents are approved annually by the KHRC based upon applications submitted by the racetracks in Kentucky.

Derby City Gaming, Oak Grove, and Newport are subject to extensive state and local laws and to licensing and regulatory control by the KHRC. Changes in Kentucky laws or regulations may limit or otherwise materially affect the types of HRMs that may be conducted and such changes, if enacted, could have an adverse impact on our Kentucky HRM operations. The failure to comply with the rules and regulations of the KHRC could have a material adverse impact on our business.

Florida

During the second quarter of 2021, the Florida Legislature passed a bill to decouple jai alai from gaming activities. Under this new law, jai alai facilities can operate slots and cardrooms without conducting jai alai games. The decoupling legislative action went into effect when the U.S. Department of the Interior approved the compact on August 6, 2021. This legislative action is expected to have a favorable impact on our business.

TwinSpires Regulations and Potential Legislative Changes

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

Sports Betting and iGaming Regulations and Potential Legislative Changes

In May 2018, the United States Supreme Court struck down the 1992 Professional and Amateur Sports Protection Act, which had effectively banned sports wagering in most states. Removal of the ban gave states the authority to authorize sports wagering. Thirty-three states have authorized sports betting and thirty of these states have sports betting operational as of December 31, 2021. Each state has different structures for the number of allowable industry participants, license fees, taxes, and other operational requirements.

As of December 31, 2021. the Company is operational in seven states for retail sports betting, seven states for online sports betting, and three states for iGaming.

Gaming Regulations and Potential Legislative Changes

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

- Ensure that unsuitable individuals and organizations have no role in gaming operations,
- Establish procedures designed to prevent cheating and fraudulent practices,
- Establish and maintain responsible accounting practices and procedures,
- Maintain effective controls over financial practices, including establishment of minimum procedures for internal fiscal affairs and the safeguarding of assets and revenue,
- Maintain systems for reliable record keeping,
- File periodic reports with gaming regulators,
- Ensure that contracts and financial transactions are commercially reasonable, reflect fair market value and are arms-length transactions,
- Establish programs to promote responsible gambling and inform patrons of the availability of help for problem gambling, and
- Enforce minimum age requirements.

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

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

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

Licensing and Suitability Determinations

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

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

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

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

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

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

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

(i) pay that person any dividend or interest upon our voting securities,

(ii) allow that person to exercise, directly or indirectly, any voting right conferred through securities held by that person,

(iii) pay remuneration in any form to that person for services rendered or otherwise, or

(iv) fail to pursue all lawful efforts to require such unsuitable person to relinquish voting securities including, if necessary, the immediate purchase of said voting securities for cash at fair market value.

Violations of Gaming Laws

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

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

Reporting and Record-keeping Requirements

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

A failure to make such disclosure may be grounds for finding the record holder unsuitable. Gaming authorities may require certificates for our securities to bear a legend indicating that the securities are subject to specified gaming laws.

Review and Approval of Transactions

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

License Fees and Gaming Taxes

We pay substantial license fees and taxes in many jurisdictions in connection with our gaming operations which are computed in various ways depending on the type of gambling or activity involved. Depending upon the particular fee or tax involved, these fees and taxes are payable with varying frequency. License fees and taxes are based upon such factors as a percentage of the gaming revenue received; the number of gambling devices and table games operated; or a one-time fee payable upon the initial receipt of license and fees in connection with the renewal of license. In some jurisdictions, casino tax rates are graduated such that the tax rates increase as gaming revenue increases. Tax rates are subject to change, sometimes with little notice, and such changes could have a material adverse impact on our gaming operations.

Operational Requirements

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

Other Specific State Regulations and Potential Legislative Changes

Louisiana

During the second quarter of 2021, the Louisiana State Legislature passed a bill that was signed by Governor Edwards to allow HRMs in off-track betting facilities with oversight from the Louisiana Gaming Commission. Fair Grounds anticipates adding up to 50 HRMs per facility or approximately 600 HRMs in total across 14 facilities under this new law in 2022.

Maryland

During the second quarter of 2021, the Maryland Gaming Control Board adopted statutory changes to allow Ocean Downs to build a hotel. The Company is evaluating the economics and potential timing of building a hotel at Ocean Downs which may have a positive impact on our Company.

Environmental Matters

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

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

Marks and Internet Properties

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

Available Information

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

ITEM 1A. RISK FACTORS

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

Economic and External Risks

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

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

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

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

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

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

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

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

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

- Negative economic conditions and the persistence of elevated levels of unemployment can impact consumers’ disposable incomes and, therefore, impact the demand for entertainment and leisure activities.
- Declines in the residential real estate market, increases in individual tax rates and other factors that we cannot accurately predict may reduce the disposable income of our customers.

- Decreases in consumer discretionary spending could affect us even if such decreases occur in other markets. For example, reduced wagering levels and profitability at racetracks from which we carry racing content could cause certain racetracks to cancel races or cease operations and therefore reduce the content we could provide to our customers.

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

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

We are vulnerable to additional or increased taxes and fees

We believe that the prospect of raising significant additional revenue through taxes and fees is one of the primary reasons that certain jurisdictions permit legalized gaming. As a result, gaming companies are typically subject to significant taxes and fees in addition to the normal federal, state, provincial and local income taxes and such taxes and fees may be increased at any time. From time to time, legislators and officials have proposed changes in tax laws or in the administration of laws affecting the horse racing, online wagering and casino industries. Many states and municipalities, including ones in which we operate, are currently experiencing budgetary pressures that may make it more likely they would seek to impose additional taxes and fees on our operations. We are subject to tax in multiple U.S. tax jurisdictions and judgment is required in determining our provision for income taxes, deferred tax assets or liabilities and in evaluating our tax positions. It is not possible to determine the likelihood, extent or impact of any future changes in tax laws or fees, or changes in the administration of such laws; however, if enacted, such changes could have a material adverse impact on our business.

Strategic Risks

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our operations in certain jurisdictions depend on agreements with third parties. If we are unable to renew these agreements on satisfactory terms as they expire, our business may be disrupted. For example, the Interstate Horseracing Act, as well as various state racing laws, require that we have written agreements with the horsemen at our racetracks in order to simulcast races, and, in some cases, conduct live racing. Certain industry groups negotiate these agreements on behalf of the horsemen (the "Horsemen's Groups"). These agreements provide that we must receive the consent of the Horsemen's Groups at the racetrack conducting live races before we may allow third parties to accept wagers on those races. We currently negotiate formal agreements with the applicable Horsemen's Groups at our racetracks on an annual basis. The failure to maintain agreements with, or obtain consents from, the Horsemen's Groups on satisfactory terms or the refusal by a Horsemen's Group to consent to third parties accepting wagers on our races or our accepting wagers on third-parties' races could have a material adverse impact on our business, as such failure will result in our inability to conduct live racing and export and import simulcasting.

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

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

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

During the second quarter of 2018, the U.S. Supreme Court overturned the federal ban on sports betting. As a result, several jurisdictions in which we operate legalized sports betting and additional jurisdictions may do so in the future. The market for sports betting and online gaming is rapidly evolving and highly competitive with an increasing number of competitors. The success of our retail and online sportsbook and online casino operations are dependent on a number of factors that are beyond our control, including:

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

There can be no assurance as to the returns that we will receive from our current and anticipated retail and online sports betting and online casino operations.

Operational Risks

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

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

There are numerous federal, state and local laws regarding privacy and the storing, sharing, use, processing, disclosure and protection of personal information and other data, and such privacy laws and regulations continue to evolve. Many states have passed laws requiring notification to customers when there is a security breach for personal data, such as the 2002 amendment to California's Information Practices Act or requiring the adoption of minimum information security standards that are often vaguely defined and difficult to implement. California has adopted the California Consumer Privacy Act of 2018 (the "CCPA"), which went into effect on January 1, 2020, providing California consumers greater control of the information collected, stored, and sold, and other states are considering similar legislation. The CCPA provides a private right of action (in addition to statutory damages) for California residents whose sensitive personal information was breached as a result of a business's violation of its duty to reasonably secure such information. The costs of compliance with these laws may increase as a result of changes in interpretation or changes in law. Any failure on our part to comply with these laws or our privacy policies may subject us to significant liabilities, including governmental enforcement actions or litigation.

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

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

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

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

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

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

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

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

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

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

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

We signed a definitive agreement to acquire substantially all of the assets of Peninsula Pacific Entertainment LLC ("P2E") for total consideration of $2.485 billion. Important factors for the proposed P2E transaction include the receipt of regulatory approvals on terms desired or anticipated, unanticipated difficulties or expenditures relating to the proposed transaction, including, without limitation, difficulties that result in the failure to realize expected synergies, efficiencies and cost savings from the proposed transaction within the expected time period (if at all), our ability to obtain financing on the anticipated terms and schedule, disruptions of our or P2E's current plans, operations and relationships with customers and suppliers caused by the announcement and pendency of the proposed transaction, and our and P2E's ability to consummate a sale-leaseback transaction with respect to the Hard Rock Sioux City on terms desired or anticipated.

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

The impact of these risks may cause us to realize the intended benefits of these capital investments which could have a material adverse impact on our business.

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

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

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

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

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

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

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

We may decide to develop, construct and open hotels, casinos, other gaming venues, or racetracks in response to opportunities that may arise. For example, in July 2021, we announced three major multi-year capital investments to transform key areas of Churchill Downs Racetrack: the Homestretch Club, the Turn 1 Experience, and the Paddock and Under the Spires projects. Future development projects may require significant capital commitments and the incurrence of additional debt, which could have a material adverse impact on our business. In addition, we may not receive the intended benefits of such capital investments.

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

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

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

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

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

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

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

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

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

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

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

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

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

Legal and Regulatory Risks

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

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

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

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

We conduct live and historical pari-mutuel wagering, online pari-mutuel wagering through ADWs, casino gaming, online gaming, and sports betting operations, which are subject to extensive state and for some local regulation. These regulatory authorities have broad discretion, and may, for any reason set forth in the applicable legislation, rules and regulations, limit, condition, suspend, fail to renew or revoke a license or registration to conduct our operations or prevent another person from owning an equity interest in the Company. Regulatory authorities have input into our operations, such as hours of operation, location or relocation of a facility, and numbers and types of machines. Regulators may also levy substantial fines against or seize our assets, the assets of our subsidiaries or the people involved in violating gaming laws or regulations.

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

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

Regulatory authorities also have input into important aspects of our operations, including hours of operation, location or relocation of a facility, and numbers and types of HRMs. Regulators may also levy substantial fines against or seize our assets or the assets of our subsidiaries or the people involved in violating pari-mutuel laws or regulations.

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

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

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

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

Financial Risks

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

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

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

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

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

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

- will not be required to lend any additional amounts to us,
- could elect to declare all borrowings outstanding, together with accrued and unpaid interest and fees, to be due and payable and could terminate all commitments to extend further credit, or
- could require us to apply all of our available cash to repay these borrowings.

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

Disruptions in the credit markets or changes to our credit ratings may adversely affect our business.

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

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

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

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We own the following real property:

Live and Historical Racing

- 100 acres at Churchill Downs and our auxiliary training facility at Derby City Gaming in Louisville, Kentucky
- Derby City Gaming in Louisville, Kentucky
- Oak Grove Racing and Gaming in Oak Grove, Kentucky
- Turfway Park in Florence, Kentucky
- Derby City Gaming Downtown in Louisville, Kentucky

Gaming

- Oxford in Oxford, Maine
- Riverwalk in Vicksburg, Mississippi
- Calder in Miami Gardens, Florida
- Fair Grounds and certain VSI properties in New Orleans, Louisiana
- Ocean Downs in Ocean City, Maryland
- Presque Isle in Erie, Pennsylvania

All Other

- Arlington International Race Course in Arlington Heights, Illinois

We lease the following real property:

Live and Historical Racing

- Churchill Downs Racetrack in Louisville, Kentucky - we lease 158 acres under a 30-year lease entered into in 2002 where we transferred title of the facility to the City of Louisville, Kentucky, and retained the right to re-acquire the facility at any time for $1.00, subject to the terms of the lease as part of the financing of the improvements to the facility.
- Newport Racing and Gaming in Newport, Kentucky

TwinSpires

- TwinSpires.com and Brisnet in Lexington, Kentucky
- TwinSpires office in Vancouver, Canada and Toms River, New Jersey

Gaming

- Harlow's in Greenville, Mississippi - we lease the land on which the casino and hotel are located
- Certain VSI properties in New Orleans, Louisiana
- Lady Luck Nemacolin in Farmington, Pennsylvania - we lease the building as part of the management agreement

All Other

- United Tote in Louisville, Kentucky; San Diego, California; and Portland, Oregon
- Corporate and TwinSpires headquarters in Louisville, Kentucky

ITEM 3. LEGAL PROCEEDINGS

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

The Kentucky Horse Racing Commission, et al. v. The Family Trust Foundation of Kentucky, Inc.

In 2010, all Kentucky racetracks and the Kentucky Horse Racing Commission (the "KHRC" and together with the Kentucky racetracks, the "Joint Petitioners") sought a declaration from the Franklin Circuit Court (the "Court") that: (i) the KHRC’s historical racing regulations are valid under Kentucky law, and (ii) operating historical racing machines ("HRMs") pursuant to a license issued by KHRC would not run afoul of any criminal gaming statutes. The Family Trust Foundation of Kentucky, Inc. (the "Family Foundation") intervened, and the Court subsequently granted summary judgment to the Joint Petitioners holding that the KHRC's historical racing regulations are valid under Kentucky law. Following an appeal to the Kentucky Court of Appeals, in February 2014 the Supreme Court of Kentucky affirmed the Court’s decision that the regulations are valid under Kentucky law, but remanded the case to the Court to determine whether operation of HRMs that were licensed during the pendency of the litigation constitute pari-mutuel wagering. On October 24, 2018, the Court ruled that the HRMs in question are a pari-mutuel system of wagering legally permitted under Kentucky law. On September 24, 2020, the Kentucky Supreme Court reversed the Court’s opinion.

On February 22, 2021, the Governor of the Commonwealth of Kentucky signed into law Senate Bill 120 which created a statutory definition of pari-mutuel wagering that includes historical horse racing approved by the KHRC and addressed the Supreme Court of Kentucky's opinion. On remand, the Court entered final judgment on March 17, 2021, holding (i) that the Exacta system is not a form of pari-mutuel wagering under the laws that were in effect at the time of the Kentucky Supreme Court’s September 24, 2020, opinion, (ii) the final judgment would not be applied retroactively because the associations were authorized and permitted to operate the Exacta system by the KHRC, and (iii) any prospective application of the final judgment would be subject to Senate Bill 120. Although the Family Foundation filed a notice of appeal of the final judgment, it moved to dismiss the appeal on September 13, 2021. The Kentucky Court of Appeals dismissed the appeal on January 12, 2022, and no further action is expected in this matter.

Lassiter v. Kentucky Downs, LLC, et al.

On December 18, 2020, Robert and Patricia Lassiter filed a complaint against Kentucky Downs, LLC, Keeneland Association, Inc., Turfway Park, LLC, Players Bluegrass Downs, LLC, Appalachian Racing, LLC, Ellis Park Race Course, Inc., The Lexington Trots Breeders Association, Inc., and Churchill Downs Incorporated ("Defendants"). Plaintiffs allege that Defendants' HRMs constitute illegal gambling and assert that they can recover for their losses and the losses of all patrons at those facilities with HRMs over a five-year period under Kentucky Revised Statutes 372.010. The Company filed a motion to dismiss on March 31, 2021. On August 30, 2021, plaintiffs filed a Chapter 13 Bankruptcy Petition with the Western District of Kentucky, and filed a notice of automatic stay in the matter pending against the Company. The Company's motion to dismiss was remanded because of the automatic stay, which has ended. On February 9, 2022, the Company filed a motion for oral argument on the motions to dismiss. The Company intends to defend this matter vigorously and believes that there are meritorious legal and factual defenses against the plaintiffs' allegations and requests for relief.

Louisiana Environmental Protection Agency Non-Compliance Issue

On December 6, 2013, we received a notice from the U.S. Environmental Protection Agency (the "EPA") regarding alleged Concentrated Animal Feeding Operations (CAFO) non-compliance at Fair Grounds Race Course. On October 21, 2019, we reached an agreement in principle, subject to final agreement and regulatory and court approval. On September 29, 2020, the EPA filed a complaint and proposed consent decree, which was agreed to by both parties. On October 5, 2021, the United States District Court for the Eastern District of Louisiana granted the EPA's unopposed motion to approve the consent decree. Pursuant to the consent decree, Fair Grounds paid a $2.8 million penalty, which was accrued in our consolidated statement of comprehensive income for the year ended December 31, 2019, and accrued expense and other current liabilities in our accompanying consolidated balance sheets at December 31, 2020. The consent decree also requires corrective measures to ensure compliance with applicable federal laws and regulations.

Louisiana Horsemen's Purses Class Action Suit

On April 21, 2014, John L. Soileau and other individuals filed a Petition for Declaratory Judgment, Permanent Injunction, and Damages-Class Action styled John L. Soileau, et. al. versus Churchill Downs Louisiana Horseracing, LLC, Churchill Downs Louisiana Video Poker Company, LLC (Suit No. 14-3873) in the Parish of Orleans Civil District Court, State of Louisiana (the "District Court"). The petition defined the "alleged plaintiff class" as quarter horse owners, trainers and jockeys that have won purses at the "Fair Grounds Race Course & Slots" facility in New Orleans, Louisiana since the first effective date of La. R.S. 27:438 and specifically since 2008. The petition alleged that Churchill Downs Louisiana Horseracing, LLC and Churchill Downs Louisiana Video Poker Company, LLC ("Fair Grounds Defendants") have collected certain monies through video draw poker devices that constitute monies earned for purse supplements and all of those supplemental purse monies have been paid to thoroughbred horsemen during Fair Grounds' live thoroughbred horse meets. La. R.S. 27:438 requires a portion of those supplemental purse monies to be paid to quarter-horse horsemen during Fair Grounds' live quarter-horse meets. The petition requested that the District Court declare that Fair Grounds Defendants violated La. R.S. 27:438, issue a permanent and mandatory injunction ordering Fair Grounds Defendants to pay all future supplements due to the plaintiff class pursuant to La. R.S. 27:438, and to pay the plaintiff class such sums as it finds to reasonably represent the value of the sums due to the plaintiff class. The Louisiana Fourth Circuit Court of Appeals reversed the Louisiana Racing Commission's previous ruling that the plaintiffs did not have standing and remanded the matter to the Louisiana Racing Commission for further proceedings on June 13, 2018.

The Company established an accrual for an immaterial amount in the third quarter of 2019. The parties submitted a settlement agreement to the District Court on February 14, 2020, following the Louisiana Racing Commission's approval to transfer the matter to the District Court for approval and administration of the settlement agreement. On February 18, 2020, the District Court granted preliminary approval of the settlement agreement. The settlement agreement requires, among other items, the Fair Grounds Defendants to (i) pay a certain out-of-pocket amount that is within the amount for which we established an accrual in the third quarter of 2019, and (ii) support legislation that allocates a specified amount of video poker purse funds to quarter horse purses for races at Fair Grounds with maximum annual payout caps that are not deemed material. On June 13, 2020, the legislation addressed in the settlement agreement was passed by the legislature and signed into law by the Governor of Louisiana. The settlement includes a release of claims against the Fair Grounds Defendants in connection with the proceeding, although individual plaintiffs may opt-out. Objecting plaintiffs have filed a notice of appeal of the February 2020 Order appointing class counsel certifying a class for settlement purposes. On January 28, 2021, the District Court issued a Final Order and Judgement approving the settlement. Their objectors filed a notice of appeal of the Final Order and Judgment that was consolidated with the earlier-filed appeal of the February 2020 order appointing class counsel and certifying a class for settlement purposes. On December 22, 2021, the Fourth Circuit Court of Appeal entered an order affirming the orders of the District Court and approving the settlement. On January 7, 2022, the Fourth Circuit Court of Appeal denied the objectors' motion for remand and application for rehearing. On February 6, 2022, the objectors filed a writ of certiorari with the Louisiana Supreme Court.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market for Common Stock

The Company's common stock is traded on the Nasdaq Global Select Market under the symbol CHDN. As of February 16, 2022, there were approximately 2,300 shareholders of record.

Dividends

Since joining The Nasdaq Global Select Market in 1993, we have declared and paid cash dividends on an annual basis at the discretion of our Board of Directors. The payment and amount of future dividends will be determined by the Board of Directors and will depend upon, among other things, our operating results, financial condition, cash requirements and general business conditions at the time such payment is considered. We declared a dividend of $0.667 in December 2021, which was paid in January 2022, and we declared a dividend of $0.622 in December 2020, which was paid in January 2021.

Issuer Purchases of Common Stock

The following table provides information with respect to shares of common stock that we repurchased during the quarter ended December 31, 2021:

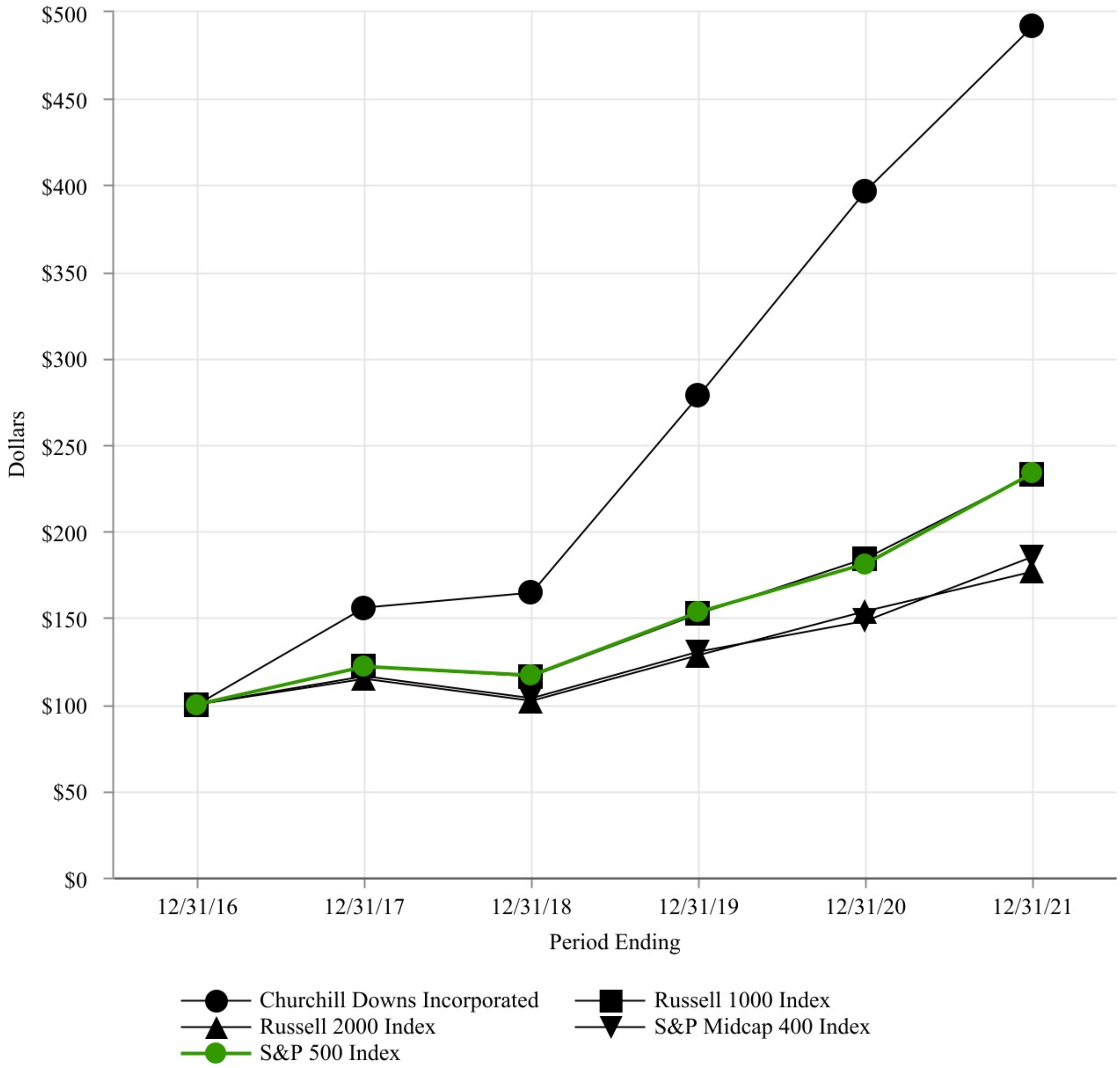
Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased under the Plans or Programs (1) *(in millions)*
October 2021	100,873	$ 248.65	100,535	$ 474.2
November 2021	106,619	$ 234.46	106,619	449.2
December 2021	28,396	$ 232.03	15,900	445.6
Total	235,888	$ 240.24	223,054	

(1) On September 29, 2021, the Board of Directors of the Company approved a common stock repurchase program of up to $500.0 million ("2021 Stock Repurchase Program"). The 2021 stock repurchase program includes and is not in addition to the unspent amount remaining under the prior 2018 Stock Purchase Program authorization. The repurchase program has no time limit and may be suspended or discontinued at any time. For more information, refer to Note 11, Shareholders' Equity, to the notes to consolidated financial statements included in this Annual Report on Form 10-K.

Shareholder Return Performance Graph

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

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



	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021
Churchill Downs Incorporated	$ 100.00	$ 155.67	$ 164.18	$ 278.26	$ 396.41	$ 491.66
Russell 1000 Index	$ 100.00	$ 121.69	$ 115.87	$ 152.28	$ 184.20	$ 232.93
Russell 2000 Index	$ 100.00	$ 114.65	$ 102.02	$ 128.06	$ 153.63	$ 176.39
S&P Midcap 400 Index	$ 100.00	$ 116.24	$ 103.36	$ 130.44	$ 148.26	$ 184.97
S&P 500 Index	$ 100.00	$ 121.83	$ 116.49	$ 153.17	$ 181.35	$ 233.40

ITEM 6. [RESERVED]

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

The following discussion and analysis of our consolidated financial condition and results of operations should be read in conjunction with our audited consolidated financial statements and related notes included in Part II, Item 8. Financial Statements and Supplementary Data. The following discussion provides an analysis of our results of operations and reasons for material changes therein for 2021 as compared to 2020. Discussion regarding our financial condition and results of operations for 2020 as compared to 2019 is included in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 24, 2021.

Our Business

The Company is an industry-leading racing, online wagering and gaming entertainment company anchored by our iconic flagship event, the Kentucky Derby. We own and operate three pari-mutuel gaming entertainment venues with approximately 3,050 historical racing machines ("HRMs") in Kentucky. We also own and operate TwinSpires, one of the largest and most profitable online wagering platforms for horse racing, sports and iGaming in the U.S. and we have nine retail sportsbooks. We are also a leader in brick-and-mortar casino gaming in eight states with approximately 11,000 slot machines and video lottery terminals ("VLTs") and 200 table games. We were organized as a Kentucky corporation in 1928, and our principal executive offices are in Louisville, Kentucky.

During the first quarter of 2021, we updated our operating segments to reflect the internal management reporting used by our chief operating decision maker to evaluate results of operations and to assess performance and allocate resources. Our internal management reporting changed primarily due to the continued growth from Oak Grove Racing, Gaming & Hotel ("Oak Grove") and Turfway Park Racing & Gaming ("Turfway Park"), which opened its annex HRM facility, Newport Racing & Gaming ("Newport"), in October 2020, which resulted in our chief operating decision maker's decision to include Oak Grove, Turfway Park and Newport in the new Live and Historical Racing segment. The Live and Historical Racing segment now includes Churchill Downs Racetrack, Derby City Gaming, Oak Grove, Turfway Park, and Newport. We also realigned our retail sports betting results at our wholly owned casinos from our Gaming segment to our TwinSpires segment. As a result of this realignment, our operating segments that meet the requirements to be disclosed separately as reportable segments are: Live and Historical Racing, TwinSpires, and Gaming. For additional information, refer to Note 22 to the notes to consolidated financial statements included in Item 8. Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

Impact of the COVID-19 Global Pandemic

In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. The COVID-19 global pandemic resulted in travel limitations and business and government shutdowns which had a significant negative economic impact in the United States and to our business. Although vaccines are available, we cannot predict the duration of the COVID-19 global pandemic. The extent to which the COVID-19 pandemic, including the emergence of variant strains, will continue to impact the Company remains uncertain and will depend on many factors that are not within our control.

In March 2020, as a result of the COVID-19 outbreak, we temporarily suspended operations at our wholly owned and managed gaming properties, announced the temporary furlough of our employees at these properties and certain racing operations and implemented a temporary salary reduction for all remaining non-furloughed salaried employees based on a percentage that varied dependent upon the amount of each employee's salary. The most senior level of executive management received the largest salary decrease, based on both percentage and dollar amount.

In May 2020, we began to reopen our properties with patron restrictions and gaming limitations. One property suspended operations again in July 2020 and reopened in August 2020, and three properties suspended operations in December 2020 and reopened in January 2021. All of our gaming properties have remained open since January 2021.

The 146th Kentucky Oaks and Derby were held in the third quarter of 2020 without spectators. During the second quarter of 2021, we held the 147th Kentucky Oaks and Derby with capacity restrictions in compliance with Kentucky venue limitations at that time. The capacity restrictions limited reserved seating in each area to approximately 40% to 60% capacity and limited general admission tickets. Due to such restrictions, our revenues from the Kentucky Oaks and Derby in each year were significantly less than we would otherwise expect.

Assets Held for Sale

On September 29, 2021, the Company announced an agreement to sell the 326-acre property in Arlington Heights, Illinois (the "Arlington Property"), which is the current home of Arlington International Racecourse ("Arlington"), to the Chicago Bears for $197.2 million. The closing of the sale of the Arlington Property is subject to the satisfaction of various closing conditions. The Company anticipates closing the sale of the Arlington Property in early 2023.

The Company has classified certain assets of Arlington totaling $81.5 million as held for sale as of December 31, 2021, on the accompanying consolidated balance sheets. Arlington's operations and assets are included in All Other in our consolidated results. During the year ended December 31, 2021, the Company recorded $1.4 million of severance costs and $3.9 million related to our multi-employer pension liability in conjunction with the announced sale of the Arlington Property.

On November 22, 2021, the Company announced an agreement to sell 115.7 acres of land near Calder Casino for $291.0 million or approximately $2.5 million per acre to Link Logistics Real Estate, a Blackstone portfolio company. The closing of the sale of the property is subject to the satisfaction of various closing conditions. The Company anticipates closing the sale of the property in the first half of 2022.

The Company has classified certain assets of Calder totaling $6.3 million as held for sale as of December 31, 2021, on the accompanying consolidated balance sheets. Calder's operations and assets are included in Gaming in our consolidated results.

Natural Disaster

In August 2021, Hurricane Ida caused damage to portions of Louisiana, including Fair Grounds Race Course & Slots, and 15 off-track betting facilities ("OTBs") owned by Video Services, LLC ("VSI") (collectively, "Fair Grounds and VSI"). All of the Fair Grounds and VSI operations were reopened as of December 31, 2021, with the exception of two OTBs.

The Company carries property and casualty insurance, as well as business interruption insurance subject to certain deductibles. As of December 31, 2021, the Company has recorded a reduction of property and equipment, net of $2.8 million and incurred $2.5 million in operating expenses. Through December 31, 2021, the Company has received $2.7 million in insurance recoveries from our carriers, and has an insurance recovery receivable of $2.6 million at December 31, 2021. The Company is currently working with its insurance carriers to finalize its claim. We continue to assess damages and insurance coverage, and we currently do not expect our losses to exceed the applicable insurance recoveries.

Key Indicators to Evaluate Business Results and Financial Condition

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

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

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

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

Adjusted EBITDA excludes:

- Transaction expense, net which includes:
  - Acquisition, disposition, and land sale related charges; and
  - Other transaction expense, including legal, accounting and other deal-related expense.
- Stock-based compensation expense;
- Rivers Des Plaines' impact on our investments in unconsolidated affiliates from:
  - The impact of changes in fair value of interest rate swaps, and
  - Legal reserves and transaction costs.
- Asset impairments,
- Legal reserves,
- Pre-opening expense, and
- Other charges, recoveries and expenses

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

Business Highlights

In 2021, we delivered strong performance while continuing the execution of a number of organic investments that we believe will provide long-term sustainable value creation. We delivered strong growth in net revenue, operating income, net income, and Adjusted EBITDA:

- Net revenue was $1.6 billion, up $543.2 million, or 51.5% from fiscal year 2020;
- Operating income was $284.4 million, up $224.2 million from fiscal year 2020;
- Net income attributable to Churchill Downs Incorporated was $249.1 million, up $331.0 million from fiscal year 2020; and
- Adjusted EBITDA was $627.0 million, up $340.5 million, or 118.8% from fiscal year 2020.

Live and Historical Racing Segment:

- Adjusted EBITDA was $175.0 million, up $135.9 million compared to 2020.
- Derby Week returned to its traditional spring dates at Churchill Downs Racetrack with the 147th running of the Kentucky Derby and Oaks with over 51,000 fans gathered in person to watch the most exciting two minutes in sports on the first Saturday in May.
- In July 2021, we announced three major multi-year capital investments at Churchill Downs Racetrack: The Homestretch Club, the Turn 1 Experience, and the Paddock and Under the Spires projects.
- Derby City Gaming delivered record net revenue and Adjusted EBITDA. We also announced plans to invest $76.0 million at Derby City Gaming to expand the facility for up to 450 additional gaming positions and to build a new five-story hotel with 123 rooms including amenities to better serve and attract guests.
- Oak Grove delivered strong growth in net revenue and Adjusted EBITDA in its first full year of operation. We successfully completed and opened the final components of the facility including the equestrian center, outdoor concert venue, and RV Park in the first quarter of 2021.
- We continued building the new HRM and grandstand facility at Turfway Park and are on schedule to open the new entertainment venue in September 2022.
- Announced plans to open Derby City Gaming Downtown in downtown Louisville, Kentucky as a new entertainment venue with 500 HRMs.
- Legislation was developed and approved by the Kentucky legislative bodies and signed by the Governor on February 22, 2021 that resolved the legality of historical horse racing.

TwinSpires Segment:

- Adjusted EBITDA was $78.0 million, down $34.9 million compared to 2020.
  - Horse Racing Adjusted EBITDA was down $7.8 million compared to 2020; and
  - Sports and Casino Adjusted EBITDA was a $27.1 million increased loss compared to 2020.
- We launched mobile sports betting and iGaming in Michigan in January 2021, and mobile sports betting in Tennessee in March 2021, Pennsylvania, Indiana, and Colorado in April 2021 and Arizona in September 2021, and we launched a retail sportsbook at Ocean Downs in December 2021.

Gaming

- The Gaming Segment delivered a record $411.9 million of Adjusted EBITDA, an increase of $238.8 million, or 138.0%, compared to 2020, despite restrictions at our properties during the year and disruption from Hurricane Ida at Fair Grounds and VSI.
- The team delivered record wholly-owned casino margins of 36.6% in 2021, up 1110 basis points from 2020.
- Our equity investments, Rivers Des Plaines and MVG, contributed 43.0% of the Adjusted EBITDA growth compared to 2020.
- We were selected by the Indiana Gaming Commission to develop the Queen of Terre Haute Casino Resort in Vigo County, Indiana. We will be investing up to $260.0 million in a new entertainment venue with 1,000 slot machines, 50 tables games, a 125-room luxury hotel, a state-of-the-art TwinSpires Sportsbook and other food and beverage offerings.

- During the second quarter of 2021, the Louisiana State Legislature passed a bill that was signed by the Governor that allows Fair Grounds to have up to 50 HRMs in its OTBs. Fair Grounds currently operates 15 OTBs and is developing plans to incorporate a total of approximately 600 HRMs into 14 of its existing OTBs.
- We announced an announced an agreement to sell 115.7 acres of land near Calder Casino for $291.0 million or approximately $2.5 million per acre to Link Logistics Real Estate in the second quarter of 2022.

All Other

- We announced an agreement to sell Arlington Park, our 326-acre property in Arlington Heights, Illinois, for $197.2 million to the Chicago Bears in early 2023.
- We repurchased one million shares of our common stock from The Duchossois Group for $193.94 per share ($193.9 million total) in a privately negotiated transaction.

We signed a definitive agreement to acquire substantially all of the assets of Peninsula Pacific Entertainment LLC for total consideration of $2.485 billion.

The Company’s total shareholder return was 24% for 2021 compared to 26% for the Russell 1000 and 29% for the S&P 500. The Company’s five-year total shareholder return for 2021 was 392% compared to 133% for both the Russell 1000 and the S&P 500. The preceding shareholder return calculations assume dividends are reinvested.

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

Our Operations

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

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

Consolidated Financial Results

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

	Years Ended December 31,		
(in millions)	**2021**	**2020**	**Change**
Net revenue	$ 1,597.2	$ 1,054.0	$ 543.2
Operating income	284.4	60.2	224.2
Operating income margin	17.8 %	5.7 %	
Net income from continuing operations	$ 249.1	$ 13.3	$ 235.8
Net income (loss) attributable to Churchill Downs Incorporated	249.1	(81.9)	331.0
Adjusted EBITDA	627.0	286.5	340.5

Year Ended December 31, 2021, Compared to the Year Ended December 31, 2020

- Net revenue increased $543.2 million driven by a $260.1 million increase from Gaming due to the temporary suspension of operations of all of our Gaming properties in the prior year; a $239.5 million increase from Live and Historical Racing primarily due to the running the 147th Kentucky Oaks and Derby with capacity restrictions in 2021 compared to the running of the 146th Kentucky Oaks and Derby in 2020 without spectators, the temporary suspension of operations at Derby City Gaming in the prior year, and the opening of Oak Grove HRM facility in September 2020 and Newport in October 2020; a $26.4 million increase from All Other primarily due to the temporary suspension of operations in the prior year at Arlington and United Tote; and a $17.2 million increase in TwinSpires primarily due to our expansion in additional states related to our Sports and Casino business.
- Operating income increased $224.2 million due to a $141.7 million increase from Gaming due to the increase in net revenue and increased operating efficiencies; a $129.6 million increase in Live and Historical primarily due to the increase in net revenue and increased operating efficiencies at Derby City Gaming; a $13.7 million increase in All Other due to the increase in net revenue at Arlington and United Tote; and a $2.2 million decrease in asset impairments. Partially offsetting these increases were a $32.4 million decrease in TwinSpires primarily due to additional marketing spend related to the Sports and Casino business; a $23.7 million increase in selling, general and administrative expense primarily due to an increase in accrued bonuses in the current year; and a $6.9 million increase in transaction expense, net due an increase in land sale related costs.
- Net income from continuing operations increased $235.8 million. The following items impacted comparability of the Company's net income from continuing operations for the year ended December 31, 2021 compared to the prior year: a $18.9 million after-tax expense decrease related to our equity portion of the non-cash change in the fair value of Rivers Des Plaines' interest rate swaps; a $1.9 million non-cash tax decrease related to the re-measurement of our net deferred tax liabilities based on the impact of revenue related to states with higher tax rates in 2020 that did not recur in the current year; and a $1.0 million non-cash after-tax decrease in asset impairments. Partially offsetting these decreases were a $13.3 million tax benefit related to our net operating loss in 2020 that did not recur in the current year; a $7.1 million after-tax increase related to our equity portion of the Rivers Des Plaines' transaction costs and legal reserves; and a $0.4 million after-tax increase in transaction, pre-opening and other expenses. Excluding these items, net income from continuing operations increased $234.8 million primarily due to a $236.5 million after-tax increase driven by the results of our operations and equity income from our unconsolidated affiliates, partially offset by a $1.7 million after-tax increase in interest expense associated with higher outstanding debt balances.
- Our net income attributable to Churchill Downs Incorporated increased $331.0 million due to a $235.8 million increase in net income from continuing operations discussed above and a $95.4 million net loss from discontinued operations in 2020 that did not recur in the current year, partially offset by $0.2 million decrease from other sources.
- Our Adjusted EBITDA increased $340.5 million driven by a $238.8 million increase from Gaming primarily due to the increased operating efficiencies at our wholly-owned properties and equity investments and temporary suspension of operations in the prior year; a $135.9 million increase from Live and Historical Racing primarily due to the running the 147th Kentucky Oaks and Derby with capacity restrictions in 2021 compared to the running of the 146th Kentucky

Oaks and Derby in 2020 without spectators, the increased operating efficiencies and the temporary suspension of operations at Derby City Gaming in the prior year, and the opening of Oak Grove HRM facility in September 2020; and a $0.7 million increase from All Other primarily due to the temporary suspension of operations at Arlington and United Tote in the prior year, partially offset by a decrease in Corporate primarily due to an increase in accrued bonus in the current year. Partially offsetting these increases was a $34.9 million decrease from TwinSpires primarily due to increased marketing and promotional activities from Sports and Casino and a decrease in net revenue from Horse Racing.

<u>Financial Results by Segment</u>

Net Revenue by Segment

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

	Years Ended December 31,		
(in millions)	2021	2020	Change
Live and Historical Racing:			
Churchill Downs Racetrack	$ 148.0	$ 81.1	$ 66.9
Derby City Gaming	154.3	79.5	74.8
Oak Grove	100.7	16.6	84.1
Newport	17.9	3.1	14.8
Turfway Park	9.7	8.5	1.2
Total Live and Historical Racing	430.6	188.8	241.8
TwinSpires:			
Horse Racing	398.3	404.7	(6.4)
Sports and Casino	34.8	11.3	23.5
Total TwinSpires	433.1	416.0	17.1
Gaming:			
Fair Grounds Slots and VSI	136.2	99.9	36.3
Presque Isle	119.9	73.3	46.6
Ocean Downs	100.6	60.2	40.4
Calder	100.1	51.8	48.3
Oxford	99.8	44.9	54.9
Riverwalk	61.2	46.3	14.9
Harlow's	56.1	40.7	15.4
Lady Luck Nemacolin	24.5	20.7	3.8
Total Gaming	698.4	437.8	260.6
All Other	73.9	46.4	27.5
Eliminations	(38.8)	(35.0)	(3.8)
Net Revenue	$ 1,597.2	$ 1,054.0	$ 543.2

Year Ended December 31, 2021, Compared to the Year Ended December 31, 2020

- Live and Historical revenue increased $241.8 million primarily due to a $84.1 million increase at Oak Grove as a result of the opening of the HRM facility in September 2020 and the hotel in October 2020; a $74.8 million increase at Derby City Gaming primarily due to the temporary suspension of operations during the prior year and the completion of their second outdoor patio which added an additional 225 HRMs in September 2020; a $66.9 million increase at Churchill Downs Racetrack due to the running of the 147th Kentucky Oaks and Derby with capacity restrictions in 2021 compared to the running of the 146th Kentucky Oaks and Derby in 2020 without spectators, a $14.8 million increase at Newport due to the opening of the facility in October 2020; and a $1.2 million increase at Turfway Park primarily due to the temporary suspension of operations during the prior year.
- TwinSpires revenue increased $17.1 million from the prior year primarily due to a $23.5 million increase from Sports and Casino driven by the expansion in additional states and marketing and promotional activities. Horse Racing

revenue decreased $6.4 million, or 1.6%, as a portion of our patrons returned to wagering at brick-and-mortar facilities in 2021 instead of wagering online..

- Gaming revenue increased $260.6 million primarily due to the temporary suspension of operations of all of our Gaming properties and the loss of revenue at each property during 2020.
- All Other revenue increased $27.5 million primarily due to an increase of $21.7 million at Arlington and a $5.4 million increase at United Tote, both of which were due to the temporary suspension of operations in the prior year, and a $0.4 million increase from other sources.

Consolidated Operating Expense

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

	Years Ended December 31,		
(in millions)	**2021**	**2020**	**Change**
Taxes and purses	$ 434.5	$ 268.3	$ 166.2
Content expense	182.6	178.4	4.2
Salaries and benefits	170.3	140.5	29.8
Selling, general and administrative expense	138.5	114.8	23.7
Depreciation and amortization	103.2	92.9	10.3
Marketing and advertising expense	74.5	31.4	43.1
Asset impairments	15.3	17.5	(2.2)
Transaction expense, net	7.9	1.0	6.9
Other operating expense	186.0	149.0	37.0
Total expense	$ 1,312.8	$ 993.8	$ 319.0
Percent of revenue	82 %	94 %	

Year Ended December 31, 2021, Compared to the Year Ended December 31, 2020

Significant items affecting comparability of consolidated operating expense include:

- Taxes and purses increased $166.2 million driven by the temporary suspension of operations in 2020, and the opening of the Oak Grove HRM facility in September 2020 and Newport in October 2020.
- Content expense increased $4.2 million primarily due to an increase in certain host fees and source market fees for our TwinSpires Horse Racing business.
- Salaries and benefits expense increased $29.8 million driven by the temporary suspension of operations in 2020, and the opening of the Oak Grove HRM facility in September 2020 and Newport in October 2020.
- Selling, general and administrative expense increased $23.7 million primarily driven from an increase in our accrued bonuses in 2021 compared to the prior year due to the temporary suspension of operations in the prior year.
- Depreciation and amortization expense increased $10.3 million primarily driven by the opening of the Oak Grove HRM facility in September 2020 and Newport in October 2020.
- Marketing and advertising expense increased $43.1 million primarily due to increased marketing by our TwinSpires segment, and the temporary suspension of operations in the prior year.
- Asset impairments decreased $2.2 million driven by an $11.2 million non-cash asset impairment at Churchill Downs Racetrack related to revised capital plans associated with the first turn project during 2021 and a $4.1 million non-cash impairment charge related to certain assets in the TwinSpires segment where the carrying value exceeded the estimated fair value, offset by the $17.5 million non-cash intangible asset impairment in 2020 that did not recur in the current year.
- Transaction expense, net increased $6.9 million due to increased legal and professional expenses and land sale related costs associated with Arlington and Calder.
- Other operating expense includes maintenance, utilities, food and beverage costs, property taxes and insurance and other operating expenses. Other operating expense increased $37.0 million primarily driven by the temporary

suspension of operations at our properties during 2020, and the opening of the Oak Grove HRM facility in September 2020 and Newport in October 2020.

Adjusted EBITDA

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

	Year Ended December 31,		
(in millions)	**2021**	**2020**	**Change**
Live and Historical Racing	$ 175.0	$ 39.1	$ 135.9
TwinSpires	78.0	112.9	(34.9)
Gaming	411.9	173.1	238.8
Total segment Adjusted EBITDA	664.9	325.1	339.8
All Other	(37.9)	(38.6)	0.7
Total Adjusted EBITDA	$ 627.0	$ 286.5	$ 340.5

Year Ended December 31, 2021, Compared to the Year Ended December 31, 2020

- Live and Historical Racing Adjusted EBITDA increased $135.9 million due to a $52.1 million increase at Churchill Downs Racetrack primarily due to the running of the 147th Kentucky Oaks and Derby with capacity restrictions in 2021 compared to the running of the 146th Kentucky Oaks and Derby in 2020 without spectators; a $47.1 million increase at Derby City Gaming due to the increase in net revenue, increased operating efficiencies, and the temporary suspension of operations during 2021; a $33.2 million increase at Oak Grove as a result of the opening of the HRM facility in September 2020; a $2.8 million increase at Newport due to the opening of the facility in October 2020; and a $0.7 million increase at Turfway due to the temporary suspension of operations during 2020.
- TwinSpires Adjusted EBITDA decreased $34.9 million primarily due to a $27.1 million increase in the loss from our Sports and Casino business due to increased marketing and promotional activities and a $7.8 million decrease from Horse Racing primarily due to the decrease in net revenue.
- Gaming Adjusted EBITDA increased $238.8 million driven by an $136.0 million increase at our wholly-owned Gaming properties and a $102.8 million increase from our equity investments, both of which are due to the temporary suspension of operations of all of our Gaming properties in 2020.
- All Other Adjusted EBITDA increased $0.7 million primarily due to an $11.1 million increase at Arlington and $1.7 million increase at United Tote, both of which were due to the temporary suspension of operations in 2020, partially offset by a $11.9 million decrease at Corporate primarily due to an increase in accrued bonus in the current year, and a $0.2 million decrease from other sources.

Reconciliation of Comprehensive Income (Loss) to Adjusted EBITDA

	Years Ended December 31,		
(in millions)	2021	2020	Change
Net income (loss) and comprehensive income (loss) attributable to Churchill Downs Incorporated	$ 249.1	$ (81.9)	$ 331.0
Net loss attributable to noncontrolling interest	—	0.2	(0.2)
Net income (loss)	249.1	(82.1)	331.2
Loss from discontinued operations, net of tax	—	95.4	(95.4)
Income from continuing operations, net of tax	249.1	13.3	235.8
Additions:			
Depreciation and amortization	103.2	92.9	10.3
Interest expense	84.7	80.0	4.7
Income tax provision (benefit)	94.5	(5.3)	99.8
EBITDA	$ 531.5	$ 180.9	$ 350.6
Adjustments to EBITDA:			
Selling, general and administrative:			
Stock-based compensation expense	$ 27.8	$ 23.7	$ 4.1
Other charges	0.2	0.8	(0.6)
Pre-opening expense and other expense	5.8	11.2	(5.4)
Other income, expense:			
Interest, depreciation and amortization expense related to equity investments	41.5	38.5	3.0
Changes in fair value of Rivers Des Plaines' interest rate swaps	(12.9)	12.9	(25.8)
Rivers Des Plaines' legal reserves and transactions costs	9.9	—	9.9
Transaction expense, net	7.9	1.0	6.9
Asset impairments	15.3	17.5	(2.2)
Total adjustments to EBITDA	95.5	105.6	(10.1)
Adjusted EBITDA	$ 627.0	$ 286.5	$ 340.5

Consolidated Balance Sheet

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

	As of December 31,		
(in millions)	2021	2020	Change
Total assets	$ 2,981.6	$ 2,686.4	$ 295.2
Total liabilities	2,674.8	2,319.3	355.5
Total shareholders' equity	306.8	367.1	(60.3)

- Total assets increased $295.2 million driven by a $223.9 million increase in cash and cash equivalents primarily due to the net proceeds from the new Term Loan B-1 and Additional 2028 Notes and the increase in operating income for the year; a $33.0 million increase in investment in and advances to unconsolidated affiliates due to the Company's interest in Rivers Des Plaines and MVG; a $16.6 million increase in income taxes receivable due to the payment of the Kater and Thimmegowda litigation settlements in 2021 partially offset by our current year taxable income; and a $21.7 million increase in all other assets.
- Total liabilities increased $355.5 million driven by a $204.6 million increase in notes payable due to the proceeds from our Additional 2028 Notes; a $138.1 million increase in long-term debt due to the proceeds from the new Term Loan B-1 under our Credit Agreement; a $64.8 million increase in accrued expenses and other current liabilities driven by an increase in accrued bonuses, purses payable due to timing, and increased account wagering deposits with TwinSpires;

a $39.0 million increase in deferred income taxes primarily driven by the payment of the Kater and Thimmegowda litigation settlements in 2021; a $14.9 million increase in current deferred revenue due to an increase in cash receipts related to the 2022 Kentucky Oaks and Derby; and an $18.1 million increase in all other liabilities. Partially offsetting these increases was a $124.0 million decrease in current liabilities of discontinued operations due to the payment of the Kater and Thimmegowda litigation settlements.

- Total shareholders' equity decreased $60.3 million driven by $297.5 million in repurchases of common stock, $26.1 million from our annual dividend declared in December 2021, and $16.1 million in taxes paid related to net share settlement of stock awards. Partially offsetting these decreases were $249.1 million current year net income attributable to Churchill Downs Incorporated, $27.8 million from stock-based compensation, and $2.5 million from other sources.

Liquidity and Capital Resources

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

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

	Year Ended December 31,		
(in millions)	**2021**	**2020**	**Change**
Cash Flows from:			
Operating activities	$ 459.5	$ 143.2	$ 316.3
Investing activities	(100.4)	(239.4)	139.0
Financing activities	(0.5)	76.0	(76.5)

Operating Cash Flow

Cash provided by operating activities increased $316.3 million driven by a $224.2 million increase in operating income related to continuing operations, a $78.7 million increase in distributions from unconsolidated affiliates, and a $13.4 million increase from all other operating activities. We anticipate that cash flows from operations over the next twelve months will be adequate to fund our business operations and capital expenditures.

Investing Cash Flow

Cash used in investing activities decreased $139.0 million driven by $158.9 million decrease in capital project expenditures due to reduced capital project spending in 2021 compared to prior year. Partially offsetting this decrease was a $16.5 million increase in capital maintenance expenditures and a $3.4 million increase from all other investing activities.

Financing Cash Flow

Cash provided by financing activities decreased $76.5 million driven by a $269.1 million increase in common stock repurchases and a $11.6 million decrease from all other financing activities. Partially offsetting this decrease was a $204.2 million increase in net borrowings from long-term debt.

Capital Expenditures

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

We have announced several project capital investments during the past year, including the following: Churchill Downs Racetrack Homestretch Club, Churchill Downs Racetrack Turn I Experience, Derby City Gaming Expansion and Hotel, Derby City Gaming Downtown, Turfway Park HRM Facility and Grandstand, the Queen of Terre Haute Casino Resort, and Louisiana HRMs in our OTBs. We are currently estimating that we will spend between $300 million and $350 million for project capital in 2022, although this amount may vary significantly based on the timing of work completed, unanticipated delays, and timing of payments to third parties.

Common Stock Repurchase Program

On September 29, 2021, the Board of Directors of the Company approved a common stock repurchase program of up to $500.0 million (“2021 Stock Repurchase Program”). The 2021 Stock Repurchase Program includes and is not in addition to the unspent amount remaining under the prior 2018 Stock Purchase Program authorization. Repurchases may be made at management’s discretion from time to time on the open market (either with or without a 10b5-1 plan) or through privately negotiated transactions. The repurchase program has no time limit and may be suspended or discontinued at any time. We had $445.6 million of repurchase authority remaining under this program at December 31, 2021.

Dividends

On October 26, 2021, the Company's Board of Directors approved an annual cash dividend on our common stock of $0.667 per outstanding share, which represented a 7% increase over the prior year. The dividend was payable on January 7, 2022 to shareholders of record as of the close of business on December 3, 2021. The 7% increase marked the 11th consecutive year that the Company has increased the dividend. The payment and amount of future dividends will be determined by the Board of Directors and will depend upon, among other things, our operating results, financial condition, cash requirements and general business conditions at the time such payment is considered.

Credit Facilities and Indebtedness

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

	As of December 31,		
(in millions)	**2021**	**2020**	**Change**
Term Loan B due 2024	$ 384.0	$ 388.0	$ (4.0)
Term Loan B-1 due 2028	297.8	—	297.8
Revolver	—	149.7	(149.7)
2027 Senior Notes	600.0	600.0	—
2028 Senior Notes	700.0	500.0	200.0
Total Debt	1,981.8	1,637.7	344.1
Current maturities of long-term debt	7.0	4.0	3.0
Total debt, net of current maturities	1,974.8	1,633.7	341.1
Issuance cost and fees	(13.8)	(15.4)	1.6
Total debt	$ 1,961.0	$ 1,618.3	$ 342.7

Credit Agreement

On December 27, 2017, we entered into a senior secured credit agreement (as amended, the "Credit Agreement") with a syndicate of lenders. The Credit Agreement provides for a $700.0 million senior secured revolving credit facility due 2024 (the "Revolver") and a $400.0 million Senior Secured Term Loan B due 2024 (the "Term Loan B"). Included in the maximum borrowing of $700.0 million under the Revolver is a letter of credit sub facility not to exceed $50.0 million and a swing line commitment up to a maximum principal amount of $50.0 million. The Credit Agreement is collateralized by substantially all of the wholly-owned assets of the Company. The Company capitalized debt issuance costs of $1.6 million associated with the Revolver and $5.1 million associated with the Term Loan B, both of which are being amortized over the respective debt period.

The Term Loan B requires quarterly payments of 0.25% of the original $400.0 million balance, or $1.0 million per quarter. The Term Loan B may be subject to additional mandatory prepayment from excess cash flow on an annual basis per the provisions of the 2017 Credit Agreement. The Company is required to pay a commitment fee on the unused portion of the Revolver determined by a pricing grid based on the consolidated total net leverage ratio of the Company. For the period ended December 31, 2021, the Company's commitment fee rate was 0.20%.

On April 28, 2020, the Company entered into a Second Amendment to the Credit Agreement, which (i) provided for a financial covenant relief period through the date on which the Company delivered the Company's quarterly financial statements and compliance certificate for the fiscal quarter ended June 30, 2021, subject to certain exceptions (the "Financial Covenant Relief Period"), (ii) amended the definition of "Consolidated EBITDA" in the Credit Agreement with respect to the calculation of Consolidated EBITDA for the first two fiscal quarters after the termination of the Financial Covenant Relief Period, (iii) extended certain deadlines and makes certain other amendments to the Company’s financial reporting obligations, (iv) placed certain restrictions on restricted payments during the Financial Covenant Relief Period, and (v) amended the definitions of "Material Adverse Effect" and "License Revocation" in the Credit Agreement to take into consideration COVID-19.

On February 1, 2021, the Company entered into the Third Amendment to the Credit Agreement to increase the restricted payments capacity during the Financial Covenant Relief Period from $26.0 million to $226.0 million to accommodate a share repurchase from an affiliate of The Duchossois Group, Inc. Refer to Note 11, Shareholders' Equity, of the Notes to the Consolidated Financial Statements for information regarding this transaction.

On March 17, 2021, the Company entered into the Incremental Joinder Agreement No. 1 (the "Joinder") to its Credit Agreement which provided $300.0 million in New Term Loan Commitments ("Term Loan B-1") as a new tranche of term loans under the existing Credit Agreement (as conformed to recognize the new loan), and carries a maturity date of March 17, 2028. The Term Loan B-1 bears interest at LIBOR plus 200 basis points and requires quarterly payments of 0.25% of the original $300.0 million balance. The Term Loan B-1 may be subject to additional mandatory prepayment from excess cash flow on an annual basis per the provisions of the Credit Agreement. The Company capitalized $3.5 million of debt issuance costs associated with the Joinder which are being amortized as interest expense over the 7-year term of the Term Loan B-1.

The interest rate on the Revolver on December 31, 2021 was LIBOR plus 137.5 basis points based on the Revolver pricing grid in the Second Amendment and the Company's net leverage ratio as of September 30, 2021. The Term Loan B and Term Loan B-1 bear interest at LIBOR plus 200 basis points.

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

	Actual	Requirement
Interest coverage ratio	6.6 to 1.0	> 2.5 to 1.0
Consolidated total secured net leverage ratio	0.9 to 1.0	< 4.0 to 1.0

The Company was compliant with all applicable covenants on December 31, 2021.

2027 Senior Notes

On March 25, 2019, we completed an offering of $600.0 million in aggregate principal amount of 5.50% Senior Unsecured Notes that mature on April 1, 2027 (the "2027 Senior Notes") in a private offering to qualified institutional buyers pursuant to Rule 144A that is exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"), and to certain non-U.S. persons in accordance with Regulation S under the Securities Act. The 2027 Senior Notes were issued at par, with interest payable on April 1st and October 1st of each year, commencing on October 1, 2019. The Company used the net proceeds from the offering to repay our outstanding balance on the Revolver portion of our Credit Agreement. In connection with the offering, we capitalized $8.9 million of debt issuance costs which are being amortized as interest expense over the term of the 2027 Senior Notes.

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

2028 Senior Notes

On December 27, 2017, we completed an offering of $500.0 million in aggregate principal amount of 4.75% Senior Unsecured Notes that mature on January 15, 2028 (the "Existing 2028 Senior Notes") in a private offering to qualified institutional buyers pursuant to Rule 144A that is exempt from registration under the Securities Act, and to certain non-U.S. persons in accordance with Regulation S under the Securities Act. The Existing 2028 Senior Notes were issued at par, with interest payable on January 15th and July 15th of each year, commencing on July 15, 2018. The Company used the net proceeds from the offering to repay a portion of our $600.0 million 5.375% Senior Unsecured Notes. In connection with the offering, we capitalized $7.7 million of debt issuance costs which are being amortized as interest expense over the term of the Existing 2028 Senior Notes.

The Existing 2028 Senior Notes were issued pursuant to an indenture, dated December 27, 2017 (the "2028 Indenture"), among the Company, certain subsidiaries of the Company as guarantors (the "2028 Guarantors"), and U.S. Bank National Association, as trustee. The Company may redeem some or all of the Existing 2028 Senior Notes at any time at redemption prices set forth in the 2028 Indenture. The terms of the 2028 Indenture, among other things, limit the ability of the Company to: (i) incur additional debt and issue preferred stock; (ii) pay dividends or make other restricted payments; (iii) make certain investments;

(iv) create liens; (v) allow restrictions on the ability of certain of our subsidiaries to pay dividends or make other payments; (vi) sell assets; (vii) merge or consolidate with other entities; and (viii) enter into transactions with affiliates.

On March 17, 2021, the Company completed an offering of $200.0 million in aggregate principal amount of 4.75% Senior Unsecured Notes that mature on January 15, 2028 (the "Additional 2028 Notes") in a private offering to qualified institutional buyers pursuant to Rule 144A that is exempt from registration under the Securities Act, and to certain non-U.S. persons in accordance with Regulation S under the Securities Act. The Additional 2028 Notes were offered under the indenture dated as of December 27, 2017, governing the Existing 2028 Senior Notes and form a part of the same series for purposes of the indenture. In connection with the offering, we capitalized $3.4 million of debt issuance costs which are being amortized as interest expense over the term of the Additional 2028 Notes. Upon completion of this offering, the aggregate principal amount outstanding of the Existing 2028 Notes, together with the Additional 2028 Notes (collectively the "2028 Senior Notes") is $700 million.

The Additional 2028 Notes were issued at 103.25% of the principal amount, plus interest deemed to have accrued from January 15, 2021, with interest payable on January 15th and July 15th of each year, commencing on July 15, 2021. The 2028 Senior Notes will vote as one class under the indenture governing the 2028 Senior Notes. The 3.25% premium will be amortized through interest expense, net over the term of the Additional 2028 Notes.

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

The Company may redeem some or all of the Additional 2028 Notes at any time as set forth in the 2028 Offering Memorandum.

In connection with the issuance of the Additional 2028 Notes, the Company and the 2028 Guarantors entered into a Registration Rights Agreement to register any 2028 Senior Notes under the Securities Act for resale that are not freely tradable 366 days from March 17, 2021.

Contractual Obligations

Our commitments to make future payments as of December 31, 2021, are estimated as follows:

(in millions)	2022	2023-2024	2025-2026	Thereafter	Total
Dividends	$ 26.0	$ —	$ —	$ —	$ 26.0
Term Loan B	4.0	380.0	—	—	384.0
Interest on Term Loan B [1]	8.1	15.9	—	—	24.0
Term Loan B-1	3.0	6.0	6.0	282.8	297.8
Interest on Term Loan B-1 [1]	6.4	12.6	12.3	7.3	38.6
2027 Senior Notes	—	—	—	600.0	600.0
2028 Senior Notes	—	—	—	700.0	700.0
Interest on 2027 Senior Notes	33.0	66.0	66.0	16.5	181.5
Interest on 2028 Senior Notes	33.3	66.5	66.5	49.9	216.2
Operating and Finance Leases	6.7	12.2	11.0	14.5	44.4
Minimum Guarantees [2]	12.6	25.6	19.9	26.3	84.4
Total	$ 133.1	$ 584.8	$ 181.7	$ 1,697.3	$ 2,596.9

(1) Interest includes the estimated contractual payments under our Credit Facility assuming no change in the weighted average borrowing rate of 2.11%, which was the rate in place as of December 31, 2021.

(2) Includes the maximum estimated exposure where we are contingently obligated to make future minimum payments.

As of December 31, 2021, we had approximately $3.9 million of unrecognized tax benefits.

Critical Accounting Policies and Estimates

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

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

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

Goodwill and certain indefinite-lived intangible assets

Acquisition of certain identifiable indefinite-lived intangible assets

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

We use various valuation methods to determine initial fair value of our indefinite-lived intangible assets, including the Greenfield Method and relief-from-royalty method of the income approach, all of which use significant unobservable inputs, or Level 3 inputs, as defined by the fair value hierarchy. The use of these valuation methods requires us to make significant estimates and assumptions about future revenue and operating expenses, expected start-up costs, capital expenditures, royalty rate, and the discount rate. The fair values of gaming rights are generally determined using the Greenfield Method, which is an income approach methodology that calculates the present value based on a projected cash flow stream. This method assumes that the gaming rights provides the opportunity to develop a casino in a specified region, and that the present value of the projected cash flows are a result of the realization of advantages contained in these rights. Under this methodology, the acquirer is expected to absorb all start-up costs, as well as incur all expenses pertaining to the acquisition and/or the creation of all tangible and intangible assets. The estimated future revenue and operating expenses, start-up costs of the acquired business, and the discount rate are the primary assumptions and estimates used in these valuations. The fair values of trademarks are generally determined using the relief-from-royalty method of the income approach, which estimates the fair value of the intangible asset by discounting the fair value of the hypothetical royalty payments a market participant would be willing to pay to enjoy the benefits of the trademarks. The estimated future revenue, royalty rate, and the discount rate are the primary assumptions and estimates used in these valuations. The discount rates used to discount expected future cash flows to present value are generally derived from the weighted average cost of capital analysis and adjusted for the size and/or risk of the asset.

Assessments of goodwill and indefinite-lived intangible assets

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

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

General economic trends

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

Interest rate and credit risk

Our primary exposure to market risk relates to changes in interest rates. On December 31, 2021, we had $681.8 million outstanding under our Credit Agreement, which bears interest at LIBOR based variable rates. We are exposed to market risk on variable rate debt due to potential adverse changes in these rates. Assuming the outstanding balance of the debt facility remains constant, a one-percentage point increase in the LIBOR rate would reduce net income and cash flows from operating activities by $4.9 million. LIBOR is anticipated to be phased out by the end of 2023. The Credit Agreement includes a general process for establishing an alternative reference rate to the extent LIBOR is phased out. The impact of the use of alternative reference rates is not expected to have a material impact on our exposure to interest rate risk at this time.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CHURCHILL DOWNS INCORPORATED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
for the years ended December 31,

(in millions, except per common share data)	2021	2020	2019
Net revenue:			
Live and Historical Racing	$ 409.1	$ 169.6	$ 276.7
TwinSpires	431.7	414.5	295.6
Gaming	695.4	435.3	687.3
All Other	61.0	34.6	70.1
Total net revenue	1,597.2	1,054.0	1,329.7
Operating expense:			
Live and Historical Racing	288.9	179.0	178.8
TwinSpires	325.4	275.8	207.9
Gaming	476.3	357.9	526.0
All Other	60.5	47.8	74.0
Selling, general and administrative expense	138.5	114.8	122.0
Asset impairments	15.3	17.5	—
Transaction expense, net	7.9	1.0	5.3
Total operating expense	1,312.8	993.8	1,114.0
Operating income	284.4	60.2	215.7
Other income (expense):			
Interest expense, net	(84.7)	(80.0)	(70.9)
Equity in income of unconsolidated affiliates	143.2	27.7	50.6
Miscellaneous, net	0.7	0.1	1.0
Total other income (expense)	59.2	(52.2)	(19.3)
Income from continuing operations before provision for income taxes	343.6	8.0	196.4
Income tax (provision) benefit	(94.5)	5.3	(56.8)
Income from continued operations, net of tax	249.1	13.3	139.6
Loss from discontinued operations, net of tax	—	(95.4)	(2.4)
Net income (loss)	249.1	(82.1)	137.2
Net loss attributable to noncontrolling interest	—	(0.2)	(0.3)
Net income (loss) and comprehensive income (loss) attributable to Churchill Downs Incorporated	$ 249.1	$ (81.9)	$ 137.5
Net income (loss) per common share data - basic:			
Continuing operations	$ 6.45	$ 0.34	$ 3.49
Discontinued operations	$ —	$ (2.41)	$ (0.06)
Net income (loss) per common share - basic	$ 6.45	$ (2.07)	$ 3.43
Net income (loss) per common share data - diluted:			
Continuing operations	$ 6.35	$ 0.33	$ 3.44
Discontinued operations	$ —	$ (2.41)	$ (0.06)
Net income (loss) per common share - diluted	$ 6.35	$ (2.08)	$ 3.38
Weighted average shares outstanding:			
Basic	38.6	39.6	40.1
Diluted	39.2	40.1	40.6

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

CHURCHILL DOWNS INCORPORATED
CONSOLIDATED BALANCE SHEETS
December 31,

(in millions)	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 291.3	$ 67.4
Restricted cash	64.3	53.6
Accounts receivable, net of allowance for doubtful accounts of $5.4 in 2021 and $4.9 in 2020	42.3	36.5
Income taxes receivable	66.0	49.4
Other current assets	37.6	28.2
Total current assets	501.5	235.1
Property and equipment, net	994.9	1,082.1
Investment in and advances to unconsolidated affiliates	663.6	630.6
Goodwill	366.8	366.8
Other intangible assets, net	348.1	350.6
Other assets	18.9	21.2
Long-term assets held for sale	87.8	—
Total assets	$ 2,981.6	$ 2,686.4
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 81.6	$ 70.7
Accrued expenses and other current liabilities	232.6	167.8
Current deferred revenue	47.7	32.8
Current maturities of long-term debt	7.0	4.0
Dividends payable	26.1	24.9
Current liabilities of discontinued operations	—	124.0
Total current liabilities	395.0	424.2
Long-term debt (net of current maturities and loan origination fees of $6.2 in 2021 and $3.2 in 2020)	668.6	530.5
Notes payable (net of debt issuance costs of $7.6 in 2021 and $12.2 in 2020)	1,292.4	1,087.8
Non-current deferred revenue	13.3	17.1
Deferred income taxes	252.9	213.9
Other liabilities	52.6	45.8
Total liabilities	2,674.8	2,319.3
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, no par value; 0.3 shares authorized; no shares issued or outstanding	—	—
Common stock, no par value; 150.0 shares authorized; 38.1 shares issued and outstanding in 2021 and 39.5 shares in 2020	—	18.2
Retained earnings	307.7	349.8
Accumulated other comprehensive loss	(0.9)	(0.9)
Total shareholders' equity	306.8	367.1
Total liabilities and shareholders' equity	$ 2,981.6	$ 2,686.4

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

CHURCHILL DOWNS INCORPORATED
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
for the years ended December 31, 2021, 2020 and 2019

	Common Stock					
(in millions, except per common share data)	**Shares**	**Amount**	**Retained Earnings**	**Accumulated Other Comprehensive Loss**	**Noncontrolling Interest**	**Total Shareholders' Equity**
Balance, December 31, 2018	40.4	$ —	$ 474.2	$ (0.9)	$ —	$ 473.3
Net income			137.5		(0.3)	137.2
Contributions from non-controlling interest					3.0	3.0
Issuance of common stock	0.2	1.9				1.9
Repurchase of common stock	(0.9)	(25.7)	(67.3)			(93.0)
Taxes paid related to net share settlement of stock awards	(0.1)		(11.5)			(11.5)
Issuance of restricted stock awards, net of forfeitures	0.1	—				—
Stock-based compensation		23.8				23.8
Adoption of ASC 842			(0.3)			(0.3)
Cash dividends ($0.581 per share)			(23.4)			(23.4)
Balance, December 31, 2019	39.7	—	509.2	(0.9)	2.7	511.0
Net loss			(81.9)		(0.2)	(82.1)
Purchase of noncontrolling interest			(0.5)		(2.5)	(3.0)
Issuance of common stock	0.1	2.4				2.4
Repurchase of common stock	(0.2)	(4.3)	(23.6)			(27.9)
Cash settlement of stock awards			(12.7)			(12.7)
Taxes paid related to net share settlement of stock awards	(0.1)	(3.6)	(15.1)			(18.7)
Stock-based compensation		23.7				23.7
Adoption of ASC 326			(0.5)			(0.5)
Cash dividends ($0.622 per share)			(25.1)			(25.1)
Balance, December 31, 2020	39.5	18.2	349.8	(0.9)	—	367.1
Net income			249.1			249.1
Issuance of common stock	0.2	2.5				2.5
Repurchase of common stock	(1.5)	(48.5)	(249.0)			(297.5)
Taxes paid related to net share settlement of stock awards	(0.1)		(16.1)			(16.1)
Stock-based compensation		27.8				27.8
Cash dividends ($0.667 per share)			(26.1)			(26.1)
Balance, December 31, 2021	38.1	$ —	$ 307.7	$ (0.9)	$ —	$ 306.8

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

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

(in millions)	2021	2020	2019
Cash flows from operating activities:			
Net income (loss)	$ 249.1	$ (82.1)	$ 137.2
Loss from discontinued operations, net of tax	—	(95.4)	(2.4)
Income from continuing operations, net of tax	$ 249.1	$ 13.3	$ 139.6
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	103.2	92.9	96.4
Equity in income of unconsolidated affiliates	(143.2)	(27.7)	(50.6)
Distributions from unconsolidated affiliates	109.4	30.7	38.1
Stock-based compensation	27.8	23.7	23.8
Deferred income taxes	9.8	30.1	31.5
Asset impairments	15.3	17.5	—
Amortization of operating lease assets	5.3	5.0	4.6
Other	5.3	4.5	2.8
Changes in operating assets and liabilities, net of businesses acquired and dispositions:			
Income taxes	12.9	(34.6)	3.6
Deferred revenue	10.7	(8.3)	(9.3)
Other assets and liabilities	53.9	(3.9)	12.0
Net cash provided by operating activities	459.5	143.2	292.5
Cash flows from investing activities:			
Capital maintenance expenditures	(39.5)	(23.0)	(48.3)
Capital project expenditures	(52.3)	(211.2)	(82.9)
Acquisition of businesses, net of cash acquired	—	—	(206.6)
Investments in and advances to unconsolidated affiliates	—	—	(410.1)
Acquisition of other intangible assets	—	—	(32.1)
Other	(8.6)	(5.2)	(1.2)
Net cash used in investing activities	(100.4)	(239.4)	(781.2)
Cash flows from financing activities:			
Proceeds from borrowings under long-term debt obligations	780.8	726.1	1,236.3
Repayments of borrowings under long-term debt obligations	(430.9)	(580.4)	(640.3)
Payment of dividends	(24.8)	(23.4)	(22.2)
Repurchase of common stock	(297.5)	(28.4)	(95.0)
Cash settlement of stock awards	—	(12.7)	—
Taxes paid related to net share settlement of stock awards	(12.9)	(18.7)	(11.5)
Debt issuance costs	(6.9)	(2.0)	(8.9)
Change in bank overdraft	(10.5)	13.4	—
Other	2.2	2.1	2.4
Net cash (used in) provided by financing activities	(0.5)	76.0	460.8
Cash flows from discontinued operations:			
Operating activities of discontinued operations	(124.0)	(1.3)	(2.9)
Net increase (decrease) in cash, cash equivalents and restricted cash	234.6	(21.5)	(30.8)
Cash, cash equivalents and restricted cash, beginning of year	121.0	142.5	173.3
Cash, cash equivalents and restricted cash, end of year	$ 355.6	$ 121.0	$ 142.5

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

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

(in millions)	2021	2020	2019
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	$ 77.5	$ 79.6	$ 61.7
Income taxes	72.4	1.6	23.5
Schedule of non-cash investing and financing activities:			
Dividends payable	$ 27.0	$ 25.8	$ 23.5
Deferred tax liability assumed from equity investment	—	—	103.2
Property and equipment additions included in accounts payable and accrued expense and other current liabilities	18.7	12.9	12.4
Repurchase of common stock in payment of income taxes on stock-based compensation included in accrued expense and other current liabilities	3.2	—	3.9
Repurchase of common stock included in accrued expense and other current liabilities	—	—	0.5

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

1. DESCRIPTION OF BUSINESS

Churchill Downs Incorporated (the "Company", "we", "us", "our") is an industry-leading racing, online wagering and gaming entertainment company anchored by our iconic flagship event, the Kentucky Derby. We own and operate three pari-mutuel gaming entertainment venues with approximately 3,050 historical racing machines ("HRMs") in Kentucky. We also own and operate TwinSpires, one of the largest and most profitable online wagering platforms for horse racing, sports and iGaming in the U.S. and we have nine retail sportsbooks. We are also a leader in brick-and-mortar casino gaming in eight states with approximately 11,000 slot machines and video lottery terminals ("VLTs") and 200 table games. We were organized as a Kentucky corporation in 1928, and our principal executive offices are located in Louisville, Kentucky.

During the first quarter of 2021, we updated our operating segments to reflect the internal management reporting used by our chief operating decision maker to evaluate results of operations and to assess performance and allocate resources. Our internal management reporting changed primarily due to the continued growth from Oak Grove Racing, Gaming & Hotel ("Oak Grove") and Turfway Park Racing and Gaming ("Turfway Park"), which opened its annex HRM facility, Newport Racing & Gaming ("Newport"), in October 2020, which resulted in our chief operating decision maker's decision to include Oak Grove, Turfway Park and Newport in the new Live and Historical Racing segment. The Live and Historical Racing segment now includes Churchill Downs Racetrack, Derby City Gaming, Oak Grove, Turfway Park, and Newport. We also realigned our retail sports betting results at our wholly owned casinos from our Gaming segment to our TwinSpires segment. As a result of this realignment, our operating segments that meet the requirements to be disclosed separately as reportable segments are: Live and Historical Racing, TwinSpires, and Gaming. For additional information, refer to Note 22, Segment Information.

Impact of the COVID-19 Global Pandemic

In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. The COVID-19 global pandemic resulted in travel limitations and business and government shutdowns which had a significant negative economic impact in the United States and to our business. Although vaccines are available, we cannot predict the duration of the COVID-19 global pandemic. The extent to which the COVID-19 pandemic, including the emergence of variant strains, will continue to impact the Company remains uncertain and will depend on many factors that are not within our control.

In March 2020, as a result of the COVID-19 outbreak, we temporarily suspended operations at our wholly owned and managed gaming properties, announced the temporary furlough of our employees at these properties and certain racing operations and implemented a temporary salary reduction for all remaining non-furloughed salaried employees based on a percentage that varied dependent upon the amount of each employee’s salary. The most senior level of executive management received the largest salary decrease, based on both percentage and dollar amount.

In May 2020, we began to reopen our properties with patron restrictions and gaming limitations. One property suspended operations again in July 2020 and reopened in August 2020, and three properties suspended operations in December 2020 and reopened in January 2021. All of our gaming properties have remained open since January 2021.

The 146th Kentucky Oaks and Derby were held in the third quarter of 2020 without spectators. During the second quarter of 2021, we held the 147th Kentucky Oaks and Derby with capacity restrictions in compliance with Kentucky venue limitations at that time. The capacity restrictions limited reserved seating in each area to approximately 40% to 60% capacity and limited general admission tickets. Due to such restrictions, our revenues from the Kentucky Oaks and Derby in each year were significantly less than we would otherwise expect.

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") provided an employee retention credit ("CARES Employee Retention Credit"), which is a refundable tax credit against certain employment taxes of up to $5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at $10,000 of qualified wages per employee. The Company qualified for the tax credit and received additional tax credits for qualified wages, and the Company recorded a $2.7 million benefit related to the CARES Employee Retention Credit in operating expense in the accompanying consolidated statement of comprehensive income (loss) for the year ended December 31, 2020. The CARES Act also provided for deferred payment of the employer portion of social security taxes through December 31, 2020, with 50% of the deferred amount due December 31, 2021 and the remaining 50% due December 31, 2022. Approximately $5.3 million of deferred payments are recorded as liabilities within accrued expense and other current liabilities and other noncurrent liabilities in the accompanying consolidated balance sheet as of December 31, 2020. The Company paid the $5.3 million of deferred payments during the year ended December 31, 2021.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

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

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

Use of Estimates

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

Goodwill and Indefinite-Lived Intangible Assets

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

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

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

Property and Equipment

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

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

Revenue Recognition

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

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

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

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

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

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

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

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

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

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

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

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

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

Income Taxes

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

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

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

Cash and Cash Equivalents

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

Restricted Cash and Account Wagering Deposit Liabilities

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

Allowance for Doubtful Accounts Receivable

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

Prior to adopting ASC 326, we maintained an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. The allowance is maintained at a level considered appropriate based on historical experience and other factors that affect our expectation of future collectability. Uncollectible accounts receivable are written off against the allowance for doubtful accounts receivable when management determines that the probability of payment is remote and collection efforts have ceased.

Internal Use Software

Internal use software costs for our TwinSpires' segment software are capitalized in property and equipment, net in the accompanying consolidated balance sheets, in accordance with accounting guidance governing computer software developed or obtained for internal use. Once the software is placed in operation, we amortize the capitalized software over the software's estimated economic useful life, which is generally three years. We capitalized internal use software of approximately $10.7 million in 2021, $10.5 million in 2020, and $9.8 million in 2019. We incurred amortization expense of approximately $10.3 million in 2021, $9.4 million in 2020, and $8.8 million in 2019, for projects which had been placed in service.

Fair Value of Assets and Liabilities

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

Investments in and Advances to Unconsolidated Affiliates

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

We evaluate our investments in unconsolidated affiliates for impairment whenever events or changes in circumstances indicate that the carrying value of the investment may have experienced an "other-than-temporary" decline in value. If such conditions exist, we compare the estimated fair value of the investment to the investment's carrying value to determine if an impairment is indicated and determine whether the impairment is "other-than-temporary" based on an assessment of all relevant factors, including consideration of our intent and ability to retain our investment until the recovery of the unrealized loss. We estimate fair value using a discounted cash flow analysis based on estimated future results of the investee.

Leases

On January 1, 2019, the Company adopted ASU No. 2016-02, Leases, and subsequently issued additional guidance (collectively, "ASC 842") using the modified transition method. As part of the transition to ASC 842, we elected the package of practical expedients that allowed us to not reassess: (1) whether any expired or existing contracts are or contain leases, (2) lease classification of any expired or existing leases and (3) initial direct costs of any expired or existing leases.

Due to the adoption of ASC 842, we recognize lease right-of-use assets ("ROUAs") and lease liabilities for our leases with lease terms greater than one year. We do not have any material leases where we are the lessor.

We determine if an arrangement is a lease at inception and categorize as either operating or finance based on the criteria of ASC 842. An arrangement contains a lease when the arrangement conveys the right to control the use of an identified asset over the lease term. Operating and finance leases are included in property and equipment, net; accrued expense and other current liabilities; and other liabilities on our consolidated balance sheets. We generally do not separate lease and non-lease components for our lease contracts. We do not apply the ROUA and leases liability recognition requirements to short-term leases.

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

Debt Issuance Costs and Loan Origination Fees

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

Casino and Pari-mutuel Taxes

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

Purse Expense

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

Self-insurance Accruals

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

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

Advertising and Marketing

We expense the costs of general advertising, marketing and associated promotional expenditures at the time the costs are incurred. We incurred advertising and marketing expense of approximately $74.5 million in 2021, $31.4 million in 2020, and $41.8 million in 2019 in our accompanying consolidated statements of comprehensive income (loss).

Stock-Based Compensation

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

Computation of Net Income per Common Share

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

Common Stock Share Repurchases

From time-to-time, we repurchase shares of our common stock under share repurchase programs and privately negotiated transactions authorized by our Board of Directors. Share repurchases constitute authorized but unissued shares under the Kentucky laws under which we are incorporated. Our common stock has no par or stated value. We record the full value of share repurchases, upon the trade date, against common stock on our consolidated balance sheets except when to do so would result in a negative balance in such common stock account. In such instances, we record the cost of any further share repurchases as a reduction to retained earnings. Due to the large number of shares of our common stock repurchased over the past several years, our common stock balance will frequently be zero at the end of any given reporting period. Refer to Note 11, Shareholders' Equity, for additional information on our share repurchases.

Insurance Recoveries

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

Recent Accounting Pronouncements - Adopted on January 1, 2021

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

Recent Accounting Pronouncements - effective in 2022 or thereafter

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting, which provides optional expedients and exceptions to applying the guidance on contract modifications, hedge accounting, and other transactions, and to simplify the accounting for transitioning from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. The guidance was effective upon issuance and if elected, will be applied prospectively through December 31, 2022. We are currently evaluating the effect the adoption of this new accounting standard will have on our results of operations, financial condition, and cash flows.

3. NATURAL DISASTER

In August 2021, Hurricane Ida caused damage to portions of Louisiana, including Fair Grounds Race Course & Slots, and 15 off-track betting facilities ("OTBs") owned by Video Services, LLC ("VSI") (collectively, "Fair Grounds and VSI"). All of the Fair Grounds and VSI operations were reopened as of December 31, 2021, with the exception of two OTBs.

The Company carries property and casualty insurance, as well as business interruption insurance subject to certain deductibles. As of December 31, 2021, the Company has recorded a reduction of property and equipment, net of $2.8 million and incurred

$2.5 million in operating expenses. Through December 31, 2021, the Company has received $2.7 million in insurance recoveries from our carriers, and has an insurance recovery receivable of $2.6 million at December 31, 2021. The Company is currently working with its insurance carriers to finalize its claim. We continue to assess damages and insurance coverage, and we currently do not expect our losses to exceed the applicable insurance recoveries.

4. ACQUISITIONS

Presque Isle

On January 11, 2019, we completed the acquisition of Presque Isle Downs and Casino ("Presque Isle") located in Erie, Pennsylvania from Eldorado Resorts, Inc. ("ERI") for cash consideration of $178.9 million (the "Presque Isle Transaction") and $1.6 million of working capital and other purchase price adjustments. The following table summarizes the final fair values of the assets acquired and liabilities assumed, net of cash acquired of $8.4 million, at the date of the acquisition.

(in millions)	**Total**
Current assets	$ 2.1
Property and equipment	78.5
Goodwill	26.1
Intangible assets	71.2
Current liabilities	(5.2)
Non-current liabilities	(0.6)
	$ 172.1

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

(in millions)	**Fair Value Recognized**	**Weighted-Average Useful Life**
Gaming rights	$ 56.0	N/A
Trademark	15.2	N/A
Total intangible assets	$ 71.2	

Current assets and current liabilities were valued at the existing carrying values as these items are short term in nature and represent management's estimated fair value of the respective items on January 11, 2019.

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

The fair value of the Presque Isle gaming rights was determined using the Greenfield Method, which is an income approach methodology that calculates the present value of the overall business enterprise based on a projected cash flow stream. This method assumes that the gaming rights intangible asset provides the opportunity to develop a casino in a specified region, and that the present value of the projected cash flows is a result of the realization of advantages contained in these rights. Under this methodology, the acquirer is expected to absorb all start-up costs, as well as incur all expenses pertaining to the acquisition and/or the creation of all tangible and intangible assets. The estimated future revenue, future operating expenses, start-up costs, and discount rate were the primary inputs in the valuation. The gaming rights intangible asset was assigned an indefinite useful life based on the Company's expected use of the asset and determination that no legal, regulatory, contractual, competitive, economic, or other factors limit the useful life of the gaming rights. The renewal of the gaming rights in Pennsylvania is subject to various legal requirements. However, the Company's historical experience has not indicated, nor does the Company expect any limitations regarding the Company's ability to continue to renew our gaming rights in Pennsylvania.

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

Goodwill of $26.1 million was recognized due to the expected contribution of Presque Isle to the Company's overall business strategy. The goodwill was assigned to the Gaming segment and is deductible for tax purposes.

Refer to Note 9, Asset Impairment, for information regarding intangible asset impairments recognized during the first quarter of 2020 related to the Presque Isle gaming rights and trademark.

For the period from the Presque Isle Transaction on January 11, 2019 through December 31, 2019, net revenue was $138.5 million and net income was not material.

The following unaudited pro forma consolidated financial information for the Company has been prepared assuming the Company's acquisition of Presque Isle occurred as of January 1, 2019. The unaudited pro forma financial information is not necessarily indicative of either future results of operations or results of operations that might have been achieved had the acquisition been consummated as of January 1, 2019. The unaudited pro forma net income giving effect to the Presque Isle Transaction was not materially different than our historical net income.

(in millions)	**Year Ended December 31, 2019**
Net revenue	$ 1,332.9

Lady Luck Nemacolin

On March 8, 2019, the Company assumed management and acquired certain assets related to the management of Lady Luck Casino Nemacolin ("Lady Luck Nemacolin") in Farmington, Pennsylvania, from ERI for cash consideration of $100,000 (the "Lady Luck Nemacolin Transaction"). The Lady Luck Nemacolin Transaction did not meet the definition of a business and therefore was accounted for as an asset acquisition. The net assets acquired in conjunction with the Lady Luck Nemacolin Transaction were not material.

Turfway Park

On October 9, 2019, the Company completed the acquisition of Turfway Park from Jack Entertainment LLC ("JACK") and Hard Rock International (“Hard Rock”) for total consideration of $46.0 million in cash ("Turfway Park Acquisition"). Of the $46.0 million total consideration, $36.0 million, less $0.9 million of working capital and purchase price adjustments, was accounted for as a business combination. The remaining $10.0 million was paid to Hard Rock for the assignment of the purchase and sale agreement rights and was accounted for separately from the business combination as an intangible asset and was amortized through expense in the fourth quarter of 2019.

The cash purchase price paid to JACK was $36.0 million, less $0.9 million of working capital and purchase price adjustments. The preliminary fair values of the assets acquired and liabilities assumed, net of cash acquired of $0.6 million, at the date of acquisition were as follows: property and equipment (primarily land) of $18.8 million, indefinite-lived gaming rights of $9.8 million, indefinite-lived trademark of $5.5 million, goodwill of $2.7 million, and current liabilities of $2.3 million.

5. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

Discontinued Operations

On January 9, 2018, the Company completed the sale of its mobile gaming subsidiary, Big Fish Games, Inc. ("Big Fish Games"). The Big Fish Games business met the criteria for discontinued operation presentation. The consolidated statements of comprehensive income (loss), consolidated statements of cash flows, and the notes to consolidated financial statements reflect Big Fish Games as discontinued operations for all periods presented. The Company previously included both continuing and discontinued operations in our consolidated statement of cash flows. The prior year results were reclassified to conform to the current period presentation.

On May 22, 2020, we entered into an agreement in principle to settle Cheryl Kater v. Churchill Downs Incorporated and Manasa Thimmegowda v. Big Fish Games, Inc. The $124.0 million settlement was paid on March 25, 2021.

The following table presents the financial results of Big Fish Games included in "Income from discontinued operations, net of tax" in the accompanying consolidated statements of comprehensive income (loss):

	Years Ended December 31,		
(in millions)	**2021**	**2020**	**2019**
Net revenue	$ —	$ —	$ —
Operating expenses	—	—	—
Selling, general and administrative expense	—	0.1	3.5
Research and development	—	—	—
Legal settlement	—	124.0	—
Total operating expense	—	124.1	3.5
Operating loss	—	(124.1)	(3.5)
Loss from discontinued operations before provision for income taxes	—	(124.1)	(3.5)
Income tax benefit	—	28.7	1.1
Loss from discontinued operations, net of tax	$ —	$ (95.4)	$ (2.4)

Assets Held for Sale

On September 29, 2021, the Company announced an agreement to sell the 326-acre property in Arlington Heights, Illinois (the "Arlington Property"), to the Chicago Bears for $197.2 million. The closing of the sale of the Arlington Property is subject to the satisfaction of various closing conditions. Subject to the satisfaction of the various closing conditions, the Company anticipates closing the sale of the Arlington Property in early 2023.

The Company has classified certain assets of Arlington International Racecourse ("Arlington") totaling $81.5 million as held for sale as of December 31, 2021, on the accompanying consolidated balance sheets. Arlington’s operations and assets are included in All Other in our consolidated results. During the year ended December 31, 2021, the Company recorded $1.4 million of severance costs and $3.9 million related to our multi-employer pension liability in conjunction with the announced sale of the Arlington Property, which is included in transaction expense, net in the accompanying consolidated statements of comprehensive income (loss).

On November 22, 2021, the Company announced an agreement to sell 115.7 acres of land near Calder Casino and Racing ("Calder") for $291.0 million or approximately $2.5 million per acre to Link Logistics Real Estate, a Blackstone portfolio company. The closing of the sale of the property is subject to the satisfaction of various closing conditions. The Company anticipates closing the sale of the property in the first half of 2022.

The Company has classified certain assets of Calder totaling $6.3 million as held for sale as of December 31, 2021, on the accompanying consolidated balance sheets. Calder's operations and assets are included in Gaming in our consolidated results.

6. PROPERTY AND EQUIPMENT

Property and equipment, net is comprised of the following:

	December 31,	
(in millions)	**2021**	**2020**
Grandstands and buildings	$ 745.5	$ 785.5
Equipment	491.9	477.9
Tracks and other improvements	221.7	240.7
Land	101.3	164.2
Furniture and fixtures	78.9	89.7
Construction in progress	65.8	23.3
	1,705.1	1,781.3
Accumulated depreciation	(736.7)	(721.5)
Subtotal	968.4	1,059.8
Operating lease right-of-use assets	26.5	22.3
Total	$ 994.9	$ 1,082.1

Depreciation expense was $98.4 million in 2021, $88.0 million in 2020 and $81.4 million in 2019 and is classified in operating expense in the accompanying consolidated statements of comprehensive income (loss).

7. GOODWILL

Goodwill, by segment, is comprised of the following:

(in millions)	**Live and Historical**	**TwinSpires**	**Gaming**	**All Other**	**Total**
Balances as of December 31, 2019	$ 52.7	$ 152.2	$ 161.2	$ 1.0	$ 367.1
Adjustments	(0.3)	—	—	—	(0.3)
Balances as of December 31, 2020	52.4	152.2	161.2	1.0	366.8
Adjustments	—	—	—	—	—
Balances as of December 31, 2021	$ 52.4	$ 152.2	$ 161.2	$ 1.0	$ 366.8

In 2019, we established goodwill of $26.1 million related to the Presque Isle Transaction, and $3.0 million related to the Turfway Park Acquisition.

We performed our annual goodwill impairment analysis as of April 1, 2021. We assessed goodwill for impairment by performing qualitative or quantitative analyses for each reporting unit. Based on the results of these analyses, no goodwill impairments were identified in connection with our annual impairment testing.

In the first quarter of 2021, we realigned our segments as described in Note 1, Description of Business. This change resulted in the allocation of $4.0 million of goodwill from the Gaming segment to the TwinSpires segment based on the relative fair value approach. The Company evaluated whether an interim goodwill impairment test should be performed as a result of our segment changes. Based on this evaluation, the Company determined this event did not indicate it was more likely than not that a goodwill impairment exists.

8. OTHER INTANGIBLE ASSETS

Other intangible assets, net is comprised of the following:

	December 31, 2021			December 31, 2020		
(in millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Definite-lived intangible assets:						
Favorable contracts	$ 11.0	$ (9.4)	$ 1.6	$ 11.0	$ (8.8)	$ 2.2
Other	10.4	(4.6)	5.8	10.4	(3.5)	6.9
Customer relationships	4.7	(2.8)	1.9	4.7	(2.2)	2.5
Gaming licenses	5.1	(2.3)	2.8	5.1	(2.1)	3.0
	$ 31.2	$ (19.1)	$ 12.1	$ 31.2	$ (16.6)	$ 14.6
Indefinite-lived intangible assets:						
Trademarks			47.7			47.7
Gaming rights			288.2			288.2
Other			0.1			0.1
Total			$ 348.1			$ 350.6

In 2019, we established indefinite-lived intangible assets of $56.0 million for gaming rights and $15.2 million for trademarks related to the Presque Isle Transaction. We also acquired indefinite-lived intangible assets of $8.0 million for online gaming rights in Pennsylvania related to our TwinSpires operations, $10.0 million for retail sports betting gaming rights at Presque Isle and online sports betting gaming rights in Pennsylvania, as well as $3.0 million for other gaming rights at Presque Isle. We also established indefinite-lived intangible assets of $5.5 million for trademarks and $9.8 million for gaming rights related to the Turfway Park acquisition.

Amortization expense for definite-lived intangible assets was $4.8 million in 2021, $4.9 million in 2020, and $15.0 million in 2019, and is classified in operating expense in the accompanying consolidated statements of comprehensive income (loss). As described further in Note 4, Acquisitions, we expensed the Turfway Park Acquisition purchase and sale agreement rights of $10.0 million in the fourth quarter of 2019, which is included in Live and Historical Racing in the accompanying consolidated statements of comprehensive income (loss). We submitted payments of $2.3 million in 2021 and 2020 for annual license fees for Calder, which are being amortized to expense over the annual license period.

Indefinite-lived intangible assets consist primarily of trademarks and state gaming rights in Maine, Maryland, Mississippi, Louisiana, Pennsylvania and Kentucky.

Refer to Note 9, Asset Impairments, for information regarding intangible asset impairments recognized during the first quarter of 2020.

We performed our annual indefinite-lived intangible assets impairment analysis as of April 1, 2021, which included an assessment of qualitative and quantitative factors to determine whether it is more likely than not that the fair values of the indefinite-lived intangible assets are less than the carrying amount. We concluded that the fair values of our indefinite-lived intangible assets exceeded their carrying value.

Future estimated aggregate amortization expense on existing definite-lived intangible assets for each of the next five fiscal years is as follows (in millions):

Years Ended December 31,	**Estimated Amortization Expense**	
2022	$	2.5
2023		2.4
2024		1.9
2025		1.2
2026		0.5

Future estimated amortization expense does not include additional payments of $2.3 million in 2022 and in each year thereafter for the ongoing amortization of future expected annual Calder license fees not yet incurred or paid.

9. ASSET IMPAIRMENTS

During the quarter ended December 31, 2021, the Company recorded a $4.1 million non-cash impairment charge related to certain assets in the TwinSpires segment. This impairment was due to changes in expectations of future realization of certain third party market access royalty prepayments related to our New Jersey sports betting and iGaming that resulted in projected future cash flows being less than carrying value in the fourth quarter of 2021.

During the quarter ended June 30, 2021, the Company recorded an $11.2 million non-cash impairment charge related to certain assets at Churchill Downs Racetrack included in our Live and Historical Racing segment. The impairment was due to a change in the Churchill Downs Racetrack capital plans and the Company's planned use of these assets.

During the quarter ended March 31, 2020, the Company evaluated whether events or circumstances changed that would indicate it is more likely than not that any of the Company's intangible assets, goodwill, or property and equipment, were impaired ("Trigger Event"), or if there were any other than temporary impairments of our equity investments. Factors considered in this evaluation included, among other things, the amount of the fair value over carrying value from the annual impairment testing performed as of April 1, 2019, changes in carrying values, changes in discount rates, and the impact of temporary property closures due to the COVID-19 global pandemic on cash flows. Based on the Company's evaluation, the Company concluded that a Trigger Event occurred related to the Presque Isle gaming rights, trademark, and the reporting unit's goodwill due to the impact and uncertainty of the COVID-19 global pandemic.

The initial fair value of Presque Isle gaming rights in the first quarter of 2019 was determined using the Greenfield Method, which is an income approach methodology that calculates the present value based on a projected cash flow stream. This method assumes that the Presque Isle gaming rights provide the opportunity to develop a casino and online wagering platform in a specified region, and that the present value of the projected cash flows are a result of the realization of advantages contained in these rights. Under this methodology, the acquirer is expected to absorb all start-up costs, as well as incur all expenses pertaining to the acquisition and / or the creation of all tangible and intangible assets. The estimated future revenue, operating expenses, start-up costs, and discount rate were the primary inputs in the valuation.

Based on the Trigger Event, the Company updated the discount rate to reflect the increased uncertainty of the cash flows and updated the projected cash flow stream. As a result, the $77.6 million carrying value of the Presque Isle gaming rights exceeded the fair value of $62.6 million and the Company recognized an impairment of $15.0 million in first quarter of 2020 for the Presque Isle gaming rights ($12.5 million related to the Gaming segment and $2.5 million related to the TwinSpires segment).

The Presque Isle trademark was initially valued in first quarter of 2019 using the relief-from-royalty method of the income approach, which estimates the fair value of the intangible asset by discounting the fair value of the hypothetical royalty payments a market participant would be willing to pay to enjoy the benefits of the asset. The estimated future revenue, royalty rate, and discount rate were the primary inputs in the valuation of the trademark.

Based on the Trigger Event, the Company updated the discount rate to reflect the increased uncertainty of the cash flows and updated projected cash flow stream. As a result, the Company recognized an impairment of $2.5 million in the first quarter of 2020 for the Presque Isle trademark.

The fair value of the Presque Isle reporting unit's goodwill was determined under the market and income valuation approaches using inputs primarily related to discounted projected cash flows and price multiples of publicly traded comparable companies.

In accordance with Accounting Standards Codification 350, Intangibles - Goodwill and Other, the Company performed the impairment testing of the Presque Isle gaming rights and trademark prior to testing Presque Isle goodwill. Based on the Trigger Event, the Company updated the discount rate to reflect the increased uncertainty of the cash flows and updated project cash flow stream. As a result, the Company did not recognize an impairment for Presque Isle goodwill in the first quarter of 2020 because the fair value exceeded the carrying value.

10. INCOME TAXES

Components of the provision (benefit) for income taxes are as follows:

	Years Ended December 31,		
(in millions)	2021	2020	2019
Current provision (benefit):			
Federal	$ 66.1	$ (38.7)	$ 19.2
State and local	18.5	3.0	6.0
Foreign	0.1	0.1	—
	84.7	(35.6)	25.2
Deferred provision:			
Federal	7.5	28.7	16.1
State and local	2.3	1.5	15.5
Foreign	—	0.1	—
	9.8	30.3	31.6
Income tax provision (benefit)	$ 94.5	$ (5.3)	$ 56.8

Income from continuing operations before provision for income taxes were as follows:

	Years Ended December 31,		
(in millions)	2021	2020	2019
Domestic	$ 343.7	$ 8.2	$ 196.4
Foreign	(0.1)	(0.2)	—
Income from continuing operations before provision for income taxes	$ 343.6	$ 8.0	$ 196.4

Our income tax provision (benefit) is different from the amount computed by applying the federal statutory income tax rate to income from continuing operations before taxes as follows:

	Years Ended December 31,		
(in millions)	2021	2020	2019
Federal statutory tax on earnings before income taxes	$ 72.1	$ 1.7	$ 41.2
State income taxes, net of federal income tax benefit	15.8	(0.6)	8.0
Non-deductible officer's compensation	6.4	3.5	4.5
Valuation allowance - state and foreign net operating losses	1.8	1.1	—
Uncertain tax positions	0.1	1.7	(1.0)
Re-measurement of deferred taxes	(1.5)	1.9	8.3
Windfall deduction from equity compensation	(1.4)	(1.3)	(4.2)
Net operating loss carry back - CARES Act	—	(13.3)	—
Other	1.2	—	—
Income tax provision (benefit)	$ 94.5	$ (5.3)	$ 56.8

The CARES Act provided, among other things, that any net operating loss arising in a tax year beginning in 2018, 2019 or 2020 may be carried back five years or carried forward indefinitely, offsetting up to 100% of taxable income in tax years beginning before 2021. The Company filed a refund claim in 2021 from carrying back our 2020 net operating loss to a year before the statutory corporate tax rate was reduced from 35% to 21% by the Tax Act. Due to the higher statutory rate applied to this net operating loss, the Company recognized an income tax benefit of $13.3 million for the year ended December 31, 2020.

The Company recognized income tax expense of $8.3 million during 2019 from the re-measurement of our net deferred tax liabilities based on an increase in income attributable to states with higher tax rates compared to the prior period.

The Company reclassified a $29.0 million deferred tax asset related to the capital loss associated with the Kater litigation as a tax receivable due to the settlement payment made in 2021. We fully expect to be able to offset the capital loss with previously recognized capital gains.

Components of our deferred tax assets and liabilities were as follows:

	December 31,	
(in millions)	2021	2020
Deferred tax assets:		
Lease liabilities	$ 10.2	$ 7.7
Net operating losses and credits carryforward	8.8	9.3
Deferred compensation plans	6.9	6.7
Deferred income	4.7	5.5
Deferred liabilities	3.8	2.8
Allowance for uncollectible receivables	1.3	1.2
Capital loss	—	29.0
Deferred tax assets	35.7	62.2
Valuation allowance	(3.2)	(1.4)
Net deferred tax asset	32.5	60.8
Deferred tax liabilities:		
Equity investments in excess of tax basis	128.9	121.6
Intangible assets in excess of tax basis	74.1	65.6
Property and equipment in excess of tax basis	69.7	77.9
Right-of-use assets	9.9	7.4
Other	2.8	2.2
Deferred tax liabilities	285.4	274.7
Net deferred tax liability	$ (252.9)	$ (213.9)

As of December 31, 2021, we had U.S. state and foreign net operating losses with tax values of $6.6 million and $0.4 million, respectively. We have recorded a valuation allowance of $3.2 million due to the fact that it is unlikely that we will generate income in certain state and foreign jurisdictions which is necessary to utilize the deferred tax assets. We also had U.S. state tax credits with a tax value of $1.8 million that do not expire which we expect to fully utilize.

The Internal Revenue Service has completed audits through 2012. Tax years 2018 and after are open to examination. Tax year 2015 is open to examination as a result of the Company's claim for refund of 2015 tax from carrying back its 2020 net operating loss pursuant to the CARES Act. As of December 31, 2021, we had approximately $3.9 million of total gross unrecognized tax benefits, excluding interest of $0.2 million. If the total gross unrecognized tax benefits were recognized, there would be a $3.5 million effect to the annual effective tax rate. We anticipate a decrease in our unrecognized tax positions of approximately $0.7 million during the next twelve months primarily due to the expiration of statutes of limitation.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

(in millions)	2021	2020	2019
Balance as of January 1	$ 3.9	$ 1.8	$ 2.8
Additions for tax positions related to the current year	0.1	0.1	0.1
Additions for tax positions of prior years	1.0	2.6	—
Reductions for tax positions of prior years	(1.1)	(0.6)	(1.1)
Balance as of December 31	$ 3.9	$ 3.9	$ 1.8

11. SHAREHOLDERS' EQUITY

Stock Repurchase Programs

On October 30, 2018, the Board of Directors of the Company approved a new common stock repurchase program of up to $300.0 million ("2018 Stock Repurchase Program"). The 2018 Stock Repurchase Program was in effect until September 29, 2021 and had unused authorization of $97.9 million.

On September 29, 2021, the Board of Directors of the Company approved a common stock repurchase program of up to $500.0 million ("2021 Stock Repurchase Program"). The 2021 Stock Repurchase Program includes and is not in addition to any unspent amount remaining under the prior 2018 Stock Purchase Program authorization. Repurchases may be made at management's discretion from time to time on the open market (either with or without a 10b5-1 plan) or through privately negotiated transactions. The repurchase program has no time limit and may be suspended or discontinued at any time. We had $445.6 million of repurchase authority remaining under this program at December 31, 2021.

We repurchased the following shares under the 2018 and 2021 Stock Repurchase Programs:

	For the year ending December 31,					
(in millions, except share data)	2021		2020		2019	
Repurchase Program	**Shares**	**Aggregate Purchase Price**	**Shares**	**Aggregate Purchase Price**	**Shares**	**Aggregate Purchase Price**
2021 Stock Repurchase Program	226,232	$ 54.4	—	$ —	—	$ —
2018 Stock Repurchase Program	245,132	$ 49.2	235,590	$ 27.9	864,233	$ 93.0
Total	471,364	$ 103.6	235,590	$ 27.9	864,233	$ 93.0

The Duchossois Group ("TDG") Share Repurchase

On February 1, 2021, the Company entered into an agreement (the "Stock Repurchase Agreement") with an affiliate of TDG to repurchase 1,000,000 shares of the Company's common stock for $193.94 per share in a privately negotiated transaction for an aggregate purchase price of $193.9 million. The repurchase of shares of common stock from TDG pursuant to the Stock Repurchase Agreement was approved by the Company's Board of Directors separately from, and did not reduce the authorized amount remaining under, the existing common stock repurchase program. The Company repurchased the shares using available cash and borrowings under the Revolver (as defined in Note 13, Debt).

12. STOCK-BASED COMPENSATION PLANS

Our total compensation expense, which includes expense related to restricted stock awards, restricted stock unit awards, performance share unit awards, and stock options associated with our employee stock purchase plan, was $27.8 million in 2021, $23.7 million in 2020, and $23.8 million in 2019. We recorded a deferred tax asset related to stock-based compensation expense of $1.5 million in 2021, $1.9 million in 2020, and $2.1 million in 2019. Our stock-based employee compensation plans are described below.

2016 Omnibus Stock Incentive Plan

We have a stock-based employee compensation plan with awards outstanding under the Churchill Downs Incorporated 2016 Omnibus Stock Incentive Plan (the "2016 Plan") and Executive Long-Term Incentive Compensation Plan, which was adopted pursuant to the 2016 Plan. The 2016 Plan is intended to advance our long-term success by encouraging stock ownership among key employees and the Board of Directors. Awards may be in the form of stock options, stock appreciation rights, restricted stock awards ("RSA"), restricted stock units ("RSU"), performance share units ("PSU"), performance units, or performance cash. The 2016 Plan has a minimum vesting period of one year for awards granted.

Restricted Stock, Restricted Stock Units, and Performance Share Units

The 2016 Plan permits the award of RSAs, RSUs, or PSUs to directors and key employees responsible for the management, growth and protection of our business. The fair value of RSAs and RSUs that vest solely based on continued service under the Plan is determined by the product of the number of shares granted and the grant date market price of our common stock.

RSAs and RSUs granted to employees under the 2016 Plan generally vests either in full upon three years from the date of grant or on a pro rata basis over a three-year term. RSAs are legally issued common stock at the time of grant, with certain restrictions placed on them. RSUs granted to employees are converted into shares of our common stock at vesting. The RSUs granted to directors under the 2016 Plan generally vests in full upon one year from the date of grant. RSUs granted to directors are converted into shares of our common stock at the time of the director's retirement.

In 2019, 2020, and 2021, the Company granted three-year performance and total shareholder return ("TSR") PSU awards (the "PSU Awards") to certain named executive officers ("NEOs"). The two performance criteria for the PSU Awards are: (1) a cumulative Adjusted EBITDA target that was set at the beginning of the plan performance period for the three-year period; and (2) a cash flow metric that is the aggregate of the cash flow targets for the three individual years that is set annually at the beginning of each year. The cash flow metric is defined as cash flow from operating activities and discontinued operations excluding the change in restricted cash, plus distributions of capital from equity investments less capital maintenance expenditures. The Compensation Committee of the Board of Directors (the "Compensation Committee") can make adjustments as it may deem appropriate to these metrics. Measurement against these criteria will be determined against a payout curve which provides up to 200% of performance share units based on the original award.

The PSU Awards may be adjusted based on the Company's TSR performance relative to the TSR performance during the performance period of the Companies remaining in the Russell 2000 index at the end of the performance period as follows:

1. The PSU Awards will increase by 25% if the Company's TSR is in the top quartile;
2. The PSU Awards will decrease by 25% if the Company's TSR is in the bottom quartile; and
3. The PSU Awards will not change if the Company's TSR is in the middle two quartiles.

The maximum number of PSU Awards, including the impact of the TSR performance, that can be earned for a performance period is 250% of the original award.

On February 12, 2020, the Compensation Committee offered, and the NEOs accepted, to settle the 2017 PSU Awards in cash.

In October 2018, the Company granted a special equity award to two NEOs ("7-Year Grant") consisting of PSU Awards that may be adjusted up to 200% based on the Company's relative TSR performance versus the Russell 2000 over a three-year period ended October 29, 2021, and service-based RSU awards, both of which vest in 25% annual increments over four years beginning on the fourth anniversary of the grant date, totaling seven years to be fully vested. The performance period ended on October 29, 2021, and the TSR performance was 200%.

The total compensation cost recognized for PSU Awards is determined using the Monte Carlo valuation methodology, which factors in the value of the TSR when determining the grant date fair value of the award. Compensation cost for the PSU Awards is recognized during the three-year performance and service period based on the probable achievement of the two performance criteria, with the exception of the 7-Year Grant, which compensation cost is recognized during the seven-year service period. All PSUs awards are converted into shares of our common stock at the time the award value is finalized.

A summary of the 2021 RSUs, and PSUs granted to certain NEOs, employees, and the Board of Directors is presented below (shares/units in thousands):

Grant Year	Award Type	Number of Units Awarded(1)	Vesting Terms
2021	RSU	63	Vest equally over three service periods ending in 2024
2021	PSU	27	Three-year performance and service period ending in 2023
2021	RSU	5	One year service period ending in 2022

(1) PSUs presented are based on the target number of units for the original PSU grant.

Activity for our RSAs, RSUs, and PSUs is presented below (shares/units in thousands):

	PSUs		RSAs and RSUs		Total	
(in thousands, except grant date values)	Number of Shares/Units	Weighted Average Grant Date Fair Value	Number of Shares/Units	Weighted Average Grant Date Fair Value	Number of Shares/Units	Weighted Average Grant Date Fair Value
Balance as of December 31, 2018	321	$ 65.77	275	$ 72.03	596	$ 68.66
Granted	58	$ 92.90	130	$ 94.42	188	$ 93.96
Performance adjustment[(1)]	87	$ 55.75	—	$ —	87	$ 55.75
Vested	(152)	$ 55.75	(135)	$ 68.15	(287)	$ 61.57
Canceled/forfeited	—	$ —	(5)	$ 77.59	(5)	$ 77.59
Balance as of December 31, 2019	314	$ 72.84	265	$ 85.07	579	$ 78.45
Granted	37	$ 182.45	94	$ 150.12	131	$ 159.30
Performance adjustment[(1)]	41	$ 90.73	—	$ —	41	$ 90.73
Vested	(90)	$ 90.73	(121)	$ 90.01	(211)	$ 90.32
Canceled/forfeited	—	$ —	(3)	$ 121.39	(3)	$ 121.39
Balance as of December 31, 2020	302	$ 83.40	235	$ 107.90	537	$ 94.14
Granted	27	$ 254.29	68	$ 211.11	95	$ 223.25
Performance adjustment[(1)]	258	$ 68.87	—	$ —	258	$ 68.87
Vested	(108)	$ 92.90	(112)	$ 121.77	(220)	$ 107.63
Canceled/forfeited	—	$ —	(12)	$ 160.42	(12)	$ 160.42
Balance as of December 31, 2021	479	$ 82.99	179	$ 135.01	658	$ 90.27

(1) Adjustment to number of target units awarded for PSUs based on achievement of underlying performance goals.

The fair value of shares and units vested was $45.4 million in 2021, and $36.9 million in 2020 and 2019.

A summary of total unrecognized stock-based compensation expense related to RSAs, RSUs, and PSUs (based on current performance estimates), at December 31, 2021 is presented below:

(in millions, except years)	December 31, 2021	Weighted Average Remaining Vesting Period (Years)
Unrecognized expense:		
RSU	$ 9.2	1.76
PSU	12.9	2.08
Total	$ 22.1	1.94

Employee Stock Purchase Plan

Under the Employee Stock Purchase Plan (the "ESP Plan"), we are authorized to sell, pursuant to short-term stock options, shares of our common stock to our full-time and qualifying part-time employees at a discount from our common stock's fair market value. The ESP Plan operates on the basis of recurring, consecutive one-year periods. Each period commences on August 1 and ends on the following July 31. Compensation expense related to the ESP Plan was not material for any year included in our accompanying consolidated statements of comprehensive income (loss).

13. DEBT

The following table presents our total debt outstanding:

	December 31, 2021		
(in millions)	Outstanding Principal	Issuance Costs and Fees	Long-Term Debt, Net
Term Loan B due 2024	$ 384.0	$ 2.4	$ 381.6
Term Loan B-1 due 2028	297.8	3.8	294.0
2027 Senior Notes	600.0	5.7	594.3
2028 Senior Notes	700.0	1.9	698.1
Total debt	1,981.8	13.8	1,968.0
Current maturities of long-term debt	7.0	—	7.0
Total debt, net of current maturities	$ 1,974.8	$ 13.8	$ 1,961.0

	December 31, 2020		
(in millions)	Outstanding Principal	Issuance Costs and Fees	Long-Term Debt, Net
Term Loan B due 2024	$ 388.0	$ 3.2	$ 384.8
Revolver	149.7	—	149.7
2027 Senior Notes	600.0	6.8	593.2
2028 Senior Notes	500.0	5.4	494.6
Total debt	1,637.7	15.4	1,622.3
Current maturities of long-term debt	4.0	—	4.0
Total debt, net of current maturities	$ 1,633.7	$ 15.4	$ 1,618.3

Credit Agreement

On December 27, 2017, we entered into a senior secured credit agreement (as amended, the "Credit Agreement") with a syndicate of lenders. The Credit Agreement provides for a $700.0 million senior secured revolving credit facility due 2024 (the "Revolver") and a $400.0 million senior secured term loan B due 2024 (the "Term Loan B"). Included in the maximum borrowing of $700.0 million under the Revolver is a letter of credit sub facility not to exceed $50.0 million and a swing line commitment up to a maximum principal amount of $50.0 million. The Company had $695.4 million available borrowing capacity, after consideration of $4.6 million in outstanding letters of credit, under the Revolver as of December 31, 2021. The Credit Agreement is collateralized by substantially all of the wholly-owned assets of the Company.

The Company capitalized $1.6 million of debt issuance costs associated with the Revolver which is being amortized as interest expense over the shorter of the respective debt period or 5 years. The Company also capitalized $5.1 million of debt issuance costs associated with the Term Loan B portion of the Credit Agreement which is being amortized as interest expense over the shorter of the respective debt period or 7 years.

The interest rates applicable to the Company’s borrowings under the Credit Agreement are LIBOR-based plus a spread, as determined by the Company's consolidated total net leverage ratio. The Term Loan B requires quarterly payments of 0.25% of the original $400.0 million balance, or $1.0 million per quarter. The Term Loan B may be subject to additional mandatory prepayment from excess cash flow on an annual basis per the provisions of the Credit Agreement. The Company is required to pay a commitment fee on the unused portion of the Revolver as determined by a pricing grid based on the consolidated total net secured leverage ratio of the Company. For the period ended December 31, 2021, the Company's commitment fee rate was 0.20%.

The Credit Agreement contains certain customary affirmative and negative covenants, which include limitations on liens, investments, indebtedness, dispositions, mergers and acquisitions, the making of restricted payments, changes in the nature of business, changes in fiscal year, and transactions with affiliates. The Credit Agreement also contains financial covenants providing for the maintenance of a maximum consolidated secured net leverage ratio (4.0 to 1.0 or 4.5 to 1.0 for the year following any permitted acquisition greater than $100.0 million) and the maintenance of a minimum consolidated interest coverage ratio of 2.5 to 1.0.

On March 16, 2020, the Company entered into the First Amendment to the Credit Agreement (the “First Amendment”). The First Amendment extended the maturity for the Company’s Revolver from December 27, 2022 to at least September 27, 2024, which is 91 days prior to the latest maturity date of the Company’s term loan facility on December 27, 2024. The First Amendment also lowered the upper limit of the applied spreads with respect to revolving loans from 2.25% to 1.75% and for commitment fees with respect thereto from 0.35% to 0.30% and provides a reduced pricing schedule for outstanding borrowings and commitment fees with respect to the Revolver across all other leverage pricing levels. The First Amendment did not alter the Company’s borrowing capacity. The Company capitalized $2.0 million of debt issuance costs associated with the First Amendment which will be amortized as interest expense over the remaining duration of the Revolver.

On April 28, 2020, the Company entered into a Second Amendment to the Credit Agreement (the “Second Amendment”). The Second Amendment (i) provided for a financial covenant relief period through the date on which the Company delivered the Company’s quarterly financial statements and compliance certificate for the fiscal quarter ending June 30, 2021, subject to certain exceptions (the “Financial Covenant Relief Period”), (ii) amended the definition of “Consolidated EBITDA” in the Credit Agreement with respect to the calculation of Consolidated EBITDA for the first two fiscal quarters after the termination of the Financial Covenant Relief Period, (iii) extended certain deadlines and made certain other amendments to the Company’s financial reporting obligations, (iv) placed certain restrictions on restricted payments during the Financial Covenant Relief Period, and (v) amended the definitions of “Material Adverse Effect” and “License Revocation” in the Credit Agreement to take into consideration COVID-19.

During the Financial Covenant Relief Period, the Company was not required to comply with the consolidated total secured net leverage ratio financial covenant and the interest coverage ratio financial covenant. The Company agreed to a minimum liquidity financial covenant that required the Company and restricted subsidiaries to maintain liquidity of at least $150.0 million during the Financial Covenant Relief Period. While the Second Amendment was in effect, the Company agreed to limit restricted payments to $26.0 million.

On February 1, 2021, the Company entered into the Third Amendment to the Credit Agreement to increase the restricted payments capacity during the Financial Covenant Relief Period, as defined in the Second Amendment, from $26.0 million to $226.0 million to accommodate a share repurchase from an affiliate of The Duchossois Group, Inc. The Company repurchased the shares using available cash and borrowings under the Company's Revolver.

On March 17, 2021, the Company entered into the Incremental Joinder Agreement No. 1 (the "Joinder") to its Credit Agreement which provided $300.0 million in New Term Loan Commitments ("Term Loan B-1") as a new tranche of term loans under the existing Credit Agreement (as conformed to recognize the new loan), and carries a maturity date of March 17, 2028. The Term Loan B-1 bears interest at LIBOR plus 200 basis points and requires quarterly payments of 0.25% of the original $300.0 million balance. The Term Loan B-1 may be subject to additional mandatory prepayment from excess cash flow on an annual basis per the provisions of the Credit Agreement. The Company capitalized $3.5 million of debt issuance costs associated with the Joinder which are being amortized as interest expense over the 7-year term of the Term Loan B-1.

The interest rate on the Revolver on December 31, 2021 was LIBOR plus 137.5 points based on the Revolver pricing grid in the Second Amendment and the Company's net leverage ratio as of September 30, 2021. The Term Loan B and Term Loan B-1 bears interest at LIBOR plus 200 basis points.

The Company was compliant with all applicable covenants on December 31, 2021.

2027 Senior Notes

On March 25, 2019, we completed an offering of $600.0 million in aggregate principal amount of 5.50% Senior Unsecured Notes that mature on April 1, 2027 (the "2027 Senior Notes") in a private offering to qualified institutional buyers pursuant to Rule 144A that is exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"), and to certain non-U.S. persons in accordance with Regulation S under the Securities Act. The 2027 Senior Notes were issued at par, with interest payable on April 1st and October 1st of each year, commencing on October 1, 2019. The Company used the net proceeds from the offering to repay our outstanding balance on the Credit Agreement. In connection with the offering, we capitalized $8.9 million of debt issuance costs which are being amortized as interest expense over the term of the 2027 Senior Notes.

The 2027 Senior Notes were issued pursuant to an indenture, dated March 25, 2019 (the "2027 Indenture"), among the Company, certain subsidiaries of the Company as guarantors (the "2027 Guarantors"), and U.S. Bank National Association, as trustee. The Company may redeem some or all of the 2027 Senior Notes at any time prior to April 1, 2022, at a price equal to 100% of the principal amount of the 2027 Senior Notes redeemed plus an applicable make-whole premium. On or after such date, the Company may redeem some or all of the 2027 Senior Notes at redemption prices set forth in the 2027 Indenture. At any time prior to April 1, 2022, the Company may redeem up to 40% of the aggregate principal amount of the 2027 Senior Notes at a redemption price equal to 105.5% of the principal amount thereof with the net cash proceeds of one or more equity offerings provided that certain conditions are met. The terms of the 2027 Indenture, among other things, limit the ability of the Company to: (i) incur additional debt and issue preferred stock; (ii) pay dividends or make other restricted payments; (iii) make certain investments; (iv) create liens; (v) allow restrictions on the ability of certain of our subsidiaries to pay dividends or make other payments; (vi) sell assets; (vii) merge or consolidate with other entities; and (viii) enter into transactions with affiliates.

In connection with the issuance of the 2027 Senior Notes, the Company and the 2027 Guarantors entered into a Registration Rights Agreement to register any 2027 Senior Notes under the Securities Act for resale that are not freely tradable 366 days from March 25, 2019.

2028 Senior Notes

On December 27, 2017, we completed an offering of $500.0 million in aggregate principal amount of 4.75% Senior Unsecured Notes that mature on January 15, 2028 (the "Existing 2028 Notes") in a private offering to qualified institutional buyers pursuant to Rule 144A that is exempt from registration under the Securities Act, and to certain non-U.S. persons in accordance with Regulation S under the Securities Act. The Existing 2028 Notes were issued at par, with interest payable on January 15th and July 15th of each year, commencing on July 15, 2018. The Company used the net proceeds from the offering to repay a portion of our $600.0 million 5.375% Senior Unsecured Notes (the "2021 Senior Notes"). In connection with the offering, we capitalized $7.7 million of debt issuance costs which are being amortized as interest expense over the term of the Existing 2028 Notes.

On March 17, 2021, the Company completed an offering of $200.0 million in aggregate principal amount of 4.75% Senior Unsecured Notes that mature on January 15, 2028 (the "Additional 2028 Notes") in a private offering to qualified institutional buyers pursuant to Rule 144A that is exempt from registration under the Securities Act, and to certain non-U.S. persons in accordance with Regulation S under the Securities Act. The Additional 2028 Notes were offered under the indenture dated as of December 27, 2017, governing the $500.0 million aggregate principal amount of 4.75% Senior Unsecured Notes due 2028 ("Existing 2028 Notes") and form a part of the same series for purposes of the indenture. In connection with the offering, we capitalized $3.4 million of debt issuance costs which are being amortized as interest expense over the term of the Additional 2028 Notes. Upon completion of this offering, the aggregate principal amount outstanding of the Existing 2028 Notes, together with the Additional 2028 Notes (collectively the "2028 Senior Notes"), is $700.0 million.

The Additional 2028 Notes were issued at 103.25% of the principal amount, plus interest deemed to have accrued from January 15, 2021, with interest payable on January 15th and July 15th of each year, commencing on July 15, 2021. The 2028 Senior Notes will vote as one class under the indenture governing the 2028 Senior Notes. The 3.25% premium will be amortized through interest expense, net over the term of the Additional 2028 Notes.

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

The 2028 Senior Notes were issued pursuant to an indenture, dated December 27, 2017 (the "2028 Indenture"), among the Company, certain subsidiaries of the Company as guarantors (the "2028 Guarantors"), and U.S. Bank National Association, as trustee. The Company may redeem some or all of the 2028 Senior Notes at any time prior to January 15, 2023, at a price equal to 100% of the principal amount of the Existing 2028 Notes redeemed plus an applicable make-whole premium. On or after such date, the Company may redeem some or all of the Existing 2028 Notes at redemption prices set forth in the 2028 Indenture. The terms of the 2028 Indenture, among other things, limit the ability of the Company to: (i) incur additional debt and issue preferred stock; (ii) pay dividends or make other restricted payments; (iii) make certain investments; (iv) create liens; (v) allow restrictions on the ability of certain of our subsidiaries to pay dividends or make other payments; (vi) sell assets; (vii) merge or consolidate with other entities; and (viii) enter into transactions with affiliates.

In connection with the issuance of the Additional 2028 Notes, the Company and the 2028 Guarantors entered into a Registration Rights Agreement to register any 2028 Senior Notes under the Securities Act for resale that are not freely tradable 366 days from March 17, 2021.

Future aggregate maturities of total debt are as follows (in millions):

Years Ended December 31,		
2022	$	7.0
2023		7.0
2024		379.0
2025		3.0
2026		3.0
Thereafter		1,582.8
Total	$	1,981.8

14. REVENUE FROM CONTRACTS WITH CUSTOMERS

Performance Obligations

As of December 31, 2021, our Live and Historical Racing segment had remaining performance obligations on contracts with a duration greater than one year relating to television rights, sponsorships, personal seat licenses, and admissions, with an aggregate transaction price of $111.3 million. The revenue we expect to recognize on these remaining performance obligations is $40.9 million in 2022, $29.0 million in 2023, $21.3 million in 2024, and the remainder thereafter.

As of December 31, 2021, our remaining performance obligations on contracts with a duration greater than one year in segments other than Live and Historical Racing were not material.

Contract Assets and Contract Liabilities

Contract assets were not material as of December 31, 2021 and 2020.

Contract liabilities were $64.9 million as of December 31, 2021 and $53.7 million as of December 31, 2020. Contract liabilities are included in current deferred revenue, non-current deferred revenue, and accrued expense and other current liabilities in the accompanying consolidated balance sheets. Contract liabilities primarily relate to our Live and Historical Racing segment and the increase was primarily due to 2022 Oaks and Derby ticket sales revenue. We recognized $33.0 million of revenue during the year ended December 31, 2021 that was included in the contract liabilities balance at December 31, 2020. We recognized $6.7 million of revenue during the year ended December 31, 2020 that was included in the contract liabilities balance at January 1, 2020.

Disaggregation of Revenue

In Note 22, Segment Information, the Company has included its disaggregated revenue disclosures as follows:

- For the Live and Historical Racing segment, revenue is disaggregated between racing facilities and HRM facilities given that our racing facilities revenues primarily revolve around live racing events while our HRM facilities revenues primarily revolve around historical racing events. This segment is also disaggregated by location given the geographic economic factors that affect the revenue of service offerings. Within the Live and Historical racing segment, revenue is further disaggregated between live and simulcast racing, historical racing, racing event-related services, and other services.

- For the TwinSpires segment, revenue is disaggregated between Horse Racing and Sports and Casino given that Horse Racing revenue is primarily related to online pari-mutuel wagering on live race events while Sports and Casino revenue relates to casino gaming service offerings. Within the TwinSpires segment, revenue is further disaggregated between live and simulcast racing, gaming, and other services.

- For the Gaming segment, revenue is disaggregated by location given the geographic economic factors that affect the revenue of Gaming service offerings. Within the Gaming segment, revenue is further disaggregated between live and simulcast racing, racing event-related services, gaming, and other services.

We believe that these disclosures depict how the amount, nature, timing, and uncertainty of cash flows are affected by economic factors.

15. OTHER BALANCE SHEET ITEMS

Accounts receivable

Accounts receivable is comprised of the following:

	December 31,	
(in millions)	2021	2020
Trade receivables	$ 7.6	$ 6.5
Simulcast and online wagering receivables	29.6	26.7
Other receivables	10.5	8.2
	47.7	41.4
Allowance for doubtful accounts	(5.4)	(4.9)
Total	$ 42.3	$ 36.5

We recognized bad debt expense of $3.2 million in 2021, $2.5 million in 2020 and $2.1 million in 2019.

Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consisted of the following:

	December 31,	
(in millions)	2021	2020
Account wagering deposits liability	$ 47.5	$ 38.1
Accrued salaries and related benefits	39.9	19.6
Purses payable	28.6	18.5
Accrued interest	23.9	19.2
Other	92.7	72.4
Total	$ 232.6	$ 167.8

16. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED AFFILIATES

Investments in and advances to unconsolidated affiliates as of December 31, 2021 and 2020 primarily consisted of a 61.3% interest in Rivers Des Plaines (as described further below), a 50% interest in Miami Valley Gaming ("MVG"), and other immaterial joint ventures.

Rivers Des Plaines

On March 5, 2019, the Company completed the acquisition of certain ownership interests of Midwest Gaming, the parent company of Rivers Casino Des Plaines ("Rivers Des Plaines") to acquire approximately 42% of Midwest Gaming from affiliates and co-investors of Clairvest Group Inc. ("Clairvest") and members of High Plaines Gaming, LLC ("High Plaines"), an affiliate of Rush Street Gaming, LLC and Casino Investors, LLC ("Casino Investors") for cash consideration of approximately $406.6 million and $3.5 million of certain transaction costs and working capital adjustments (the "Sale Transaction"). Following the closing of the Sale Transaction, the parties completed a recapitalization transaction on March 6, 2019 (the "Recapitalization"), pursuant to which Midwest Gaming used approximately $300.0 million in proceeds from amended and extended credit facilities to redeem, on a pro rata basis, additional Midwest Gaming units held by High Plaines and Casino Investors. As a result of the Recapitalization, the Company's ownership of Midwest Gaming increased to 61.3%. High Plaines retained ownership of 36.0% of Midwest Gaming and Casino Investors retained ownership of 2.7% of Midwest Gaming.

We also recognized a $103.2 million deferred tax liability and a corresponding increase in our investment in unconsolidated affiliates related to an entity we acquired in conjunction with our acquisition of the Clairvest ownership stake in Midwest Gaming.

A new limited liability company agreement was entered into by the members of Midwest Gaming as a result of the change in ownership structure. Under the new limited liability company agreement, both the Company and High Plaines have participating rights over Midwest Gaming, and both must consent to Midwest Gaming's operating, investing and financing decisions. As a result, we account for Midwest Gaming using the equity method.

The Company’s investment in Midwest Gaming is presented at our initial cost of investment plus the Company's accumulated proportional share of income or loss, including depreciation/accretion of the difference in the historical basis of the Company’s contribution, less any distributions it has received. Following the Sale Transaction and Recapitalization, the carrying value of the Company’s investment in Midwest Gaming was $835.0 million higher than the Company’s underlying equity in the net assets of Midwest Gaming. This equity method basis difference was comprised of $853.7 million related to goodwill and indefinite-lived intangible assets, $(13.7) million related to non-depreciable land, $(9.5) million related to buildings that will be accreted into income over a weighted average useful life of 35.3 years, and $4.5 million related to personal property that will be depreciated over a weighted average useful life of 3.7 years. As of December 31, 2021, the net aggregate basis difference between the Company’s investment in Midwest Gaming and the amounts of the underlying equity in net assets was $832.3 million.

Our investment in Rivers Des Plaines was $554.8 million as of December 31, 2021 and $519.0 million as of December 31, 2020. The Company received distributions from Rivers Des Plaines of $67.2 million in 2021, $10.7 million in 2020 and $14.2 million in 2019.

Miami Valley Gaming

Delaware North Companies Gaming & Entertainment Inc. ("DNC") owns the remaining 50% interest in MVG. Since both we and DNC have participating rights over MVG, and both must consent to MVG's operating, investing and financing decisions, we account for MVG using the equity method.

Our investment in MVG was $108.7 million as of December 31, 2021 and $110.7 million as of December 31, 2020. The Company received distributions from MVG of $42.0 million in 2021, $20.0 million in 2020 and $23.8 million in 2019.

Summarized Financial Results for our Unconsolidated Affiliates

The financial results for our unconsolidated affiliates are summarized below. The summarized income statement information for 2021 and 2020 and summarized balance sheet information as of December 31, 2021 and 2020 includes the following equity investments: MVG, Rivers Des Plaines, and other immaterial joint ventures. The summarized income statement information for 2019 includes the following equity investments: MVG, Rivers Des Plaines from the transaction date of March 5, 2019, and other immaterial joint ventures.

	December 31,	
(in millions)	**2021**	**2020**
Assets		
Current assets	$ 96.0	$ 132.8
Property and equipment, net	312.3	267.5
Other assets, net	264.1	244.9
Total assets	$ 672.4	$ 645.2
Liabilities and Members' Deficit		
Current liabilities	$ 95.3	$ 133.5
Long-term debt	786.9	753.5
Other liabilities	20.6	42.3
Members' deficit	(230.4)	(284.1)
Total liabilities and members' deficit	$ 672.4	$ 645.2

	Years Ended December 31,		
(in millions)	**2021**	**2020**	**2019**
Net revenue	$ 740.0	$ 386.3	$ 585.5
Operating and SG&A expense	434.2	252.1	411.4
Depreciation and amortization	17.6	17.0	13.0
Operating income	288.2	117.2	161.1
Interest and other expense, net	(38.6)	(63.1)	(67.0)
Net income	$ 249.6	$ 54.1	$ 94.1

17. LEASES

Our operating leases with terms greater than one year are primarily related to buildings and land. Our operating leases with terms less than one year are primarily related to equipment. Most of our building and land leases have terms of 2 to 10 years and include one or more options to renew, with renewal terms that can extend the lease term from 1 to 5 years or more. Certain of our lease agreements include lease payments based on a percentage of net gaming revenue and others include rental payment adjustments periodically for inflation. The estimated discount rate for each of our leases is determined based on adjustments made to our secured debt borrowing rate.

The components of total lease cost were as follows:

	Years Ended December 31,	
(in millions)	**2021**	**2020**
Short-term lease cost (a) (b)	$ 11.1	$ 6.5
Operating lease cost (b)	7.8	6.6
Finance lease interest expense	0.3	0.1
Finance lease amortization expense (b)	0.5	0.2
Total lease cost	$ 19.7	$ 13.4

(a) Includes leases with terms of one month or less.

(b) Includes variable lease costs, which were not material.

Supplemental cash flow information related to leases are as follows:

(in millions)	Years Ended December 31, 2021	Years Ended December 31, 2020
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 6.5	$ 6.0
Operating cash flows from finance leases	$ 0.3	$ 0.1
Financing cash flows from finance lease	$ 0.2	$ 0.1
ROUAs obtained in exchange for lease obligations		
Operating leases	$ 9.8	$ 2.8
Finance leases	$ 4.4	$ 5.1

Other information related to operating leases was as follows:

	December 31, 2021	December 31, 2020
Weighted Average Remaining Lease Term		
Operating leases	5.9 years	5.9 years
Finance leases	16.0 years	18.4 years
Weighted Average Discount Rate		
Operating leases	3.5 %	3.8 %
Finance leases	3.3 %	2.9 %

As of December 31, 2021, the future undiscounted cash flows associated with the Company's operating and financing lease liabilities were as follows:

(in millions) **Years Ended December 31,**	**Operating Leases**	**Finance Leases**
2022	$ 5.9	$ 0.8
2023	5.4	0.8
2024	5.2	0.8
2025	4.8	0.8
2026	4.6	0.8
Thereafter	4.9	9.6
Total future minimum lease payments	30.8	13.6
Less: Imputed interest	3.1	3.3
Present value of lease liabilities	$ 27.7	$ 10.3
Reported lease liabilities as of December 31, 2021		
Accrued expense and other current liabilities (current maturities of leases)	$ 5.3	$ 0.4
Other liabilities (non-current maturities of leases)	22.4	9.9
Present value of lease liabilities	$ 27.7	$ 10.3

18. BOARD OF DIRECTOR AND EMPLOYEE BENEFIT PLANS

Board of Directors and Officers Retirement Plan

Under the 2005 Deferred Compensation Plan (the "Deferred Plan"), members of our Board of Directors may elect to invest the deferred director fee compensation into our common stock within the Deferred Plan. Investments in our common stock are credited as hypothetical shares of common stock based on the market price of the stock at the time the compensation was earned. Upon the end of the director's service, common stock shares are issued to the director.

Prior to December 13, 2019, we provided eligible executives the opportunity to defer the receipt of base and bonus compensation to a future date and included a Company matching contribution on base compensation with certain limits through the Deferred Plan. On December 13, 2019, the Compensation Committee elected to freeze the Deferred Plan for eligible executives after the 2019 plan year.

On December 13, 2019, the Compensation Committee adopted the Churchill Downs Incorporated Restricted Stock Unit Deferral Plan, effective January 1, 2020 (the “RSU Deferral Plan”). Under the RSU Deferral Plan, certain individual employees who are management or highly compensated employees of the Company may elect to defer settlement of RSUs granted pursuant to the 2016 Plan.

Other Retirement Plans

We have a profit-sharing plan for all employees with three months or more of service who are not otherwise participating in an associated profit-sharing plan. We match contributions made by employees up to 3% of the employee’s annual compensation and match at 50% any contributions made by the employee up to an additional 2% of compensation with certain limits. We may also contribute a discretionary amount determined annually by the Board of Directors as well as a year-end discretionary match not to exceed 4% of compensation. Our cash contribution to the plan was $4.1 million in 2021, $3.7 million in 2020, and $4.1 million in 2019.

We are a member of a noncontributory defined benefit multi-employer retirement plan for all members of the Pari-mutuel Clerk’s Union of Kentucky and several other collectively bargained retirement plans, which are administered by unions. Cash contributions are made in accordance with negotiated labor contracts. Retirement plan expense was $0.7 million in 2021,$0.3 million in 2020, and $0.6 million in 2019. Our policy is to fund this expense as accrued, and we currently estimate that future contributions to these plans will not increase significantly from prior years.

19. FAIR VALUE OF ASSETS AND LIABILITIES

We endeavor to utilize the best available information in measuring fair value. Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate:

Restricted Cash

Our restricted cash accounts that are held in interest-bearing accounts qualify for Level 1 in the fair value hierarchy, which includes unadjusted quoted market prices in active markets for identical assets.

Debt

The fair value of the Company’s 2028 Senior Notes and 2027 Senior Notes are estimated based on unadjusted quoted prices for identical or similar liabilities in markets that are not active and as such are Level 2 measurements. The fair value of the Company's Senior Secured Term Loan B, Term Loan B-1, and Revolver under the Credit Agreement approximate the gross carrying value of the variable rate debt and as such are Level 2 measurements.

The carrying amounts and estimated fair values by input level of the Company's financial instruments are as follows:

	December 31, 2021				
(in millions)	**Carrying Amount**	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial assets:					
Restricted cash	$ 64.3	$ 64.3	$ 64.3	$ —	$ —
Financial liabilities:					
Term Loan B	$ 381.6	$ 384.0	$ —	$ 384.0	$ —
Term Loan B-1	294.0	297.8	—	297.8	—
2027 Senior Notes	594.3	619.5		619.5	
2028 Senior Notes	698.1	724.5	—	724.5	—

	December 31, 2020				
(in millions)	**Carrying Amount**	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial assets:					
Restricted cash	$ 53.6	$ 53.6	$ 53.6	$ —	$ —
Financial liabilities:					
Term Loan B	384.8	388.0	—	388.0	$ —
Revolver	149.7	149.7	—	149.7	—
2027 Senior Notes	593.2	635.2	—	635.2	—
2028 Senior Notes	494.6	526.9	—	526.9	—

20. CONTINGENCIES

We are involved in litigation arising in the ordinary course of conducting business. We carry insurance for workers' compensation claims from our employees and general liability for claims from independent contractors, customers and guests. We are self-insured up to an aggregate stop loss for our general liability and workers' compensation coverages.

We review all litigation on an ongoing basis when making accrual and disclosure decisions. For certain legal proceedings, we cannot reasonably estimate losses or a range of loss, if any, particularly for proceedings that are in the early stages of development or where the plaintiffs seek indeterminate damages. Various factors, including but not limited to, the outcome of potentially lengthy discovery and the resolution of important factual questions, may need to be determined before probability can be established or before a loss or range of loss can be reasonably estimated. In accordance with current accounting standards for loss contingencies and based upon information currently known to us, we establish reserves for litigation when it is probable that a loss associated with a claim or proceeding has been incurred and the amount of the loss or range of loss can be reasonably estimated. When no amount within the range of loss is a better estimate than any other amount, we accrue the minimum amount of the estimable loss. To the extent that such litigation against us may have an exposure to a loss in excess of the amount we have accrued, we believe that such excess would not be material to our consolidated financial condition, results of operations, or cash flows. Legal fees are expensed as incurred.

If the loss contingency in question is not both probable and reasonably estimable, we do not establish an accrual and the matter will continue to be monitored for any developments that would make the loss contingency both probable and reasonably estimable. In the event that a legal proceeding results in a substantial judgment against, or settlement by us, there can be no assurance that any resulting liability or financial commitment would not have a material adverse impact on our business.

21. NET INCOME (LOSS) PER COMMON SHARE COMPUTATIONS

The following is a reconciliation of the numerator and denominator of the net income (loss) per common share computations:

	Years Ended December 31,		
(in millions, except per share data)	2021	2020	2019
Numerator for basic net income (loss) per common share:			
Net income from continuing operations	$ 249.1	$ 13.3	$ 139.6
Net loss attributable to noncontrolling interest	—	(0.2)	(0.3)
Net income from continuing operations, net of loss attributable to noncontrolling interests	249.1	13.5	139.9
Net loss from discontinued operations	—	(95.4)	(2.4)
Numerator for basic net income (loss) per common share	$ 249.1	$ (81.9)	$ 137.5
Numerator for diluted net income from continuing operations per common share	$ 249.1	$ 13.5	$ 139.9
Numerator for diluted net income (loss) per common share	$ 249.1	$ (81.9)	$ 137.5
Denominator for net income (loss) per common share:			
Basic	38.6	39.6	40.1
Plus dilutive effect of stock awards	0.6	0.5	0.5
Diluted	39.2	40.1	40.6
Net income (loss) per common share data:			
Basic			
Continuing operations	$ 6.45	$ 0.34	$ 3.49
Discontinued operations	$ —	$ (2.41)	$ (0.06)
Net income (loss) per common share - basic	$ 6.45	$ (2.07)	$ 3.43
Diluted			
Continuing operations	$ 6.35	$ 0.33	$ 3.44
Discontinued operations (1)	$ —	$ (2.41)	$ (0.06)
Net income (loss) per common share - diluted	$ 6.35	$ (2.08)	$ 3.38

(1) Amounts exclude all potential common equivalent shares for periods when there is a net loss from discontinued operations.

22. SEGMENT INFORMATION

We manage our operations through three reportable segments: Live and Historical Racing, TwinSpires, and Gaming. Refer to Note 1, Description of Business, for additional information regarding the changes we made to our segments during the first quarter of 2021. Prior year amounts have been reclassified to conform to this presentation. Our operating segments reflect the internal management reporting used by our chief operating decision maker to evaluate results of operations and to assess performance and allocate resources.

- ***Live and Historical Racing***

  The Live and Historical Racing segment includes live and historical pari-mutuel racing related revenue and expenses at Churchill Downs Racetrack, Derby City Gaming, Oak Grove, Turfway Park, and Newport.

  Churchill Downs Racetrack is the home of the Kentucky Derby and conducts live racing during the year. Derby City Gaming is a historical racing machine facility that operates under the Churchill Downs pari-mutuel racing license at its ancillary training facility in Louisville, Kentucky. Oak Grove conducts live harness racing during the year and operates an HRM facility under its pari-mutuel racing license. Turfway Park conducts live racing during the year, and Newport is an ancillary HRM facility that operates under the Turfway Park pari-mutuel racing license.

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

- ***TwinSpires***

  The TwinSpires segment includes the revenue and expenses for the online horse racing and the online and retail sports betting and iGaming wagering business.

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

  Our sports betting and iGaming business includes the retail and online TwinSpires sports betting and online casino gaming operations.

  Our TwinSpires Sports and Casino business operates our sports betting platform in multiple states, including Colorado, Indiana, Maryland, Michigan, Mississippi, New Jersey, Pennsylvania, Tennessee, and Arizona. Our casino iGaming platform is operated in Michigan, New Jersey, and Pennsylvania. The Sports and Casino business includes the results of mobile sports betting, online sports betting, casino iGaming, and our retail sportsbooks. We operate eight retail sportsbooks in Colorado, Indiana, Maryland, Michigan, Arizona, Pennsylvania, and Mississippi, four of which operate under a third party's casino license. River Casino Des Plaines ("Rivers Des Plaines") retail and online BetRivers sportsbook is included in the Gaming segment.

- ***Gaming***

  The Gaming segment includes revenue and expenses for the casino properties and associated racetrack or jai alai facilities which support the casino license as applicable. The Gaming segment has approximately 11,000 slot machines and video lottery terminals ("VLTs") and 200 table games located in eight states.

  The Gaming segment revenue and expenses includes the following properties:

  - Calder
  - Fair Grounds and VSI
  - Harlow's
  - Lady Luck Casino Nemacolin management agreement
  - Ocean Downs
  - Oxford Casino and Hotel ("Oxford")
  - Presque Isle
  - Riverwalk

  The Gaming segment also includes net income for our ownership portion of the Company's equity investments in the following:

  - 61.3% equity investment in Midwest Gaming, the parent company of Rivers Des Plaines in Des Plaines, Illinois
  - 50% equity investment in MVG

  The Gaming segment generates revenue and expenses from slot machines, table games, VLTs, video poker, ancillary food and beverage services, hotel services, commission on pari-mutuel wagering, racing event-related services, and / or other miscellaneous operations.

We have aggregated the following businesses as well as certain corporate operations, and other immaterial joint ventures in "All Other" to reconcile to consolidated results:

- Arlington
- United Tote
- Corporate

Eliminations include the elimination of intersegment transactions. We utilize non-GAAP measures, including EBITDA (earnings before interest, taxes, depreciation and amortization) and Adjusted EBITDA. Our chief operating decision maker utilizes Adjusted EBITDA to evaluate segment performance, develop strategy and allocate resources. Adjusted EBITDA includes the following adjustments:

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

Adjusted EBITDA excludes:

- Transaction expense, net which includes:
  - Acquisition, disposition, and land sale related charges; and
  - Other transaction expense, including legal, accounting, and other deal-related expense;
- Stock-based compensation expense;
- Rivers Des Plaines' impact on our investments in unconsolidated affiliates from:
  - The impact of changes in fair value of interest rate swaps; and
  - Legal reserves and transaction costs;
- Asset impairments;
- Legal reserves;
- Pre-opening expense; and
- Other charges, recoveries and expenses

We utilize the Adjusted EBITDA metric to provide a more accurate measure of our core operating results and enable management and investors to evaluate and compare from period to period our operating performance in a meaningful and consistent manner. Adjusted EBITDA should not be considered as an alternative to operating income as an indicator of performance, as an alternative to cash flows from operating activities as a measure of liquidity, or as an alternative to any other measure provided in accordance with GAAP. Our calculation of Adjusted EBITDA may be different from the calculation used by other companies and, therefore, comparability may be limited. For segment reporting, Adjusted EBITDA includes intercompany revenue and expense totals that are eliminated in the accompanying consolidated statements of comprehensive income (loss).

The tables below present net revenue from external customers and intercompany revenue from each of our segments, Adjusted EBITDA by segment and reconciles comprehensive income to Adjusted EBITDA:

	Years Ended December 31,		
(in millions)	**2021**	**2020**	**2019**
Net revenue from external customers:			
Live and Historical Racing:			
Churchill Downs Racetrack	$ 128.1	$ 63.3	$ 187.6
Derby City Gaming	154.3	79.5	86.6
Oak Grove	100.7	16.6	—
Turfway Park	8.1	7.1	2.5
Newport	17.9	3.1	—
Total Live and Historical Racing	409.1	169.6	276.7
TwinSpires:			
Horse Racing	396.9	403.2	289.9
Sports and Casino	34.8	11.3	5.7
Total TwinSpires	431.7	414.5	295.6
Gaming:			
Fair Grounds and VSI	133.6	97.6	123.0
Presque Isle	119.6	73.1	137.5
Ocean Downs	100.6	60.2	85.9
Calder	100.0	51.8	99.8
Oxford Casino	99.8	44.9	101.7
Riverwalk Casino	61.2	46.3	56.1
Harlow's Casino	56.1	40.7	54.0
Lady Luck Nemacolin	24.5	20.7	29.3
Total Gaming	695.4	435.3	687.3
All Other	61.0	34.6	70.1
Net revenue from external customers	$ 1,597.2	$ 1,054.0	$ 1,329.7
Intercompany net revenues:			
Live and Historical Racing:			
Churchill Downs Racetrack	$ 19.9	$ 17.8	$ 15.2
Turfway Park	1.6	1.4	0.3
Total Live and Historical Racing	21.5	19.2	15.5
TwinSpires	1.4	1.5	1.1
Gaming:			
Fair Grounds and VSI	2.6	2.3	1.9
Presque Isle	0.3	0.2	0.4
Calder	0.1	—	0.1
Total Gaming	3.0	2.5	2.4
All Other	12.9	11.8	11.3
Eliminations	(38.8)	(35.0)	(30.3)
Intercompany net revenue	$ —	$ —	$ —

	Year Ended December 31, 2021					
(in millions)	Live and Historical Racing	TwinSpires	Gaming	Total Segments	All Other	Total
Net revenue from external customers						
Pari-mutuel:						
Live and simulcast racing	$ 64.0	$ 380.7	$ 28.2	$ 472.9	$ 29.7	$ 502.6
Historical racing[a]	253.0	—	—	253.0	—	253.0
Racing event-related services	68.5	—	1.2	69.7	7.0	76.7
Gaming[a]	—	34.8	622.0	656.8	—	656.8
Other[a]	23.6	16.2	44.0	83.8	24.3	108.1
Total	$ 409.1	$ 431.7	$ 695.4	$ 1,536.2	$ 61.0	$ 1,597.2

	Year Ended December 31, 2020					
(in millions)	Live and Historical Racing	TwinSpires	Gaming	Total Segments	All Other	Total
Net revenue from external customers						
Pari-mutuel:						
Live and simulcast racing	$ 46.5	$ 387.5	$ 22.9	$ 456.9	$ 18.2	$ 475.1
Historical racing[a]	93.6	—	—	93.6	—	93.6
Racing event-related services	21.0	—	3.4	24.4	0.3	24.7
Gaming[a]	—	11.3	381.3	392.6	—	392.6
Other[a]	8.5	15.7	27.7	51.9	16.1	68.0
Total	$ 169.6	$ 414.5	$ 435.3	$ 1,019.4	$ 34.6	$ 1,054.0

	Year Ended December 31, 2019					
(in millions)	Live and Historical Racing	TwinSpires	Gaming	Total Segments	All Other	Total
Net revenue from external customers						
Pari-mutuel:						
Live and simulcast racing	$ 61.1	$ 277.1	$ 30.7	$ 368.9	$ 39.0	$ 407.9
Historical racing[a]	81.6	—	—	81.6	—	81.6
Racing event-related services	118.6	—	4.1	122.7	5.7	128.4
Gaming[a]	—	5.7	580.1	585.8	—	585.8
Other[a]	15.4	12.8	72.4	100.6	25.4	126.0
Total	$ 276.7	$ 295.6	$ 687.3	$ 1,259.6	$ 70.1	$ 1,329.7

(a) Food and beverage, hotel, and other services furnished to customers for free as an inducement to wager or through the redemption of our customers' loyalty points are recorded at the estimated standalone selling prices in Other revenue with a corresponding offset recorded as a reduction in historical racing pari-mutuel revenue for HRMs or gaming revenue for our casino properties. These amounts were $20.9 million in 2021, $13.1 million in 2020, and $33.4 million in 2019.

Adjusted EBITDA by segment is comprised of the following:

	Year Ended December 31, 2021		
(in millions)	Live and Historical Racing	TwinSpires	Gaming
Net revenue	$ 430.6	$ 433.1	$ 698.4
Taxes and purses	(126.3)	(30.6)	(264.4)
Marketing and advertising	(12.9)	(49.4)	(11.8)
Salaries and benefits	(48.4)	(13.9)	(87.1)
Content expense	(2.5)	(206.6)	(4.7)
Selling, general and administrative expense	(12.8)	(9.2)	(27.9)
Other operating expense	(53.0)	(45.4)	(72.3)
Other income	0.3	—	181.7
Adjusted EBITDA	$ 175.0	$ 78.0	$ 411.9

	Year Ended December 31, 2020		
(in millions)	Live and Historical Racing	TwinSpires	Gaming
Net revenue	$ 188.8	$ 416.0	$ 437.8
Taxes and purses	(64.1)	(25.1)	(171.6)
Marketing and advertising	(6.2)	(16.5)	(7.5)
Salaries & benefits	(32.5)	(13.0)	(75.9)
Content expense	(1.5)	(202.7)	(3.5)
Selling, general and administrative expense	(8.7)	(8.8)	(25.4)
Other operating expense	(36.8)	(37.1)	(59.7)
Other income	0.1	0.1	78.9
Adjusted EBITDA	$ 39.1	$ 112.9	$ 173.1

	Year Ended December 31, 2019		
(in millions)	Live and Historical Racing	TwinSpires	Gaming
Net revenue	$ 292.2	$ 296.7	$ 689.7
Taxes and purses	(68.7)	(16.2)	(269.4)
Marketing and advertising	(7.1)	(12.3)	(21.4)
Salaries & benefits	(32.8)	(11.4)	(103.3)
Content expense	(2.6)	(152.2)	(5.3)
Selling, general and administrative expense	(8.3)	(7.1)	(29.1)
Other operating expense	(37.3)	(28.2)	(83.6)
Other income	0.2	—	100.3
Adjusted EBITDA	$ 135.6	$ 69.3	$ 277.9

(in millions)	Years Ended December 31, 2021	2020	2019
Reconciliation of Comprehensive Income (Loss) to Adjusted EBITDA:			
Net income (loss) and comprehensive income (loss) attributable to Churchill Downs Incorporated	$ 249.1	$ (81.9)	$ 137.5
Net loss attributable to noncontrolling interest	—	0.2	0.3
Net income (loss)	249.1	(82.1)	137.2
Loss from discontinued operations, net of tax	—	95.4	2.4
Income from continuing operations, net of tax	249.1	13.3	139.6
Additions:			
Depreciation and amortization	103.2	92.9	96.4
Interest expense	84.7	80.0	70.9
Income tax provision (benefit)	94.5	(5.3)	56.8
EBITDA	$ 531.5	$ 180.9	$ 363.7
Adjustments to EBITDA:			
Selling, general and administrative:			
Stock-based compensation expense	$ 27.8	$ 23.7	$ 23.8
Legal reserves	—	—	3.6
Other charges	0.2	0.8	0.4
Pre-opening expense and other expense	5.8	11.2	5.1
Other income, expense:			
Interest, depreciation and amortization expense related to equity investments	41.5	38.5	32.6
Changes in fair value of Rivers Des Plaines' interest rate swaps	(12.9)	12.9	12.4
Rivers Des Plaines' legal reserves and transactions costs	9.9	—	4.7
Other charges and recoveries, net	—	—	(0.2)
Transaction expense, net	7.9	1.0	5.3
Asset impairments	15.3	17.5	—
Total adjustments to EBITDA	95.5	105.6	87.7
Adjusted EBITDA	$ 627.0	$ 286.5	$ 451.4
Adjusted EBITDA by segment:			
Live and Historical Racing	$ 175.0	$ 39.1	$ 135.6
TwinSpires	78.0	112.9	69.3
Gaming	411.9	173.1	277.9
Total segment Adjusted EBITDA	664.9	325.1	482.8
All Other	(37.9)	(38.6)	(31.4)
Total Adjusted EBITDA	$ 627.0	$ 286.5	$ 451.4

The table below presents total asset information for each of our segments:

	December 31,	
(in millions)	**2021**	**2020**
Total assets:		
Live and Historical Racing	$ 682.7	$ 663.1
TwinSpires	271.8	257.2
Gaming	1,003.3	950.3
Total segment assets	1,957.8	1,870.6
All Other	1,023.8	815.8
	$ 2,981.6	$ 2,686.4

The table below presents total capital expenditures for each of our segments:

	Years Ended December 31,		
(in millions)	**2021**	**2020**	**2019**
Capital expenditures:			
Live and Historical Racing	$ 60.1	$ 213.3	$ 77.7
TwinSpires	17.4	6.6	9.7
Gaming	10.3	11.6	37.1
Total segment capital expenditures	87.8	231.5	124.5
All Other	4.0	2.7	6.7
Total capital expenditures	$ 91.8	$ 234.2	$ 131.2

23. RELATED PARTY TRANSACTIONS

Directors and employees may from time to time own or have interests in horses racing at our racetracks. All such races are conducted under the regulations of each state’s respective regulatory agency, as applicable, and no director or employee receives any extra or special benefit with regard to having his or her horses selected to run in races or in connection with the actual running of races. There is no material financial statement impact attributable to directors or employees who may have interests in horses racing at our racetracks.

In the ordinary course of business, we may enter into transactions with certain of our officers and directors for the sale of personal seat licenses, suite accommodations, and tickets for our live racing events. We believe that each such transaction has been on terms no less favorable for us than could have been obtained in a transaction with a third party, and no officer or director received any extra or special benefit in connection with such transactions.

Stock Repurchase Agreement

On February 1, 2021, the Company entered into an agreement (the “Stock Repurchase Agreement”) with an affiliate of TDG to repurchase 1,000,000 shares of the Company’s common stock for $193.94 per share in a privately negotiated transaction. The aggregate purchase price was $193.9 million. The Stock Repurchase Agreement contains customary representations, warranties and covenants of the parties.

The repurchase of shares of common stock from TDG pursuant to the Stock Repurchase Agreement was approved by the Company's Board of Directors separately from, and will not reduce the authorized amount remaining under, the existing common stock repurchase program from October 2018. The Company repurchased the shares using available cash and borrowings under the Revolver.

Amendment to Credit Agreement

Also, on February 1, 2021, the Company entered into an amendment (the “Third Amendment”) to the Credit Agreement. The Third Amendment increased the amount of certain otherwise restricted payments permitted during the Financial Covenant Relief Period from $26.0 million to $226.0 million to accommodate the repurchase of shares of common stock from TDG described above.

24. SUBSEQUENT EVENTS

On February 18, 2022, the Company entered into a definitive purchase agreement to acquire substantially all of the assets of Peninsula Pacific Entertainment LLC ("P2E") for total consideration of $2.485 billion (the "Purchase Agreement") (collectively, the "P2E Transaction"). The Purchase Agreement contemplates the acquisition by the Company of the following properties: Colonial Downs Racetrack in New Kent, Virginia ("Colonial Downs"), six historical racing entertainment venues across Virginia, del Lago Resort & Casino ("del Lago") in Waterloo, New York, and the operations of Hard Rock Hotel & Casino in Sioux City, Iowa (“Hard Rock Sioux City”).

The P2E Transaction is dependent on customary closing conditions, including the Company obtaining approvals from the Virginia Racing Commission, the New York State Gaming Commission, and the Iowa Racing and Gaming Commission. The transaction is expected to close by the end of 2022.

Either the Company or P2E may terminate the Purchase Agreement if the closing has not occurred prior to the date that is nine months after signing the Purchase Agreement, subject to the ability of either party to elect to extend such date for an additional four months in certain circumstances. If certain required regulatory approvals are not obtained and the Purchase Agreement is terminated, the Company may have to pay a Regulatory Termination Fee of up to $137.5 million. If the Company does not secure the financing required to fund the consideration payable under the Purchase Agreement and the Purchase Agreement is terminated, the Company may have to pay a Termination Fee of up to $330.0 million.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Churchill Downs Incorporated

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Churchill Downs Incorporated and its subsidiaries (the “Company”) as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive income (loss), of shareholders' equity and of cash flows for each of the three years in the period ended December 31, 2021, including the related notes and schedule of valuation and qualifying accounts for each of the three years in the period ended December 31, 2021 appearing under Item 15(a)(2) (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Impairment Assessment for the Presque Isle Indefinite-Lived Gaming Rights Intangible Asset

As described in Notes 2, 8, and 9 to the consolidated financial statements, the Company’s indefinite-lived gaming rights intangible assets balance was $288.2 million as of December 31, 2021, of which $62.6 million relates to the Presque Isle indefinite-lived gaming rights intangible asset. Management performs an annual review for impairment as of April 1 of each fiscal year for its indefinite-lived intangible assets, or more frequently if events or circumstances indicate that it is more likely than not the relevant asset may be impaired. The fair value of the Presque Isle indefinite-lived gaming rights intangible asset was determined by management using the Greenfield Method, which is an income approach methodology that calculates the present value based on a projected cash flow stream. The primary inputs used by management in the estimation of the fair value of the Presque Isle indefinite-lived gaming rights intangible asset included estimated future revenue, operating expenses, start-up costs, and discount rate.

The principal considerations for our determination that performing procedures relating to the impairment assessment for the Presque Isle indefinite-lived gaming rights intangible asset is a critical audit matter are (i) the high degree of auditor judgment and subjectivity in performing procedures relating to the fair value measurement of the gaming rights indefinite-lived intangible asset due to the significant judgment by management when developing the fair value estimate; (ii) significant audit effort in evaluating the significant assumptions related to estimated future revenue and discount rate; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the intangible asset impairment assessment, including controls over management’s valuation of the Presque Isle indefinite-lived gaming rights intangible asset. These procedures also included, among others, testing management’s process for developing the fair value of the Presque Isle indefinite-lived gaming rights intangible asset; evaluating the appropriateness of the Greenfield Method; testing the completeness and accuracy of underlying data used in the Greenfield Method; and evaluating the reasonableness of significant assumptions used by management related to estimated future revenue and discount rate. Evaluating management’s assumption related to estimated future revenue involved evaluating whether the assumption used was reasonable considering the current and past performance of Presque Isle and relevant third-party economic and industry data. Professionals with specialized skill and knowledge were used to assist in evaluating the appropriateness of the Greenfield Method and evaluating the reasonableness of the discount rate assumption.

/s/ PricewaterhouseCoopers LLP
Louisville, Kentucky
February 23, 2022

We have served as the Company’s auditor since 1990.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in our reports that we filed or submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

As required by the Securities and Exchange Commission Rule 13a-15(e), we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2021. Based upon the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There has been no change in our internal controls over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Our process for evaluating controls and procedures is continuous and encompasses constant improvement of the design and effectiveness of established controls and procedures.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting of Churchill Downs Incorporated, as defined in Rules 13a-15(f) or 15d-15(f) under the Securities Exchange Act of 1934, as amended. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of Churchill Downs Incorporated's internal control over financial reporting based upon the framework in the *Integrated Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon our evaluation under the framework in the *Internal Control-Integrated Framework (2013)* management has concluded that Churchill Downs Incorporated's internal control over financial reporting was effective as of December 31, 2021.

/s/ William C. Carstanjen	/s/ Marcia A. Dall	/s/ Chad E. Dobson
William C. Carstanjen	Marcia A. Dall	Chad E. Dobson
Chief Executive Officer	Executive Vice President and	Vice President and
February 23, 2022	Chief Financial Officer	Chief Accounting Officer
	February 23, 2022	February 23, 2022

The effectiveness of the Company's internal control over financial reporting as of December 31, 2021 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

ITEM 9B. OTHER INFORMATION

None.

Item 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information with respect to our directors and audit committee is incorporated by reference to the definitive proxy statement on Schedule 14A to be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2021.

We have adopted a Code of Conduct that applies to all directors, employees, and officers, including our Chief Executive Officer, Chief Financial Officer and principal financial officers. This Code of Conduct is available on our corporate website, www.churchilldownsincorporated.com, under the "Corporate Governance" subheading of the "Investors" heading and is also available to shareholders upon request.

Information about our Executive Officers

Name	Age as of 2/23/2022	Principal Occupation for the Past Five Years and Position with Churchill Downs Incorporated
William C. Carstanjen	54	Chief Executive Officer since August 2014; President and Chief Operating Officer from March 2011 to August 2014.
William E. Mudd	50	President and Chief Operating Officer since October 2015; President and Chief Financial Officer from August 2014 to October 2015; Executive Vice President and Chief Financial Officer from October 2007 to August 2014.
Marcia A. Dall	58	Executive Vice President and Chief Financial Officer since October 2015; Executive Vice President and Chief Financial Officer of Erie Insurance Group and Erie Indemnity Company, a public corporation (Nasdaq: ERIE), from March 2009 through October 2015.
Austin W. Miller	58	Senior Vice President of Gaming Operations since August 2013.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item with respect to executive compensation is incorporated by reference to the definitive proxy statement on Schedule 14(a) to be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2021; provided, that the Compensation Committee Report will not be deemed to be "filed" with this Report.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

The information required by this item with respect to security ownership of certain beneficial owners and management and related shareholder matters is with respect to securities authorized for issuance under equity compensation plans incorporated by reference to the definitive proxy statement on Schedule 14A to be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2021.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item with respect to transactions with related persons and director independence matters is incorporated by reference to the definitive proxy statement on Schedule 14A to be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2021.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item with respect to principal accounting fees and services is incorporated by reference to the definitive proxy statement on Schedule 14A to be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2021.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULE

financial statements and schedules except those items listed under Items 15(a)(1) and (2) above are omitted because they are not applicable or not required, or because the required information is included in the consolidated financial statements or notes thereto.

EXHIBIT INDEX

Numbers		Description	By Reference To
3	(a)	Amended and Restated Articles of Incorporation of Churchill Downs Incorporated, as amended and restated on January 25, 2019	Exhibit 3.2 to Current Report on Form 8-K filed January 17, 2019
	(b)	Amended and Restated Bylaws of Churchill Downs Incorporated, as amended July 3, 2012	Exhibit 3.2 to Current Report on Form 8-K filed July 10, 2012
4	(a)	Rights Agreement, dated as of March 19, 2008 by and between Churchill Downs Incorporated and National City Bank	Exhibit 4.1 to Current Report on Form 8-K filed March 17, 2008
	(b)	Indenture, dated as of December 27, 2017, by and among Churchill Downs Incorporated, the guarantors party thereto and U.S. Bank National Association	Exhibit 4.1 to Current Report on Form 8-K filed December 27, 2017
	(c)	Indenture, dated as of March 25, 2019, by and among Churchill Downs Incorporated, the guarantors party thereto and U.S. Bank National Association	Exhibit 4.1 to Current Report on Form 8-K filed March 26, 2019
	(d)	Second Supplemental Indenture, dated as of March 17, 2021, by and among Churchill Downs Incorporated, the guarantors party thereto and U.S. Bank National Association	Exhibit 4.1 to Current Report on Form 8-K filed March 18, 2021
	(e)	Registration Rights Agreement, dated as of December 27, 2017, by and among Churchill Downs Incorporated, the guarantors party thereto and J.P. Morgan Securities LLC	Exhibit 4.2 to Current Report on Form 8-K filed December 27, 2017
	(f)	Registration Rights Agreement, dated as of March 25, 2019, by and among Churchill Downs Incorporated, the guarantors party thereto and J.P. Morgan Securities, LLC	Exhibit 4.2 to Current Report on Form 8-K filed March 26, 2019
	(g)	Registration Rights Agreement, dated as of March 17, 2021, by and among Churchill Downs Incorporated, the guarantors party thereto and J.P. Morgan Securities LLC	Exhibit 4.2 to Current Report on Form 8-K filed March 18, 2021
	(h)	Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934	Exhibit 4(f) to Annual Report on Form 10-K for the fiscal year ended December 31, 2020 filed February 24, 2021
10	(a)	Churchill Downs Incorporated Amended and Restated Supplemental Benefit Plan effective December 1, 1998*	Exhibit 10(a) to Annual Report on Form 10-K for the fiscal year ended December 31, 1998 filed March 31, 1999
	(b)	Churchill Downs Incorporated Amended and Restated Deferred Compensation Plan for Employees and Directors*	Exhibit 10(a) to Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2001 filed May 15, 2001
	(c)	Lease Agreement, dated as of January 1, 2002, by and between the City of Louisville, Kentucky and Churchill Downs Incorporated	Exhibit 2.1 to Current Report on Form 8-K filed January 6, 2003
	(d)	2005 Churchill Downs Incorporated Deferred Compensation Plan*	Exhibit 10.1 to Current Report on Form 8-K filed June 21, 2005
	(e)	2006 Amendment to 2005 Churchill Downs Incorporated Deferred Compensation Plan*	Exhibit 10.1 to Current Report on Form 8-K filed June 8, 2006
	(f)	Churchill Downs Incorporated 2007 Omnibus Stock Incentive Plan*	Exhibit A to Schedule 14A filed April 30, 2007
	(g)	Amendment to Churchill Downs Incorporated 2005 Deferred Compensation Plan Adopted June 28, 2007*	Exhibit 10(b) to Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2007 filed August 7, 2007
	(h)	Third Amendment to the 2005 Churchill Downs Incorporated Deferred Compensation Plan*	Exhibit 10.2 to Current Report on Form 8-K filed December 19, 2019

Numbers	Description	By Reference To
(i)	Amended and Restated Terms and Conditions of Performance Stock Awards Issued Pursuant to the Churchill Downs Incorporated 2007 Omnibus Stock Incentive Plan, dated as of December 19, 2008*	Exhibit 10.1 to Current Report on Form 8-K filed December 22, 2008
(j)	First Amendment to the Churchill Downs Incorporated Amended and Restated Incentive Compensation Plan (1997), effective November 14, 2008*	Exhibit 10 (vv) to Annual Report on Form 10-K for the fiscal year ended December 31, 2008 filed March 4, 2009
(k)	2005 Churchill Downs Incorporated Deferred Compensation Plan (As Amended as of December 1, 2008)*	Exhibit 10 (ww) to Annual Report on Form 10-K for the fiscal year ended December 31, 2008 filed March 4, 2009
(l)	Churchill Downs Incorporated Executive Severance Policy (Amended Effective as of November 12, 2008)*	Exhibit 10 (xx) to Annual Report on Form 10-K for the fiscal year ended December 31, 2008 filed March 4, 2009
(m)	Form of Churchill Downs Incorporated Restricted Stock Agreement pursuant to the 2007 Omnibus Stock Incentive Plan*	Exhibit 10(LL) to Annual Report on Form 10-K for the fiscal year ended December 31, 2011 filed March 12, 2012
(n)	Churchill Downs Incorporated Executive Annual Incentive Plan, effective January 1, 2013*	Exhibit A to Schedule 14A filed May 3, 2012
(o)	Amendment to the Churchill Downs Incorporated 2007 Omnibus Stock Incentive Plan*	Exhibit B to Schedule 14A filed May 3, 2012
(p)	Form of Restricted Stock Agreement pursuant to the 2007 Omnibus Stock Incentive Plan, dated as of February 9, 2015, by and between Churchill Downs Incorporated and each of William C. Carstanjen and William E. Mudd*	Exhibit 10.1 to Current Report on Form 8-K filed February 12, 2015
(q)	Form of Churchill Downs Incorporated Restricted Stock Unit Agreement pursuant to the 2007 Omnibus Stock Incentive Plan*	Exhibit 10.1A to Current Report on Form 8-K filed September 28, 2015
(r)	Form of Churchill Downs Incorporated Performance Share Unit Agreement pursuant to the 2007 Omnibus Stock Incentive Plan*	Exhibit 10.1B to Current Report on Form 8-K filed September 28, 2015
(s)	Amended and Restated Stockholder's Agreement, dated as of June 9, 2017, by and between Churchill Downs Incorporated and CDI Holdings, LLC	Exhibit 10.2 to Current Report on Form 8-K filed June 12, 2017
(t)	Credit Agreement, dated as of December 27, 2017, by and among Churchill Downs Incorporated, the subsidiary guarantors party thereto, the lenders party thereto, JPMorgan Chase Bank, N.A. and PNC Bank, National Association	Exhibit 4.3 to Current Report on Form 8-K filed December 27, 2017
(u)	First Amendment to Credit Agreement, dated March 16, 2020, among Churchill Downs Incorporated, the subsidiary guarantors party thereto, the lenders party thereto, JPMorgan Chase Bank, N.A., and PNC Bank, National Association	Exhibit 10.1 to Current Report on Form 8-K filed March 16, 2020
(v)	Second Amendment to Credit Agreement, dated April 28, 2020, among Churchill Downs Incorporated, the subsidiary guarantors and the lenders party thereto, and JPMorgan Chase Bank, N.A., and PNC Bank, National Association	Exhibit 10.1 to Current Report on Form 8-K filed April 29, 2020
(w)	Third Amendment to Credit Agreement, dated February 1, 2021, among Churchill Downs Incorporated, the subsidiary guarantors and the lenders parties thereto, and JPMorgan Chase Bank, N.A.	Exhibit 10.2 to Current Report on Form 8-K filed February 2, 2021
(x)	Incremental Joinder Agreement No. 1, dated March 17, 2021, among Churchill Downs Incorporated, the credit parties thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A.	Exhibit 10.1 to Current Report on Form 8-K filed March 18, 2021

Numbers		Description	By Reference To
	(y)	Form of Churchill Downs Incorporated Non-Employee Director Restricted Share Units Agreement*	Exhibit 10(a) to Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2016 filed August 3, 2016
	(z)	Churchill Downs Incorporated 2016 Omnibus Stock Incentive Plan*	Exhibit 10.1 to Current Report on Form 8-K filed April 29, 2016
	(aa)	First Amended and Restated Churchill Downs Incorporated 2000 Employee Stock Purchase Plan*	Exhibit B to Schedule 14A filed March 29, 2016
	(bb)	Churchill Downs Incorporated Restricted Stock Unit Deferred Compensation Plan*	Exhibit 10.1 to Current Report on Form 8-K filed December 19, 2019
	(cc)	Form of Performance Share Unit Agreement pursuant to the 2016 Omnibus Stock Incentive Plan by and between Churchill Downs Incorporated and each of William C. Carstanjen and William E. Mudd*	Exhibit 10.1 to Current Report on Form 8-K filed November 5, 2018
	(dd)	Form of Restricted Stock Unit Agreement pursuant to the 2016 Omnibus Stock Incentive Plan by and between Churchill Downs Incorporated and each of William C. Carstanjen and William E. Mudd*	Exhibit 10.2 to Current Report on Form 8-K filed November 5, 2018
	(ee)	Executive Change in Control, Severance and Indemnity Agreement, dated as of October 30, 2018, by and between Churchill Downs Incorporated and William C. Carstanjen*	Exhibit 10.3 to Current Report on Form 8-K filed November 5, 2018
	(ff)	Executive Change in Control, Severance and Indemnity Agreement, dated as of October 30, 2018, by and between Churchill Downs Incorporated and William E. Mudd*	Exhibit 10.4 to Current Report on Form 8-K filed November 5, 2018
	(gg)	Change in Control, Severance, and Indemnity Agreement, dated as of October 1, 2019, by and between Churchill Downs Incorporated and Austin W. Miller*	Exhibit 10.1 to Current Report on Form 8-K filed October 2, 2019
	(hh)	Executive Change in Control, Severance and Indemnity Agreement, dated as of July 27, 2020, by and between Churchill Downs Incorporated and Marcia A. Dall*	Exhibit 10.1 to Current Report on Form 8-K filed July 30, 2020
	(ii)	First amendment to the Churchill Downs Incorporated Restricted Stock Unit Deferral Plan, dated as of February 12, 2020*	Exhibit 10(ff) to Annual Report on Form 10-K for the fiscal year ended December 31, 2019 filed February 26, 2020
	(jj)	Class Action Settlement Agreement, dated as of July 24, 2020, by and between Kater et al. and Churchill Downs Incorporated et al.	Exhibit 10(kk) to Annual Report on Form 10-K for the fiscal year ended December 31, 2020 filed February 24, 2021
	(kk)	Purchase Agreement, dated as of February 18, 2022, by and between Peninsula Pacific Entertainment Intermediate Holdings LLC and Churchill Downs Incorporated	Exhibit 2.1 to Current Report on Form 8-K filed February 22, 2022
21		Subsidiaries of the Registrant**	
23		Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm**	
31	(a)	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**	
	(b)	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**	

Numbers		Description	By Reference To
32		Certification of Chief Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished pursuant to Rule 13a-14(b))* **	
101	INS	Inline XBRL Instance Document**	
101	SCH	Inline XBRL Taxonomy Extension Schema Document**	
101	CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document**	
101	DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document**	
101	LAB	Inline XBRL Taxonomy Extension Label Linkbase Document**	
101	PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document**	
104		Cover Page Interactive Data File (formatted in inline XBRL and contained in Exhibit 101)	

* Management contract or compensatory plan or arrangement.

** Filed herewith.

*** Furnished herewith.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on the Company's behalf by the undersigned, thereunto duly authorized.

CHURCHILL DOWNS INCORPORATED

/s/ William C. Carstanjen
William C. Carstanjen
Chief Executive Officer
(Principal Executive Officer)
February 23, 2022

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ William C. Carstanjen William C. Carstanjen Chief Executive Officer February 23, 2022 (Director and Principal Executive Officer)	/s/ William E. Mudd William E. Mudd President and Chief Operating Officer February 23, 2022	/s/ Marcia A. Dall Marcia A. Dall Executive Vice President and Chief Financial Officer February 23, 2022 (Principal Financial and Accounting Officer)
/s/ R. Alex Rankin R. Alex Rankin February 23, 2022 (Chairman of the Board)	/s/ Ulysses L. Bridgeman Ulysses L. Bridgeman February 23, 2022 (Director)	/s/ Robert L. Fealy Robert L. Fealy February 23, 2022 (Director)
/s/ Douglas C. Grissom Douglas C. Grissom February 23, 2022 (Director)	/s/ Daniel P. Harrington Daniel P. Harrington February 23, 2022 (Director)	/s/ Karole F. Lloyd Karole F. Lloyd February 23, 2022 (Director)
/s/ Paul C. Varga Paul C. Varga February 23, 2022 (Director)		

CHURCHILL DOWNS INCORPORATED
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

(in millions)	Balance Beginning of Year	Change in Accounting Standard	Charged to Expense	Deductions	Balance End of Year
Allowance for doubtful accounts:					
2021	$ 4.9	$ —	$ 3.2	$ (2.7)	$ 5.4
2020	4.4	0.5	2.5	(2.5)	4.9
2019	4.0	—	2.1	(1.7)	4.4

(in millions)	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Deferred income tax asset valuation allowance:				
2021	$ 1.4	$ 1.8	$ —	$ 3.2
2020	0.2	1.2	—	1.4
2019	0.2	—	—	0.2

SUBSIDIARIES OF THE REGISTRANT

December 31, 2021

Subsidiary	State/Jurisdiction of Incorporation/Organization
Arlington OTB Corp.	Delaware
Arlington Park Racecourse, LLC	Illinois
BB Development, LLC d/b/a Oxford Casino	Maine
BetAmerica LLC	Delaware
BG Kentucky Management, LLC	Delaware
CDITH, LLC	Delaware
CDTC, LLC	Nevada
CEP IV Chicago Holdco LLC	Delaware
Calder Race Course, Inc., d/b/a Calder Casino and Race Course	Florida
Churchill Downs Interactive Canada Ltd.	British Columbia
Churchill Downs Interactive Gaming, LLC	Delaware
Churchill Downs Louisiana Horseracing Company, L.L.C. d/b/a Fair Grounds Race Course & Slots	Louisiana
Churchill Downs Louisiana Video Poker Company, L.L.C.	Louisiana
Churchill Downs Management Company, LLC	Kentucky
Churchill Downs Racetrack, LLC	Kentucky
Churchill Downs Technology Initiatives Company d/b/a TwinSpires.com	Delaware
Derby City Gaming, LLC	Kentucky
Derby City Gaming Downtown, LLC	Kentucky
GBKY, LLC	Delaware
GBKY Management, LLC	Delaware
HCRH, LLC	Delaware
KYCR Holdings, LLC	Delaware
LLN PA, LLC d/b/a Lady Luck Casino Nemacolin	Pennsylvania
Magnolia Hill, LLC d/b/a Riverwalk Casino Hotel, LLC	Delaware
Miami Valley Gaming & Racing, LLC	Delaware
Midwest Gaming Holdings, LLC	Delaware
Midwest Gaming & Entertainment, LLC	Delaware
MVGR, LLC	Delaware
NKYRG, LLC	Delaware
Old Bay Gaming and Racing, LLC	Delaware
PID, LLC d/b/a Presque Isle Downs & Casino	Pennsylvania
Quad City Downs, Inc.	Iowa
SW Gaming, LLC d/b/a Harlow's Casino Resort & Spa	Mississippi
Tropical Park, LLC	Florida
Turfway Park, LLC	Delaware
United Tote Canada, Inc.	Ontario
United Tote Company	Montana
Video Services, L.L.C.	Louisiana
WKY Development, LLC	Delaware
Youbet.com, LLC	Delaware

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-210943, 333-197102, 333-182929, 333-182928, 333-144192, 333-144191, 333-144182, 333-135360, 333-127057, 333-116734, 333-116733, 333-106310, 333-100574, 333-43486, 333-41376, 333-62013, and 033-61111) of Churchill Downs Incorporated of our report dated February 23, 2022 relating to the financial statements and financial statement schedules and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Louisville, Kentucky
February 23, 2022

EXHIBIT 31(a)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, William C. Carstanjen, certify that:

1. I have reviewed this Annual Report on Form 10-K 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(s) 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and 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. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. 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

    d. 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(s) 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:	February 23, 2022	/s/ William C. Carstanjen
		William C. Carstanjen Chief Executive Officer (Principal Executive Officer)

EXHIBIT 31(b)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Marcia A. Dall, certify that:

1. I have reviewed this Annual Report on Form 10-K 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(s) 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and 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. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. 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

    d. 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(s) 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: February 23, 2022

/s/ Marcia A. Dall

Marcia A. Dall
Executive Vice President and Chief Financial Officer
(Principal Financial & Accounting Officer)

EXHIBIT 32

Certification of Chief Executive Officer and Chief Financial Officer 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 Annual Report on Form 10-K of Churchill Downs Incorporated (the "Company") for the year ended December 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), William C. Carstanjen, as Chief Executive Officer (Principal Executive Officer) of the Company, and Marcia A. Dall, as Executive Vice President and Chief Financial Officer (Principal Financial & Accounting 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 or her knowledge, that:

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

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

/s/ William C. Carstanjen

William C. Carstanjen
Chief Executive Officer
(Principal Executive Officer)

February 23, 2022

/s/ Marcia A. Dall

Marcia A. Dall
Executive Vice President and Chief Financial Officer
(Principal Financial & Accounting Officer)

February 23, 2022

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.