

CHURCHILL DOWNS INCORPORATED
700 CENTRAL AVENUE
LOUISVILLE, KENTUCKY 40208

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON JUNE 17, 1999

To the Shareholders of
Churchill Downs Incorporated:

Notice is hereby given that the Annual Meeting of Shareholders of Churchill Downs Incorporated (the "Company"), a Kentucky corporation, will be held at Churchill Downs Sports Spectrum, 4520 Poplar Level Road, Louisville, Kentucky, on Thursday, June 17, 1999, at 10:00 a.m., E.D.T. for the following purposes:

I. To elect five (5) Class III Directors for a term of three (3) years (Proposal No.1);

II. To approve amending the Company's Articles of Incorporation to increase the number of authorized shares of the Company's Common Stock from 20,000,000 to 50,000,000 shares (Proposal No. 2);

III. To approve or disapprove the minutes of the 1998 Annual Meeting of Shareholders, approval of which does not amount to ratification of actions taken at such meeting (Proposal No.3); and

IV. To transact such other business as may properly come before the meeting or any adjournment thereof, including matters incident to its conduct.

The close of business on April 20, 1999, has been fixed as the record date for the determination of the shareholders entitled to notice of and to vote at the meeting, and only shareholders of record at that time will be entitled to notice of and to vote at the meeting and at any adjournments thereof.

Shareholders who do not expect to attend the meeting in person are urged to sign, date and promptly return the Proxy that is enclosed herewith.

By Order of the Board of Directors.

REBECCA C. REED
Senior Vice President,
General Counsel and Secretary

April 28, 1999

CHURCHILL DOWNS INCORPORATED
700 CENTRAL AVENUE
LOUISVILLE, KENTUCKY 40208

PROXY STATEMENT

Annual Meeting of Shareholders To Be Held on June 17, 1999

The enclosed Proxy is being solicited by the Board of Directors (the "Board of Directors") of Churchill Downs Incorporated (the "Company") to be voted at the 1999 Annual Meeting of Shareholders to be held on Thursday, June 17, 1999, at 10:00 a.m., E.D.T. (the "Annual Meeting"), at the Churchill Downs Sports Spectrum, 4520 Poplar Level Road, Louisville, Kentucky, and any adjournments thereof. This solicitation is being made primarily by mail and at the expense of the Company. Certain officers and directors of the Company and persons acting under their instruction may also solicit Proxies on behalf of the Board of Directors by means of telephone calls, personal interviews and mail at no additional expense to the Company. The Proxy and this Proxy Statement are being sent to shareholders on or about April 28, 1999.

Voting Rights

Only holders of record of the Company's Common Stock, No Par Value ("Common Stock"), on April 20, 1999, are entitled to notice of and to vote at the Annual Meeting. On that date, 7,525,041 shares of Common Stock were outstanding and entitled to vote. Each shareholder has one vote per share on all matters coming before the Annual Meeting, other than the election of directors. In the election of directors, a shareholder is entitled by Kentucky law to exercise "cumulative" voting rights; that is, the shareholder is entitled to cast as many votes as equals the number of shares owned by the shareholder multiplied by the number of directors to be elected and may cast all such votes for a single nominee or distribute them among the nominees in any manner that the shareholder desires. Shares represented by proxies received may be voted cumulatively (see "Election of Directors"). Under the Company's Articles of Incorporation and Bylaws and the Kentucky statutes, abstentions and broker non-votes on any matter are not counted in determining the number of votes required for the election of a director or passage of any matter submitted to the shareholders. Abstentions and broker non-votes are counted for purposes of determining whether a quorum exists.

If the enclosed Proxy is properly executed and returned prior to the Annual Meeting, the shares represented thereby will be voted as specified therein. IF A SHAREHOLDER DOES NOT SPECIFY OTHERWISE, THE SHARES REPRESENTED BY THE SHAREHOLDER'S PROXY WILL BE VOTED FOR THE ELECTION OF THE NOMINEES LISTED

BELOW UNDER "ELECTION OF DIRECTORS," FOR

APPROVAL OF THE PROPOSED AMENDMENT TO THE COMPANY'S ARTICLES OF INCORPORATION, FOR APPROVAL OF THE MINUTES OF THE 1998 ANNUAL MEETING OF SHAREHOLDERS AND ON SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE ANNUAL MEETING OR ANY ADJOURNMENTS THEREOF.

Revocation of Proxy

A proxy may be revoked at any time before the shares it represents are voted by giving written notice of revocation to the Secretary of the Company and such revocation shall be effective for all votes after receipt.

Common Stock Owned by Certain Persons

The following table sets forth information concerning the beneficial ownership of the Common Stock as of April 15, 1999, by [i] the only persons known by the Board of Directors to own beneficially more than five percent (5%) of the Common Stock and [ii] the Company's directors and executive officers as a group. Except as otherwise indicated, the persons named in the table have sole voting and investment power with respect to all of the shares of Common Stock shown as beneficially owned by them.

Name and Address of Beneficial Owner	Shares Beneficially Owned	% of Class
Darrell R. Wells 4350 Brownsboro Road Suite 310 Louisville, Kentucky 40207	479,310 (1) (2)	6.4%
Charles W. Bidwill, Jr. 911 Sunset Road Winnetka, Illinois 60093	440,680 (2)	5.9%
27 Directors and Executive Officers as a Group	2,586,640 (2) (3)	34.4%

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- (1) Of the total shares listed above, Mr. Wells disclaims beneficial ownership of 44,800 shares held by The Wells Foundation, Inc., of which he is a trustee and of 284,880 shares held by The Wells Family Partnership, of which he is the Managing General Partner. Mr. Wells shares voting and investment power with respect to all shares attributed to him in the above table.
 - (2) See "Executive Officers of the Company," "Election of Directors," and "Continuing Directors," below.
 - (3) Includes 273,400 shares issuable under currently exercisable options.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires that the Company's directors, executive officers and persons who beneficially own more than ten percent (10%) of the Company's Common Stock file certain reports with the Securities and Exchange Commission ("SEC") with regard to their beneficial ownership of the Common Stock. The Company is required to disclose in this Proxy Statement any failure to file or late filings of such reports. For the Company's prior fiscal year, based solely on its review of the forms filed with the SEC, the Company believes that all filing requirements applicable to its directors, executive officers and ten percent (10%) beneficial owners were satisfied.

Executive Officers of the Company

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

Name and Age	Position(s) With Company and Term of Office	Common Stock of the Company Beneficially Owned as of April 15, 1999(1) (2)	
		Amount	% of Class
William S. Farish (3) 60	Director since 1985; Chairman of the Board since 1992	86,560	1.2%
Thomas H. Meeker 55	President and Chief Executive Officer since 1984; Director since 1995	172,313	42.3%
Vicki L. Baumgardner 47	Vice President, Finance and Treasurer since February 1993; Controller from 1989 to February 1993	15,306(5)	.2%
David E. Carrico 48	Senior Vice President, Sales since December 1996; Senior Vice President, Administration from June 1994 to December 1996; Vice President of Marketing from 1990 to June 1994	22,120(6)	.3%
Robert L. Decker 51	Executive Vice President and Chief Financial Officer since January 1999; Senior Vice President, Finance and Development, and Chief Financial Officer from March 1997 to December 1998	2,000	*

Common Stock of the
Company Beneficially Owned
as of April 15, 1999(1) (2)

Name and Age	Position(s) With Company and Term of Office	Amount	% of Class
Dan L. Parkerson 56	Senior Vice President, Property Management since January 1999; Senior Vice President, Live Racing from December 1996 to December 1998; General Manager from June 1991 to December 1998	22,400 (7)	.3%
Rebecca C. Reed 41	Senior Vice President, General Counsel and Secretary since January 1999; Associate General Counsel and Assistant Secretary from January 1998 to December 1998; Corporate Counsel from January 1994 to December 1997	485	*
Donald R. Richardson 53	Senior Vice President, Racing since January 1999; Vice President, Racing from September 1994 to December 1998; Stakes Coordinator from August 1990 to August 1994	2,742 (8)	*
Jeffrey M. Smith 46	President, Churchill Downs Management Company since January 1993; Senior Vice President, Planning and Development from February 1993 to December 1996; Senior Vice President, Finance from 1991 to February 1993; Treasurer from 1986 to February 1993	28,576 (9)	.4%
Karl F. Schmitt, Jr. 46	Senior Vice President, Communications since March 1998; Vice President, Corporate Communications since 1990	15,426 (10)	.2%
Alexander M. Waldrop 42	Senior Vice President and General Manager since January 1999; Senior Vice President, Administration from December 1996 to December 1998; Senior Vice President from June 1994 to December 1996; General Counsel and Secretary from August 1992 to December 1998	28,382 (11)	.4%

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*Less than 0.1%

- (1) See the Tables on Option Grants in Last Fiscal Year and Aggregate Year-End Option Values under "Executive Compensation" below for a discussion of stock options granted by the Board of Directors to executive officers during 1998.
- (2) No executive officer shares voting or investment power with respect to his or her beneficially owned shares, except that Mr. Meeker shares investment and voting power with respect to 26,908 shares.
- (3) Mr. Farish does not serve full-time as an executive officer of the Company and is not compensated as an officer of the Company.
- (4) Includes 144,400 shares issuable under currently exercisable options.

- (5) Includes 15,000 shares issuable under currently exercisable options.
- (6) Includes 21,500 shares issuable under currently exercisable options.
- (7) Includes 21,500 shares issuable under currently exercisable options.
- (8) Includes 2,600 shares issuable under currently exercisable options.
- (9) Includes 28,000 shares issuable under currently exercisable options.
- (10) Includes 15,000 shares issuable under currently exercisable options.
- (11) Includes 28,000 shares issuable under currently exercisable options.

From January, 1993, until joining the Company, Mr. Decker was employed as the Vice President of Finance of The Americas Hilton International Company, a subsidiary of Ladbroke Group PLC, a full service hotel and gaming enterprise. From September, 1987 to January, 1993, Mr. Decker was the Vice President of Finance and Chief Financial Officer of Ladbroke Racing Corporation, an owner and operator of thoroughbred, harness and greyhound racetracks, and off-track betting systems in the United States.

Election of Directors
(Proposal No. 1)

At the Annual Meeting, shareholders will vote to elect five (5) persons to serve in Class III of the Board of Directors to hold office for a term of three (3) years expiring at the 2002 Annual Meeting of Shareholders and thereafter until their respective successors shall be duly elected and qualified.

The Articles of Incorporation of the Company provide that the Board of Directors shall be composed of not less than nine (9) nor more than twenty-five (25) members, the exact number to be established by the Board of Directors, and further provide for the division of the Board of Directors into three (3) approximately equal classes, of which one (1) class is elected annually. At its meeting on June 18, 1998, the Board of Directors amended the Company's Bylaws to establish the number of directors at thirteen (13), with four (4) directors in each of Class I and Class II and with five (5) directors in Class III.

The Company is a party to a Stock Purchase Agreement dated as of March 28, 1998 (the "Stock Purchase Agreement"), between the Company and TVI Corp., under which the Company acquired all of the shares of the stock of Racing Corporation of America from TVI Corp. as of April 21, 1998. The Stock Purchase Agreement provides that, at the regular meeting of the Board of Directors in June of 1998, Daniel Harrington, President of TVI Corp., would be nominated to serve as a director of the Company in the class of directors deemed appropriate by the Company, subject to reelection of Mr. Harrington (or a substitute nominee reasonably acceptable to the Company) by the shareholders of the Company at the next annual meeting of the shareholders of the Company if TVI Corp. continues to then hold 200,000 shares of the Company's Common

Stock and subject to the fiduciary obligations of the directors of the Company in nominating such person for election as a director.

At the Annual Meeting, the five (5) persons named in the following table will be nominated on behalf of the Board of Directors for election as directors in Class III. All of the nominees currently serve as Class III directors of the Company and all of the nominees have agreed to serve if reelected. Under cumulative voting, the five (5) nominees receiving the highest number of votes will be elected.

Nominees for Election as Directors

Name, Age and Positions with Company	Principal Occupation (1) and Certain Directorships (2)	Common Stock of the Company Beneficially Owned as of April 15, 1999(3)	
		Amount	% of Class
Class III - Terms Expiring in 2002			
Charles W. Bidwill, Jr. 70 Director since 1982	Chairman of the Board, National Jockey Club (Operator of Sportsman's Park Racetrack); Former President and General Manager, National Jockey Club (until December 31, 1995); Director, Orange Park Kennel Club, Associated Outdoor Clubs (Tampa Greyhound Track), Bayard Race ways and Caterers of North Florida, Jacksonville Kennel Club, Big Shoulders Fund Archdiocese of Chicago, Cristo Rey Jesuit High School	440,680	5.9%
Daniel P. Harrington 43 Director since 1998	President and Chief Executive Officer, HTV Industries, Inc. (private holding company with diversified business interests); Former Chairman and President, Ellis Park Race Course, Inc. (1993 to 1998); Trustee, V & V Foundation	200,000	2.7%
Thomas H. Meeker 55 Director since 1995; President and Chief Executive Officer since 1984	President and Chief Executive Officer of the Company; Director, Anderson Park, Inc. (Chairman), Thoroughbred Racing Association of North America, Inc., Equibase Company, PNC Bank, Kentucky, Inc., National Thoroughbred Racing Association, Norton Healthcare, Inc. (Executive Committee); Member, Board of Trustees, Centre College	172,313(4)	2.3%

Common Stock of the
Company Beneficially Owned
as of April 15, 1999(3)

Name, Age and Positions with Company	Principal Occupation (1) and Certain Directorships (2)	Amount	% of Class
Carl F. Pollard 60 Director since 1985	Owner, Hermitage Farm since 1995 (Thorough bred breeding); Former Chairman of the Board, Columbia Healthcare Corporation; President and Chief Operating Officer (1991-March 1993), Humana Inc.; Director, National City Bank, Kentucky (Executive Committee), Breeders' Cup Limited, Kentucky Derby Museum Corporation, Nexstar Pharmaceuticals, Inc. (formerly Vestar); Trustee, Thoroughbred Owners and Breeders Association	143,080	1.9%
Darrell R. Wells 56 Director since 1985	General Partner, Security Management Company (Investments); Director, First Security Trust Company, Commonwealth Bancshares, Citizens Financial Corporation, Commonwealth Bank & Trust Company and Jundt Growth Fund	479,310	6.4%

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* Less than 0.1%.

- (1) Except as otherwise indicated, there has been no change in principal occupation or employment during the past five years.
- (2) Directorships in companies with a class of securities registered pursuant to the Securities Exchange Act of 1934 or companies registered under the Investment Company Act of 1940 and, in the case of certain nominees, other directorships considered significant by them.
- (3) No nominee shares voting or investment power of his beneficially owned shares, except that Mr. Meeker shares with others the voting and investment power with respect to 26,908 shares; Mr. Wells shares voting and investment power with respect to 479,310 shares; and Mr. Harrington shares voting and investment power with respect to 200,000 shares. Mr. Wells specifically disclaims beneficial ownership of 44,800 shares held by the Wells Foundation, Inc., of which he is a trustee, and of 284,880 shares held by The Wells Family Partnership, of which he is the Managing General Partner. Mr. Harrington specifically disclaims beneficial ownership of 200,000 shares held by TVI Corp.
- (4) Includes 144,400 shares issuable under currently exercisable options.

The Board of Directors has no reason to believe that any of the nominees will be unavailable to serve as a director. If any nominee should become unavailable before the Annual Meeting, the persons named in the enclosed Proxy, or their substitutes, reserve the right to vote for substitute nominees selected by the Board of Directors. In addition, if any shareholder(s) shall vote shares cumulatively or otherwise for the election of a director or directors other than the nominees named above, or substitute nominees, or for less than all of them, the persons named in the enclosed Proxy or their substitutes, or a majority of them, reserve the right to vote cumulatively for some number less than all of the nominees named above or any substitute nominees, and for such of the persons nominated as they may choose.

Continuing Directors

The following table sets forth information relating to the Class I and Class II directors of the Company who will continue to serve as directors until the expiration of their respective terms

of office, and the Directors Emeriti, and the beneficial ownership of Common Stock by such Directors.

Name, Age and Positions with Company	Principal Occupation (1) and Certain Directorships (2)	Common Stock of the Company Beneficially Owned as of April 15, 1999(3)	
		Amount	% of Class
Class I - Terms Expiring in 2000			
William S. Farish 60 Director since 1985; Chairman since 1992	President, W. S. Farish & Company (Trust management company) and Owner and Chief Executive Officer, Lane's End Farm (Thoroughbred breeding and racing); Director, Add-Vision, Breeders' Cup Limited and Keeneland Association, Incorporated; Vice Chairman and Steward, Jockey Club; Chairman, American Horse Council	86,560	1.2%
G. Watts Humphrey, Jr. 54 Director since 1995	President, G. W. H. Holdings, Inc. (Private investment company); Chief Executive Officer, The Conair Group, Inc. (Plastics machinery equipment company), MetalTech L.P., NexTech, L.P., GalvTech, L.P. (Metals manufacturing and distribution companies) and Centria (Manufacturing and erector of metal building systems); Chairman - Fourth District, Federal Reserve Bank of Cleveland; Director, The Blood Horse, Inc. (Chairman) and Keeneland Association, Incorporated; Director and Treasurer, Breeders' Cup Limited	36,000	.5%
Arthur B. Modell 73 Director since 1985	Owner and President, Baltimore Ravens Football Company, Inc. (Professional football team)	2,000	*
Dennis D. Swanson 61 Director since 1996	President and General Manager, WNBC-TV (Television station); Co-Chairman, NBC Olympics; Former President, ABC Sports, Inc. (from January 1986 to May 1996); Chairman, Foundation for Minority Interests in Media, Inc. and Resource Development Board, College of Communications, University of Illinois at Champaign-Urbana	0	*
Class II - Terms Expiring in 2001			
J. David Grissom 60 Director since 1979	Chairman, Mayfair Capital, Inc. (Private investment firm); Director, Providian Financial Corporation, and L G & E Energy Corporation; Chairman, Centre College Board of Trustees	20,100	.3%

Common Stock of the
Company Beneficially Owned
as of April 15, 1999(3)

Name, Age and Positions with Company	Principal Occupation (1) and Certain Directorships (2)	Amount	% of Class
Seth W. Hancock 49 Director since 1973	Partner and Manager, Claiborne Farm, and President, Hancock Farms, Inc. (Thoroughbred breeding and farming) Vice President and Director, Clay Ward Agency, Inc. (Equine insurance); Director, Hopewell Company and Keeneland Association, Incorporated	285,650	3.8%
Frank B. Hower, Jr. 70 Director since 1979	Retired; Former Chairman and Chief Executive Officer, Liberty National Bancorp, Inc., Liberty National Bank & Trust Company o Louisville; Director, Banc One Kentucky Corporation, Bank One, Kentucky, NA, American Life and Accident Insurance Company, and Anthem, Inc.; Member, Board of Trustees, J. Graham Brown Foundation and University of Louisville (Chairman)	2,080	*
W. Bruce Lunsford 51 Director since 1995	Chairman, Ventas, Inc. (Real estate investment trust); Former Chairman, President and Chief Executive Officer, Vencor, Inc. (Intensive care hospitals and nursing homes); Director, ResCare, Inc., National City Bank, Kentucky (Executive Committee), National City Corporation (Executive Committee), Kentucky Economic Development Corporation (Chairman)	200,060	2.7%
Directors Emeriti (4)			
Catesby W. Clay 75 Director from 1953 to 1998; Director Emeritus since 1998	Chairman, Kentucky River Coal Corporation (Coal land lessor); President, Runnymede Farm, Inc. (Thoroughbred breeding); Director, Kent- Mar Corp. (President), KRCC Oil & Gas Co., Inc., University of Kentucky Mining Engineering Foundation; Director and President, Foundation for Drug-Free Youth	60,580	.8%
John W. Barr, III 78 Director from 1979 to 1993; Director Emeritus since 1993	Retired; Former Chairman, National City Bank, Kentucky, Inc.; Director, Kitchen Kompact Company; Director, Speed Museum, Cave Hill Cemetery, and Boy Scouts of America	4,000	.1%

Common Stock of the
Company Beneficially Owned
as of April 15, 1999(3)

Name, Age and Positions with Company	Principal Occupation (1) and Certain Directorships (2)	Amount	% of Class
Louis J. Herrmann, Jr. 79 Director from 1968 to 1994; Secretary-Treasurer from 1985 to 1986; Director Emeritus since 1994	Owner, Louis Herrmann Auto Consultant Incorporated (Automobile sales); Director, Southeastern Financial Services, Inc	80,130	1.1%
Stanley F. Hugenberg, Jr. 81 Director from 1982 to 1992; Director Emeritus since 1992	President, Jackantom Sales Company (Manufac- turers' representative); Member, Board of Trustees, J. Graham Brown Foundation	7,340	.1%
William T. Young 81 Director from 1985 to 1992; Director Emeritus since 1992	Chairman, W.T. Young, Inc. (Warehousing), Owner, Overbrook Farm (Thoroughbred racing and breeding); Chairman, Transylvania University; and Chairman, Shakertown at Pleasant Hill Kentucky, Inc.	229,320	3.1%

*Less than 0.1%

- (1) Except as otherwise indicated, there has been no change in principal occupation or employment during the past five years.
- (2) Directorships in companies with a class of securities registered pursuant to the Securities Exchange Act of 1934 or companies registered under the Investment Company Act of 1940 and, in the case of certain directors, other directorships considered significant by them.
- (3) No director shares voting or investment power of his beneficially owned shares, except that Messrs. Clay, Hancock and Lunsford share with others the voting and investment power with respect to 54,580 shares, 212,650 shares and 20,000 shares, respectively. Of the total shares listed, Mr. Clay specifically disclaims beneficial ownership of 21,900 shares owned by the Agnes Clay Pringle Trust of which he is a trustee, Mr. Hancock specifically disclaims beneficial ownership of 158,400 shares owned by the A.B. Hancock, Jr. Marital Trust of which he is the trustee, of 18,060 shares owned by the Waddell Walker Hancock II Trust of which he is a trustee, of 18,060 shares owned by the Nancy Clay Hancock Trust of which he is a trustee and of 12,086.66 shares held by the ABC Partnership of which he is a general partner.
- (4) Directors Emeriti are entitled to attend meetings of the Board of Directors but do not have a vote on matters presented to the Board. The Bylaws provide that once a director is 72 years of age, he may not stand for re-election but shall assume Director Emeriti status as of the annual meeting following his current term of service as a director. The Chairman of the Board may continue to serve as a director notwithstanding this provision.

Compensation and Committees of the Board of Directors

Five (5) meetings of the Board of Directors were held during the last fiscal year. During 1998, directors, other than Directors Emeriti, were paid \$750 for each meeting of the Board of Directors that they attended. Directors were paid \$750 for each committee meeting they attended and each teleconference meeting in which they participated. Directors who did not reside in Louisville were reimbursed for their travel expenses. Directors, other than Directors Emeriti, received a retainer of \$6,000 for 1998 and Directors who served as committee chairmen received

an additional \$2,000 for a total retainer of \$8,000 for 1998. The Chairman of the Board of Directors received an additional \$5,000 for a total retainer of \$11,000 for 1998. Directors Emeriti were not paid any compensation for attending meetings. They were entitled to have their expenses reimbursed.

The Company has four (4) standing committees: the Executive, Audit, Compensation and Racing Committees. No Director Emeritus serves on any Board committee.

Executive Committee

The Executive Committee is authorized, subject to certain limitations set forth in the Company's Bylaws, to exercise the authority of the Board of Directors between Board meetings. The members of the Executive Committee for 1998 were as follows:

J. David Grissom, Chairman
William S. Farish
Charles W. Bidwill, Jr.
Carl F. Pollard

Thirteen (13) meetings of the Executive Committee were held during the last fiscal year.

Audit Committee

The Audit Committee is responsible for annually examining the financial affairs of the Company, including consultation with the Company's auditors. The members of the Audit Committee for 1998 were as follows:

January 1998 - May 1998

June 1998 - December 1998

Darrell R. Wells, Chairman
G. Watts Humphrey, Jr.
W. Bruce Lunsford
Carl F. Pollard

Darrell R. Wells, Chairman
Daniel P. Harrington
G. Watts Humphrey, Jr.
W. Bruce Lunsford

Carl F. Pollard

One (1) meeting of the Audit Committee was held during the last fiscal year.

Compensation Committee

The Compensation Committee administers the Company's executive compensation plans, including its Supplemental Benefit Plan, any incentive compensation plan, any deferred compensation plan, any stock option plan and any employee stock purchase plan, and reviews and recommends to the Board of Directors actions on the compensation of the Company's Chief Executive Officer. The Compensation Committee consists of not fewer than two (2) directors who

are not officers or employees of the Company or any of its subsidiaries. The members of the Compensation Committee for 1998 were as follows:

January 1998 - December 1998

Frank B. Hower, Jr., Chairman
W. Bruce Lunsford
Dennis D. Swanson
Darrell R. Wells

Two (2) meetings of the Compensation Committee were held during the last fiscal year.

Racing Committee

The Racing Committee is responsible for the Company's contracts and relations with horsemen, jockeys and others providing horse racing related services. The members of the Racing Committee for 1998 are as follows:

January 1998 - May 1998

Seth W. Hancock, Chairman
Catesby W. Clay
G. Watts Humphrey, Jr.
Carl F. Pollard

June 1998 - December 1998

Seth W. Hancock, Chairman
G. Watts Humphrey, Jr.
Carl F. Pollard

No meeting of the Racing Committee was held during the last fiscal year.

The Company does not have a standing nominating committee. All directors serving as Class I, II or III directors, except Mr. Modell, attended at least seventy-five percent (75%) of the meetings of the Board of Directors and the meetings of the committees on which they served.

Proposed Amendment to the Company's Articles of Incorporation
to Increase the Authorized Common Stock from
20,000,000 to 50,000,000 Shares
(Proposal No. 2)

The Company's Board of Directors has adopted and recommended to the shareholders a proposal to amend the Company's Articles of Incorporation to increase the number of authorized shares of Common Stock no par value from 20,000,000 to 50,000,000 shares. On April 15, 1999, there were 7,525,041 shares of Common Stock outstanding. If the amendment is adopted, approximately 42,500,000 shares of Common Stock would be authorized and unissued. At December 31, 1998, there were 700,000 shares of Common Stock reserved for issuance pursuant to the existing stock option plans of the Company. In addition, 100,000 shares are reserved for issuance pursuant to the employee stock purchase plan of the Company. There are no preemptive rights relating to

the Common Stock. Except to the extent that the Company may issue shares of Common Stock reserved therefor pursuant to its stock purchase and stock option plans, the Company has not entered into any agreements or understandings, and has no present plans, for the issuance of additional shares of common stock, but desires to have such shares available for future issuances as the need may arise. No further shareholder approval would be required prior to the issuance of the additional shares authorized by this amendment subject, however, to the rules of the Nasdaq Stock Market which require shareholder approval of certain share issuances.

The Board of Directors' purpose in proposing the increase in the number of authorized shares of Common Stock is to have shares available for future issuances and splits from time to time as and when the Board of Directors determines that such issuances and splits may be desirable. The additional shares of Common Stock could be used to dilute the stock ownership of a person seeking to obtain control of the Company or could be privately placed with purchasers who would support the Board of Directors in opposing a hostile takeover attempt. This proposal to amend the Articles of Incorporation is not a response to any effort of which the Company is aware to accumulate Common Stock or obtain control of the Company, nor is it part of a plan by management to recommend a series of similar amendments to the Board of Directors and shareholders. The Board of Directors does not presently contemplate recommending the adoption of any other amendments to the Articles of Incorporation which could be construed to affect the ability of third parties to take over or change control of the Company.

The current Articles of Incorporation and Bylaws of the Company contain other provisions which could be viewed as discouraging takeovers, including a staggered Board of Directors, authorized but unissued preferred stock with respect to which the Board of Directors retains the power to determine voting rights, limitations on the ability to call special meetings of shareholders of the Company, and procedures to be complied with in order for a matter to be properly before a meeting of shareholders. Under Kentucky law, shareholders of the Company have cumulative voting rights in the election of directors. The adoption of this proposed amendment to the Articles of Incorporation of the Company may render more difficult or discourage certain transactions such as a merger, tender offer or proxy contest or assumption of control by a holder of a larger block of the Company's securities and the removal of incumbent management, but the Board of Directors believes that encouraging potential acquirors to negotiate with the Board of Directors on a potential acquisition is in the best interest of the Company.

In addition to Common Stock, under the current Articles of Incorporation of the Company the Company is authorized to issue 250,000 shares of preferred stock, no par value per share, in series. As of April 15, 1999, there were no such shares of preferred stock outstanding, but pursuant to a shareholder rights plan adopted by the Company on March 19, 1998 (the "Rights Plan"), rights have been issued to the holders of the Common Stock of the Company pursuant to such plan entitling such holders, subject to the terms of such plan, to acquire shares of preferred stock of the Company.

Pursuant to the Rights Plan, on March 19, 1998, the Board of Directors declared a dividend distribution of one right (a "Right") for each outstanding share of Common Stock to

shareholders of record at the close of business on March 30, 1998 (the "Record Date"). The description and terms of the Rights are set forth in a Rights Agreement dated as of March 19, 1998 (the "Rights Agreement") between the Company and Fifth Third Bank, as Rights Agent.

Prior to the Distribution Date (hereinafter defined), the Rights shall be represented by the certificates for shares of Common Stock. Separate right certificates shall be distributed to shareholders as soon as practicable after the Distribution Date. The Rights will expire on the tenth anniversary of the effective date of the Rights Agreement (the "Expiration Date") unless earlier redeemed or canceled by the Company as provided below. Initially, the Rights will not be exercisable. The Rights will become exercisable upon the earlier of (a) the tenth business day (or such later date as may be determined by the Board) after such time as the Company learns that a person or group (including any affiliate or associate of such person or group) has acquired, or obtained the right to acquire, beneficial ownership of 15% or more of the outstanding Common Stock (such person or group being called an "Acquiring Person") unless provisions intended to prevent accidental triggering of the Rights apply, and (b) such date, if any, as may be designated by the Board of Directors of the Company following the commencement of, or first public disclosure of an intention to commence, a tender or exchange offer for outstanding Common Stock which could result in such person or group becoming the beneficial owner of 15% or more of the outstanding Common Stock (the earlier of such dates being called the "Distribution Date"). Each Right shall be exercisable for 1/1,000 of a share of Series 1998 Preferred Stock (the "Preferred Stock") (as described below) at a purchase price (the "Purchase Price") of \$80.00, subject to adjustment. Prior to the Distribution Date, the Rights shall be transferable only with the related shares of Common Stock and shall automatically be transferred with such shares. After the Distribution Date, the Rights shall be separately transferable and the Company will provide Right Certificates to all holders of Common Stock.

The terms of the Preferred Stock provide that each 1/1,000 of a share of Preferred Stock is entitled to participate in dividends and other distributions, and to vote, on an equivalent basis with one whole share of the presently constituted Common Stock of the Company. In addition, the Preferred Stock has certain minimum dividend and liquidation rights. The amount of Preferred Stock issuable upon exercise of the Rights is subject to adjustment by the Board of Directors of the Company in the event of any change in the Common Stock or Preferred Stock, whether by reason of share dividends, share splits, recapitalizations, mergers, consolidations, combinations or exchanges of securities, split-ups, split-offs, spin-offs, liquidations, other similar changes in capitalization, any distribution or issuance of assets, evidences of indebtedness or subscription rights, options or warrants to holders of Common Stock or Preferred Stock or otherwise.

Subject to provisions of the Rights Plan, at such time as there is an Acquiring Person, proper provision shall be made so that the holder of each Right will thereafter have the right to receive, upon exercise thereof, for the Purchase Price, that number of thousandths of a share of Preferred Stock equal to the number of shares of Common Stock which at the time of such transaction would have a market value of twice the Purchase Price (the "flip-in"). Any Rights that are or were beneficially owned by an Acquiring Person on or after the Distribution Date shall become null and void. In the event the Company is acquired in a merger or other business

combination by an Acquiring Person that is a publicly traded corporation or 50% or more of the Company's assets or assets representing 50% or more of the Company's earning power are sold, leased, exchanged or otherwise transferred (in one or more transactions) to an Acquiring Person that is a publicly traded corporation, each Right will entitle its holder to purchase, for the Purchase Price, that number of common shares of such corporation which at the time of the transaction would have a market value of twice the Purchase Price (the "flip-over"). In the event the Company is acquired in a merger or other business combination by an Acquiring Person that is not a publicly traded entity or 50% or more of the Company's assets or assets representing 50% or more of the earning power of the Company are sold, leased, exchanged or otherwise transferred (in one or more transactions) to an Acquiring Person that is not a publicly traded entity, each Right will entitle its holder to purchase, for the Purchase Price, at such holder's option,

A. that number of shares of the surviving corporation in the transaction with such entity (or, at such holder's option, of the surviving corporation in such acquisition, which could be the Company) which at the time of the transaction would have an aggregate book value of twice the Purchase Price or

B. that number of shares of such entity which at the time of the transaction would have a book value of twice the Purchase Price or

C. if such entity has affiliates which have publicly traded common shares, that number of common shares of the affiliate with the greatest aggregate market value on the transaction date, which at the time of the transaction would have a market value of twice the Purchase Price.

Any Rights that are or were beneficially owned by an Acquiring Person on or after the Distribution Date shall become null and void. The "flip-over" provision only applies to a merger or similar business combination with an Acquiring Person, and it does not apply to a merger or business combination with any party which has not triggered the "flip-in" provision.

The Rights are redeemable by the Board of Directors at a redemption price of \$.01 per Right (the "Redemption Price") any time prior to the earlier of (a) the tenth business day (or such later date as may be determined by the Board) after such time as there becomes an Acquiring Person and (b) the Expiration Date. Immediately upon the action of the Board electing to redeem the Rights, and without any further action and without any notice, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

Rights agreements generally provide a significant deterrent to attempts to acquire control of a corporation without the approval of the board of directors. The Rights would cause substantial dilution to a person or group that attempts to acquire control without Board approval. The Rights, however, should not affect any prospective offeror willing to make an offer for all outstanding shares of the Common Stock at a fair price and otherwise in the best interest of the Company and its shareholders as determined by the Board of Directors or affect any prospective offeror willing to negotiate with the Board of Directors.

The adoption of this proposed amendment to the Articles of Incorporation of the Company requires that the number of votes cast in favor of the proposal exceed the number of votes cast in opposition to the proposal. The complete text of the proposed amendment to the Articles of Incorporation is set forth on Appendix A hereto; however, such text is subject to change as may be required by the Kentucky Secretary of State.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS APPROVE THIS PROPOSED AMENDMENT TO THE COMPANY'S ARTICLES OF INCORPORATION.

Compensation Committee Report on Executive Compensation

Under rules established by the SEC, the Compensation Committee is required to disclose: (1) the Compensation Committee's compensation policies applicable to the Company's executive officers; (2) the relationship of executive compensation to Company performance; and (3) the Compensation Committee's bases for determining the compensation of the Company's Chief Executive Officer ("CEO"), Thomas H. Meeker, for the most recently completed fiscal year. Pursuant to these requirements, the Compensation Committee has prepared this report for inclusion in the Proxy Statement.

The Compensation Committee consists of four (4) independent Directors, none of whom has ever been employed by the Company. The Compensation Committee annually reviews executive officer compensation and makes recommendations to the Board of Directors on all matters related to the structure of the Company's executive compensation programs. The Compensation Committee's authority and oversight extend to total executive compensation, including base salaries, incentive and other compensation programs, supplemental benefit plans, stock option plans and stock purchase plans, for the Company as well as the administration of the employment contracts of the Company's chief executive officer and chief financial officer. The Compensation Committee also reviews compensation data from comparable companies.

The fundamental philosophy of the Compensation Committee is to assure that the Company's compensation program for executive officers links pay to business strategy and performance in a manner which is effective in attracting, motivating and retaining key executives while also providing performance incentives which will inure to the benefit of executive officers and shareholders alike. The objective is to provide total compensation commensurate with Company performance by combining salaries and benefits that are competitive in the marketplace with incentive opportunities established by the Compensation Committee which are competitive with median levels of competitors' incentive compensation. The Compensation Committee has determined that as an executive's level of responsibility increases, a greater portion of his or her compensation should be based upon the Company's performance. The Compensation Committee also believes that the Company's compensation program should include an individual performance component to reward employees whose job performance does not directly affect revenues.

The Compensation Committee has structured executive compensation based upon this philosophy. There are three (3) basic elements of the Company's executive compensation program, each determined by individual and corporate performance: (1) base salary compensation, (2) annual variable performance incentive compensation earned under the Company's 1997 Incentive Compensation Plan (the "ICP") and (3) stock option grants made under the Company's 1993 Stock Option Plan (the "1993 Option Plan"), and stock option grants and stock appreciation rights under the Company's 1997 Stock Option Plan (the "1997 Option Plan") (the 1993 Option Plan and the 1997 Option Plan are, collectively, the "Option Plans").

Base salaries are targeted to be competitive with similar positions in comparable companies. In determining base salaries, the Compensation Committee also takes into account individual experience and performance and issues specific to the Company.

The ICP is designed to reward employees' short term performance by providing for the award of a cash bonus if annual goals based upon the Company's pre-tax earnings, as well as the performance of the employee and the center in which the employee works, are achieved. The award of bonuses is based initially on the Company's achievement of certain target pre-tax earnings goals established by the Compensation Committee. The amount of each bonus is then determined by the Company's performance (measured by earnings (computed before taxes but after recognition of awards made under the ICP)), the center in which that employee works and that employee's performance.

The third component of executive compensation is the 1993 Option Plan and the 1997 Option Plan. The Compensation Committee believes that the granting of options and stock appreciation rights to officers of the Company, including Mr. Meeker, will further the Company's goals of attracting, motivating and retaining employees while also providing compensation which links pay to the Company's long-term performance. During 1998, all officers were granted a total of 17,457 nonqualified stock options and 34,309 incentive stock options. All these options are exercisable on November 18, 2001 and all were granted under the 1997 Plan. The Option Plans provide for cashless exercises through broker's transactions.

The Compensation Committee believes that the Option Plans are integral to a performance based compensation package because of their reward based upon the Company's long-term performance. The Option Plans allow the Company to further tie compensation to performance of the Company with a possibility of increasing the total compensation package of its executives without an equivalent cash outlay by the Company.

Mr. Meeker was employed as President and Chief Executive Officer of the Company in October 1984 under an annually renewing three-year contract. Each year, Mr. Meeker's base salary is set by the Committee after considering the Company's overall financial performance in light of the Company's strategic development initiatives. For 1998, Mr. Meeker's annual base salary was set at \$300,000. Mr. Meeker's base salary is adjusted periodically to incorporate cost of living increases and to keep his salary competitive with similar positions in comparable

companies. This approach reflects the Committee's philosophy to shift a great portion of Mr. Meeker's overall compensation to sources based upon the Company's overall performance.

Compensation Committee
Frank B. Hower, Jr.
W. Bruce Lunsford
Dennis D. Swanson
Darrell R. Wells

Compensation Committee Interlocks and Insider Participation

The Company is unaware of any relationships among its officers and directors which would require disclosure under this caption.

Performance Graph

Set forth below is a line graph comparing the yearly percentage change in the cumulative total shareholder return on the Company's Common Stock against the cumulative total return of each of a peer group index and the Wilshire 5000 index for the period of approximately five (5) fiscal years commencing January 1, 1994 and ending December 31, 1998. The companies used in the peer group index consist of Hollywood Park Operating Co., Canterbury Park Holding Corp., Dover Downs Entertainment and Penn National Gaming, which are all of the publicly traded companies known to the Company to be engaged primarily in thoroughbred racing in the continental United States and to be publicly traded for at least five (5) years. Fair Grounds Corp. and International Thoroughbred Breeders, Inc., previously a part of the peer group index, are no longer included in the peer group because each is no longer publicly traded. The Meditrust Companies (previously known as Santa Anita Operating Co.), also previously a part of the peer group index, is no longer included in the peer group because of the sale of Santa Anita Racetrack in 1998, its only thoroughbred racing asset. The Wilshire 5000 equity index measures the performance of all United States headquartered equity securities with readily available price data. The graph depicts the result of an investment of \$100 in the Company, the Wilshire 5000 index and the peer group companies. Since the Company has historically paid dividends on an annual basis, the performance graph assumes that dividends were reinvested annually.

	Dec-93	Dec-94	Dec-95	Dec-96	Dec-97	Dec-98
Churchill Downs	\$100	82	66	69	86	131
Peer Group	\$100	37	38	72	87	57
Wilshire 5000	\$100	97	130	155	200	243

Executive Compensation

The following table sets forth the remuneration paid during the last three (3) fiscal years by the Company to [i] Mr. Meeker, the President and CEO of the Company, and [ii] each of the Company's four (4) most highly compensated executive officers in fiscal year 1998 (collectively the "named executive officers").

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	ANNUAL COMPENSATION			LONG TERM COMPENSATION		All Other Compensation (4)
		Salary	Bonus (1)	Other Annual Compensation (2)	Securities Underlying Options/SARS (#) (3)		
Thomas H. Meeker, President, Chief Executive Officer and Director	1998	\$300,000	\$202,500	\$55,200	18,078	\$14,671	
	1997	285,000	192,370	51,406	30,000	15,125	
	1996	260,000	175,500	51,406	127,400	15,522	
Robert L. Decker, Executive Vice President and Chief Financial Officer	1998	176,800	92,820	-0-	5,408	12,628	
	1997	134,038 (5)	89,250	-0-	28,000	99,157 (5)	
	1996	-0-	-0-	-0-	-0-	-0-	
Dan L. Parkerson, Senior Vice President, Property Management	1998	110,240	54,982	-0-	1,686	13,039	
	1997	105,763	54,259	-0-	3,768	13,087	
	1996	99,840	52,416	-0-	20,000	9,465	
Jeffrey M. Smith, President - Churchill Downs Management Company	1998	109,200	50,737	-0-	2,868	12,040	
	1997	104,762	52,369	-0-	3,734	12,108	
	1996	98,800	51,870	-0-	26,000	8,818	
Alexander M. Waldrop, Senior Vice President and General Manager	1998	125,000	62,125	-0-	3,199	11,887	
	1997	105,603	55,650	-0-	3,768	11,822	
	1996	95,680	50,232	-0-	26,000	8,538	

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- (1) In 1996, 1997 and 1998, bonuses were paid in cash pursuant to the Company's Incentive Compensation Plans then in effect. See "Compensation Committee Report on Executive Compensation."
- (2) Includes the expense of a Supplemental Benefit Plan of which Mr. Meeker is currently the only participant. See the Compensation Committee Report on Executive Compensation above and discussion regarding the Supplemental Benefit Plan below.
- (3) On June 3, 1996, 155,400 existing options to the named executive officers, except Mr. Decker, were canceled and an equal number of options were issued to the named executive officers.
- (4) Consists of life insurance premiums paid by the Company with respect to certain term life insurance payable on the officer's death to beneficiaries designated by him and, further, includes amounts contributed by the Company to the officer's account under the Company's Profit Sharing Plan. Amounts attributable to such term life insurance are as follows:

	Mr. Meeker	Mr. Decker	Mr. Parkerson	Mr. Smith	Mr. Waldrop
1998	\$3,168	\$1,749	\$1,534	\$586	\$408
1997	2,980	1,392	1,458	557	330
1996	2,592	-0-	864	302	290

Pursuant to the Company's Profit Sharing Plan, the Company matches employees' contributions (which are limited to 12% of annual compensation up to \$10,000 for calendar year 1998) up to 2% of quarterly contributions and also makes discretionary contributions. Amounts contributed by the Company, including discretionary contributions, on behalf of the named executive officers are as follows:

	Mr. Meeker	Mr. Decker	Mr. Parkerson	Mr. Smith	Mr. Waldrop
1998	\$11,503	\$10,879	\$11,505	\$11,454	\$11,479
1997	12,145	-0-	11,629	11,551	11,492
1996	12,930	-0-	8,601	8,516	8,248

(5) Mr. Decker was employed by the Company in March 1997, and his compensation for 1997 reflects less than twelve months of service. All other compensation for Mr. Decker during 1997 includes \$97,765 of the Company's reimbursement of relocation expenses.

The following table provides information with respect to the named executive officers concerning options granted during 1998:

OPTION GRANTS IN LAST FISCAL YEAR

Name	Options Granted (#) (1)	% of Total Options Granted to Employees Fiscal Year '98 (%) (6)	Exercise or Base Price (\$)	Expiration Date	Grant Date Present Value (\$) (7)
Thomas H. Meeker (2)	18,078	34.92%	\$32.50	11/17/2008	\$188,287
Robert L. Decker (3)	5,408	10.45%	\$32.50	11/17/2008	56,329
Dan L. Parkerson (4)	1,686	3.26%	\$32.50	11/17/2008	17,561
Jeffrey M. Smith (4)	2,868	5.54%	\$32.50	11/17/2008	29,873
Alexander M. Waldrop (5)	3,199	6.18%	\$32.50	11/17/2008	33,320

- (1) The 31,239 options granted in 1998 to the named executive officers are composed of incentive stock options, as defined under the Internal Revenue Code of 1986, as amended, and non-qualified stock options. The exercise price of these options, whether incentive stock options or non-qualified stock options, is the fair market value of the shares on the date of their grant.
- (2) Of the 18,078 options granted to Mr. Meeker, 3,076 are incentive stock options and 15,002 are non-qualified stock options, all of which vest on the third anniversary of the date of grant (November 18, 2001). All these options were granted under the 1997 Plan.
- (3) Of the total of 5,408 options granted to Mr. Decker in 1998, (i) 3,076 are incentive stock options and (ii) 2,332 are non-qualified stock options, all of which vest on the third anniversary of the date of grant (November 18, 2001) and all of which were granted under the 1997 Plan.
- (4) The 1,686 options granted to Mr. Parkerson and 2,868 options granted to Mr. Smith, which represent all of the options granted to these named executive officers in 1998, are incentive stock options which vest on the third anniversary of the date of grant (November 18, 2001). All of the options granted to Mr. Parkerson and to Mr. Smith were granted under the 1997 Plan.
- (5) Of the 3,199 options granted to Mr. Waldrop, 3,076 are incentive stock options and 123 are non-qualified stock options. All these options vest on the third anniversary of the date of grant (November 18, 2001), and all were granted under the 1997 Plan.
- (6) Although a stock option grant was made during 1998 to Richard Schnaars, who is now no longer employed by the Company, that grant (1,912 shares underlying the option) was canceled upon his cessation of employment, and those shares are not included in this calculation.

(7) The fair market value of each stock option granted is estimated on the date of grant using the Black - Scholes option pricing model with the following weighted-average assumptions for grants in 1998, respectively: dividend yield of 1.5385 % in 1998; risk-free interest rate of 5.75%; and the expected lives of options are 6.5 years, and a volatility of 24.85% for all grants.

The following table provides information with respect to the named executive officers concerning unexercised options held as of December 31, 1998:

AGGREGATE YEAR-END OPTION VALUES

Name	Shares Acquired on Exercise (#)	(Value Realized (\$))	Number of Securities Underlying Unexercised Options at year end (#)		Value of Unexercised In-the-Money Options at year end (\$)	
			Exercisable/Unexercisable	Exercisable/Unexercisable	Exercisable/Unexercisable	Exercisable/Unexercisable
Thomas H. Meeker	0	\$0	144,400/61,078		\$1,693,812/583,906	
Robert L. Decker	0	0	0/33,408		0/380,517	
Dan L. Parkerson	0	0	21,500/9,454		259,290/103,238	
Jeffrey M. Smith	0	0	28,000/10,602		327,320/109,731	
Alexander M. Waldrop	0	0	28,000/10,967		327,320/112,412	

(1) Closing bid as of the last trading day of 1998 (December 31, 1998) minus the exercise price. The closing bid was \$32.875.

The Company maintains a Supplemental Benefit Plan (the "Plan") in which Mr. Meeker is currently the only participant. The Plan provides that if a participant remains in the employ of the Company until age 55 or becomes totally and permanently disabled, the participant will be paid a monthly benefit equal to 45% of the "highest average monthly earnings," as defined in the Plan, prior to the time of disability or age 55, reduced by certain other benefits as set forth in the Plan. Benefits commence at retirement on or after attainment of age 55, and continue as a 50% joint and survivor annuity. The benefit payable under the Plan is increased by 1% for each year Mr. Meeker remains in the employment of the Company after age 55, to a maximum benefit of 55% of the highest average monthly earnings at age 65. The Plan further provides that the monthly benefit will be reduced by [a] 100% of the primary insurance amount under social security payable to a participant determined as of the later of the participant's retirement date or attainment of age 62; [b] 100% of the participant's monthly benefit calculated in the form of a 50% joint and survivor annuity under the Company's terminated Pension Plan; [c] 100% of the monthly income option calculated as a 50% joint and survivor annuity from the cash surrender value of all life insurance policies listed on a schedule attached to the participant's plan agreement; and [d] 100% of the employer contributions and any employee contributions up to a maximum of \$2,000 per year allocated to the participant's accounts under the Company's Profit Sharing Plan, calculated in the form of a 50% joint and survivor annuity payable on his retirement date. If Mr. Meeker retires at age 59 or later (a) the reduction for Social Security is 50% of the primary insurance amount rather than 100% of that amount; (b) the reduction for the life annuity from the life insurance cash surrender value is eliminated; and (c) the reduction for the life annuity from employee contributions to the Company's Profit Sharing Plan is eliminated. The estimated annual benefit payable at age 65 to Mr. Meeker under the Plan is \$137,397. This estimate is based upon the following assumptions: (a) 8% annual

earnings under the Company's Profit Sharing Plan; (b) Mr. Meeker's salary remains constant, and (c) the maximum wage base for determining the Social Security offset remains constant.

Employment Agreement and Change in Control Agreement

Mr. Meeker was employed as President and Chief Executive Officer of the Company in October 1984 under an annually renewing three-year contract. Mr. Meeker's compensation for 1999 includes a base salary of \$312,000 per year, reimbursement for travel and entertainment expenses (including his wife's travel expenses on the Company's business), provision of an automobile, payment of dues for one (1) country club and any other professional or business associations, and a \$250,000 life insurance policy. Mr. Meeker's employment may be terminated by the Company prior to the expiration of his employment agreement only if he willfully fails to perform his duties under his employment agreement or otherwise engages in misconduct that injures the Company. Pursuant to Mr. Meeker's employment agreement, in the event of both a "change in control" of the Company and, within one (1) year of such "change in control," either termination of Mr. Meeker's employment by the Company without "just cause" or his resignation, the Company will pay to Mr. Meeker an amount equal to three (3) times his average annual base salary over the prior five (5) years. A "change in control" is defined generally to include the sale by the Company of all or substantially all of its assets, a consolidation or merger involving the Company, the acquisition of over 30% of the Common Stock in a tender offer or any other change in control of the type which would be required to be reported under the Federal securities laws; however, a "change in control" will not be deemed to have occurred in the case of a tender offer or change reportable under the Federal securities laws, unless it is coupled with or followed by the election of at least one-half of the directors of the Company to be elected at any one (1) election and the election of such directors has not been previously approved by at least two-thirds of the directors in office prior to such change in control.

In March of 1997, the Company and Mr. Decker entered into an employment agreement whereby Mr. Decker was employed as the Company's Senior Vice President, Finance and Development, and Chief Financial Officer. As of January 1999, Mr. Decker became the Company's Executive Vice President and Chief Financial Officer. Mr. Decker's compensation for 1999 includes a base salary of \$183,872, reimbursement for reasonable travel and entertainment expenses (including his wife's travel expenses on the Company's business), provision of an automobile, payment of dues for one (1) country club and a mutually acceptable number of professional or business clubs and associations. The Company may terminate Mr. Decker and Mr. Decker may resign at any time. If the Company terminates Mr. Decker without just cause, then the Company must pay to Mr. Decker one (1) year's base salary. "Just cause" means the willful and continued failure by Mr. Decker to substantially perform his duties, the willful engaging by Mr. Decker in misconduct which is materially injurious to the Company, monetarily or otherwise, or the willful violation by Mr. Decker of the terms of his employment agreement

Certain Relationships and Related Transactions

During the past fiscal year, the Company did not engage in any transactions in which any director, officer or 5% shareholder of the Company had any material interest, except as described below.

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

One or more directors of the Company have an interest in business entities which contract with the Company or Hoosier Park, L.P. ("Hoosier Park"), the Company's affiliate, for the purpose of simulcasting the Kentucky Derby and other races and the acceptance of intrastate or interstate wagers on such races. In such case, no extra or special benefit not shared by all others so contracting with the Company is received by any director or entity in which such director has an interest.

Mr. Charles W. Bidwill, Jr., a director and five percent (5%) owner of the Company, is the Chairman and a 14.2% owner of National Jockey Club. In 1998, National Jockey Club and the Company were parties to a simulcasting contract whereby National Jockey Club was granted the right to simulcast the Company's races, including the Kentucky Oaks - Grade I race and the Kentucky Derby - Grade I race. In consideration for these rights, National Jockey Club paid to the Company 5% of its gross handle on the Kentucky Oaks - Grade I race and the Kentucky Derby Grade I race and 3.25% of its gross handle on the other simulcast races. In 1998, National Jockey Club and Hoosier Park were parties to a simulcasting contract whereby National Jockey Club was granted the right to simulcast Hoosier Park's thoroughbred races. In consideration for these rights, National Jockey Club paid to Hoosier Park 2% to 2 1/2% of its gross handle on the simulcast races. National Jockey Club and Hoosier Park were also parties to a simulcasting contract whereby Hoosier Park was granted the right to simulcast National Jockey Club's thoroughbred races. In consideration for these rights, Hoosier Park paid to National Jockey Club 3.0 % of its gross handle on the simulcast races. For purposes of these and other simulcast contracts, gross handle is defined as the total amount wagered by patrons on the races at the receiving facility less any money returned to the patrons by cancels and refunds. These simulcast contracts are uniform throughout the industry and the rates charged were substantially the same as rates charged to other parties who contracted to simulcast the same races. In 1998, the Company and Hoosier Park simulcasted their races to over 1,000 locations in the United States and selected international sites. National Jockey Club received no extra or special benefit as a result of the Company's relationship with Mr. Bidwill.

Thomas H. Meeker, President and Chief Executive Officer of the Company, is currently indebted to the Company in the principal amount of \$65,000, represented by his demand note bearing interest at 8% per annum (payable quarterly) and payable in full upon termination of Mr. Meeker's employment with the Company for any reason. This indebtedness arose in connection

with Mr. Meeker's initial employment, pursuant to the terms of which he was granted a loan by the Company for the purpose of purchasing the Company's Common Stock.

Independent Public Accountants

At its meeting held on March 16, 1999, the Board of Directors adopted the recommendation of the Audit Committee and selected PriceWaterhouseCoopers, formerly known as Coopers & Lybrand, L.L.P. ("Coopers"), to serve as the Company's independent public accountants and auditors for the fiscal year ending December 31, 1999. Coopers has served as the Company's independent public accountants and auditors since the Company's 1990 fiscal year.

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

Approval of Minutes of 1998 Shareholders' Meeting and Other Matters (Proposal No. 3)

The Board of Directors does not know of any matters to be presented to the Annual Meeting other than those specified above, except matters incident to the conduct of the Annual Meeting and the approval by a majority of the shares represented at the Annual Meeting of minutes of the 1998 Annual Meeting which approval does not amount to ratification of actions taken thereat. If, however, any other matters should come before the Annual Meeting, it is intended that the persons named in the enclosed Proxy, or their substitutes, will vote such Proxy in accordance with their best judgment on such matters.

Proposals by Shareholders

Any shareholder proposal that may be included in the Board of Directors' Proxy Statement and Proxy for presentation at the Annual Meeting of Shareholders to be held in 2000 must be received by the Company at 700 Central Avenue, Louisville, Kentucky 40208, Attention of the Secretary, no later than December 30, 1999. Pursuant to the Company's bylaws, proposals of shareholders intended to be presented at the Company's 2000 annual meeting of shareholders must be received by the Company at the principal executive offices of the Company not less than 90 nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of shareholders. Accordingly, any shareholder proposals intended to be presented at the 2000 annual meeting of shareholders of the Company must be received in writing by the Company at its principal executive offices not later than March 19, 2000, nor sooner than February 18, 2000. Any proposal submitted before or after those dates will be considered untimely, and management proxies will be allowed to use their discretionary voting authority if the proposal is raised at the annual meeting.

BY ORDER OF THE BOARD OF DIRECTORS.

THOMAS H. MEEKER
President and Chief Executive Officer

REBECCA C. REED
Senior Vice President,
General Counsel and Secretary

Louisville, Kentucky
April 28, 1999

PLEASE SIGN AND RETURN THE ENCLOSED PROXY
IF YOU CANNOT BE PRESENT IN PERSON

APPENDIX A

ARTICLE VII

CAPITAL STOCK

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

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

B. The Preferred Stock.

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

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

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

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

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

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

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

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

C. Other Provisions.

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

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

PROXY

CHURCHILL DOWNS INCORPORATED

700 Central Avenue
Louisville, Kentucky 40208

ANNUAL MEETING OF SHAREHOLDERS - JUNE 17, 1999

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS.

The undersigned hereby appoints Frank L. Hower, Jr. and G. Watts Humphrey, Jr., and any of them, as Proxies with full power to appoint a substitute and hereby authorizes them to represent and to vote, as designated below, all shares of the undersigned at the Annual Meeting of Shareholders to be held on Thursday, June 17, 1999 or any adjournment thereof, hereby revoking any Proxy hereto fore given.

The Board of Directors unanimously recommends a vote FOR the following proposals:

1. Election of Class III Directors (Proposal No. 1):

____ FOR all nominees listed
below (Except as marked to
the contrary below)

____ WITHHOLD AUTHORITY to
vote for all nominees listed
below

Class III Directors: Charles W. Bidwill, Jr., Daniel P.
Harrington, Thomas H. Meeker, Carl F. Pollard, Darrell R. Wells

(INSTRUCTION: To withhold authority to vote for any individual nominee, write that nominee's name on the space provided below).

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2. _____ FOR _____ AGAINST _____ ABSTAIN

Proposal to approve amending the Company's Articles of Incorporation to increase the number of authorized shares of the Company's Common Stock from 20,000,000 to 50,000,000 shares (Proposal No. 2);

3. _____ FOR _____ AGAINST _____ ABSTAIN

Proposal to approve minutes of the 1998 Annual Meeting of Shareholders, approval of which does not amount to ratification of action taken thereat (Proposal No. 3); and

4. In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting including matters incident to its conduct.

UNLESS CONTRARY DIRECTION IS GIVEN, THIS PROXY
WILL BE VOTED FOR PROPOSAL NO. 2 AND FOR
PROPOSAL NO. 3, AND FOR THE ELECTION OF ALL
CLASS III DIRECTORS DESIGNATED UNDER PROPOSAL
NO. 1. Please sign, date and return this
Proxy promptly in the enclosed envelope.
Dated _____, 1999

(Please sign this Proxy exactly as name(s) appears.
Joint owners should each sign. When signing as
attorney, executor, administrator, trustee, guardian
or other fiduciary, please give full title.)

