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, 2022

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. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐ Yes ☐ No

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐ Yes ☐ No

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 15, 2023, 37,382,489 shares of the Registrant's Common Stock were outstanding. As of June 30, 2022 (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 $6,381,050,626.

Portions of the Registrant's Proxy Statement for its Annual Meeting of Shareholders to be held on April 25, 2023 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, 2022

Part I

Item 1.	Business	4
Item 1A.	Risk Factors	15
Item 1B.	Unresolved Staff Comments	26
Item 2.	Properties	26
Item 3.	Legal Proceedings	27
Item 4.	Mine Safety Disclosures	27

Part II

Item 5.	Market for Registrant’s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities	28
Item 6.	Reserved	29
Item 7.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	30
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	45
Item 8.	Financial Statements and Supplementary Data	46
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	89
Item 9A.	Controls and Procedures	89
Item 9B.	Other Information	89
Item 9C.	Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	90

Part III

Item 10.	Directors, Executive Officers and Corporate Governance	90
Item 11.	Executive Compensation	90
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters	90
Item 13.	Certain Relationships and Related Transactions, and Director Independence	90
Item 14.	Principal Accountant Fees and Services	91

Part IV

Item 15.	Exhibit and Financial Statement Schedule	92
	Exhibit Index	93
Item 16.	Form 10-K Summary	97
	Signatures	98
	Schedule II—Valuation and Qualifying Accounts	99

Cautionary Statement Regarding Forward-Looking Information

This Annual Report on Form 10-K ("Report") contains various "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. 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 or similar expressions (or negative versions of such words or expressions).

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, among others, that may materially affect actual results or outcomes include the following: the occurrence of extraordinary events, such as terrorist attacks, public health threats, civil unrest, and inclement weather, including as a result of climate change; the effect of economic conditions on our consumers' confidence and discretionary spending or our access to credit , including the impact of inflation; additional or increased taxes and fees; the impact of the novel coronavirus (COVID-19) pandemic, including the emergence of variant strains, and related economic matters on our results of operations, financial conditions and prospects; lack of confidence in the integrity of our core businesses or any deterioration in our reputation; loss of key or highly skilled personnel, as well as disruptions in the general labor market; the impact of significant competition, and the expectation the competition levels will increase; changes in consumer preferences, attendance, wagering, and sponsorships; risks associated with equity investments, strategic alliances and other third-party agreements; inability to respond to rapid technological changes in a timely manner; concentration and evolution of slot machine and historical racing machine (HRM) manufacturing or other technology conditions that could impose additional costs; failure to enter into or maintain agreements with industry constituents, including horsemen and other racetracks; inability to successfully focus on market access and retail operations for our TwinSpires Sports and Casino business and effectively compete; online security risk, including cyber-security breaches, or loss or misuse of our stored information as a result of a breach; reliance on our technology services and catastrophic events and system failures disrupting our operations; inability to identify and /or complete, or fully realize the benefits of acquisitions, divestitures, development of new venues or the expansion of existing facilities on time, on budget, or as planned; difficulty in integrating recent or future acquisitions into our operations; cost overruns and other uncertainties associated with the development of new venues and the expansion of existing facilities; general risks related to real estate ownership and significant expenditures, including risks related to environmental liabilities; personal injury litigation related to injuries occurring at our racetracks; compliance with the Foreign Corrupt Practices Act or other similar laws and regulations, or applicable anti-money laundering regulations; payment-related risks, such as risk associated with fraudulent credit card or debit card use; work stoppages and labor problems; risks related to pending or future legal proceedings and other actions; highly regulated operations and changes in the regulatory environment could adversely affect our business; restrictions in our debt facilities limiting our flexibility to operate our business; failure to comply with the financial ratios and other covenants in our debt facilities and other indebtedness; increases to interest rates (due to inflation or otherwise), disruption in the credit markets or changes to our credit ratings may adversely affect our business; increase in our insurance costs, or inability to obtain similar insurance coverage in the future, and any inability to recover under our insurance policies for damages sustained at our properties in the event of inclement weather and casualty events; and other factors described in Item 1A. Risk Factors, of this Report and in other filings we make with the Securities and Exchange Commission.

We do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

PART I

ITEM 1. BUSINESS

Overview

Churchill Downs Incorporated ("CDI" or the "Company") has been creating extraordinary entertainment experiences for nearly 150 years, beginning with the Company's most iconic and enduring asset, the Kentucky Derby. Headquartered in Louisville, Kentucky, CDI has expanded through the development of live and historical racing entertainment venues, the growth of the TwinSpires horse racing online wagering business and the operation and development of regional casino gaming properties.

Business Segments

The Company manages its business through three reportable segments: Live and Historical Racing, TwinSpires, and Gaming. Financial information about these segments is set forth in Part II, Item 8. Financial Statements and Supplementary Data, contained within this Report. In the first quarter of 2022, 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. During the first quarter of 2022, our chief operating decision maker decided to include the results of our United Tote business in the TwinSpires segment as we evolve our strategy to integrate the United Tote offering with TwinSpires Horse Racing, which we believe will create additional business-to-business revenue opportunities. The prior year results in the accompanying Consolidated Statements of Comprehensive Income (Loss) conform to this presentation. Further discussion of segment financial information, and our planned investments in segment properties, is set forth in Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations contained within this Report.

During the fourth quarter of 2022, we updated our operating segments to reflect the geographies in which we operate. This change is consistent with 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 of our business, which resulted in our chief operating decision maker's desire to review the results of the Company on a geographical basis within each reportable segment. The commentary within Management's Discussion and Analysis has been updated to conform to this change.

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 and our historical racing properties in Kentucky, Virginia, and New Hampshire.

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, fees from racing event-related services including admissions, personal seat licenses, sponsorships, television rights, and other miscellaneous services, and revenue from 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 65 live race days in 2020, 71 live race days in 2021 and 76 live race days in 2022. In 2023, we anticipate conducting up to 79 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 reserved seating for approximately 59,000 of our patrons. 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. We have 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 safety and supports our long-term international growth strategy. The Churchill Downs Racetrack facility also includes a simulcast wagering facility. We also own 83 acres of land at our auxiliary training facility, which is five miles from Churchill Downs Racetrack.

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 July 2021, we announced three major multi-year capital investments to transform key areas of Churchill Downs Racetrack: The Homestretch Club, the First Turn Experience, and the Paddock Project. The Company invested $36.0 million in the new Homestretch Club which opened for the 148th Kentucky Derby in May 2022. The Homestretch Club project converted 5,200 outdoor bleacher seats into 3,250 premium reserved seats with all-inclusive amenities. The new premium reserved seats include 2,550 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 95-foot feature bar.

The Company is investing $90.0 million in the First Turn Experience. The First Turn 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. We plan to 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 First Turn Experience is scheduled for completion for the 149th Kentucky Derby in May 2023.

The Company is also investing up to $200.0 million in a Paddock Project to enhance the experience for nearly every guest. The redesigned area will improve the flow of guests throughout the paddock. The Paddock 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 third floor clubhouse seats, and new terraces overlooking the paddock. The new Paddock Project is scheduled for completion for the 150th Kentucky Derby in May 2024.

Historical Racing Properties

The following table summarizes key information regarding our current historical racing properties:

State	**Property**	**City/ Location**	**Floor Space (Sq. ft.)**	**Historical Racing Machines ("HRMs")**
Kentucky	Derby City Gaming	Louisville, Kentucky	85,000	1,170
Kentucky	Turfway Park	Northern Kentucky	155,000	850
Kentucky	Newport	Northern Kentucky	23,000	500
Kentucky	Oak Grove	Southwestern Kentucky	180,000	1,360
Kentucky	Ellis Park	Western Kentucky	100,000	320
New Hampshire	Chasers[a]	Salem, New Hampshire	4,000	(a)
Virginia	Rosie's New Kent	Central Virginia	127,000	550
Virginia	Rosie's Richmond	Central Virginia	54,000	700
Virginia	Rosie's Hampton	Southeast Virginia	38,000	700
Virginia	Rosie's Vinton	Southern Virginia	15,000	470
Virginia	Rosie's Dumfries	Northern Virginia	19,000	150
Virginia	Rosie's Collinsville	Southern Virginia	2,000	40
Total			**802,000**	**6,810**

[a] The Company plans to expand the charitable gaming facility to accommodate HRMs and table games.

Kentucky

Louisville

The Company owns Derby City Gaming which is a state-of-the-art HRM facility that was opened in September 2018 at the Churchill Downs Racetrack auxiliary training facility. Derby City Gaming operates under the Churchill Downs Racetrack pari-mutuel racing license and has a simulcast center and a dining facility.

We are investing $80.0 million to add 135,000 square feet to the facility which will hold up to 450 additional HRMs and to build a five-story hotel with 123 rooms including amenities to better serve and attract guests. The expansion includes 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. We recently opened the new gaming space with 200 additional HRMs. The hotel is scheduled for completion by the end of the second quarter of 2023.

The Company is also building a new $90.0 million HRM entertainment venue called Derby City Gaming Downtown ("DCG Downtown") in an existing building in downtown Louisville which is scheduled for completion in the second half of 2023. The new entertainment venue will provide an HRM gaming area, a main-level sports bar with a stage for music and live entertainment, a premium bourbon library, and an elegant wine and charcuterie lounge for guests, including locals, tourists, and convention attendees. The facility has 200 onsite parking spaces, and a retail and merchandise store will be located on the street level where guests can shop for Kentucky Derby-themed merchandise.

Southwestern Kentucky

Oak Grove Racing & Gaming ("Oak Grove") is a premier state-of-the-art live harness racing and HRM 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 an 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.

Northern Kentucky

The Company opened Newport Racing & Gaming ("Newport") in October 2020. Newport is an HRM entertainment venue including a simulcast area that operates as an extension of Turfway Park. Turfway Park opened in September 2022 as a state-of-the-art live thoroughbred racing and historical racing entertainment venue with a sports bar and food and beverage offerings.

Western Kentucky

The Company acquired Ellis Park Racing & Gaming ("Ellis Park") on September 26, 2022 and assumed the opportunity to build an HRM entertainment venue in Owensboro, Kentucky. We plan to invest approximately $75.0 million at these two facilities in the next year.

Virginia

The Company acquired Colonial Downs Racetrack ("Colonial Downs") and six historical racing entertainment venues in Virginia as part of the acquisition of substantially all of the assets of Peninsula Pacific Entertainment LLC ("P2E") on November 1, 2022 ("P2E Transaction"). Colonial Downs conducts live thoroughbred racing and has a one and one-quarter mile dirt track, the widest turf track oval in North America and two off-track betting facilities ("OTBs"). The Company is investing $400.0 million to construct a large gaming resort and 102-room hotel at the Dumfries, Virginia location with the potential for expansion of up to 1,800 HRMs. The Dumfries HRM facility and hotel is scheduled for completion in 2024. The Company is also investing $30.0 million to develop a seventh HRM entertainment venue in Emporia, Virginia with a planned opening in the second half of 2023.

New Hampshire

On September 2, 2022, the Company completed the acquisition of Chasers Poker Room ("Chasers") located in Salem, New Hampshire. Chasers is a charitable gaming facility located approximately 30 miles from Boston, Massachusetts, that offers poker and a variety of table games. The Company plans to develop an expanded charitable gaming facility in Salem to accommodate HRMs and table games. We plan to invest approximately $150.0 million in total in Salem, inclusive of the amount paid to the sellers of Chasers to build the expanded facility.

TwinSpires

The TwinSpires segment includes the revenue and expenses for the TwinSpires Horse Racing, the TwinSpires Sports and Casino and the United Tote businesses. These 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 certain customers; 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 and also holds licenses from various other states where applicable. 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.

We announced two of these business-to-business agreements in 2022. On September 8, 2022, we announced a multi-year agreement to enable FanDuel, a sportsbook and mobile betting operator, to create a fully integrated and seamless wagering experience with a single wallet for horse racing and sports with exclusive TV rights to racing content and non-exclusive Kentucky Derby sponsorship rights for sports wagering. On November 29, 2022, the Company announced a multi-year agreement to provide DraftKings ADW technology and other services.

Sports and Casino

Our TwinSpires Sports and Casino business includes the results of our retail sportsbooks at our wholly-owned gaming properties and through third parties in Michigan and Arizona. The Company exited the direct online Sports and Casino business during 2022 in every state except Pennsylvania and Arizona. We executed strategic market access agreements with Bet365 in Pennsylvania and with Golden Nugget in Indiana to monetize our online wagering skins beginning in 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, calculate payoffs and displays 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 provides these services at our facilities. On August 11, 2022, we entered into an agreement to sell 49% of United Tote, a wholly-owned subsidiary of the Company to NYRA Content Management Solutions, LLC, a subsidiary of the New York Racing Association ("NYRA"). NYRA is a not-for-profit corporation that operates the three largest thoroughbred horse racing tracks in the state of New York. The transaction is subject to usual and customary closing conditions, including applicable regulatory notices and approvals, and is expected to close during the first half of 2023.

Gaming

The Gaming segment includes revenue and expenses for the casino properties and associated racetracks which support the casino license. The Gaming segment generates revenue and expenses from slot machines, table games, video lottery terminals ("VLTs"), video poker, HRM's, ancillary food and beverage services, hotel services, commission on pari-mutuel wagering, racing event-related services, and other miscellaneous operations. The following table summarizes key information regarding our gaming properties:

State	Property	Acres	Casino Space (Sq. ft.)	Slots and Video Lottery Terminals	Table Games	Hotel Rooms	Retail Sportsbook
Wholly-owned							
Florida	Calder Casino	54	106,000	1,090	6	N/A	N/A
Iowa	Hard Rock Hotel and Casino Sioux City	15	41,000	660	20	54	✔
Louisiana	Fair Grounds Race Course and Slots and Video Services LLC	145	33,000	1,620	—	N/A	✔
Maine	Oxford Casino and Hotel	97	27,000	960	28	100	N/A
Maryland	Ocean Downs Casino and Racetrack	167	70,000	850	18	N/A	✔
Mississippi	Harlow's Casino Resort and Spa	85	33,000	670	18	105	✔
Mississippi	Riverwalk Casino Hotel	22	25,000	600	11	80	✔
New York	del Lago Resort and Casino	83	94,000	1,670	76	205	✔
Pennsylvania	Presque Isle Downs and Casino	270	153,000	1,550	35	N/A	✔
Pennsylvania	Lady Luck Casino Nemacolin	—	25,000	600	26	N/A	N/A
Equity Investments							
Illinois	Rivers Casino Des Plaines	21	140,000	1,510	120	N/A	✔
Ohio	Miami Valley Gaming and Racing	120	190,000	2,200	—	N/A	✔
	Total		937,000	13,980	358	544	

Wholly-owned gaming properties

Florida

Calder Casino ("Calder") in Miami Gardens, Florida is located near Hard Rock Stadium, home of the Miami Dolphins. Calder offers two dining facilities and an entertainment venue. On June 17, 2022, the Company closed on the sale of 115.7 acres of land near Calder for $291.0 million, or approximately $2.5 million per acre, to Link Logistics Real Estate, a Blackstone portfolio company. The Company may sell 15-20 acres of this land in the future for retail development.

Iowa

As part of the P2E Transaction, the Company acquired Hard Rock Hotel and Casino Sioux City ("Hard Rock Sioux City"), which is a gaming facility and a hotel.

Indiana

The Company is investing up to $290.0 million in the development of the Terre Haute Casino Resort ("Terre Haute") in Terre Haute, Indiana. Terre Haute will be a gaming entertainment venue featuring 400,000 square-feet space with 1,000 slot machines, 34 table games, a 122-room luxury hotel, a retail sportsbook, and several food and beverage offerings. Terre Haute is scheduled to be completed in early 2024.

Louisiana

Fair Grounds Race Course & Slots ("Fair Grounds") is a gaming facility and race course with a bar, a simulcast facility, a one-mile dirt track, a 7/8-mile turf track, a grandstand, and a stabling area. Fair Grounds conducts approximately 80 live racing days each year. 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 also operates pari-mutuel wagering in 15 OTBs and Video Services LLC ("VSI") is the owner and operator of video poker machines in 12 OTBs in Louisiana.

Maine

Oxford Casino and Hotel ("Oxford"), located in Oxford, Maine, is a gaming facility with a hotel and one dining facility.

Maryland

Ocean Downs Casino and Racetrack is a gaming facility with a racetrack that conducts approximately 40 live harness racing days each year.

Mississippi

Harlow’s Casino Resort and Spa is a gaming facility and hotel. Riverwalk Casino Hotel owns and operates a hotel and two dining facilities.

New York

As part of the P2E Transaction, the Company acquired del Lago Resort and Casino ("del Lago") in Waterloo, New York, which is a gaming facility and a hotel.

Pennsylvania

Presque Isle Downs and Casino ("Presque Isle") is a gaming facility with a racetrack that conducts 90 live thoroughbred racing days each year.

The Company manages Lady Luck Casino Nemacolin ("Lady Luck Nemacolin"), approximately one mile from the Nemacolin Woodlands Resort under a management agreement that expires in June 2023.

Equity Investments

Illinois

The Company acquired 61.3% equity ownership in Midwest Gaming Holdings, LLC ("Midwest Gaming"), the parent company of Rivers Casino Des Plaines ("Rivers Des Plaines"), in March 2019. Rivers Des Plaines is a gaming entertainment venue located on 21 acres and has seven dining and entertainment facilities, and an approximate 5,000 square-foot state-of-the-art BetRivers Sports Bar. During 2022, Rivers Des Plaines completed a 78,000 square-foot expansion between the existing casino building and the recently enlarged parking garage. The two-story addition includes 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 also added approximately 725 additional gaming positions.

Ohio

The Company has a 50% equity investment in Miami Valley Gaming and Racing ("MVG"). MVG is a gaming entertainment venue with a race course, racing simulcast center, a 5/8-mile harness racetrack, and a retail sportsbook.

All Other

We have aggregated Arlington International Racecourse ("Arlington") as well as certain corporate operations, and other immaterial joint ventures in All Other to reconcile to consolidated results.

Arlington

Arlington is located on 326 acres in Arlington Heights, Illinois. On February 15, 2023, the Company closed on the previously announced agreement to sell the property to the Chicago Bears for $197.2 million. The Company has classified certain assets of Arlington totaling $82.0 million as held for sale as of December 31, 2022, on the accompanying Consolidated Balance Sheets. For more information, refer to Note 4, Dispositions and Assets Held For Sale, to the notes to consolidated financial statements included in this Annual Report on Form 10-K.

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, sports wagering and other entertainment and gaming options. Our brick-and-mortar casinos compete with traditional and Native American casinos, VLTs, 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 2022 and 2021, approximately 34,000 thoroughbred horse races were conducted in the U.S. 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. Our HRM entertainment venues in Kentucky, Virginia, and New Hampshire 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 our Company. 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, 2022, we had a total of approximately 7,000 team members, of which 5,500 are full-time employees. As of December 31, 2022, the Live and Historical Racing segment had approximately 2,410 team members, the TwinSpires segment had 410 team members, and the Gaming segment had 3,900 team members. Nearly three-quarters 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 270 employees, approximately 260 of which are full-time. 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, 2022, approximately 770 full-time employees were covered by 19 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. The Company benefits 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 are subject to regulation under the laws and regulations of each of the jurisdictions in which we operate. 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 regulate 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.

The total number of days on which each racetrack conducts live racing may fluctuate annually based on applications and approvals.

Kentucky

In Kentucky, horse racing racetracks and HRM facilities are subject to the licensing and regulation of the Kentucky Horse Racing Commission ("KHRC"). Licenses to conduct live thoroughbred and standardbred racing meets, to participate in simulcasting, to operate HRM facilities, and to accept advance deposit wagers from Kentucky residents are approved annually by the KHRC based upon applications submitted by the racetracks in Kentucky. 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.

Louisiana

In Louisiana, the 2021 Historical Horse Racing Act ("2021 HHR Act") allows OTBs to have up to 50 HRMs. On October 25, 2022, a number of individual plaintiffs associated with video poker and truckstops, filed a lawsuit in the 19th Judicial District Court in East Baton Rouge, Louisiana against certain racetracks in Louisiana, including Fair Grounds, alleging that the 2021 HHR Act is unconstitutional to the extent it purports to permit historical racing in a parish without a referendum. As of December 31, 2022, the Company had approximately 340 HRMs in OTBs in Louisiana. If the 2021 HHR Act is determined to be unconstitutional it could have an adverse impact on our Louisiana HRM results which are reported in our Gaming segment.

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, 2022. Each state has different structures for the number of allowable industry participants, license fees, taxes, and other operational requirements.

As of December 31, 2022, the Company is operational in nine states for retail sports betting, two states for online sports betting, and one state 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.

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 Intellectual Property

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

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.
- Inflationary periods negatively impact consumers' discretionary income and could reduce the amount of income previously used for gaming and entertainment.
- 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.

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. 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. The introduction of vaccine and facemask mandates in certain locations also impacted the number of customers visiting our properties.

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 long-term 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.

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 racetrack 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-party 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. Thirty-three states have authorized sports betting and thirty of these states have sports betting operational as of December 31, 2022. Additional states may legalize sports betting in the future. Each state has different structures for the number of allowable industry participants, license fees, taxes, and other operational requirements. 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 TwinSpires Sports and Casino business.

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.

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 not 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, we've announced multiple major multi-year capital investments to transform key areas of Churchill Downs Racetrack, as well as other capital investments such as the build out of Derby City Gaming Downtown, Rosie's Emporia and Dumfries, the Ellis Park Owensboro Annex, a charitable gaming facility in New Hampshire and the Terre Haute Casino Resort. 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.

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. For example, individual plaintiffs associated with video poker and truck stops in Louisiana are challenging the constitutionality of the Louisiana 2021 HHR Act which may adversely impact Fair Ground’s historical racing operations.

TwinSpires accepts ADW wagers 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

Increases to interest rates (due to inflation or otherwise), 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, interest rate increases, disruption in the credit markets, 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.

During inflationary periods, interest rates have historically increased, which would have a direct effect on the interest expense of our borrowings. In particular, primarily in response to concerns about inflation, the U.S. Federal Reserve has significantly raised its benchmark federal funds rate, which has led to increases in interest rates in the credit markets. The U.S. Federal Reserve may continue to raise the federal funds rate, which will likely lead to higher interest rates in the credit markets and the possibility of lower asset values, slowing economic growth and/or possibly leading to a recession. We are exposed to increases in interest rates on our variable-rate borrowings, which consist of borrowings under our credit facility and our term loans. Therefore, interest rate increases, due to inflation or otherwise, could, increase our interest expense under these variable-rate facilities in the short-term and increase our financing costs as we refinance our existing variable-rate and fixed-rate long-term borrowings in the long term, or we could incur additional interest expense related to the issuance of incremental debt. These increased costs could reduce our profitability, impair our ability to meet our debt obligations, negatively impact our ability to maintain compliance with the financial covenants in our Credit Agreement, or increase the cost of financing our acquisition, investment, and development activity.

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

- Kentucky
  - 100 acres at Churchill Downs and our auxiliary training facility at Derby City Gaming in Louisville
  - Derby City Gaming in Louisville
  - Derby City Gaming Downtown in Louisville
  - Oak Grove Racing & Gaming in Southwestern Kentucky
  - Turfway Park in Northern Kentucky
  - Ellis Park Racing & Gaming in Northwestern Kentucky
- Virginia
  - Colonial Downs Racetrack & Rosie's in New Kent
  - Rosie's in Vinton
  - Rosie's in Richmond

Gaming

- Florida - Calder Casino in Miami Gardens
- Indiana - Terre Haute Casino Resort in Terre Haute (Opening in 2024)
- Iowa - Hard Rock Hotel & Casino in Sioux City
- Louisiana - Fair Grounds Race Course & Slots and certain VSI properties in New Orleans
- Maine - Oxford Casino & Hotel in Oxford
- Maryland - Ocean Downs Casino & Racetrack in Ocean City
- Mississippi - Riverwalk Casino Hotel in Vicksburg
- New York - del Lago Resort & Casino in Waterloo
- Pennsylvania - Presque Isle Downs & Casino in Erie

All Other

- Illinois - Arlington International Race Course in Arlington Heights - We closed on the sale of the property to the Chicago Bears on February 15, 2023.

We lease the following real property:

Live and Historical Racing

- Kentucky
  - Churchill Downs Racetrack in Louisville - 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, 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 & Gaming in Northern Kentucky
- New Hampshire - Chasers Poker Room in Salem
- Virginia
  - Rosie's in Collinsville
  - Rosie's in Hampton
  - Rosie's in Dumfries

TwinSpires

- Kentucky
  - TwinSpires.com and Brisnet offices in Lexington
  - TwinSpires and United Tote offices in Louisville
- New Jersey - TwinSpires offices in Toms River
- California - United Tote offices in San Diego
- Oregon - United Tote offices Portland

Gaming

- Louisiana - Certain VSI properties in New Orleans
- Mississippi - the land and casino for Harlow's Casino Resort & Spa in Greenville
- Pennsylvania - the building for Lady Luck Casino Nemacolin in Farmington

All Other

- Kentucky - Corporate headquarters in Louisville
- Virginia - Corporate office space in Vinton

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.

Bob Baffert and Bob Baffert Racing Stables, Inc. v. Churchill Downs Incorporated, Bill Carstanjen and Alex Rankin

On February 28, 2022, plaintiffs Bob Baffert and Bob Baffert Racing Stables, Inc. filed a complaint and motion for preliminary injunction against Churchill Downs Incorporated, its Chief Executive Officer Bill Carstanjen, and its Chairman of the Board of Directors Alex Rankin in the U.S. District Court for the Western District of Kentucky, arising out of the Company's decision to suspend Mr. Baffert from entering horses trained by him at any Company-owned racetrack for a period of two years. The Company's two-year suspension of Mr. Baffert came after Baffert-trained horse, Medina Spirit, finished first in the 147th running of the Kentucky Derby but subsequently tested positive for betamethasone, a banned race-day substance. Plaintiffs allege that the Company's decisions to suspend Mr. Baffert from racing at any Company-owned racetrack and to prohibit horses trained by him (or any other suspended trainer) from accumulating Derby-qualifying points were unlawful. Plaintiffs assert claims for (i) violation of the due process clause, (ii) unlawful exclusion, (iii) violations of the federal antitrust laws, (iv) tortious interference with contract, and (v) tortious interference with prospective business advantage.

In addition to and separate from the Company's suspension of Mr. Baffert, on February 21, 2022, the Kentucky Horse Racing Commission ("KHRC") Board of Stewards suspended Mr. Baffert from racing in Kentucky for 90 days and issued a fine to him. The KHRC rejected Mr. Baffert's requests to stay the suspension. Mr. Baffert unsuccessfully sought judicial intervention relieving him from the KHRC suspension. On March 21, 2022, the Franklin County Circuit Court concluded Mr. Baffert was not entitled to a stay of the KHRC suspension and that he had not satisfied a single element required for a temporary injunction of the KHRC suspension. This decision was affirmed by the Kentucky Court of Appeals on April 1, 2022 in an order denying Mr. Baffert's motion for emergency relief. After the Kentucky Court of Appeals allowed the KHRC's 90-day suspension of Mr. Baffert to stand, plaintiffs voluntarily withdrew their motion for preliminary injunction against the Company without prejudice.

On May 2, 2022, the Company filed a motion to dismiss plaintiffs' complaint. Plaintiffs filed a renewed motion for preliminary injunction on December 15, 2022. On February 17, 2023, the Court issued a memorandum opinion and order granting the Company's motion to dismiss in part, allowing a portion of the due process claim to remain. In the same order, the Court denied Plaintiffs' motion for preliminary injunction, concluding that Plaintiff had not established irreparable injury and was not likely to succeed on the merits of the remaining claim. The Company, Mr. Carstanjen, and Mr. Rankin intend to defend this matter vigorously and believe that there are meritorious legal and factual defenses against plaintiffs' allegations and requests for relief.

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 15, 2023, there were approximately 2,230 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 $0.714 in October 2022, which was paid in January 2023, and we declared a dividend of $0.667 in October 2021, which was paid in January 2022.

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, 2022:

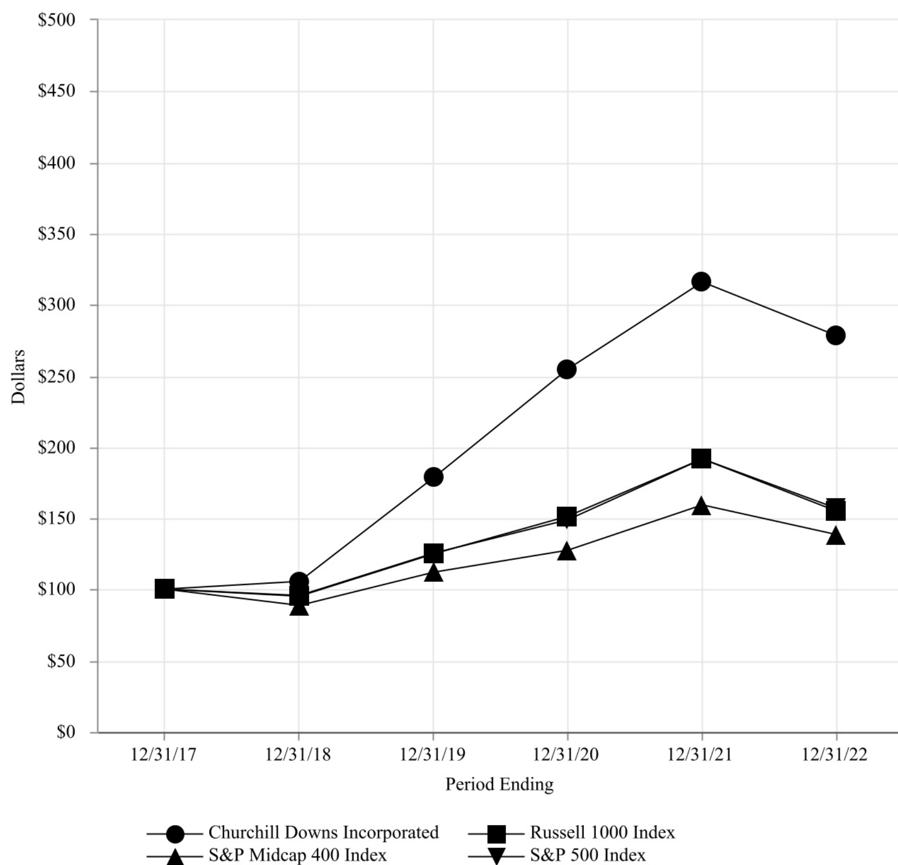
Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased under the Plans or Programs *(in millions)* [1]
October 2022	157,334	$ 202.23	100,435	$ 280.2
November 2022	22,961	216.35	22,961	275.9
December 2022	31,230	215.02	23,328	270.2
Total	211,525	$ 205.65	146,724	

(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 10, 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, 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.



	12/31/17	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22
Churchill Downs Incorporated	$ 100.00	$ 105.47	$ 178.75	$ 254.61	$ 315.76	$ 277.99
Russell 1000 Index	$ 100.00	$ 95.22	$ 125.14	$ 151.37	$ 191.42	$ 154.80
S&P Midcap 400 Index	$ 100.00	$ 88.92	$ 112.21	$ 127.54	$ 159.12	$ 138.34
S&P 500 Index	$ 100.00	$ 95.62	$ 125.72	$ 148.85	$ 191.58	$ 156.88

NOTE 1: Index Data: Copyright Russell Investments. Used with permission. All rights reserved.
NOTE 2: Index Data: Copyright Standard and Poor’s, Inc. Used with permission. All rights reserved.

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 2022 as compared to 2021. Discussion regarding our financial condition and results of operations for 2021 as compared to 2020 is included in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on February 23, 2022.

Our Business

Churchill Downs Incorporated ("CDI" or the "Company") has been creating extraordinary entertainment experiences for nearly 150 years, beginning with the Company’s most iconic and enduring asset, the Kentucky Derby. Headquartered in Louisville, Kentucky, CDI has expanded through the development of live and historical racing entertainment venues, the growth of the TwinSpires horse racing online wagering business and the operation and development of regional casino gaming properties.

In the first quarter of 2022, 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. During the first quarter of 2022, our chief operating decision maker decided to include the results of our United Tote business in the TwinSpires segment as we evolve our strategy to integrate the United Tote offering with TwinSpires Horse Racing, which we believe will create additional business-to-business revenue opportunities. For additional information, refer to Note 21 - Segment Information, to the notes to consolidated financial statements included in Item 8. Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

2022 Transactions

Peninsula Pacific Entertainment Acquisition

On November 1, 2022, the Company completed the acquisition of substantially all the assets of Peninsula Pacific Entertainment, LLC ("P2E") with a base purchase price of $2.75 billion ("P2E Transaction") subject to working capital and other purchase price adjustments. The Company acquired the following properties as part of the P2E Transaction: Colonial Downs Racetrack ("Colonial Downs") in New Kent, Virginia, six historical racing entertainment venues in Virginia, del Lago Resort & Casino in Waterloo, New York ("del Lago"), and the Hard Rock Hotel & Casino in Sioux City, Iowa ("Hard Rock Sioux City"). The P2E Transaction also included development rights for two properties currently under development in Dumfries and Emporia, Virginia with up to five additional Historical Racing Machines ("HRMs") entertainment venues as well as ONE Casino and Resort in collaboration with Urban One.

Chasers Poker Room Acquisition

On September 2, 2022, the Company completed the acquisition of Chasers Poker Room ("Chasers") in Salem, New Hampshire ("Chasers Transaction"). Chasers is a charitable gaming facility located approximately 30 miles from Boston, Massachusetts, that offers poker and a variety of table games. The Company plans to develop an expanded charitable gaming facility in Salem to accommodate HRMs and table games. As part of the Chasers Transaction, the Company made an initial payment to the sellers for rights to operate the poker room and to build a historical racing entertainment venue.

Ellis Park Acquisition

On September 26, 2022, the Company completed the acquisition of Ellis Park Racing & Gaming ("Ellis Park Transaction"). Ellis Park Racing & Gaming ("Ellis Park") is a racetrack and gaming facility venue with HRMs. As part of the acquisition, the Company also acquired the rights to construct an HRM entertainment venue in Owensboro, Kentucky.

Calder Land Sale

On June 17, 2022, the Company closed on the sale of 115.7 acres of land near Calder Casino ("Calder") for $291.0 million to Link Logistics Real Estate, a Blackstone portfolio company. The Company received cash proceeds of $279.0 million which was net of $12.0 million of transaction costs. We recognized a gain of $274.6 million on the sale of the land, which is included in other income in the accompanying Condensed Consolidated Statements of Comprehensive Income (Loss).

Exacta Systems, LLC Acquisition

On December 19, 2022, the Company announced that it entered into a definitive agreement under which we would acquire all the outstanding equity interests of Exacta Systems, LLC ("Exacta") for total consideration of $250.0 million in cash (the "Exacta Transaction"), subject to certain working capital and other purchase price adjustments. The Exacta Transaction will provide the Company the ability to realize synergies related to the Company's recent acquisition of the HRM entertainment venues in Virginia.

Other Business Activities

Impairment

During the quarter ended December 31, 2022, 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. Based on the Company's evaluation, the Company concluded that a trigger event for impairment testing occurred related to the Presque Isle Downs and Casino ("Presque Isle") gaming rights, trademark, and the reporting unit's goodwill due to continued negative economic conditions that negatively impacted the estimates and assumptions utilized in our indefinite-lived intangible asset impairment assessment. As a result of the updated discount rate to reflect the increased uncertainty of the cash flows and updated projected cash flow stream, the Company recorded a $33.4 million non-cash impairment charge in fourth quarter of 2022 for the Presque Isle gaming rights and trademark.

Exit of the Direct Online Sports and Casino Business

In 2022, the Company exited the direct online Sports and Casino business in every state except for Pennsylvania and Arizona. During the quarter ended March 31, 2022, the Company evaluated whether this planned exit would indicate it is more likely than not that any of the Company’s intangible assets, long-lived assets, current assets or property and equipment, were impaired. Based on the Company’s evaluation, the Company recorded a $4.9 million non-cash impairment charge related to certain assets in the TwinSpires segment. The Company will maintain its retail Sports operations and has monetized two of its online market access licenses

Impact of the COVID-19 Global Pandemic

In March 2020, as a result of the COVID-19 outbreak, we temporarily suspended operations at our wholly-owned and managed gaming properties. In May 2020, we began to reopen our properties with patron restrictions and gaming limitations, which fluctuated with the changing environment. 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. Due to such restrictions, our revenues from the Kentucky Oaks and Derby in each year were significantly less than we would otherwise expect. The 148th Kentucky Oaks and Derby were held in the second quarter of 2022 without capacity restrictions.

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. We will continue to monitor for new developments related to the pandemic and assess these developments to maintain continuity in our operations.

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;
  - Direct online Sports and Casino business exit costs; 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;
- Gain on Calder land sale;
- Legal reserves;
- Pre-opening expense; and
- Other charges, recoveries and expenses

As of December 31, 2021, Arlington International Racecourse ("Arlington") ceased racing and simulcast operations. On February 15, 2023, the Company closed on the sale of the property to the Chicago Bears. For more information, refer to Note 4, Dispositions and Assets Held for Sale, to the notes to consolidated financial statements included in this Annual Report on Form 10-K. Arlington's operating loss in the current quarter and year is treated as an adjustment to EBITDA and is included in Other expenses, net in the Reconciliation of Comprehensive Income to Adjusted EBITDA.

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 2022, we delivered strong performance while continuing the execution of several organic investments and completing the largest acquisition in our Company's history that collectively we believe will provide long-term sustainable value creation. We delivered strong growth in net revenue, operating income, net income, and Adjusted EBITDA compared to fiscal year 2021:

- Net revenue was $1.8 billion, up $212.6 million or 13%;
- Net income was $439.4 million, up $190.3 million or 76%;
- Adjusted EBITDA was $763.6 million, up $136.6 million, or 22%; and
- Cash from continuing operations was $510.8 million, up $51.3 million or 11%.

Live and Historical Racing Segment:

- Adjusted EBITDA was $287.5 million, up $112.5 million or 64% from fiscal year 2021.
- Churchill Downs Racetrack:
    - Derby Week successfully returned to full capacity at Churchill Downs Racetrack with the 148th Kentucky Derby with over 147,000 fans gathered in person to watch the most exciting two minutes in sports on the first Saturday in May.
    - We successfully completed the Homestretch Club prior to the 148th Kentucky Derby and approximately $8.0 million under budget.
    - We continued construction on the new First Turn Experience which will be completed for the 149th Kentucky Derby in May 2023 and the Paddock Project for the 150th Kentucky Derby in May 2024.
    - We extended the partnership with Woodford Reserve as the Presenting Sponsor for the Kentucky Derby through 2027.
- Derby City Gaming delivered record net revenue and Adjusted EBITDA. We continued construction of the gaming floor expansion and new five-story hotel.
- Oak Grove delivered record net revenue and Adjusted EBITDA.
- We celebrated the opening of the new HRM entertainment venue and racetrack facility at Turfway Park in September 2022.
- We began construction of Derby City Gaming Downtown in Louisville, Kentucky as a new HRM entertainment venue.
- We completed the acquisition of Chasers in Salem, New Hampshire on September 2, 2022, which will enable the Company to expand its HRM strategy with table games to the New England market.
- We completed the acquisition of Ellis Park in Henderson, Kentucky in September 2022 including the rights to build an HRM entertainment venue in Owensboro, Kentucky.

TwinSpires Segment:

- Adjusted EBITDA was $114.1 million, up $31.4 million or 38% from fiscal year 2021.
- We announced a multi-year agreement with FanDuel to enable FanDuel to create a fully integrated and seamless wagering experience with a single wallet for their customers who want to bet on sports and on horse racing with FanDuel TV driving ongoing engagement beginning in January 2023.
- We announced a multi-year agreement with DraftKings to provide ADW technology and other services.
- We announced the exit of the Online Sports & Casino business in February 2022 and ceased online wagering in Tennessee, Colorado, Indiana, New Jersey, and Michigan.
- We have executed strategic market access agreements with Bet365 in Pennsylvania and with Golden Nugget in Indiana to monetize our online wagering skins.

Gaming

- The Gaming Segment delivered a record $421.9 million of Adjusted EBITDA, an increase of $10.0 million or 2.4% from fiscal year 2021.
- We generated wholly-owned same-store casino margins of 34.5% in 2022, down 2.0 basis points from 2021 and 5.8 basis points higher than 2019.
- Rivers Des Plaines completed their $90 million gaming floor expansion in April 2022 which added 725 gaming positions, a 24-table poker room and additional amenities.
- We began construction of a $290 million casino, hotel, and entertainment venue in Terre Haute, Indiana.
- We completed the sale of 115.7 acres of land near Calder for $291.0 million or approximately $2.5 million per acre to Link Logistics Real Estate on June 17, 2022. We also executed a §1031 transaction to defer approximately $76.0 million of taxes related to the sale of the land.

Environmental, Social, and Governance

- We expanded our ESG efforts including the ongoing promotion of responsible gaming; initiatives at our properties to lessen energy and water usage, to decrease carbon emissions, and to responsibly manage waste; increasing investments in the communities in which we operate and supporting our teams through educational and leadership development; and further diversification of our Board of Directors and increasing engagement with our shareholders.
- We continued our diversity, equity, and inclusion initiatives (DE&I) including the roll-out of our mission, vision, culture statement, and core values company-wide.

All Other

- We closed the sale of our Arlington Heights, Illinois property to the Chicago Bears for $197.2 million on February 15, 2023.
- We completed the acquisition of substantially all the assets of P2E with a base purchase price of $2.75 billion on November 1, 2022. The P2E assets acquired included Colonial Downs and six HRM entertainment venues in Virginia, del Lago in New York, and Hard Rock Sioux City, as well as the development rights for Dumfries and Emporia HRM facilities in Virginia, up to five additional HRM entertainment venues in Virginia, and ONE Casino & Resort in Virginia in collaboration with Urban One.
    - We completed the financing for the acquisition in April 2022 by closing a $1.2 billion Senior Secured Revolver due 2027, $800 million of Senior Secured Delayed Draw Term Loan A due 2027, and $1.2 billion of Senior Notes due 2030 at a 5.75% interest rate.
- We announced a definitive agreement to acquire Exacta for $250.0 million. The acquisition will provide the Company the opportunity to realize additional synergies related to our recent acquisition of the P2E HRM assets in Virginia.

The Company’s total shareholder return was (12)% for 2022 compared to (19)% for the Russell 1000 and (18)% for the S&P 500. The Company’s five-year total shareholder return for 2022 was 178% compared to 55% for the Russell 1000 and 57% for the S&P 500. The preceding shareholder return calculations assume dividends are reinvested.

We remain committed to delivering strong financial results and long-term sustainable growth. Our businesses generate strong cash flow and we have a solid balance sheet that supports our organic growth as well as 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, Adjusted EBITDA, and certain other financial information:

	Years Ended December 31,		
(in millions)	**2022**	**2021**	**Change**
Net revenue	$ 1,809.8	$ 1,597.2	$ 212.6
Operating income	321.8	284.4	37.4
Operating income margin	17.8 %	17.8 %	
Net income from continuing operations	$ 439.4	$ 249.1	$ 190.3
Adjusted EBITDA	763.6	627.0	136.6

Year Ended December 31, 2022 Compared to the Year Ended December 31, 2021

- Net revenue increased $212.6 million driven by a $205.5 million increase from Live and Historical Racing primarily due to revenue attributable to the Virginia properties acquired in the P2E, Ellis Park and Chasers Transactions, the running of the 2022 Kentucky Derby without capacity restrictions that were in place in 2021, and continued growth at our Oak Grove property and at Derby City Gaming and a $60.5 million increase from Gaming primarily due to our New York and Iowa properties acquired in the P2E Transaction and increased revenue in Maine, Florida, and Maryland as a result of certain capacity restrictions during the first half of 2021 that did not recur. Partially offsetting these increases were a $15.0 million decrease in TwinSpires primarily due to a decrease in Horse Racing as a higher portion of our patrons returned to wagering at brick-and-mortar facilities instead of wagering online and the exit of our direct online Sports and Casino business in the first quarter of 2022 and a $38.4 million decrease from All Other, primarily due to Arlington not conducting live racing and simulcast during 2022.
- Operating income increased $37.4 million due to a $93.5 million increase in Live and Historical Racing primarily due to the running of the 2022 Kentucky Derby without restrictions, increases in revenue at our historical racing facilities in Kentucky, and the incremental revenue from the acquired properties in Virginia, and a $37.2 million increase in TwinSpires driven by decreased online marketing and promotions expense. Partially offsetting these increases were a $34.2 million increase in transaction expense driven by the P2E Transaction, a $25.7 million increase in selling, general and administrative expenses due to an increase in Corporate compensation related expenses, legal fees, and charitable donations, a $23.0 million increase in asset impairments, a decrease of $9.3 million in All Other due to Arlington not conducting live racing in 2022, and a $1.1 million decrease in Gaming.
- Net income from continuing operations increased $190.3 million. The following items impacted comparability of the Company's net income from continuing operations for the year ended December 31, 2022 compared to the prior year: a $198.7 million non-cash after tax gain on the sale of Calder assets and a $6.5 million after tax decrease in expense related to Rivers Des Plaines' legal reserves and transaction costs. Offsetting these increases in net income were a $17.8 million non-cash after-tax increase in asset impairments; a $35.5 million after-tax increase in transaction, pre-opening and other expenses, net, a $2.8 million after-tax increase in legal reserves, and $0.7 million of other charges. Excluding these items, net income increased $41.8 million primarily due to a $63.5 million after-tax increase driven by the results of our operations and equity in income from our unconsolidated affiliates, partially offset by a $21.7 million after-tax increase in interest expense associated with higher outstanding debt balances.
- Adjusted EBITDA increased $136.6 million driven by a $112.5 million increase from Live and Historical Racing primarily due to an increase attributable to the Virginia properties acquired in the P2E, Ellis Park and Chasers Transactions, an increase due to the running of the 2022 Kentucky Derby without capacity restrictions that were in place in 2021, and continued growth at our Oak Grove property and at Derby City Gaming, a $31.4 million increase from TwinSpires primarily due to a decrease in marketing spend as a result of exiting the Sports and Casino business, and a $10.0 million increase from Gaming driven by an increase in New York and Iowa from the properties acquired

as part of the P2E Transaction and an increase primarily from our properties in Maine, Florida, and Louisiana as a result of capacity restrictions in 2021 that did not recur. These increases were partially offset by declines in Mississippi and Pennsylvania driven by the current economic factors and a $17.3 million decline in All Other primarily due to Arlington not conducting live racing and simulcast operations in 2022.

Revenue by Segment

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

	Years Ended December 31,		
(in millions)	**2022**	**2021**	**Change**
Live and Historical Racing	$ 646.4	$ 430.6	$ 215.8
TwinSpires	441.6	457.8	(16.2)
Gaming	761.8	698.4	63.4
All Other	3.3	49.2	(45.9)
Eliminations	(43.3)	(38.8)	(4.5)
Net Revenue	$ 1,809.8	$ 1,597.2	$ 212.6

Year Ended December 31, 2022 Compared to the Year Ended December 31, 2021

- Live and Historical Racing revenue for 2022 increased $215.8 million primarily due to $62.4 million in revenue attributable to the Virginia properties acquired in the P2E Transaction, $8.0 million in revenue attributable to properties acquired in the Ellis Park and Chasers Transactions, $77.6 million increased revenue at Churchill Downs Racetrack primarily due to the running of the 2022 Kentucky Derby without capacity restrictions that were in place in 2021, and $67.8 million increase driven primarily by growth at our Oak Grove property and Derby City Gaming as well as the opening of Turfway Park in September 2022.
- TwinSpires revenue decreased $16.2 million primarily due to a decrease in pari-mutuel handle as a higher portion of our patrons returned to wagering at brick-and-mortar facilities instead of wagering online and the decision to exit the direct online Sports and Casino business in the first quarter of 2022.
- Gaming revenue increased $63.4 million primarily due to $46.5 million attributable to our New York and Iowa properties acquired in the P2E Transaction, $25.5 million in Maine, Florida, and Maryland as a result of certain capacity restrictions during the first half of 2021 and a $9.7 million increase in Louisiana as a result of the 2022 Jazz Festival that was not held in the prior year due to COVID-19 and shutdowns in 2021 due to Hurricane Ida that did not recur. Partially offsetting these increases was a decrease of $18.3 million primarily from our Mississippi and Pennsylvania properties due to the current economic conditions.
- All Other revenue decreased $45.9 million primarily as a result of Arlington ceasing racing and simulcast operations at the end of 2021.

Consolidated Operating Expense

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

(in millions)	Years Ended December 31, 2022	2021	Change
Taxes and purses	$ 473.7	$ 434.5	$ 39.2
Content expense	173.7	182.6	(8.9)
Salaries and benefits	196.0	170.3	25.7
Selling, general and administrative expense	164.2	138.5	25.7
Depreciation and amortization	113.7	103.2	10.5
Marketing and advertising expense	52.9	74.5	(21.6)
Asset impairments	38.3	15.3	23.0
Transaction expense	42.1	7.9	34.2
Other operating expense	233.4	186.0	47.4
Total expense	$ 1,488.0	$ 1,312.8	$ 175.2
Percent of revenue	82 %	82 %	

Year Ended December 31, 2022 Compared to the Year Ended December 31, 2021

Significant items affecting comparability of consolidated operating expense include:

- The additional properties acquired as part of the P2E, Ellis Park and Chasers Transactions drove increases in taxes and purses, salaries and benefits, selling, general and administrative and other operating expenses.
- In May 2022, we ran the Kentucky Derby without capacity restrictions which drove increases in salaries and benefits and other operating expenses.
- In addition to the impacts from the acquisitions, Corporate compensation related expenses, legal fees, and charitable donations also contributed to increases in selling, general and administrative expenses.
- The decline of $21.6 million in marketing and advertising expense was primarily due to decreased online marketing by our TwinSpires Sports and Casino business due to the decision to exit the direct online Sports and Casino business. This decrease was partially offset by increased marketing spend at the Kentucky HRM properties in our Live and Historical Racing segment.
- The increase in asset impairments was driven by a $33.4 million non-cash impairment charge at Presque Isle.
- Transaction expense increased $34.2 million due to the P2E, Ellis Park, and Chasers Transactions.

Adjusted EBITDA by Segment

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)	**2022**	**2021**	**Change**
Live and Historical Racing	$ 287.5	$ 175.0	$ 112.5
TwinSpires	114.1	82.7	31.4
Gaming	421.9	411.9	10.0
Total segment Adjusted EBITDA	823.5	669.6	153.9
All Other	(59.9)	(42.6)	(17.3)
Total Adjusted EBITDA	$ 763.6	$ 627.0	$ 136.6

Year Ended December 31, 2022 Compared to the Year Ended December 31, 2021

- Live and Historical Racing Adjusted EBITDA increased $112.5 million due to a $30.1 million increase attributable to the Virginia properties acquired in the P2E Transaction, a $0.7 million increase attributable to properties acquired in the Ellis Park and Chasers Transactions, a $59.1 million increase at Churchill Downs Racetrack primarily due to the running of the 2022 Kentucky Derby without capacity restrictions that were in place in 2021, and a $22.6 million increase primarily due to the continued growth at our Oak Grove property and at Derby City Gaming.
- TwinSpires Adjusted EBITDA increased $31.4 million primarily due to a $40.0 million increase from our Sports and Casino business primarily due to decreased marketing and promotional activities and an $8.6 million decrease attributable to lower Horse Racing net revenue.
- Gaming Adjusted EBITDA increased $10.0 million driven by a $17.9 million increase in New York and Iowa from the properties acquired as part of the P2E Transaction, an $11.6 million increase primarily from our properties in Maine, Florida, and Louisiana as a result of capacity restrictions in 2021 that did not recur, and a $2.8 million increase from our equity investments. Partially offsetting these increases was a decrease of $22.3 million primarily from our Mississippi and Pennsylvania properties due to the current economic conditions.
- All Other Adjusted EBITDA decreased $17.3 million primarily due to the elimination of the $9.7 million operating income related to Arlington as a result of ceasing racing and simulcast operations at the end of 2021 and a $7.6 million increase in Corporate compensation related expenses, legal fees, and charitable donations.

Reconciliation of Comprehensive Income to Adjusted EBITDA

(in millions)	Years Ended December 31, 2022	2021	Change
Net income and comprehensive income attributable to Churchill Downs Incorporated	$ 439.4	$ 249.1	$ 190.3
Net loss attributable to noncontrolling interest	—	—	—
Net income	439.4	249.1	190.3
Loss from discontinued operations, net of tax	—	—	—
Income from continuing operations, net of tax	439.4	249.1	190.3
Additions:			
Depreciation and amortization	113.7	103.2	10.5
Interest expense	147.3	84.7	62.6
Income tax provision	169.4	94.5	74.9
EBITDA	$ 869.8	$ 531.5	$ 338.3
Adjustments to EBITDA:			
Selling, general and administrative:			
Stock-based compensation expense	$ 31.8	$ 27.8	$ 4.0
Legal reserves	3.8	—	3.8
Other charges	7.4	0.2	7.2
Pre-opening expense and other expense	13.2	5.8	7.4
Other income, expense:			
Interest, depreciation and amortization expense related to equity investments	42.8	41.5	1.3
Changes in fair value of Rivers Des Plaines' interest rate swaps	(12.6)	(12.9)	0.3
Rivers Des Plaines' legal reserves and transactions costs	0.6	9.9	(9.3)
Other charges and recoveries, net	1.0	—	1.0
Gain on Calder land sale	(274.6)	—	(274.6)
Transaction expense, net	42.1	7.9	34.2
Asset impairments	38.3	15.3	23.0
Total adjustments to EBITDA	(106.2)	95.5	(201.7)
Adjusted EBITDA	$ 763.6	$ 627.0	$ 136.6

Consolidated Balance Sheet

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

(in billions)	As of December 31, 2022	2021	Change
Total assets	$ 6.2	$ 3.0	$ 3.2
Total liabilities	5.6	2.7	2.9
Total shareholders' equity	0.6	0.3	0.3

- Total assets increased $3.2 billion driven by a $2.4 billion increase in goodwill and other intangibles from the P2E, Ellis Park and Chasers Transactions and a $1.0 billion increase in property and equipment, net from the P2E and Ellis Park Transactions and construction projects. Partially offsetting these increases was a $0.2 billion decrease in cash and cash equivalents due to outflows for bond and term loan interest, capital expenditures related to ongoing construction projects and payments for the purchases of Ellis Park and Chasers.
- Total liabilities increased $2.9 billion driven by a $1.2 billion increase in notes payable, net of debt issuance costs, related to the closing of the 2030 Senior Notes, a $1.4 billion increase in long-term debt, driven by the P2E

Transaction, a $0.2 billion increase in liabilities assumed as part of the P2E, Ellis Park and Chasers Transactions, and an increase in deferred income taxes.

- Total shareholders’ equity increased $0.3 billion driven by net income of $0.4 billion, partially offsetting this increase was $0.1 billion of primarily stock repurchases, and taxes paid related to net share settlement of stock awards.

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 billions)	**2022**	**2021**	**Change**
Cash Flows from:			
Operating activities	$ 0.5	$ 0.5	$ —
Investing activities	(3.1)	(0.1)	(3.0)
Financing activities	2.4	—	2.4

Operating Cash Flow

Cash provided by operating activities increased from increased operating income, increased distributions from unconsolidated affiliates, and tax refunds in the current year driven by prior years' tax return losses. These increases were partially offset by an increase in net interest paid and transaction costs paid as part of the P2E Transaction and other operating expenses. 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 increased $3.0 billion driven primarily by $3.0 billion used for the P2E, Ellis Park and Chasers Transactions, increased capital maintenance expenditures of $0.3 billion, partially offset by proceeds from the Calder land sale of $0.3 billion.

Financing Cash Flow

Cash provided by financing activities increased $2.4 billion primarily driven by a $2.3 billion increase in net borrowings from long-term debt and a $0.1 billion decrease in common stock repurchases.

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, including the following: Churchill Downs Racetrack First Turn Experience and the Paddock Project, the Derby City Gaming Expansion and Hotel, Derby City Gaming Downtown, the Ellis Park HRM facility in Owensboro, Kentucky, the Terre Haute Casino Resort, a New Hampshire HRM Facility, the Virginia HRM entertainment venues in Dumfries and Emporia, and HRMs in our Louisiana OTBs. We currently expect our project capital to be approximately $575 to $675 million in 2023, 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 $270.2 million of repurchase authority remaining under this program on December 31, 2022.

Dividends

On October 25, 2022, the Company's Board of Directors approved an annual cash dividend on our common stock of $0.714 per outstanding share, which represented a 7% increase over the prior year. The dividend was payable on January 6, 2023 to shareholders of record as of the close of business on December 2, 2022. The 7% increase marked the 12th 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)	**2022**	**2021**	**Change**
Term Loan B due 2024	$ 380.0	$ 384.0	$ (4.0)
Term Loan B-1 due 2028	294.7	297.8	(3.1)
Term Loan A due 2027	800.0	—	800.0
Revolver	664.1	—	664.1
2027 Senior Notes	600.0	600.0	—
2028 Senior Notes	700.0	700.0	—
2030 Senior Notes	1,200.0	—	1,200.0
Total debt	4,638.8	1,981.8	2,657.0
Current maturities of long-term debt	47.0	7.0	40.0
Total debt, net of current maturities	4,591.8	1,974.8	2,617.0
Issuance cost and fees	(33.1)	(13.8)	(19.3)
Total debt	$ 4,558.7	$ 1,961.0	$ 2,597.7

Credit Agreement

On December 27, 2017, we entered into a senior secured credit agreement ("2017 Credit Agreement") with a syndicate of lenders. The 2017 Credit Agreement provided 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 was 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 Term Loan B bears interest at LIBOR plus 200 basis points and 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 as determined by a pricing grid based on the consolidated total net secured leverage ratio of the Company. For the period ended December 31, 2022, the Company's commitment fee rate was 0.175%.

On March 17, 2021, the Company entered into the Incremental Joinder Agreement No. 1 (the "Joinder") to its 2017 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 2017 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 2017 Credit Agreement.

On April 13, 2022, the Company amended the 2017 Credit Agreement (as amended, the "Credit Agreement") to extend the maturity date of its existing Revolver to April 13, 2027, to increase the commitments under the existing Revolver from $700.0 million to $1.2 billion, and to increase the swing line commitment from $50.0 million to $100.0 million. The amendment also provides for a senior secured Delayed Draw Term Loan A due April 13, 2027 in the amount of $800.0 million, which was drawn on November 1, 2022 as part of the financing for the P2E Transaction. For more information regarding the P2E Transaction, refer to Note 3, Acquisitions, to the notes to consolidated financial statements included in Item 8. Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

The Revolver and Delayed Draw Term Loan A bear interest at the Secured Overnight Financing Rate ("SOFR") plus 10 basis points, plus a variable applicable margin which is determined by the Company's net leverage ratio. As of December 31, 2022, that applicable margin was 125 basis points which was based on the pricing grid in the Credit Agreement. During 2022, we have borrowed $664.1 million on our Revolver which provided the Company with financing for the Chasers, Ellis Park, and P2E Transactions. For more regarding the Chasers, Ellis Park and P2E Transactions, refer to Note 3, Acquisitions, to the notes to consolidated financial statements included in Item 8. Financial Statements and Supplementary Data of this Annual Report on Form 10-K. The Company had $524.8 million available borrowing capacity, after consideration of $11.1 million in outstanding letters of credit, under the Revolver as of December 31, 2022.

The phase-out of LIBOR for existing debt agreements is set for June 30, 2023. The Credit Agreement includes a general process for establishing an alternative reference rate to the extent LIBOR is phased out. The Company is in the process of transitioning its financing from LIBOR to alternative reference rates. These transition activities are not expected to have a material impact on the Company’s financial statements.

The Credit Agreement is collateralized by substantially all the wholly-owned assets of the Company. 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 as of December 31, 2022	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, 2022.

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 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 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 due in 2021.

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 and form a part of the same series for purposes of the indenture. 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 is being 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 Revolver, (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 the 2028 Senior 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.

2030 Senior Notes

On April 13, 2022, a wholly-owned subsidiary of the Company completed an offering of $1.2 billion in aggregate principal amount of 5.75% Senior Unsecured Notes that mature on April 13, 2030 (the "2030 Senior Notes") in a private offering to qualified institutional buyers pursuant to Rule 144A that was exempt from registration under the Securities Act, and to certain non-U.S. persons in accordance with Regulation S under the Securities Act. The offering of the 2030 Senior Notes was part of the financing utilized for the P2E Transaction. The Company held the net proceeds of this transaction of $1.2 billion in escrow until the proceeds were utilized to complete the P2E Transaction on November 1, 2022, at which time CDI assumed the obligation and became the Issuer.

The 2030 Senior Notes were issued at 100% of the principal amount, plus interest deemed to have accrued from April 13, 2022, with interest payable in arrears on April 1st and October 1st of each year, commencing on October 1, 2022. The 2030 Senior Notes will vote as one class under the indenture governing the 2030 Senior Notes.

The Issuer may redeem some of or all the 2030 Senior Notes at any time prior to April 1, 2025, at redemption prices set forth in the 2030 Offering Memorandum.

Contractual Obligations

Our commitments to make future payments as of December 31, 2022, are estimated as follows:

(in millions)	2023	2024-2025	2026-2027	Thereafter	Total
Dividends	$ 27.0	$ —	$ —	$ —	$ 27.0
Term Loan B	4.0	376.0	—	—	380.0
Interest on Term Loan B [(1)]	22.1	21.7	—	—	43.8
Revolver	—	—	664.1	—	664.1
Interest on Revolver [(1)]	38.3	76.6	49.2	—	164.1
Term Loan B-1	3.0	6.0	6.0	279.8	294.8
Interest on Term Loan B-1 [(1)]	17.2	33.9	33.1	3.5	87.7
Term Loan A	40.0	80.0	680.0	—	800.0
Interest on Term Loan A[(1)]	45.9	84.9	49.4	—	180.2
2027 Senior Notes	—	—	600.0	—	600.0
2028 Senior Notes	—	—	—	700.0	700.0
2030 Senior Notes	—	—	—	1,200.0	1,200.0
Interest on 2027 Senior Notes	33.0	66.0	49.5	—	148.5
Interest on 2028 Senior Notes	33.3	66.5	66.5	16.6	182.9
Interest on 2030 Senior Notes	69.0	138.0	138.0	175.0	520.0
Operating and Finance Leases	8.9	16.5	12.0	22.0	59.4
All other	2.5	5.2	5.0	11.6	24.3
Total	$ 344.2	$ 971.3	$ 2,352.8	$ 2,408.5	$ 6,076.8

(1) Interest includes the estimated contractual payments under our Credit Facility assuming no change in the weighted average borrowing rate of 5.77%, which was the rate in place as of December 31, 2022.

As of December 31, 2022, we had approximately $6.4 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, Significant Accounting Policies of 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 or historical racing facility 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. Changes in estimates or the application of alternative assumptions could produce significantly different results.

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, HRM entertainment venues, online wagering sites, and gaming facilities, 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, 2022, we had $2.1 billion outstanding under our Credit Agreement, which bears interest at LIBOR and SOFR 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 or SOFR rate would reduce net income and cash flows from operating activities by $15.4 million. The phase-out of LIBOR for existing debit agreements is set for June 30, 2023. The Credit Agreement includes a general process for establishing an alternative reference rate to the extent LIBOR is phased out. The Company is in the process of transitioning its financing from LIBOR to alternative reference rates. These transition activities are not expected to have a material impact on the Company’s financial statements.

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)	2022	2021	2020
Net revenue:			
Live and Historical Racing	$ 614.6	$ 409.1	$ 169.6
TwinSpires	436.4	451.4	430.1
Gaming	755.9	695.4	435.3
All Other	2.9	41.3	19.0
Total net revenue	1,809.8	1,597.2	1,054.0
Operating expense:			
Live and Historical Racing	400.9	288.9	179.0
TwinSpires	293.6	345.8	293.1
Gaming	537.9	476.3	357.9
All Other	11.0	40.1	30.5
Selling, general and administrative expense	164.2	138.5	114.8
Asset impairments	38.3	15.3	17.5
Transaction expense	42.1	7.9	1.0
Total operating expense	1,488.0	1,312.8	993.8
Operating income	321.8	284.4	60.2
Other income (expense):			
Interest expense, net	(147.3)	(84.7)	(80.0)
Equity in income of unconsolidated affiliates	152.7	143.2	27.7
Gain on Calder land sale	274.6	—	—
Miscellaneous, net	7.0	0.7	0.1
Total other income (expense)	287.0	59.2	(52.2)
Income from continuing operations before provision for income taxes	608.8	343.6	8.0
Income tax (provision) benefit	(169.4)	(94.5)	5.3
Income from continued operations, net of tax	439.4	249.1	13.3
Loss from discontinued operations, net of tax	—	—	(95.4)
Net income (loss)	439.4	249.1	(82.1)
Net loss attributable to noncontrolling interest	—	—	(0.2)
Net income (loss) and comprehensive income (loss) attributable to Churchill Downs Incorporated	$ 439.4	$ 249.1	$ (81.9)
Net income (loss) per common share data - basic:			
Continuing operations	$ 11.58	$ 6.45	$ 0.34
Discontinued operations	$ —	$ —	$ (2.41)
Net income (loss) per common share - basic	$ 11.58	$ 6.45	$ (2.07)
Net income (loss) per common share data - diluted:			
Continuing operations	$ 11.42	$ 6.35	$ 0.33
Discontinued operations	$ —	$ —	$ (2.41)
Net income (loss) per common share - diluted	$ 11.42	$ 6.35	$ (2.08)
Weighted average shares outstanding:			
Basic	37.9	38.6	39.6
Diluted	38.5	39.2	40.1

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

CHURCHILL DOWNS INCORPORATED
CONSOLIDATED BALANCE SHEETS
December 31,

(in millions)	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 129.8	$ 291.3
Restricted cash	74.9	64.3
Accounts receivable, net	81.5	42.3
Income taxes receivable	14.0	66.0
Other current assets	44.3	37.6
Total current assets	344.5	501.5
Property and equipment, net	1,978.3	994.9
Investment in and advances to unconsolidated affiliates	659.4	663.6
Goodwill	723.8	366.8
Other intangible assets, net	2,391.8	348.1
Other assets	27.0	18.9
Long-term assets held for sale	82.0	87.8
Total assets	$ 6,206.8	$ 2,981.6
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 145.5	$ 81.6
Accrued expenses and other current liabilities	361.0	231.7
Income taxes payable	2.1	0.9
Current deferred revenue	39.0	47.7
Current maturities of long-term debt	47.0	7.0
Dividends payable	27.0	26.1
Total current liabilities	621.6	395.0
Long-term debt (net of current maturities and loan origination fees of $10.2 in 2022 and $6.2 in 2021)	2,081.6	668.6
Notes payable (net of debt issuance costs of $22.9 in 2022 and $7.6 in 2021)	2,477.1	1,292.4
Non-current deferred revenue	11.8	13.3
Deferred income taxes	340.8	252.9
Other liabilities	122.4	52.6
Total liabilities	5,655.3	2,674.8
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; 37.4 shares issued and outstanding December 31, 2022 and 38.1 shares at December 31, 2021	—	—
Retained earnings	552.4	307.7
Accumulated other comprehensive loss	(0.9)	(0.9)
Total shareholders' equity	551.5	306.8
Total liabilities and shareholders' equity	$ 6,206.8	$ 2,981.6

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, 2022, 2021 and 2020

	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, 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 842			(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
Net income			439.4			439.4
Issuance of common stock	0.3	2.7				2.7
Repurchase of common stock	(0.9)	(34.5)	(141.0)			(175.5)
Taxes paid related to net share settlement of stock awards	(0.1)		(26.9)			(26.9)
Stock-based compensation		31.8				31.8
Cash dividends ($0.714 per share)			(26.8)			(26.8)
Balance, December 31, 2022	37.4	$ —	$ 552.4	$ (0.9)	$ —	$ 551.5

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)	2022	2021	2020
Cash flows from operating activities:			
Net income (loss)	$ 439.4	$ 249.1	$ (82.1)
Loss from discontinued operations, net of tax	—	—	(95.4)
Income from continuing operations, net of tax	$ 439.4	$ 249.1	$ 13.3
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	113.7	103.2	92.9
Equity in income of unconsolidated affiliates	(152.7)	(143.2)	(27.7)
Distributions from unconsolidated affiliates	156.9	109.4	30.7
Stock-based compensation	31.8	27.8	23.7
Deferred income taxes	108.7	9.8	30.1
Asset impairments	38.3	15.3	17.5
Amortization of operating lease assets	5.3	5.3	5.0
Gain on Calder land sale	(274.6)	—	—
Other	7.4	5.3	4.5
Changes in operating assets and liabilities, net of businesses acquired and dispositions:			
Income taxes	28.2	12.9	(34.6)
Deferred revenue	(12.7)	10.7	(8.3)
Other assets and liabilities	21.1	53.9	(3.9)
Net cash provided by operating activities	510.8	459.5	143.2
Cash flows from investing activities:			
Capital maintenance expenditures	(50.2)	(39.5)	(23.0)
Capital project expenditures	(373.3)	(52.3)	(211.2)
Acquisition of businesses, net of cash acquired	(2,918.5)	—	—
Acquisition of gaming rights, net of cash acquired	(33.3)	—	—
Proceeds from the Calder land sale	279.0	—	—
Other	(7.4)	(8.6)	(5.2)
Net cash used in investing activities	(3,103.7)	(100.4)	(239.4)
Cash flows from financing activities:			
Proceeds from borrowings under long-term debt obligations	2,862.4	780.8	726.1
Repayments of borrowings under long-term debt obligations	(205.4)	(430.9)	(580.4)
Payment of dividends	(26.0)	(24.8)	(23.4)
Repurchase of common stock	(174.9)	(297.5)	(28.4)
Cash settlement of stock awards	—	—	(12.7)
Taxes paid related to net share settlement of stock awards	(28.4)	(12.9)	(18.7)
Debt issuance costs	(27.3)	(6.9)	(2.0)
Change in bank overdraft	13.3	(10.5)	13.4
Other	2.3	2.2	2.1
Net cash provided by (used in) financing activities	2,416.0	(0.5)	76.0
Cash flows from discontinued operations:			
Operating cash flows of discontinued operations	26.0	(124.0)	(1.3)
Net (decrease) increase in cash, cash equivalents and restricted cash	(150.9)	234.6	(21.5)
Cash, cash equivalents and restricted cash, beginning of year	355.6	121.0	142.5
Cash, cash equivalents and restricted cash, end of year	$ 204.7	$ 355.6	$ 121.0

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)	2022	2021	2020
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	$ 133.6	$ 77.5	$ 79.6
Cash paid for income taxes	68.6	72.4	1.6
Cash received from income tax refunds	61.6	—	—
Schedule of non-cash investing and financing activities:			
Dividends payable	$ 27.0	$ 27.0	$ 25.8
Deferred payment on gaming rights included in accounts payable and accrued expenses	50.6	—	—
Property and equipment additions included in accounts payable and accrued expense and other current liabilities	51.3	18.7	12.9
Repurchase of common stock in payment of income taxes on stock-based compensation included in accrued expense and other current liabilities	1.7	3.2	—

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

1. DESCRIPTION OF BUSINESS

Churchill Downs Incorporated ("CDI" or the "Company") has been creating extraordinary entertainment experiences for nearly 150 years, beginning with the Company’s most iconic and enduring asset, the Kentucky Derby. Headquartered in Louisville, Kentucky, CDI has expanded through the development of live and historical racing entertainment venues, the growth of the TwinSpires horse racing online wagering business and the operation and development of regional casino gaming properties.

We own and operate 13 live and historical racing entertainment venues in three states, one of the largest online horse racing wagering platforms in the U.S., twelve casino gaming properties in ten states and ten retail sportsbooks. We were organized as a Kentucky corporation in 1928, and our principal executive offices are located in Louisville, Kentucky.

In the first quarter of 2022, 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. During the first quarter of 2022, our chief operating decision maker decided to include the results of our United Tote business in the TwinSpires segment as we evolve our strategy to integrate the United Tote offering with TwinSpires Horse Racing, which we believe will create additional business-to-business revenue opportunities. For additional information, refer to Note 21, Segment Information.

Acquisition of Peninsula Pacific Entertainment

On November 1, 2022, the Company completed the acquisition of substantially all of the assets of Peninsula Pacific Entertainment LLC ("P2E") with a base purchase price of $2.75 billion ("P2E Transaction") subject to working capital and other purchase price adjustments. The P2E assets acquired included Colonial Downs Racetrack ("Colonial Downs") and six Historical Racing Machine ("HRM") entertainment venues in Virginia, del Lago Resort & Casino in New York ("del Lago"), and Hard Rock Hotel & Casino in Iowa ("Hard Rock Sioux City"), as well as the development rights for Dumfries and Emporia HRM facilities in Virginia, up to five additional HRM entertainment venues in Virginia, and the potential for ONE Casino and Resort in Virginia in collaboration with Urban One.

Refer to Note 3, Acquisitions, for further information on the transaction.

Acquisition of Ellis Park and Chasers Poker Room

Chasers Poker Room Acquisition

On September 2, 2022, the Company completed the acquisition of Chasers Poker Room ("Chasers") in Salem, New Hampshire (the "Chasers Transaction"). As part of the transaction, we made an initial payment to the sellers for rights to operate the poker room and to build an HRM venue. Additional payments will be made once all necessary permits are obtained, and the planned historical racing entertainment venue is opened. The Company plans to develop an expanded charitable gaming facility in Salem to accommodate HRMs and table games.

Ellis Park Acquisition

On September 26, 2022, the Company completed the acquisition of Ellis Park Racing & Gaming ("Ellis Park") in Henderson, Kentucky, from Enchantment Holdings, LLC, an affiliate of Laguna Development Corporation, for total consideration of $79.0 million in cash, subject to certain working capital and other purchase price adjustments (the "Ellis Park Transaction").

Refer to Note 3, Acquisitions, for further information on the transactions.

Impact of the COVID-19 Global Pandemic

In March 2020, as a result of the COVID-19 outbreak, we temporarily suspended operations at our wholly-owned and managed gaming properties. In May 2020, we began to reopen our properties with patron restrictions and gaming limitations, which fluctuated with the changing environment. 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. Due to such restrictions, our revenues from the Kentucky Oaks and Derby in each year were significantly less than we would otherwise expect. The 148th Kentucky Oaks and Derby were held in the second quarter of 2022 without capacity restrictions.

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. We will continue to monitor for new developments related to the pandemic and assess these developments to maintain continuity in our operations.

Exit of the Direct Online Sports and Casino Business

In 2022, the Company exited the direct online Sports and Casino business in every state except for Pennsylvania and Arizona. The Company will maintain its retail Sports operations and has monetized two of its online market access licenses.

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 racetracks, 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 HRM, 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. Sponsorship 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 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 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 gaming properties offer loyalty programs that enable customers to earn loyalty points based on their play. HRM and gaming 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 an HRM and gaming 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 transactions, an amount of the transaction price allocated to the gaming 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 transactions, the amount of the transaction price allocated to the HRM 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") of the Accounting Standards Codification ("ASC") 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.

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 $11.2 million in 2022, $10.7 million in 2021, and $10.5 million in 2020. We incurred amortization expense of approximately $10.7 million in 2022, $10.3 million in 2021, and $9.4 million in 2020, 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.

Business Combinations

We account for acquisitions of businesses in accordance with ASC 805, Business Combinations. We initially allocate the purchase price of an acquisition to the assets acquired and liabilities assumed based on their estimated fair values, with any excess of consideration transferred recorded as goodwill. The results of operations of acquisitions are included in the consolidated financial statements from their respective dates of acquisition. Costs incurred to complete the business combination are not considered part of consideration and are expensed as incurred. Refer to Note 3, Acquisitions, for further information.

Leases

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 in the accompanying Consolidated Balance Sheets. We generally do not separate lease and non-lease components for our lease contracts. We do not apply the right-of-use assets ("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.

We do not have any material leases where we are the lessor.

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 certain employee health coverage costs, 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 $52.9 million in 2022, $74.5 million in 2021, and $31.4 million in 2020 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 10, 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 the loss occurs, 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 2023 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. In December 2022, the FASB deferred the date for which this guidance can be applied from December 31, 2022 to December 31, 2024. The use of LIBOR was phased out at the end of 2021, although the phase-out of U.S. dollar LIBOR for existing agreements has been delayed until June 2023. We continue to monitor developments related to the LIBOR transition and identification of an alternative, market-accepted rate.

3. ACQUISITIONS

Chasers Poker Room

On September 2, 2022, the Company completed the Chasers Transaction which was treated as an asset acquisition because substantially all the value of the gross assets acquired was concentrated in the gaming rights. The Company made an initial payment at closing and recorded a liability for the remaining payments due on a future date. In conjunction with the acquisition, the Company recorded an $82.2 million gaming rights intangible asset which represented its fair value at the date of acquisition.

The fair value of the gaming rights acquired in the Chasers Transaction was determined using the Greenfield Method, which is an income approach methodology that calculates the present value of the gaming rights intangible asset based on a projected cash flow stream. This method assumes that the gaming rights intangible asset provides the opportunity to develop a gaming or historical racing facility 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.

Ellis Park

On September 26, 2022, the Company completed the Ellis Park Transaction for total consideration of $79.0 million in cash, plus $3.5 million in working capital and other preliminary purchase price adjustments. The fair values of the Ellis Park Transaction were based upon preliminary valuations. Estimates and assumptions used in such valuations are subject to change, which could be significant, within the measurement period up to one year from the acquisition date. The areas of the preliminary valuations that are not yet finalized relate to the amounts for income taxes, working capital adjustments and the final amount of residual goodwill. The Company expects to continue to obtain information to assist in determining fair values of net assets acquired at the acquisition date during the measurement period. The preliminary fair values of the assets acquired and liabilities assumed, net of cash acquired of $1.4 million, at the date of acquisition were as follows: property and equipment of $19.3 million, indefinite-lived gaming rights of $47.4 million, indefinite-lived trademark of $3.6 million, goodwill of $9.2 million, and net working capital of $1.6 million.

The Company has not included other disclosures regarding the Chasers or Ellis Park Transactions as they are immaterial to our business.

P2E Transaction

On November 1, 2022, the Company completed the acquisition of substantially all the assets of P2E for a preliminary purchase consideration of $2,835.9 million, net of cash acquired. The P2E assets acquired included Colonial Downs and six HRM entertainment venues in Virginia, del Lago in New York, and Hard Rock Sioux City in Iowa, as well as the development rights for Dumfries and Emporia HRM facilities in Virginia, up to five additional HRM entertainment venues in Virginia, and ONE Casino & Resort in Virginia in collaboration with Urban One.

The following table summarizes the preliminary fair value of the assets acquired and liabilities assumed, net of cash acquired of $126.4 million, as of November 1, 2022:

(in millions)	Total
Accounts receivable, net	$ 9.8
Other current assets	7.2
Property and equipment	611.2
Goodwill	347.8
Other intangible assets	1,941.5
Deferred taxes	20.8
Other assets	16.0
Total assets acquired	$ 2,954.3
Accounts payable	4.0
Accrued expenses and other current liabilities	96.9
Other liabilities assumed	17.5
Total liabilities assumed	$ 118.4
Net assets acquired (net of cash)	$ 2,835.9

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

(in millions)	Fair Value Recognized
Gaming rights	$ 1,865.6
Trademark	75.9
Total intangible assets	$ 1,941.5

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 at November 1, 2022.

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 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 assets provide the opportunity to develop a casino or historical racing facility 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, and discount rates were the primary assumptions and estimates in the valuation of the gaming rights. The gaming rights intangible assets were assigned an indefinite useful life based on the Company's expected use of the assets and determination that no legal, regulatory, contractual, competitive, economic, or other factors limit the useful life of the gaming rights.

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

Goodwill of $347.8 million was recognized due to the expected contribution of P2E to the Company's overall business strategy. The goodwill was assigned to the Gaming segment in the amount of $129.1 million and to the Live and Historical Racing segment in the amount of $218.7 million and is mostly deductible for tax purposes.

Estimates and assumptions used in such valuations are subject to change, which could be significant, within the measurement period up to one year from the acquisition date. The preliminary purchase consideration is subject to adjustment upon finalization of customary post-closing adjustments related to working capital. The primary areas of the preliminary valuation that are not yet finalized relate to the fair values of amounts for income taxes, property and equipment, and intangible assets, adjustments to working capital, and the final amount of residual goodwill. The Company expects to continue to obtain information to assist in determining fair values of net assets acquired at the acquisition date during the measurement period.

For the period November 1, 2022 through December 31, 2022, the operations of the properties acquired as part of the P2E Transaction, including the associated retail sportsbooks, generated net revenue of $109.7 million and net income of $42.9 million.

The following unaudited pro forma consolidated financial information for the Company has been prepared assuming the P2E Transaction had occurred as of January 1, 2021. 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, 2021.

(in millions)	Year Ended December 31, 2022	Year Ended December 31, 2021
Net revenue	$ 2,348.7	$ 2,153.6
Net income	$ 535.4	$ 205.1

4. DISPOSITIONS, ASSETS HELD FOR SALE & DISCONTINUED OPERATIONS

Calder Land Sale

On June 17, 2022, the Company closed on the sale of 115.7 acres of land near Calder Casino ("Calder") for $291.0 million or approximately $2.5 million per acre to Link Logistics Real Estate, a Blackstone portfolio company. The Company received cash proceeds of $279.0 million which was net of $12.0 million of transaction costs. We recognized a gain of $274.6 million on the sale of the land, which is included in Other income in the accompanying Condensed Consolidated Statements of Comprehensive Income (Loss). The gain consisted of cash proceeds of $279.0 million offset by the carrying value of the assets sold of $4.4 million. The proceeds were held by a qualifying intermediary in an interest-bearing account until they could be utilized in a like-kind exchange.

The Company utilized proceeds and interest earned from the sale to purchase property as part of the P2E Transaction and to invest in other replacement properties that qualify as Internal Revenue Code §1031 transactions to defer the federal income tax on the gain on the Calder land sale. The Company completed one reverse like-kind exchange in June 2022 involving our $9.9 million investment in real property for the Derby City Gaming Downtown facility in Louisville, Kentucky, and one reverse like-kind exchange in December 2022 involving our $24.9 million investment in real property for the Terre Haute Casino Resort in Vigo County, Indiana ("Terre Haute"). The remaining proceeds were used to execute a forward like-kind exchange with the P2E Transaction to purchase real property associated with del Lago in November 2022.

As of December 31, 2022, the Company recorded a $76.0 million deferred tax liability on the Condensed Consolidated Balance Sheets.

As of December 31, 2021, the assets sold as part of the Calder land sale were classified as held for sale on the accompanying Condensed Consolidated Balance Sheets. Calder's operations and assets are included in the Gaming segment in our consolidated results.

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 Company has classified certain assets of Arlington International Racecourse ("Arlington") totaling $82.0 million and $81.5 million as held for sale as of December 31, 2022 and December 31, 2021, respectively, on the accompanying Consolidated Balance Sheets. Arlington's operations and assets are included in All Other in our consolidated results.

The Company executed a forward like-kind exchange transaction by purchasing certain property as part of the P2E Transaction for $197.2 million. An exchange accommodation titleholder ("EAT"), a type of variable interest entity, was used to facilitate this reverse like-kind exchange. The Company determined that it is the primary beneficiary of the EAT, thus the property held by the EAT has been consolidated and recorded in Property and equipment, net on the Condensed Consolidated Balance Sheets. On February 15, 2023, the Company closed on the sale and fully realized all the planned tax savings.

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.

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. During 2022, the Company received a $26.0 million tax refund related to the capital loss associated with this settlement.

5. PROPERTY AND EQUIPMENT

Property and equipment, net is comprised of the following:

	December 31,	
(in millions)	**2022**	**2021**
Grandstands and buildings	$ 1,217.8	$ 745.5
Equipment	574.5	491.9
Tracks and other improvements	304.3	221.7
Land	161.2	101.3
Furniture and fixtures	172.0	78.9
Construction in progress	353.7	65.8
	2,783.5	1,705.1
Accumulated depreciation	(837.1)	(736.7)
Subtotal	1,946.4	968.4
Operating lease right-of-use assets	31.9	26.5
Total	$ 1,978.3	$ 994.9

Depreciation expense was $109.0 million in 2022, $98.4 million in 2021 and $88.0 million in 2020 and is classified in operating expense in the accompanying Consolidated Statements of Comprehensive Income (Loss).

6. GOODWILL

Goodwill, by segment, is comprised of the following:

(in millions)	**Live and Historical**	**TwinSpires**	**Gaming**	**All Other**	**Total**
Balance, December 31, 2020	$ 52.4	$ 152.2	$ 161.2	$ 1.0	$ 366.8
Adjustments	—	—	—	—	—
Balance, December 31, 2021	52.4	152.2	161.2	1.0	366.8
Additions	227.9	—	129.1	—	357.0
Balance, December 31, 2022	$ 280.3	$ 152.2	$ 290.3	$ 1.0	$ 723.8

In 2022, we established goodwill of $9.2 million related to the Ellis Park Transaction and $347.8 million related to the P2E Transaction. Refer to Note 3 - Acquisitions for more information on the Ellis Park and P2E Transactions.

We performed our annual goodwill impairment analysis as of April 1, 2022. 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.

7. OTHER INTANGIBLE ASSETS

Other intangible assets, net is comprised of the following:

(in millions)	December 31, 2022			December 31, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Definite-lived intangible assets:						
Favorable contracts	$ 11.0	$ (10.1)	$ 0.9	$ 11.0	$ (9.4)	$ 1.6
Other	10.2	(5.5)	4.7	10.4	(4.6)	5.8
Customer relationships	4.7	(3.3)	1.4	4.7	(2.8)	1.9
Gaming licenses	5.1	(2.5)	2.6	5.1	(2.3)	2.8
	$ 31.0	$ (21.4)	$ 9.6	$ 31.2	$ (19.1)	$ 12.1
Indefinite-lived intangible assets:						
Trademarks			125.7			47.7
Gaming rights			2,256.5			288.2
Other			—			0.1
Total			$ 2,391.8			$ 348.1

During 2022 we established indefinite-lived intangibles assets of $5.0 million for gaming rights associated with the planned development of Terre Haute. We also established indefinite-lived intangible assets of $82.2 million for the gaming rights related to the Chasers Transaction, as well as, $47.4 million for gaming rights and $3.6 million for trademarks related to the Ellis Park Transaction. We also established indefinite-lived intangible assets of $1.9 billion for the gaming rights and $75.9 million for the trademarks related to the P2E Transaction. Refer to Note 3 - Acquisitions for more information on the Chasers, Ellis Park and P2E Transactions.

Amortization expense for definite-lived intangible assets was $4.7 million in 2022, $4.8 million in 2021, and $4.9 million in 2020, and is classified in operating expense in the accompanying Consolidated Statements of Comprehensive Income (Loss). We submitted payments of $2.3 million in 2022 and 2021 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 Indiana, Maine, Maryland, Mississippi, Louisiana, Pennsylvania, Kentucky, New Hampshire, New York, Iowa, and Virginia.

Refer to Note 8, Asset Impairments, for information regarding intangible asset impairments recognized during 2022.

We performed our annual indefinite-lived intangible assets impairment analysis as of April 1, 2022, 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 other than impairments described in Note 8, Assets Impairments.

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
2023	$ 2.4
2024	1.8
2025	1.0
2026	0.5
2027	0.3

Future estimated amortization expense does not include additional payments of $2.3 million in 2023 and in each year thereafter for the ongoing amortization of future expected annual Calder license fees not yet incurred or paid.

8. ASSET IMPAIRMENTS

Presque Isle Impairment 2022

During the quarter ended December 31, 2022, the Company evaluated whether it was more likely than not that any of the Company's intangible assets, goodwill, or property and equipment, were impaired. The Company concluded that a trigger event for impairment testing occurred related to the Presque Isle Downs and Casino ("Presque Isle") gaming rights, trademark, and the reporting unit's goodwill due to the impact and uncertainty of current negative economic trends. 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, 2022, changes in carrying values, changes in discount rates, and the impact of negative economic trends on cash flows.

Based on the 2022 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 Company recognized an impairment of $33.4 million in the fourth quarter of 2022 for the Presque Isle gaming rights and 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 the project cash flow stream. As a result, the Company did not recognize an impairment for Presque Isle goodwill in the fourth quarter of 2022 because the fair value exceeded the carrying value.

Other Impairments

On February 24, 2022, the Company announced plans to exit the direct online Sports and Casino business. The Company will maintain its retail Sports operations and pursue monetization of its online market access licenses. During the quarter ended March 31, 2022, the Company evaluated whether this planned exit would indicate it is more likely than not that any of the Company’s intangible assets, long-lived assets, current assets or property and equipment, were impaired. Based on the Company’s evaluation, the Company concluded that a trigger event for impairment testing occurred related to certain TwinSpires assets. As a result, the Company recorded a $4.9 million non-cash impairment charge related to certain assets in the TwinSpires segment.

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 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.

Presque Isle Impairment 2020

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. The Company concluded that a trigger event for impairment testing 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 Company recognized an impairment of $15.0 million in first quarter of 2020 for the Presque Isle gaming rights.

9. INCOME TAXES

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

	Years Ended December 31,		
(in millions)	2022	2021	2020
Current provision (benefit):			
Federal	$ 41.0	$ 66.1	$ (38.7)
State and local	19.7	18.5	3.0
Foreign	—	0.1	0.1
	60.7	84.7	(35.6)
Deferred provision:			
Federal	79.9	7.5	28.7
State and local	28.8	2.3	1.5
Foreign	—	—	0.1
	108.7	9.8	30.3
Income tax provision (benefit)	$ 169.4	$ 94.5	$ (5.3)

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

	Years Ended December 31,		
(in millions)	2022	2021	2020
Domestic	$ 608.9	$ 343.7	$ 8.2
Foreign	(0.1)	(0.1)	(0.2)
Income from continuing operations before provision for income taxes	$ 608.8	$ 343.6	$ 8.0

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)	2022	2021	2020
Federal statutory tax on earnings before income taxes	$ 127.9	$ 72.1	$ 1.7
State income taxes, net of federal income tax benefit	32.6	15.8	(0.6)
Non-deductible officer's compensation	7.6	6.4	3.5
Valuation allowance - state and foreign net operating losses	2.5	1.8	1.1
Uncertain tax positions	2.3	0.1	1.7
Re-measurement of deferred taxes	1.3	(1.5)	1.9
Windfall deduction from equity compensation	(2.3)	(1.4)	(1.3)
Net operating loss carry back - CARES Act	—	—	(13.3)
Other	(2.5)	1.2	—
Income tax provision (benefit)	$ 169.4	$ 94.5	$ (5.3)

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.

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

(in millions)	December 31, 2022	December 31, 2021
Deferred tax assets:		
§ 163(j) interest expense limitation carryforward	$ 18.2	$ —
Lease liabilities	12.6	10.2
Net operating losses and credits carryforward	8.1	8.8
Deferred liabilities	7.4	5.1
Deferred compensation plans	7.0	6.9
Deferred income	3.6	4.7
Research and experimental expenditures	3.0	—
Deferred tax assets	59.9	35.7
Valuation allowance	(5.7)	(3.2)
Net deferred tax asset	54.2	32.5
Deferred tax liabilities:		
Property and equipment in excess of tax basis	158.7	69.7
Equity investments in excess of tax basis	141.6	128.9
Intangible assets in excess of tax basis	78.1	74.1
Right-of-use assets	12.3	9.9
Other	4.3	2.8
Deferred tax liabilities	395.0	285.4
Net deferred tax liability	$ (340.8)	$ (252.9)

As of December 31, 2022, we had U.S. state and foreign net operating losses with tax values of $7.7 million and $0.5 million, respectively. We have recorded a valuation allowance of $5.7 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 $1.3 million that do not expire which we expect to fully utilize.

The Internal Revenue Service has completed audits through 2012. Tax years 2019 and after are open to examination. Tax year 2015 and 2018 are open to examination as a result of the Company's claim for refund of 2015 and 2018 tax from carrying back its 2020 net operating loss and 2021 capital loss pursuant to the CARES Act.

As of December 31, 2022, we had approximately $6.4 million of total gross unrecognized tax benefits, excluding interest of $0.5 million. If the total gross unrecognized tax benefits were recognized, there would be a $5.8 million effect to the annual effective tax rate. We anticipate a decrease in our unrecognized tax positions of approximately $2.8 million during the next twelve months primarily due to expected settlements with tax authorities and the expiration of statutes of limitation.

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

(in millions)	2022	2021	2020
Balance as of January 1	$ 3.9	$ 3.9	$ 1.8
Additions for tax positions related to the current year	0.1	0.1	0.1
Additions for tax positions of prior years	2.9	1.0	2.6
Reductions for tax positions of prior years	(0.5)	(1.1)	(0.6)
Balance as of December 31	$ 6.4	$ 3.9	$ 3.9

10. SHAREHOLDERS' EQUITY

Stock Repurchase Programs

On October 30, 2018, the Board of Directors of the Company approved a 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 $270.2 million of repurchase authority remaining under this program on December 31, 2022.

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

	For the year ending December 31,					
(in millions, except share data)	2022		2021		2020	
Repurchase Program	**Shares**	**Aggregate Purchase Price**	**Shares**	**Aggregate Purchase Price**	**Shares**	**Aggregate Purchase Price**
2021 Stock Repurchase Program	873,922	$ 175.5	226,232	$ 54.4	—	$ —
2018 Stock Repurchase Program	—	—	245,132	49.2	235,590	27.9
Total	873,922	$ 175.5	471,364	$ 103.6	235,590	$ 27.9

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 12, Debt).

11. 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 $31.8 million in 2022, $27.8 million in 2021, and $23.7 million in 2020. We recorded a tax benefit related to stock-based compensation expense of $1.6 million in 2022, $1.5 million in 2021, and $1.9 million in 2020. 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 vest 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 2020, 2021, and 2022, 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 and Russell 1000 index beginning with 2022 grants 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 ending 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 2022 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**
2022	RSU	62	Vest equally over three service periods ending in 2025
2022	PSU	34	Three-year performance and service period ending in 2024
2022	RSU	5	One year service period ending in 2023

[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):

(in thousands, except grant date values)	PSUs		RSAs and RSUs		Total	
	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, 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, 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, December 31, 2021	479	$ 82.99	179	$ 135.01	658	$ 90.27
Granted	34	$ 220.25	67	$ 222.16	101	$ 221.52
Performance adjustment[1]	47	$ 182.45	—	$ —	47	$ 182.45
Vested	(184)	$ 115.32	(92)	$ 158.89	(276)	$ 129.65
Canceled/forfeited	(6)	$ 213.8	(6)	$ 204.71	(12)	$ 208.82
Balance, December 31, 2022	370	$ 90.07	148	$ 160.18	518	$ 110.13

[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 $56.9 million in 2022, $45.4 million in 2021, and $36.9 million in 2020.

A summary of total unrecognized stock-based compensation expense related to RSAs, RSUs, and PSUs (based on current performance estimates), on December 31, 2022, is presented below:

(in millions, except years)	**December 31, 2022**	**Weighted Average Remaining Vesting Period (Years)**
Unrecognized expense:		
RSU	$ 8.8	1.52
PSU	13.2	1.71
Total	$ 22.0	1.63

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).

12. DEBT

The following table presents our total debt outstanding:

	December 31, 2022		
(in millions)	**Outstanding Principal**	**Issuance Costs and Fees**	**Long-Term Debt, Net**
Term Loan B due 2024	$ 380.0	$ 1.6	$ 378.4
Term Loan B-1 due 2028	294.7	3.1	291.6
Term Loan A due 2027	800.0	5.5	794.5
Revolver	664.1	—	664.1
2027 Senior Notes	600.0	4.7	595.3
2028 Senior Notes	700.0	1.6	698.4
2030 Senior Notes	1,200.0	16.6	1,183.4
Total debt	4,638.8	33.1	4,605.7
Current maturities of long-term debt	47.0	—	47.0
Total debt, net of current maturities	$ 4,591.8	$ 33.1	$ 4,558.7

	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

Credit Agreement

On December 27, 2017, we entered into a senior secured credit agreement ("2017 Credit Agreement") with a syndicate of lenders. The 2017 Credit Agreement provided 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 was 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 Term Loan B bears interest at LIBOR plus 200 basis points and 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 as determined by a pricing grid based on the consolidated total net secured leverage ratio of the Company. For the period ended December 31, 2022, the Company's commitment fee rate was 0.175%.

On April 28, 2020, the Company entered into an amendment to the 2017 Credit Agreement (as amended, the "Credit Agreement"), which 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"). On February 1, 2021, the Company entered into an amendment to increase the amount of certain otherwise restricted payments permitted from $26.0 million to $226.0 million during the Financial Covenant Relief Period.

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 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 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.

On April 13, 2022, the Company amended the Credit Agreement to extend the maturity date of its existing Revolver to April 13, 2027, to increase the commitments under the existing Revolver from $700.0 million to $1.2 billion, and to increase the swing line commitment from $50.0 million to $100.0 million. The amendment also provides for a senior secured Delayed Draw Term Loan A due April 13, 2027 in the amount of $800.0 million, which was drawn on November 1, 2022 as part of the financing for the P2E Transaction. Refer to Note 3, Acquisitions for more information regarding the P2E Transaction. The Company capitalized $3.2 million of debt issuance costs associated with the Revolver commitment increase and $6.4 million of debt issuance costs associated with the Delayed Draw Term Loan A which are being amortized as interest expense over the 5-year term.

The Revolver and Delayed Draw Term Loan A bear interest at the Secured Overnight Financing Rate ("SOFR") plus 10 basis points, plus a variable applicable margin which is determined by the Company's net leverage ratio. As of December 31, 2022, that applicable margin was 125 basis points which was based on the pricing grid in the Credit Agreement. During 2022, we have borrowed $664.1 million on our Revolver which provided the Company with financing for the Chasers, Ellis Park, and P2E Transactions. Refer to Note 3, Acquisitions for more regarding the Chasers, Ellis Park and P2E Transactions. The Company had $524.8 million available borrowing capacity, after consideration of $11.1 million in outstanding letters of credit, under the Revolver as of December 31, 2022.

The phase-out of LIBOR in existing debt agreements is set for June 30, 2023. The Credit Agreement includes a general process for establishing an alternative reference rate to the extent LIBOR is phased out. The Company is in the process of transitioning its financing from LIBOR to alternative reference rates. These transition activities are not expected to have a material impact on the Company's financial statements.

The Credit Agreement is collateralized by substantially all the wholly-owned assets of the Company. 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 as of December 31, 2022	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, 2022.

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 the then-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.

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 due in 2021. 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 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 is being 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 Revolver, (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 the 2028 Senior 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.

2030 Senior Notes

On April 13, 2022, a wholly-owned subsidiary of the Company completed an offering of $1.2 billion in aggregate principal amount of 5.75% Senior Unsecured Notes that mature on April 13, 2030 (the "2030 Senior Notes") in a private offering to qualified institutional buyers pursuant to Rule 144A that was exempt from registration under the Securities Act, and to certain non-U.S. persons in accordance with Regulation S under the Securities Act. The offering of the 2030 Senior Notes was part of the financing utilized for the P2E Transaction. In connection with the offering, we capitalized $18.3 million of debt issuance costs which are being amortized as interest expense over the term of the 2030 Senior Notes. The Company held the net proceeds of this transaction of $1.2 billion in escrow until the proceeds were utilized to complete the P2E Transaction on November 1, 2022, at which time CDI assumed the obligation and became the Issuer.

The 2030 Senior Notes were issued at 100% of the principal amount, plus interest deemed to have accrued from April 13, 2022, with interest payable in arrears on April 1st and October 1st of each year, commencing on October 1, 2022. The 2030 Senior Notes will vote as one class under the indenture governing the 2030 Senior Notes.

The Issuer may redeem some of or all the 2030 Senior Notes at any time prior to April 1, 2025, at redemption prices set forth in the 2030 Offering Memorandum.

In connection with the issuance of the 2030 Senior Notes, the Escrow Issuer and the guarantors of the 2030 Senior Notes entered into a Registration Rights Agreement to register any 2030 Senior Notes under the Securities Act for resale that are not freely tradable 366 days from April 13, 2022.

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

Years Ended December 31,		
2023	$	47.0
2024		419.0
2025		43.0
2026		43.0
2027		1,907.0
Thereafter		2,179.8
Total	$	4,638.8

13. REVENUE FROM CONTRACTS WITH CUSTOMERS

Performance Obligations

As of December 31, 2022, 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 $154.4 million. The revenue we expect to recognize on these remaining performance obligations is $46.0 million in 2023, $39.6 million in 2024, $30.5 million in 2025, and the remainder thereafter.

As of December 31, 2022, 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, 2022 and 2021.

Contract liabilities were $58.7 million as of December 31, 2022 and $64.9 million as of December 31, 2021. 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. The decrease in contract liabilities from December 31, 2021 to December 31, 2022 was due to the recognition of revenue for fulfilled performance obligations. We recognized $49.9 million of revenue during the year ended December 31, 2022 that was included in the contract liabilities balance on December 31, 2021. We recognized $33.0 million of revenue during the year ended December 31, 2021 that was included in the contract liabilities balance on December 31, 2020.

Disaggregation of Revenue

The Company has included its disaggregated revenue disclosures as follows:

- For the Live and Historical Racing segment, revenue is disaggregated between Churchill Downs Racetrack and historical racing properties given that our racing facilities revenues primarily revolve around live racing events while our historical racing properties revenues primarily revolve around historical racing. 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 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. The tables below present net revenue from external customers and intercompany revenue from each of our segments:

(in millions)	Years Ended December 31, 2022	2021	2020
Net revenue from external customers:			
Live and Historical Racing:			
Churchill Downs Racetrack	$ 196.8	$ 128.1	$ 63.3
Louisville	169.9	154.3	79.5
Northern Kentucky	46.1	26.0	10.2
Southwestern Kentucky	131.4	100.7	16.6
Western Kentucky	4.5	—	—
Virginia	62.4	—	—
New Hampshire	3.5	—	—
Total Live and Historical Racing	$ 614.6	$ 409.1	$ 169.6
TwinSpires:	$ 436.4	$ 451.4	$ 430.1
Gaming:			
Florida	$ 106.2	$ 100.0	$ 51.8
Iowa	15.6	—	—
Louisiana	140.8	133.6	97.6
Maine	114.4	99.8	44.9
Maryland	105.3	100.6	60.2
Mississippi	101.8	117.3	87.0
New York	30.9	—	—
Pennsylvania	140.9	144.1	93.8
Total Gaming	$ 755.9	$ 695.4	$ 435.3
All Other	2.9	41.3	19.0
Net revenue from external customers	$ 1,809.8	$ 1,597.2	$ 1,054.0
Intercompany net revenues:			
Live and Historical Racing	$ 31.8	$ 21.5	$ 19.2
TwinSpires	5.2	6.4	5.5
Gaming	5.9	3.0	2.5
All Other	0.4	7.9	7.8
Eliminations	(43.3)	(38.8)	(35.0)
Intercompany net revenue	$ —	$ —	$ —

(in millions)	Year Ended December 31, 2022					
	Live and Historical Racing	TwinSpires	Gaming	Total Segments	All Other	Total
Net revenue from external customers						
Pari-mutuel:						
Live and simulcast racing	$ 66.8	$ 367.4	$ 28.1	$ 462.3	$ —	$ 462.3
Historical racing[(a)]	374.1	—	9.8	383.9	—	383.9
Racing event-related services	129.8	—	1.8	131.6	—	131.6
Gaming[(a)]	3.5	28.2	647.4	679.1	—	679.1
Other[(a)]	40.4	40.8	68.8	150.0	2.9	152.9
Total	$ 614.6	$ 436.4	$ 755.9	$ 1,806.9	$ 2.9	$ 1,809.8

(in millions)	Year Ended December 31, 2021					
	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	35.9	44.0	103.5	4.6	108.1
Total	$ 409.1	$ 451.4	$ 695.4	$ 1,555.9	$ 41.3	$ 1,597.2

(in millions)	Year Ended December 31, 2020					
	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	31.3	27.7	67.5	0.5	68.0
Total	$ 169.6	$ 430.1	$ 435.3	$ 1,035.0	$ 19.0	$ 1,054.0

(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 $33.9 million in 2022, $20.9 million in 2021, and $13.1 million in 2020.

14. OTHER BALANCE SHEET ITEMS

Accounts receivable

Accounts receivable is comprised of the following:

	December 31,	
(in millions)	**2022**	**2021**
Trade receivables	$ 12.5	$ 7.6
Simulcast and online wagering receivables	54.1	29.6
Other receivables	20.6	10.5
	87.2	47.7
Allowance for doubtful accounts	(5.7)	(5.4)
Total	$ 81.5	$ 42.3

We recognized bad debt expense of $2.3 million in 2022, $3.2 million in 2021 and $2.5 million in 2020.

Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consisted of the following:

	December 31,	
(in millions)	**2022**	**2021**
Account wagering deposits liability	$ 57.8	$ 47.5
Accrued salaries and related benefits	39.6	39.9
Purses payable	46.1	28.6
Accrued interest	47.8	23.9
Accrued fixed assets	39.5	17.1
Other	130.2	74.7
Total	$ 361.0	$ 231.7

15. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED AFFILIATES

Investments in and advances to unconsolidated affiliates as of December 31, 2022 and 2021 primarily consisted of a 61.3% interest in Midwest Gaming Holdings, LLC ("Midwest Gaming"), the parent company of Rivers Casino Des Plaines ("Rivers Des Plaines"), 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 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, 2022, the net aggregate basis difference between the Company’s investment in Midwest Gaming and the amounts of the underlying equity in net assets was $835.0 million.

Our investment in Rivers Des Plaines was $544.9 million as of December 31, 2022 and $554.8 million as of December 31, 2021. The Company received distributions from Rivers Des Plaines of $123.8 million in 2022, $67.2 million in 2021 and $10.7 million in 2020.

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 $114.4 million as of December 31, 2022 and $108.7 million as of December 31, 2021. The Company received distributions from MVG of $33.0 million in 2022, $42.0 million in 2021 and $20.0 million in 2020.

Summarized Financial Results for our Unconsolidated Affiliates

The financial results for our unconsolidated affiliates are summarized below. The summarized income statement information for 2022 and 2021 and summarized balance sheet information as of December 31, 2022 and 2021 includes the following equity investments: MVG, Rivers Des Plaines, and other immaterial joint ventures.

	December 31,	
(in millions)	**2022**	**2021**
Assets		
Current assets	$ 91.0	$ 96.0
Property and equipment, net	345.7	312.3
Other assets, net	265.0	264.1
Total assets	$ 701.7	$ 672.4
Liabilities and Members' Deficit		
Current liabilities	$ 97.9	$ 95.3
Long-term debt	838.6	786.9
Other liabilities	0.2	20.6
Members' deficit	(235.0)	(230.4)
Total liabilities and members' deficit	$ 701.7	$ 672.4

	Years Ended December 31,		
(in millions)	**2022**	**2021**	**2020**
Net revenue	$ 825.5	$ 740.0	$ 386.3
Operating and SG&A expense	509.1	434.2	252.1
Depreciation and amortization	25.8	17.6	17.0
Operating income	290.6	288.2	117.2
Interest and other expense, net	(24.8)	(38.6)	(63.1)
Net income	$ 265.8	$ 249.6	$ 54.1

16. 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)	**2022**	**2021**
Short-term lease cost [(a)] [(b)]	$ 12.5	$ 11.1
Operating lease cost [(b)]	8.1	7.8
Finance lease interest expense	0.4	0.3
Finance lease amortization expense [(b)]	0.7	0.5
Total lease cost	$ 21.7	$ 19.7

[(a)] Includes leases with terms of one year or less.

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

Supplemental cash flow information related to leases are as follows:

	Years Ended December 31,	
(in millions)	**2022**	**2021**
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 6.5	$ 6.5
Operating cash flows from finance leases	$ 0.5	$ 0.3
Financing cash flows from finance leases	$ 0.4	$ 0.2
ROUAs obtained in exchange for lease obligations		
Operating leases	$ 10.7	$ 9.8
Finance leases	$ 6.2	$ 4.4

Other information related to operating leases was as follows:

	December 31,	
Weighted Average Remaining Lease Term	**2022**	**2021**
Operating leases	6.5 years	5.9 years
Finance leases	14.9 years	16.0 years
Weighted Average Discount Rate		
Operating leases	4.1 %	3.5 %
Finance leases	4.1 %	3.3 %

As of December 31, 2022, 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**
2023	$ 7.6	$ 1.3
2024	7.1	1.4
2025	6.6	1.4
2026	6.2	1.4
2027	3.0	1.4
Thereafter	7.0	15.0
Total future minimum lease payments	37.5	21.9
Less: Imputed interest	4.5	5.8
Present value of lease liabilities	$ 33.0	$ 16.1
Reported lease liabilities as of December 31, 2022		
Accrued expense and other current liabilities (current maturities of leases)	$ 7.0	$ 0.9
Other liabilities (non-current maturities of leases)	26.0	15.2
Present value of lease liabilities	$ 33.0	$ 16.1

17. 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 $4.3 million in 2022, $4.1 million in 2021, and $3.7 million in 2020.

18. 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 Senior Secured Term Loan B, Term Loan B-1, Term Loan A and Revolver under the Credit Agreement approximate the gross carrying value of the variable rate debt and as such are Level 2 measurements. The fair value of the Company’s 2030 Senior Notes, 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 carrying amounts and estimated fair values by input level of the Company's financial instruments are as follows:

	December 31, 2022				
(in millions)	**Carrying Amount**	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial assets:					
Restricted cash	$ 74.9	$ 74.9	$ 74.9	$ —	$ —
Financial liabilities:					
Term Loan B	$ 378.4	$ 380.0	$ —	$ 380.0	$ —
Term Loan B-1	291.6	294.8	—	294.8	—
Term Loan A	794.5	800.0	—	800.0	—
Revolver	664.1	664.1	—	664.1	—
2027 Senior Notes	595.3	574.5	—	574.5	—
2028 Senior Notes	698.4	626.5	—	626.5	—
2030 Senior Notes	1,183.4	1,079.4	—	1,079.4	—

	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	—

19. 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.

20. 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)	2022	2021	2020
Numerator for basic net income (loss) per common share:			
Net income from continuing operations	$ 439.4	$ 249.1	$ 13.3
Net loss attributable to noncontrolling interest	—	—	(0.2)
Net income from continuing operations, net of loss attributable to noncontrolling interests	439.4	249.1	13.5
Net loss from discontinued operations	—	—	(95.4)
Numerator for basic net income (loss) per common share	$ 439.4	$ 249.1	$ (81.9)
Numerator for diluted net income from continuing operations per common share	$ 439.4	$ 249.1	$ 13.5
Numerator for diluted net income (loss) per common share	$ 439.4	$ 249.1	$ (81.9)
Denominator for net income (loss) per common share:			
Basic	37.9	38.6	39.6
Plus dilutive effect of stock awards	0.6	0.6	0.5
Diluted	38.5	39.2	40.1
Net income (loss) per common share data:			
Basic			
Continuing operations	$ 11.58	$ 6.45	$ 0.34
Discontinued operations	—	—	(2.41)
Net income (loss) per common share - basic	$ 11.58	$ 6.45	$ (2.07)
Diluted			
Continuing operations	$ 11.42	$ 6.35	$ 0.33
Discontinued operations [1]	—	—	(2.41)
Net income (loss) per common share - diluted	$ 11.42	$ 6.35	$ (2.08)

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

21. 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 quarters of 2021 and 2022. 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 and our historical racing properties in Kentucky, Virginia, and New Hampshire.

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, fees from racing event-related services including admissions, personal seat licenses, sponsorships, television rights, and other miscellaneous services, and revenue from food and beverage services.

- ***TwinSpires***

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

  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; and provides the Bloodstock Research Information Services platform for horse racing statistical data.

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

  Our TwinSpires Sports and Casino business includes the results of our nine retail sportsbooks at our wholly-owned gaming properties and our casino platform in Pennsylvania. Rivers Des Plaines retail and online BetRivers sportsbook is included in the Gaming segment.

  The Company exited the direct online Sports and Casino business during 2022 in every state except Pennsylvania and Arizona.

  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, calculate payoffs and displays wagering data to patrons who wager on horse races. United Tote has contracts to provide totalisator services to third-party racetracks, OTBs and other pari-mutuel wagering businesses and also provides these services at our facilities.

- ***Gaming***

  The Gaming segment includes revenue and expenses for the casino properties and associated racetrack facilities which support the casino license as applicable. The Gaming segment has approximately 13,980 slot machines and video lottery terminals ("VLTs") and 358 table games located in ten states.

  The Gaming segment revenue and expenses includes the following properties:

  - Florida - Calder Casino ("Calder")
  - Iowa - Hard Rock Hotel & Casino ("Hard Rock Sioux City")
  - Louisiana - Fair Grounds Slots, Fair Grounds Race Course, and Video Services, LLC ("VSI") (collectively, "Fair Grounds and VSI")
  - Maryland - Ocean Downs Casino & Racetrack ("Ocean Downs")
  - Maine - Oxford Casino & Hotel ("Oxford")
  - Mississippi
    - Harlow’s Casino Resort and Spa ("Harlow's")
    - Riverwalk Casino Hotel ("Riverwalk")
  - New York - del Lago Resort & Casino ("del Lago")
  - Pennsylvania
    - Presque Isle Downs & Casino ("Presque Isle")
    - Lady Luck Casino Nemacolin ("Lady Luck Nemacolin") management agreement

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

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

  The Gaming segment includes revenue and expenses for the casino properties and associated racetracks which support the casino license. The Gaming segment generates revenue and expenses from slot machines, table games, VLTs, video poker, HRMs, ancillary food and beverage services, hotel services, commission on pari-mutuel wagering, racing event-related services, and other miscellaneous operations.

We have aggregated Arlington as well as certain corporate operations, and other immaterial joint ventures in All Other to reconcile to consolidated results.

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;
  - Direct online Sports and Casino business exit costs; 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;
- Gain on Calder Land sale;
- Legal reserves;
- Pre-opening expense; and
- Other charges, recoveries, and expenses

As of December 31, 2021, Arlington ceased racing and simulcast operations. On February 15, 2023, the Company closed on the sale of the property to the Chicago Bears. Refer to Note 4, Dispositions and Assets Held for Sale for additional information. Arlington's operating loss in the current quarter and year is treated as an adjustment to EBITDA and is included in Other expenses, net in the Reconciliation of Comprehensive Income to Adjusted EBITDA.

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:

Net revenue by segment is comprised of the following:

	Years Ended December 31,		
(in millions)	**2022**	**2021**	**2020**
Live and Historical Racing	$ 614.6	$ 409.1	$ 169.6
TwinSpires	436.4	451.4	430.1
Gaming	755.9	695.4	435.3
All Other	2.9	41.3	19.0
Net Revenue	$ 1,809.8	$ 1,597.2	$ 1,054.0

Adjusted EBITDA by segment is comprised of the following:

	Year Ended December 31, 2022		
(in millions)	**Live and Historical Racing**	**TwinSpires**	**Gaming**
Revenue	$ 646.4	$ 441.6	$ 761.8
Taxes and purses	(168.6)	(27.0)	(278.1)
Marketing and advertising	(19.8)	(13.0)	(18.9)
Salaries and benefits	(63.4)	(26.8)	(102.7)
Content expense	(3.4)	(203.3)	(8.3)
Selling, general and administrative expense	(18.6)	(9.7)	(31.3)
Other operating expense	(85.5)	(47.8)	(91.5)
Other income	0.4	0.1	190.9
Adjusted EBITDA	$ 287.5	$ 114.1	$ 421.9

	Year Ended December 31, 2021		
(in millions)	**Live and Historical Racing**	**TwinSpires**	**Gaming**
Revenue	$ 430.6	$ 457.8	$ 698.4
Taxes and purses	(126.3)	(30.7)	(264.4)
Marketing and advertising	(12.9)	(49.4)	(11.8)
Salaries and benefits	(48.4)	(27.0)	(87.1)
Content expense	(2.5)	(206.6)	(4.7)
Selling, general and administrative expense	(12.8)	(11.0)	(27.9)
Other operating expense	(53.0)	(50.4)	(72.3)
Other income	0.3	—	181.7
Adjusted EBITDA	$ 175.0	$ 82.7	$ 411.9

	Year Ended December 31, 2020		
(in millions)	**Live and Historical Racing**	**TwinSpires**	**Gaming**
Revenue	$ 188.8	$ 435.6	$ 437.8
Taxes and purses	(64.1)	(25.1)	(171.6)
Marketing and advertising	(6.2)	(16.5)	(7.5)
Salaries and benefits	(32.5)	(24.6)	(75.9)
Content expense	(1.5)	(202.7)	(3.5)
Selling, general and administrative expense	(8.7)	(10.4)	(25.4)
Other operating expense	(36.8)	(40.5)	(59.7)
Other income	0.1	0.1	78.9
Adjusted EBITDA	$ 39.1	$ 115.9	$ 173.1

(in millions)	Years Ended December 31, 2022	2021	2020
Reconciliation of Comprehensive Income (Loss) to Adjusted EBITDA:			
Net income (loss) and comprehensive income (loss) attributable to Churchill Downs Incorporated	$ 439.4	$ 249.1	$ (81.9)
Net loss attributable to noncontrolling interest	—	—	0.2
Net income (loss)	439.4	249.1	(82.1)
Loss from discontinued operations, net of tax	—	—	95.4
Income from continuing operations, net of tax	439.4	249.1	13.3
Additions:			
Depreciation and amortization	113.7	103.2	92.9
Interest expense	147.3	84.7	80.0
Income tax provision (benefit)	169.4	94.5	(5.3)
EBITDA	$ 869.8	$ 531.5	$ 180.9
Adjustments to EBITDA:			
Selling, general and administrative:			
Stock-based compensation expense	$ 31.8	$ 27.8	$ 23.7
Legal reserves	3.8	—	—
Other charges	7.4	0.2	0.8
Pre-opening expense and other expense	13.2	5.8	11.2
Other income, expense:			
Interest, depreciation and amortization expense related to equity investments	42.8	41.5	38.5
Changes in fair value of Rivers Des Plaines' interest rate swaps	(12.6)	(12.9)	12.9
Rivers Des Plaines' legal reserves and transactions costs	0.6	9.9	—
Other charges and recoveries, net	1.0	—	—
Gain on Calder land sale	(274.6)	—	—
Transaction expense, net	42.1	7.9	1.0
Asset impairments	38.3	15.3	17.5
Total adjustments to EBITDA	(106.2)	95.5	105.6
Adjusted EBITDA	$ 763.6	$ 627.0	$ 286.5
Adjusted EBITDA by segment:			
Live and Historical Racing	$ 287.5	$ 175.0	$ 39.1
TwinSpires	114.1	82.7	115.9
Gaming	421.9	411.9	173.1
Total segment Adjusted EBITDA	823.5	669.6	328.1
All Other	(59.9)	(42.6)	(41.6)
Total Adjusted EBITDA	$ 763.6	$ 627.0	$ 286.5

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

(in millions)	December 31, 2022	December 31, 2021
Total assets:		
Live and Historical Racing	$ 3,345.4	$ 682.7
TwinSpires	287.9	289.6
Gaming	1,824.2	1,003.3
Total segment assets	5,457.5	1,975.6
All Other	749.3	1,006.0
	$ 6,206.8	$ 2,981.6

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

(in millions)	Years Ended December 31, 2022	2021	2020
Capital expenditures:			
Live and Historical Racing	$ 307.0	$ 60.1	$ 213.3
TwinSpires	87.6	18.6	6.7
Gaming	11.8	10.3	11.6
Total segment capital expenditures	406.4	89.0	231.6
All Other	17.1	2.8	2.6
Total capital expenditures	$ 423.5	$ 91.8	$ 234.2

22. 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 did 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 to the Credit Agreement to increase 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.

23. SUBSEQUENT EVENTS

On February 15, 2023, we closed on the sale of 326-acres of property in Arlington Heights, Illinois, to the Chicago Bears for $197.2 million per the agreement announced in September 2021.

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, 2022 and 2021, 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, 2022, including the related notes and schedule of valuation and qualifying accounts for each of the three years in the period ended December 31, 2022 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, 2022, 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, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022 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, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

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.

As described in Management’s Report on Internal Control over Financial Reporting, management has excluded the properties acquired as part of the Peninsula Pacific Entertainment LLC (“P2E) acquisition and Ellis Park Racing & Gaming (“Ellis Park) from its assessment of internal control over financial reporting as of December 31, 2022, because they were acquired by the Company in purchase business combinations during 2022. We have also excluded the properties acquired as part of the P2E acquisition and Ellis Park from our audit of internal control over financial reporting. The properties acquired as part of the P2E acquisition and Ellis Park are wholly-owned subsidiaries whose total assets and total revenues excluded from management’s assessment and our audit of internal control over financial reporting represent approximately 11.3% and less than 1% of total assets, respectively and approximately 6.1% and less than 1% of total revenues, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2022.

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.

Acquisition of Peninsula Pacific Entertainment LLC – Valuation of Indefinite-Lived Gaming Rights Intangible Assets

As described in Notes 1 and 3 to the consolidated financial statements, on November 1, 2022, the Company completed the acquisition of substantially all of the assets of Peninsula Pacific Entertainment LLC ("P2E") for a preliminary purchase consideration of $2.835.9 million, net of cash acquired, which resulted in $1,865.6 million of indefinite-lived gaming rights intangible assets being recorded. The fair value of the gaming rights was determined using the Greenfield method, which is an income approach methodology. In estimating the fair value of the indefinite-lived gaming rights intangible assets, management makes significant estimates and assumptions about future revenue and operating expenses, start-up costs, and the discount rates.

The principal considerations for our determination that performing procedures relating to the indefinite-lived gaming rights intangible assets acquired in the acquisition of P2E is a critical audit matter are (i) the significant judgment by management when developing the fair value estimate of the indefinite-lived gaming rights, (ii) a high degree of auditor judgment, subjectivity, and effort in applying procedures and evaluating management's significant assumptions related to estimated future revenue and operating expenses, start-up costs, and discount rates; 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 acquisition accounting, including controls over management's valuation of the gaming rights intangible assets. These procedures also included, among others, (i) reading the purchase agreement, (ii) testing management's process for developing the fair value estimate of the indefinite-lived gaming rights intangible assets, (iii) evaluating the appropriateness of the income approach methodology, (iv) testing the completeness and accuracy of the data used in the methodology, and (v) evaluating the reasonableness of significant assumptions related to the future revenue and operating expenses, start-up costs, and discount rates. Evaluating the reasonableness of the future revenue and operating expenses and start-up costs involved considering the past performance of P2E, economic and industry forecasts, and whether the assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of the appropriateness of the Company's income approach methodology and the reasonableness of the discount rates assumption.

/s/ PricewaterhouseCoopers LLP
Louisville, Kentucky
February 22, 2023

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, 2022. 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.

We have excluded the properties acquired as part of the Peninsula Pacific Entertainment LLC ("P2E") acquisition and Ellis Park Racing & Gaming ("Ellis Park") from our assessment of internal control over financial reporting as of December 31, 2022, because these properties were acquired by us in business acquisitions during 2022. The total assets excluded were 11.3% and less than 1% of total assets, respectively and approximately 6.1% and less than 1% of total revenues, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2022.

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, 2022.

/s/ William C. Carstanjen	/s/ Marcia A. Dall	/s/ Jon E. Rauch
William C. Carstanjen	Marcia A. Dall	Jon E. Rauch
Chief Executive Officer	Executive Vice President and	Vice President and
February 22, 2023	Chief Financial Officer	Chief Accounting Officer
	February 22, 2023	February 22, 2023

The effectiveness of the Company's internal control over financial reporting as of December 31, 2022 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, 2022.

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 2/22/2023	Principal Occupation for the Past Five Years and Position with Churchill Downs Incorporated
William C. Carstanjen	55	Chief Executive Officer since August 2014; President and Chief Operating Officer from March 2011 to August 2014.
William E. Mudd	51	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	59	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.
Bradley K. Blackwell	51	Senior Vice President, General Counsel and Secretary since March 2017; Vice President, Operations from February 2015 to March 2017; Vice President, Legal from April 2011 to February 2015; Vice President, Legal and Regulatory Affairs for TwinSpires from January 2007 to May 2011; Corporate Counsel from April 2005 to December 2007.
Maureen Adams	59	Senior Vice President of Gaming Operations since February 2022; Vice President of Gaming Operations from July 2019 to February 2022; President and General Manager of Calder Casino from August 2013 to July 2019.

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, 2022; 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, 2022.

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, 2022.

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, 2022.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULE

			Pages
(a)	(1)	Consolidated Financial Statements	
		The following financial statements of Churchill Downs Incorporated for the years ended 2022, 2021 and 2020 are included in Part II, Item 8:	
		Consolidated Statements of Comprehensive Income (Loss)	46
		Consolidated Balance Sheets	47
		Consolidated Statements of Shareholders' Equity	48
		Consolidated Statements of Cash Flows	49
		Notes to Consolidated Financial Statements	51
		Report of Independent Registered Public Accounting Firm (PCAOB ID 238)	87
	(2)	Schedule II—Valuation and Qualifying Accounts	99
		All other schedules are omitted because they are not applicable, not significant or not required, or because the required information is included in the consolidated financial statements or notes thereto.	
	(3)	For the list of required exhibits, see exhibit index.	93
(b)		Exhibits	93
		See exhibit index.	
(c)		All 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
2.1	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
2.2	Amendment No. 1 to Purchase Agreement, dated as of September 2, 2022, by and between Peninsula Pacific Entertainment Intermediate Holdings LLC and Churchill Downs Incorporation	Exhibit 2.1 to Current Report on Form 8-K filed September 6, 2022
3.1	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
3.2	Amended and Restated Bylaws of Churchill Downs Incorporated, as amended October 25, 2022	Exhibit 3.1 to Current Report on Form 8-K filed October 25, 2022
4.1	Rights Agreement, dated as of March 19, 2008 by and between Churchill Downs Incorporated and National City Bank [NC(1)]	Exhibit 4.1 to Current Report on Form 8-K filed March 17, 2008
4.2	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
4.3	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
4.4	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
4.5	Indenture, dated April 13, 2022, by and between CDI Escrow Issuer, Inc. and U.S. Bank National Association as trustee	Exhibit 4.1 to Current Report on Form 8-K filed April 14, 2022
4.6	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
4.7	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
4.8	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
4.9	Registration Rights Agreement, dated April 13, 2022, by and between CDI Escrow Issuer, Inc. and J.P. Morgan Securities LLC, as representative of the initial purchasers	Exhibit 4.2 to Current Report on Form 8-K filed April 14, 2022
4.10	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
10.1	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
10.2	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
10.3	2005 Churchill Downs Incorporated Deferred Compensation Plan†	Exhibit 10.1 to Current Report on Form 8-K filed June 21, 2005

Numbers	Description	By Reference To
10.4	2006 Amendment to 2005 Churchill Downs Incorporated Deferred Compensation Plan†	Exhibit 10.1 to Current Report on Form 8-K filed June 8, 2006
10.5	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
10.6	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
10.7	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
10.8	Fourth Amendment to the 2005 Churchill Downs Incorporated Deferred Compensation Plan† **	
10.9	Fifth Amendment to the 2005 Churchill Downs Incorporated Deferred Compensation Plan† **	
10.10	Sixth Amendment to the 2005 Churchill Downs Incorporated Deferred Compensation Plan† **	
10.11	Churchill Downs Incorporated Restricted Stock Unit Deferred Compensation Plan†	Exhibit 10.1 to Current Report on Form 8-K filed December 19, 2019
10.12	Churchill Downs Incorporated 2007 Omnibus Stock Incentive Plan†	Exhibit A to Schedule 14A filed April 30, 2007
10.13	Amendment to the Churchill Downs Incorporated 2007 Omnibus Stock Incentive Plan†	Exhibit B to Schedule 14A filed May 3, 2012
10.14	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
10.15	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
10.16	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
10.17	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
10.18	Churchill Downs Incorporated 2016 Omnibus Stock Incentive Plan†	Exhibit 10.1 to Current Report on Form 8-K filed April 29, 2016
10.19	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
10.20	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
10.21	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
10.22	Churchill Downs Incorporated Executive Annual Incentive Plan, effective January 1, 2013†	Exhibit A to Schedule 14A filed May 3, 2012

Numbers	Description	By Reference To
10.23	Churchill Downs Incorporated 2022 Executive Annual Incentive Plan, effective as of January 1, 2022†	Exhibit 10.1 to Current Report on Form 8-K filed August 4, 2022
10.24	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
10.25	First Amended and Restated Churchill Downs Incorporated 2000 Employee Stock Purchase Plan†	Exhibit B to Schedule 14A filed March 29, 2016
10.26	Churchill Downs Incorporated Senior Vice President, Vice President & Other Key Employee Severance Policy (Amended Effective as of December 1, 2015)†**	
10.27	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
10.28	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
10.29	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
10.30	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
10.31	Executive Change in Control, Severance and Indemnity Agreement, dated as of July 26, 2022, by and between Churchill Downs Incorporated and Maureen Adams†**	
10.32	Executive Change in Control, Severance and Indemnity Agreement, dated as of July 26, 2022, by and between Churchill Downs Incorporated and Brad Blackwell†**	
10.33	Memorandum of Understanding by and between Austin W. Miller and Churchill Downs Incorporated dated February 10, 2022†	Exhibit 10.1 to Current Report on Form 8-K filed February 10, 2022
10.34	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
10.35	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
10.36	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
10.37	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
10.38	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

Numbers		Description	By Reference To
	10.39	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
	10.40	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
	10.41	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
	10.42	Fourth Amendment to Credit Agreement, dated April 13, 2022, by and among Churchill Downs Incorporated, the credit parties party thereto, the Lenders party thereto and JP Morgan Chase Bank N.A., as agent	Exhibit 10.01 to Current Report on Form 8-K filed April 14, 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**	
	31(b)	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**	
	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 22, 2023

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	/s/ William E. Mudd	/s/ Marcia A. Dall
William C. Carstanjen Chief Executive Officer February 22, 2023 (Director and Principal Executive Officer)	William E. Mudd President and Chief Operating Officer February 22, 2023	Marcia A. Dall Executive Vice President and Chief Financial Officer February 22, 2023 (Principal Financial and Accounting Officer)
/s/ R. Alex Rankin	/s/ Ulysses L. Bridgeman	/s/ Andréa Carter
R. Alex Rankin February 22, 2023 (Chairman of the Board)	Ulysses L. Bridgeman February 22, 2023 (Director)	Andréa Carter February 22, 2023 (Director)
/s/ Robert L. Fealy	/s/ Douglas C. Grissom	/s/ Daniel P. Harrington
Robert L. Fealy February 22, 2023 (Director)	Douglas C. Grissom February 22, 2023 (Director)	Daniel P. Harrington February 22, 2023 (Director)
/s/ Karole F. Lloyd	/s/ Paul C. Varga	
Karole F. Lloyd February 22, 2023 (Director)	Paul C. Varga February 22, 2023 (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:					
December 31, 2022	$ 5.4	$ —	$ 2.3	$ (2.0)	$ 5.7
December 31, 2021	4.9	—	3.2	(2.7)	5.4
December 31, 2020	4.4	0.5	2.5	(2.5)	4.9

(in millions)	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Deferred income tax asset valuation allowance:				
December 31, 2022	$ 3.2	$ 2.5	$ —	$ 5.7
December 31, 2021	1.4	1.8	—	3.2
December 31, 2020	0.2	1.2	—	1.4

FOURTH AMENDMENT TO THE
CHURCHILL DOWNS INCORPORATED
2005 DEFERRED COMPENSATION PLAN
(As Amended as of December 1, 2008)

WHEREAS, Churchill Downs Incorporated (the "Company") maintains the 2005 Churchill Downs Incorporated Deferred Compensation Plan, as amended as of December 1, 2008 (the "Plan") for the benefit of its eligible employees; and

WHEREAS, effective January 1, 2022, the Company deems it necessary and desirable to amend the Plan to provide for Class Year Accounts for which non-employee Directors will be permitted to make separate distribution elections; and

WHEREAS, this Fourth Amendment shall supersede the provisions of the Plan to the extent those provisions are inconsistent with the provisions of the amendment;

NOW, THEREFORE, by virtue and in exercise of the powers reserved to the Company under Section 9.1 *Amendment or Termination* of the Plan, the Plan is hereby amended in the following respects, effective January 1, 2022:

1. Section 2.1 is hereby amended to revise the introductory phrase appearing before subsection (1) thereto, to read as follows:

   "Account" means the Participant's In-Service Account, Distribution Account, Transferred Account and Class Year Accounts which are bookkeeping accounts established on the Company's records showing the amount of the Participant's accrued:

2. A new Section 2.5A is hereby added to the Plan to read as follows:

   "Class Year Account" means an account established for a Participant for each calendar year, commencing with the 2022 calendar year (for example, for the 2022 calendar year, the account shall be known as the 2022 Class Year Account, for the 2023 calendar year, the account shall be known as the 2023 Class Year Account, and so on) to which all Participant deferrals attributable to such calendar year shall be credited.

3. Section 3.4 is hereby amended to add two new sentences immediately following the second sentence of such section, which new sentences shall read as follows:

   Notwithstanding any provisions of this Plan to the contrary, effective with respect to deferral elections that apply to deferrals for calendar year 2022, and for each calendar year thereafter, each Director who is a Participant in the Plan must make a new deferral election and a new distribution election for each such calendar year, with such deferrals to be placed in the Participant's applicable Class Year Account for such calendar year. A distribution election form for a particular calendar year/Class Year Account must be filed and become irrevocable within the same time period that the associated deferral election for such calendar year/Class Year Account must be filed and become irrevocable.

4. Section 4.11 is hereby amended to delete the sentence contained therein which currently reads "A sub-account, referred to as a "Stock Account" shall be established in the name of each Director who makes a Stock Election, and such sub-account shall be included in the Participant's Distribution Account and shall be administered in accordance with procedures established by the Committee" and replace it with a new sentence which shall read as follows:

   A sub-account, referred to as a "Stock Account" shall be established in the name of each Director who makes a Stock Election, and such sub-account shall be included in the Participant's Distribution Account or applicable Class Year Account, and shall be administered in accordance with procedures established by the Committee.

5. Section 5.1 is hereby amended to revise the first paragraph thereto to read as follows:

   Plan Distribution Elections. Each Participant shall complete a distribution election with respect to his or her Distribution Account, Transferred Account, In-Service Distribution Account and each Class Year Account. Except as otherwise expressly provided herein, amounts credited to a Participant's Account shall be paid to the Participant in accordance with the Participant's distribution election; provided, however, that if on the elected distribution date, any notional investment gains or losses cannot then be determined, such distribution shall be delayed until such accounting can be completed but in no event shall such payment be made later than sixty (60) days following such Participant's distribution election date. Distribution elections [a] shall be in writing on forms approved by the Committee, [b] in the case of the In-Service Distribution Account, shall specify a distribution date in accordance with Section 5.2, [c] shall specify the form of distribution in accordance with Section 5.3, [d] except with respect to Class Year Accounts, shall be filed with the Company upon first becoming eligible to participate in the Plan, and [e] with respect to Class Year Accounts, shall be filed in accordance with the requirements set forth in Section 3.4 and shall specify the time and form of distribution in accordance with Sections 5.2 and 5.3, and the distribution election form applicable to a particular Class Year Account, which form is hereby incorporated by reference. A Participant's In-Service Account distribution election, in addition to specifying an in-service distribution date, shall also specify the form of distribution if the Participant has a Separation From Service before the date designated for the in-service distribution.

6. Section 5.2 is hereby amended to add a new subsection (c) to read as follows:

   (c) Class Year Accounts. A Participant's particular Class Year Account shall be distributed to the Participant in the manner elected by the Participant in accordance with Section 5.3 and the Participant's distribution election form that is applicable to the particular Class Year Account, which distribution election form is hereby incorporated reference. Such distribution shall be made as soon as administratively practicable, but in no event later than sixty (60) days, after the date the Participant's Class Year Account is to be paid pursuant to the Participant's distribution election form that is applicable

to such Class Year Account. For purposes of this Section 5.2(c), if payment is to be made due to Separation from Service, the Separation from Service of a Participant with one Employer will not interrupt the continuity of participation of such Participant if, concurrently with or immediately after such separation, the Participant has not incurred a Separation From Service and otherwise in accordance with Section 7. Where a Participant provides services as a Director and as an Employee, services provided as a Director are not taken into account for purposes of determining whether the Participant has a Separation From Service as an Employee, and service provided as a Director are not taken into account for purposes of determining whether the Participant has a Separation From Service as a Director. Notwithstanding anything to the contrary, to the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A, if any Participant who is a "specified employee" (as defined under Section 409A) on his or her date of Separation From Service, any distribution from such Participant's applicable Class Year Account may not be made earlier than the date which is 6 months after the date of the Participant's Separation From Service (or, if earlier, the date of death of the Participant) from the Employer, and any amounts required to be so delayed shall be paid in the form of a lump sum on the earlier of (A) the first business day following the expiration of such six-month period or (B) as soon as practicable, but in no event later than sixty (60) days, following the Participant's death. For purposes of Section 409A, to the extent that any payment payable under the Plan is to be paid in installments, each such payment shall be treated as a separate identified payment for purposes of Section 409A. Notwithstanding any provision of the Plan to the contrary, no shares of Common Stock shall be distributed from the Participant's Stock Account earlier than a date which is 6 months after the date of acquisition of the derivative security (as described in Rule 16b-3 under the Securities Exchange Act of 1934) related to such shares.

7. Section 5.3 is hereby amended to revise the penultimate sentence thereto to read as follows:

   Notwithstanding the preceding to the contrary, effective with respect to distribution elections made on and after January 1, 2020, including distribution elections made pursuant to Section 5.1 and 5.2 with respect to Class Year Accounts, a Participant who is a non-employee Director shall be permitted to elect only that benefits be paid in the form of either (a) a single lump sum payment or (b) equal annual installments over five (5) or ten (10) years.

IN WITNESS WHEREOF, the Company has caused this Fourth Amendment to the Plan to be executed by its duly authorized representative this 23rd day of March, 2021.

CHURCHILL DOWNS INCORPORATED

By: /s/ Charles G. Kenyon

Its: Senior Vice President, Human Resources

4820-8815-5103.1

FIFTH AMENDMENT TO THE
CHURCHILL DOWNS INCORPORATED
2005 DEFERRED COMPENSATION PLAN
(As Amended as of December 1, 2008)

WHEREAS, Churchill Downs Incorporated (the "Company") maintains the 2005 Churchill Downs Incorporated Deferred Compensation Plan, as amended as of December 1, 2008 (the "Plan") for the benefit of its eligible employees;

WHEREAS, effective June 24, 2021, the Company deems it necessary and desirable to amend the Plan to increase the cash out limit under the Plan; and

WHEREAS, this Fifth Amendment shall supersede the provisions of the Plan to the extent those provisions are inconsistent with the provisions of this amendment.

NOW, THEREFORE, by virtue and in exercise of the powers reserved to the Company under Section 9.1 *Amendment or Termination* of the Plan, the Plan is hereby amended in the following respect, effective June 24, 2021:

- Section 5.9[d] is hereby amended in its entirety to read as follows:

  [d] upon the Participant's Separation From Service with the Employer and notwithstanding a Participant's election to the contrary, to make a lump sum cash out by December 31 of the year of Separation From Service, or within 2 ½ months thereafter at the Employer's sole discretion, of the remainder of the Participant's Account, provided (1) all of the Participant's accounts under any other plans, agreements, methods, programs or arrangements that must be aggregated pursuant to Treas. Reg. §1.409A-1(c)(2) are also terminated and liquidated, and (2) the payment is not greater than the applicable dollar limit in effect for the year of Separation From Service under Code §402(g)(1)(B).

IN WITNESS WHEREOF, the Company has caused this Fifth Amendment to the Plan to be executed by its duly authorized representative this 24th day of June, 2021.

CHURCHILL DOWNS INCORPORATED

By: /s/ Charles G Kenyon

Its: Senior Vice President, Human Resources

4842-4265-1118.1 / 067818-1001

SIXTH AMENDMENT TO THE
CHURCHILL DOWNS INCORPORATED
2005 DEFERRED COMPENSATION PLAN
(As Amended as of December 1, 2008)

WHEREAS, Churchill Downs Incorporated (the "Company") maintains the 2005 Churchill Downs Incorporated Deferred Compensation Plan, as amended as of December 1, 2008 (the "Plan") for the benefit of its eligible employees; and

WHEREAS, effective December 15, 2022, the Company deems it necessary and desirable to amend the Plan to change the optional forms of benefit distribution available to non-employee Directors to include annual installment payments over a period not to exceed ten (10) years; and

WHEREAS, this Sixth Amendment shall supersede the provisions of the Plan to the extent those provisions are inconsistent with the provisions of the amendment;

NOW, THEREFORE, by virtue and in exercise of the powers reserved to the Company under Section 9.1 *Amendment or Termination* of the Plan, the Plan is hereby amended in the following respects, effective December 15, 2022:

- Section 5.3 is hereby amended to revise the penultimate sentence thereto to read as follows:

  Notwithstanding the preceding to the contrary, effective with respect to distribution elections made on and after December 15, 2022, including distribution elections made pursuant to Section 5.1 and 5.2 with respect to Class Year Accounts, a Participant who is a non-employee Director shall be permitted to elect only that benefits be paid in the form of either (a) a single lump sum payment or (b) equal annual installments over a period not to exceed ten (10) years.

IN WITNESS WHEREOF, the Company has caused this Sixth Amendment to the Plan to be executed by its duly authorized representative this 15th day of December, 2022.

CHURCHILL DOWNS INCORPORATED

By: /s/ M Katherine Armstrong

Its: SVP, Human Resources

4883-3099-5267.1 / 067818-1001

CHURCHILL DOWNS INCORPORATED

SENIOR VICE PRESIDENT, VICE PRESIDENT & OTHER KEY EMPLOYEE

SEVERANCE POLICY

(Amended Effective as of December 1, 2015)

1. Purpose. The Churchill Downs Incorporated Severance Policy (the "Policy") is, to provide Senior Vice Presidents, Vice Presidents and Other Key Employees (as defined below) of Churchill Downs Incorporated or its wholly-owned subsidiaries (collectively, the "Company") who are in a position to contribute materially to the success of the Company and its affiliates with severance income while they seek alternative employment if they are involuntarily separated from employment due to elimination of their positions or duties. "Elimination of their positions or duties" means elimination for lack of work, cost containment, a general reduction in force, or other reasons unrelated to job performance under circumstances that constitute or result in a "separation from service" under Section 409A ("Job Elimination"). "Elimination of their positions or duties" specifically excludes, without limitation, termination of employment for cause or otherwise due to job performance or other job-related matters. As a condition for such severance income and other benefits under this Policy, the Senior Vice President, Vice President or Other Key Employee shall release the Company from any and all actions, suits, proceedings, claims and demands related to employment by the Company and to the termination by signing a waiver and release document in a form provided by the Company. Such document shall include a statement that benefits under this Policy are conditioned upon the Company's receipt of a signed release.

2. Administration. The Senior Vice President Human Resources of the Company, as agent of the Company, has complete discretion and authority with respect to the administration and application of the Policy, except as expressly limited by the terms of the Policy; provided however, that approval must be obtained from the Compensation Committee of the Board of Directors of the Company (the "Committee") in order to authorize severance outside of the terms of this Policy to the employees covered by this Policy in the context of the elimination of a position or duties.

3. Participation. The Committee shall select the Senior Vice President, Vice President and Other Key Employees who are eligible for severance under this Policy (the "Participants"). Participants who are eligible for severance under this Policy are listed by job title on Exhibit A, which is attached hereto and incorporated by reference. Notwithstanding the foregoing sentence, a Senior Vice President, Vice President or Other Key Employee who is entitled to severance benefits pursuant to a separate written agreement with the Company shall not be eligible for severance under this Policy whether or not his or her specific position is listed on Exhibit A. A Participant shall not be eligible for Severance Pay if a Successor Employer (as defined below) offers him/her a job that (a) has a base salary that is no more than 10% less than the Participant's then current base salary, (b) is located within fifty miles of the Participant's then current place of employment from a Successor Employer and (c) commences within thirty days

following his or her termination of employment by the Company, whether or not the participant accepts the employment offer. "Successor Employer" means any business organization that acquires (through merger, consolidation, reorganization, transfer of stock or assets, or otherwise) either (i) all or substantially all of the business or assets of the Company, or a division or subsidiary of the Company; or a business unit of the Company or (ii) the facility where the Participant usually works.

4. Definitions.

   a. "Base salary" means the fixed compensation (excluding bonuses and other benefits) paid to an employee regularly each pay period for performing assigned job responsibilities. The base salary, or base salary rate, of a Participant shall be determined as of the date of termination of employment.

   b. "Code" shall mean the Internal Revenue Code of 1986, as amended, including any regulations or guidance promulgated thereunder.

   c. "Executive" means an employee of the Company with the title of vice president or higher.

   d. "Other Key Employee" means an employee who is not a Senior Vice President or Vice President but is determined by the Committee to be in a position to contribute materially to the success of the Company.

   e. "Release" means a general release and waiver of claims against the Company, in a form to be provided by the Company."

   f. "Section 409A" shall mean Section 409A of the Code.

   g. "Severance Benefits" means the benefits set forth in Sections 5 and 6 of this Policy.

   h. "Severance Pay" means the amount payable pursuant to Section 5 of this Policy.

   i. "Years of Service" means the total of all full years of service and any partial years of service in which the Participant worked at least 6 months beginning with the Participant's first day of employment with the Company.

5. Severance Pay Any Participant whose employment with the Company is terminated by the Company due to Job Elimination shall be eligible for Severance Pay hereunder provided the Participant has been employed by the Company for a minimum of 12 months; and provided further that the Participant has returned a signed Release to the Committee within the minimum time period required under applicable state and federal laws, or if no such period, within five business days, and has not revoked the Release within the minimum time permitted under applicable state and federal laws.

a. Amount of Severance Pay. The amount of Severance Pay for which a Participant is eligible hereunder shall be determined in accordance with his or her status as a Senior Vice President, Vice President or Other Key employee and his or her Years of Service with the Company, as follows:

i. Senior Vice Presidents or Senior Business Unit Leader: A senior vice president or site business unit leader shall be eligible for Severance Pay equal to three (3) weeks of base salary for each Year of Service with the Company. The minimum Severance Pay for a senior vice president or site business unit leader shall be twelve (12) weeks of base salary and the maximum Severance Pay for a corporate senior vice president shall be twenty-six (26) weeks of base salary.

ii. Vice President or Other Key Employee: A vice president or Other Key Employee shall be eligible for Severance Pay equal to two (2) weeks of base salary for each Year of Service with the Company. The minimum Severance Pay for vice presidents or Other Key Employees shall be eight (8) weeks of base salary and the maximum Severance Pay for a corporate or unit vice president shall be twenty-six (26) weeks of base salary.

b. Method and Timing of Payment. Severance Pay shall be paid to an eligible Participant in a single cash sum as soon as practicable, but in no event later than 60 days, following the later of (i) the expiration of the applicable revocation period following the signing of the Release by the Participant or (ii) the Participant's termination date with the Company; provided, however, that in no event shall such Severance Pay be paid later than the March 15th of the year following the year in which such termination occurs, but conditioned on the Company receiving a signed Release that has not been revoked within the time provided herein or in the Release. Notwithstanding the foregoing and any provision in this Policy to the contrary, to the extent Severance Pay is "deferred compensation" for purposes of Section 409A for an eligible Participant, such Severance Pay shall be paid to such Participant in a single cash sum as soon as practicable, but in no event later than 60 days, following the Participant's date of "separation from service" (within the meaning of Section 409A) with the Company, but conditioned on the Company receiving a signed Release that has not been revoked within the time provided herein or in the Release and in any case where the first and last days of the applicable release and non-revocability periods are in two separate tax years, to the extent required to avoid accelerated taxation and/or tax penalties under Section 409A, Severance Pay shall be made in the later tax year.

c. Death of Participant. If a Participant dies after signing the release and prior to receiving Severance Pay to which he or she is entitled pursuant to the Policy, payment shall be made to the beneficiary designated by the Participant to the

Company or, in the event of no designation of beneficiary, then to the estate of the deceased Participant.

d. Section 409A. Notwithstanding any provision to the contrary, to the extent required to avoid accelerated taxation and/or tax penalties under Section 409A, if a Participant is a "specified employee" (as defined under Section 409A) as of the date of his "separation from service" (as defined under Section 409) from the Company, then the Separation Pay shall not be paid until the earlier of (a) the expiration of the six (6) month period measured from the date of the Participant's "separation from service" and (b) the date of the Participant's death. All payments and benefits that are delayed pursuant to the immediately preceding sentence shall be paid to the Participant in a lump sum as soon as practicable following the expiration of such period (or if earlier, upon the Participant's death) but in no event later than thirty (30) days following such period. To the extent required to avoid accelerated taxation and/or tax penalties under Section 409A, no amount or benefit that is payable or to be provided upon a termination of employment from the Company pursuant to this Policy shall be payable or provided unless such termination also meets the requirements of a "separation from service" under Section 409A. The Participant shall cooperate fully with the Company to ensure compliance with Section 409A including, without limitation, adopting amendments to arrangements subject to Section 409A and operating such arrangements in compliance with Section 409A.

6. Transition Allowance. The Company will provide a lump sum payment of $10,000, as a transition allowance to assist the Participant during this time, which may be utilized at the Participant's discretion. This payment will be made in lump sum, less deductions required by federal or state law.

7. Perquisites. Any other miscellaneous allowance that the Participant was receiving in accordance with the arrangement in effect at the time of termination of the Participant's employment will cease at the time of termination of the Participant's employment.

8. Funding. The Policy shall at all times be entirely unfunded and no provision shall at any time be made with respect to segregating assets of the Company for payment of any Severance Benefits hereunder. No Participant or other person shall have any interest in any particular assets of the Company by reason of the right to receive Severance Benefits under the Policy and any such Participant or any other person shall have only the rights of a general unsecured creditor of the Company with respect to any rights under the Policy.

9. Taxation. All Severance Benefits shall be subject to federal, state and local tax deductions and withholding for the same.

10. Non-Exclusivity of Rights. The terms of the Policy shall not prevent or limit the right of a Participant to receive any base annual salary, pension or welfare benefit, perquisite, bonus or other payment provided by the Company to the Participant, except for such rights as the Participant may have specifically waived in writing. Amounts that are

vested benefits or which the Participant is otherwise entitled to receive under any benefit policy or program provided by the Company shall be payable in accordance with the terms of such policy or program.

11. Amendment and Termination. This Policy may be amended or terminated by the Committee acting in its sole discretion at any time. In addition, Participants may be added and deleted by the Committee acting in its sole discretion at any time. No such termination or amendment shall affect the rights of any individual who is then entitled to receive Severance Benefits at the time of such amendment or termination. Severance Benefits are not intended to be a vested right. The Senior Vice President Human Resources reserves the right in his sole discretion to interpret the Policy, prescribe, amend and rescind rules and regulations relating to it, determine the terms and provisions of the severance payments and make all other determinations he deems necessary or advisable for the administration of the Policy, subject to the appeals procedure in paragraph 16. The determination of the Senior Vice President Human Resources on all matters regarding the Policy shall be conclusive. Copies of this Policy and any amendments shall be provided to each constituent entity of the Company and, in the absence of any written notice to the contrary, shall be deemed adopted by each such constituent.

12. Non-Assignability. Severance Benefits pursuant to the Policy shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge prior to actual receipt thereof by a Participant; and any attempt to so anticipate, alienate, sell, transfer, assign, pledge, encumber or charge prior to such receipt shall be void; and the Company shall not be liable in any manner for, or subject to, the debts, contracts, liabilities, engagements or torts of any person entitled to any Severance Benefits under this Policy.

13. Termination of Employment. Nothing in the Policy shall be deemed to entitle a Participant to continued employment with the Company, and the rights of the Company to terminate the employment of a Participant shall continue as though the Policy were not in effect. Nothing in the Policy shall be deemed to vest any rights in the Participant until the occurrence of a Job Elimination.

14. Confidential Information. As a condition of receiving Severance Benefits, Participants shall agree to hold, in a fiduciary capacity for the benefit of the Company, all confidential information regarding the Company acquired by the Participant while employed by the Company. This confidential information may include, but is not limited to, information regarding the Company's business practices, trade secrets, policies, customer lists, contracts, financial and market data, marketing reports, pricing, business opportunities and other information of a confidential nature. In consideration of the Benefits received by a Participant pursuant to this Policy, Participant shall agree and covenant that he or she (i) shall not use to the Company's detriment and (ii) shall not divulge, publicly or privately, any specified or other such confidential information regarding any aspect of the Company's business acquired during or as a result of his or her employment with the Company. Furthermore, to the extent that disclosure of any such information is controlled by statute, regulation or other law, Participant shall agree that he or she is

bound by such laws and that this Policy does not operate as a waiver of any such non-disclosure requirement. In the event of any breach of confidentiality, the Company shall be entitled to injunctive relief, in addition to all other rights it may have at law or in equity.

15. Governing Law. Except to the extent preempted by ERISA, the terms of the Policy shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Kentucky including all matters of construction, validity and performance.

16. Claims Procedure. Generally, benefits will be paid under the Policy (also, referred to as the "Plan") without the necessity of filing a claim. If you believe you are being denied benefits under the Plan, you may file a written claim with the Senior Vice President Human Resources. If a claim for a Plan benefits is denied in whole or in part, you will receive a written notice of the denial. This notice must be provided to you within a reasonable period of time, but not later than 90 days after receipt of the claim by the Senior Vice President Human Resources, unless the Senior Vice President Human Resources determines that special circumstances require an extension of time for processing your claim. If the Senior Vice President Human Resources determines that an extension is necessary, notice of the extension will be furnished to you prior to the termination of the initial 90-day period. In no event will such extension exceed a period of 90 days from the end of the initial 90-day period. The extension notice will indicate the special circumstances requiring an extension of time and when you can expect the benefit determination.

The Senior Vice President Human Resources' notice of denial of your claim will contain the following information: (a) The specific reason or reasons for the adverse determination; (b) references to specific Plan provisions on which the determination is based; (c) a description of any additional material or information necessary for you to perfect the claim and an explanation of why such material or information is necessary; and (d) appropriate information as to the steps to be taken if you want to submit your claim for review, including a statement of your right to bring a civil action under ERISA following an adverse benefit determination on review.

If a claim is denied, you may appeal the adverse determination by filing a written request for a review of the claim with the Compensation Committee of the Board of Directors. The request for review must be made within 60 days of the date you receive the denial (or, if no written denial is received, within 60 days of the date when the denial was due). Send your written request for review to the Committee.

You may submit written comments, documents, records, and other information relating to your claim for benefits. You will be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits. The review will take into account all comments, documents, records, and other information submitted by you relating to your claim,

without regard to whether such information was submitted or considered in the initial benefit determination.

The Committee will provide you with a written notice of its decision on review within 60 days after the Committee's receipt of your written claim for review; unless the Committee determines that special circumstances require an extension of time for processing your claim. If the Committee determines that an extension of time is required, written notice of the extension will be furnished to you prior to the end of the initial 60-day period. The extension notice will indicate the special circumstances requiring an extension of the time and the date by which the Committee expects to render its determination on review. The extension will not exceed a period of 60 days from the end of the initial 60-day period.

In the case of an adverse benefit determination on review, the notice will set forth: (a) The specific reason or reasons for the adverse determination; (b) references to the specific Plan provisions on which the determination is based; and (c) a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits.

By participating in the Plan, you agree that (a) the Plan will not pay any benefit for a claim filed more than one year from the date you terminate employment, and (b) no legal or equitable action may be filed against the Plan or any Plan fiduciary more than 90 days after exhaustion of the your rights under the above claims procedure. You must exhaust all levels of the appeal procedure before you can bring an action at law or equity. The power and authority of the Chief Executive Officer and the Committee shall be discretionary with respect to all matters arising before each of them under this claims procedure.

17. Your Rights Under ERISA. As a Participant in the Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all plan participants are entitled to: examine, without charge, at the office of the Senior Vice President Human Resources and at other specified locations (such as worksites), all documents governing the Plan, including insurance contracts, if any; and obtain copies of documents governing the operation of the Plan, including insurance contracts, if any, and updated summary plan description upon written request to the Senior Vice President Human Resources. The Senior Vice President Human Resources may make a reasonable charge for the copies; and

In addition to creating rights for plan participants, ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people who operate the Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other plan participants and beneficiaries. No one, including your employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a benefit .of exercising your rights under ERISA.

If your claim for a pension or welfare benefit is denied in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision

without charge and to appeal the denial, all under certain time schedules. Under ERISA, there are steps you can take to enforce these rights. For instance, if you request materials from the plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the plan administrator to provide the materials and pay you up to $110 a day until you receive them, unless the materials were not sent because of reasons beyond the control of the plan administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court. In addition, if you disagree with the Plan's decision, or lack thereof, concerning the qualified status of a domestic relations order, you may file suit in federal court. If it should happen that plan fiduciaries misuse the plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. However, if you lose, the court may order you to pay the costs and fees; for example, if it finds your claim is frivolous.

If you have any questions about the Plan, you should call or write the plan administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

18. Plan Information. This is a welfare benefit plan and this document serves as the Plan's official plan document and as the summary plan description. The Company is the plan administrator for ERISA reporting and disclosure purposes. The Company's address is 600 N. Hurstbourne Parkway, Suite 400, Louisville, Kentucky 40222, and service of process may be made on the Company at this address. The Company's employer identification number is 35-1930820, and the telephone number is 502-636-4400.

IN WITNESS WHEREOF, the Company has caused this Policy, as amended effective December 1, 2015, to be executed in its name by its duly authorized officer as of the 1st day of December, 2015.

CHURCHILL DOWNS INCORPORATED

By: /s/ Charles G Kenyon

Title: Senior Vice President, Human Resources

Exhibit A

Churchill Downs Technology Initiatives Company

SVP, President, Online Gaming
VP of Marketing
VP & General Manager, TwinSpires
VP of Technology Development
VP of Casino Product, Online Gaming
VP of Sports & Online Gaming
VP of Finance, Online Wagering
VP & General Manager, BRIS

CHURCHILL DOWNS INCORPORATED

Executive Change in Control, Severance and Indemnity Agreement

THIS AGREEMENT is made and entered into as of the 26th day of July, 2022 (the "Effective Date"), by and between Churchill Downs Incorporated (hereinafter referred to as the "Company") and Maureen Adams (hereinafter referred to as the "Executive").

WHEREAS, the Board has approved the Company's entering into change in control, severance and indemnity agreements with certain key executives of the Company; and

WHEREAS, the Executive is a key executive of the Company;

NOW THEREFORE, to assure the Company that it will have the continued dedication of the Executive and the availability of the Executive's advice and counsel notwithstanding the possibility, threat, or occurrence of a Change in Control of the Company, and to induce the Executive to remain in the employ of the Company, and for other good and valuable consideration, the Company and the Executive agree as follows:

Article 1. Establishment, Term, and Purpose

This Agreement will commence on the Effective Date and will continue in effect for a three (3) year term, until the fourth anniversary of the Effective Date. Upon the expiration of the fourth anniversary of the Effective Date (and each applicable anniversary thereafter, to the extent the Agreement is extended as provided herein), the term of this Agreement will be extended automatically for one (1) additional year, unless either party to this Agreement delivers written notice at least twelve (12) months prior to such anniversary to the other party that this Agreement will not be extended. In such case, this Agreement will terminate at the end of the term or extended term. Executive hereby acknowledges, for avoidance of doubt, that any termination of this Agreement vis-a-vis notice provided pursuant to this Article 1 shall not constitute an act subject to Section 2.14 or Article 3.

However, in the event a Change in Control occurs during the original or any extended term, this Agreement will remain in effect for the longer of: (i) twenty-four (24) months beyond the month in which such Change in Control occurred; or (ii) until all obligations of the Company hereunder have been fulfilled, and until all benefits required hereunder have been paid to the Executive.

Article 2. Definitions

Whenever used in this Agreement, the following terms will have the meanings set forth below and, when the meaning is intended, the initial letter of the word is capitalized.

2.1 Agreement - see the recitals to this Agreement.

2.2 Accrued Obligations means the aggregate of (i) an Executive's earned but unpaid Base Salary through the Executive's date of termination; (ii) payment in respect of any paid time off days accrued but unused through the Executive's date of termination, to the extent provided by Company policy; (iii) reimbursement for all business expenses properly incurred in accordance

with Company policy prior to the Executive's date of termination and not yet reimbursed by the Company; and (iv) subject to Section 3.3, any earned but unpaid annual bonus in respect of any of the Company's fiscal years preceding the fiscal year in which the termination occurs (provided, however, that if Executive's termination is by the Company for Cause and such event(s) and/or action(s) that constitute Cause are materially and demonstrably injurious to the business or reputation of the Company, then no payment will be made pursuant to this clause (iv)).

2.3 Base Salary means the salary of record paid to an Executive as annual salary, excluding amounts received under incentive or other bonus plans, whether or not deferred.

2.4 Board means the Board of Directors of the Company.

2.5 Cause for termination by the Company of Executive's employment with the Company means any of the following:

(a) the willful and continued failure of Executive to perform substantially his duties to the Company (other than any such failure resulting from incapacity due to disability), after a written demand to cure such failure (the "Demand to Cure") is delivered to Executive by the Chief Executive Officer or the Board, as the case may be, which specifically identifies the manner in which the Board believes that Executive has not substantially performed his duties;

(b) Executive's conviction of, or plea of guilty or no contest to (A) a felony or (B) a misdemeanor involving dishonesty or moral turpitude; or

(c) the willful engaging by Executive in illegal conduct or gross misconduct which is materially and demonstrably injurious to the business or reputation of the Company.

For purposes of this definition, no act or failure to act, on the part of Executive, shall be considered "willful" unless it is done, or omitted to be done, by Executive in bad faith or without reasonable belief that Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon specific authority given pursuant to a resolution duly adopted by the Board or upon instructions of the Chief Executive Officer or the Board, as the case may be, or based upon the advice of counsel of the Company which Executive honestly believes is within such counsel's competence shall be conclusively presumed to be done, or omitted to be done, by Executive in good faith and in the best interests of the Company. The Company shall give written notice to Executive of the termination for Cause. Such notice shall state in detail the particular act or acts or the failure or failures to act that constitute the grounds on which the Cause termination is based and such notice shall be given within six (6) months of the occurrence of, or, if later, the Company's actual knowledge of, the act or acts or the failure or failures to act which constitute the grounds for Cause. Executive shall have sixty (60) days upon receipt of the Demand to Cure in which to cure such conduct; to the extent such cure is possible.

2.6 Change in Control means the first to occur of the following events:

(a) the acquisition, directly or indirectly, by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of

beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than 50% of either the then outstanding voting securities of the Company (the "Outstanding Company Common Stock") or the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however that for purposes of this subsection (a), the following acquisitions shall not constitute a Change in Control: (w) any acquisition directly from the Company, (x) any acquisition by the Company or any of its subsidiaries, (y) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (z) any acquisition by any corporation pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (c) of this definition;

(b) individuals who, as of the Effective Date, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(c) consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another entity (a "Corporate Transaction"), in each case, unless, immediately following such Corporate Transaction, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Corporate Transaction beneficially own, directly or indirectly, more than 50% of, respectively, the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Corporate Transaction (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Corporate Transaction, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any corporation resulting from such Corporate Transaction or employee benefit plan (or related trust) of the Company or such corporation resulting from such Corporate Transaction) beneficially owns, directly or indirectly, 50% or more of, respectively, the then-Outstanding Company Common Stock resulting from such Corporate Transaction or the Outstanding Company Voting Securities resulting from such Corporate Transaction, except to the extent that such

ownership existed prior to the Corporate Transaction, and (C) at least a majority of the members of the Board resulting from the Corporate Transaction were members of the Incumbent Board at the time of the execution of the initial plan or action of the Board providing for such Corporate Transaction; or

(d) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

2.7 Code means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.

2.8 Common Stock means the common stock, no par value, of the Company.

2.9 Company - see the recitals to this Agreement.

2.10 Disability means that Executive becomes "disabled" within the meaning of Section 409A(a)(2)(C) of the Code or any successor provision and the applicable regulations thereunder.

2.11 Effective Date - see recitals to this Agreement.

2.12 Exchange Act means the Securities Exchange Act of 1934.

2.13 Executive - see recitals to this Agreement.

2.14 Good Reason for termination by Executive of Executive's employment means the occurrence (without Executive's express written consent) of any one of the following acts by the Company or failures by the Company to act:

(a) the assignment to Executive of any duties inconsistent in any material respect with the position of Senior Vice President of Gaming Operations (including status, office, title and reporting requirements), or the authority, duties or responsibilities of the Senior Vice President of Gaming Operations, or any other diminution in any material respect in such position, authority, duties or responsibilities unless agreed to by Executive;

(b) the Company's requiring Executive to be based at, or perform his principal functions at, any office or location other than a location within 35 miles of the Main Office unless such other location is closer to Executive's then-primary residence than the Main Office;

(c) a reduction in Base Salary or annual incentive target opportunity under the Executive Annual Incentive Plan or other such plan; and

(d) a material reduction in Executive's welfare benefits plans, qualified retirement plan, or paid time off benefit unless other senior executives suffer a comparable reduction.

"Good Reason" for Executive's termination of employment will exist only if (i) Executive gives written notice to the Company of his intention to terminate his employment on account of a Good Reason, with the notice stating in detail the particular act or acts or the failure or failures to act that constitute the grounds on which Executive's Good Reason termination is based and given within six (6) months of the occurrence of the act or acts or the failure or failures to act which constitute the grounds for Good Reason, (ii) the Company fails to cure the conduct within sixty (60) days following receipt of Executive's written notice, and (iii) Executive terminates employment with the Company effective not later than sixty (60) days after the end of the Company's cure period.

2.15 Main Office means 600 N. Hurstbourne Parkway, Ste. 400, Louisville, Kentucky.

2.16 Taxes means the incremental United States federal, state and local income, excise and other taxes payable by Executive with respect to any applicable item of income.

2.17 Termination of Employment means a termination by the Company or by Executive of Executive's employment with the Company that constitutes a separation from service under Code Section 409A.

Article 3. Severance Benefits

3.1 Right to Severance Benefits. The Executive will be entitled to receive from the Company Severance Benefits, as described in this Article 3 herein, if the Executive satisfies the conditions set forth in this Article 3. Except with respect to the Accrued Obligations (and subject to Section 3.3, as applicable), in no event herein, except as may be required by applicable federal and/or state law, shall the Executive be entitled to receive any other Severance Benefits if the Executive's employment is terminated (i) for Cause or (ii) due to a voluntary termination without Good Reason.

3.2 Severance Benefits.

(a) Termination Without Cause by the Company or Voluntary Resignation by Executive for Good Reason. If Executive is terminated by the Company other than for Cause, Disability or death, or if Executive voluntarily resigns for Good Reason, Executive shall receive: (i) the Accrued Obligations; and (ii) subject to Section 3.3, (A) cash payments equal to the product of 1.5 times the sum of (x) Executive's Base Salary plus (y) Executive's target bonus for the year of the Termination of Employment, payable in equal installments over the 18 months following Termination of Employment, (B) treatment of all equity-based awards per the terms of the applicable plan, award or agreement, and (C) a lump sum amount equal to the total premiums for medical, dental and vision benefits for a three month period which the Executive may, but is not required to, use to pay for COBRA continuation coverage, if applicable. Except for amounts subject to Section 3.3, the remaining Accrued Obligations shall be paid to Executive in a lump sum amount within sixty (60) days following the Executive's date of termination.

(b) Termination following a Change in Control. If, during the 2-year period following a Change in Control, Executive is terminated by the Company other than for Cause, Disability or death, or if Executive voluntarily resigns for Good Reason, Executive shall receive: (i) the Accrued Obligations; and (ii) subject to Section 3.3, (A) cash

payments equal to the product of 2 times the sum of (x) Executive's Base Salary plus (y) Executive's target bonus for the year of the Termination of Employment, payable in a lump sum on the sixtieth (60th) day following such Termination of Employment, (B) treatment of all equity-based awards per the terms of the applicable plan, award or agreement, and (C) a lump sum amount equal to the total premiums for medical, dental and vision benefits for a three month period which the Executive may, but is not required to, use to pay for COBRA continuation coverage, if applicable. Except for amounts subject to Section 3.3, the remaining Accrued Obligations shall be paid to Executive in a lump sum amount within sixty (60) days following the Executive's date of termination.

(c) Death. Following a Termination of Employment for death, Executive's estate shall receive: (i) the Accrued Obligations; and (ii) subject to Section 3.3, (A) a pro-rata bonus, if any, for the year of death, based on the target bonus for which Executive was eligible for such year, and paid when bonuses under such applicable bonus plans are normally paid, (B) treatment of all equity-based awards per the terms of the applicable plan, award or agreement, (C) all other benefits and payments per the applicable plan or program, and (D) life insurance benefits paid per such applicable plans. Except for amounts subject to Section 3.3, the remaining Accrued Obligations shall be paid to Executive in a lump sum amount within sixty (60) days following the Executive's date of termination. All other accrued and vested benefits, if any; due Executive following a Termination of Employment for death shall be determined in accordance with the plans, policies, and practices of the Company.

(d) Disability. Following a Termination of Employment for Disability, Executive shall receive: (i) the Accrued Obligations; and (ii) subject to Section 3.3, (A) a pro-rata bonus, if any, for the year of Termination of Employment, based on the target bonus for which Executive was eligible for such year, and paid when bonuses under the applicable bonus plans are normally paid, (B) treatment of all equity-based awards per the terms of the applicable plan, award or agreement, (C) all other benefits and payments per the applicable plan or program, and (D) short-term and long-term disability benefits per the applicable plans. Except for amounts subject to Section 3.3, the remaining Accrued Obligations shall be paid to Executive in a lump sum amount within sixty (60) days following the Executive's date of termination. All other accrued and vested benefits, if any; due Executive following a Termination of Employment for Disability shall be determined in accordance with the plans, policies, and practices of the Company.

3.3 Release. Notwithstanding any other provision of this Agreement to the contrary, Executive acknowledges and agrees that any and all payments to which Executive is entitled under this Article 3, which are described as being subject to this Section 3.3 are conditioned upon and shall not be payable unless (A) Executive, or, if applicable, his or her estate's personal representative, executes a general release and waiver, in such reasonable and customary form as shall be prepared by the Company, of all claims Executive may have against the Company and its directors, officers, subsidiaries and affiliates, except as to (i) matters covered by provisions of this Agreement that expressly survive the termination of this Agreement and (ii) rights to which Executive is entitled

by virtue of his participation in the employee benefit plans, policies and arrangements of the Company, within the minimum time period required under applicable state and federal laws, or if no such period, ten business days following the date of Executive's termination, and (B) Executive, or, if applicable, his or his estate's personal representative, has not revoked such release agreement within the time permitted under applicable law. Payments subject to this Section 3.3 shall commence or be made, as applicable, on the sixtieth (60th) day after the Termination of Employment, with any payments scheduled to occur between the Termination of Employment and such sixtieth (60th) day provided on such day.

3.4 Withholding of Taxes. The Company will be entitled to withhold from any amounts payable under this Agreement all Taxes as may be legally required (including, without limitation, any United States federal taxes and any other state, city, or local taxes).

Article 4. Covenants

(a) Confidentiality. Executive agrees that Executive will not at any time during Executive's employment with the Company or thereafter, except in performance of Executive's obligations to the Company hereunder, disclose, either directly or indirectly, any Confidential Information (as hereinafter defined) that Executive may learn by reason of his association with the Company. The term "Confidential Information" shall mean any past, present, or future confidential or secret plans, programs, documents, agreements, internal management reports, financial information, or other material relating to the business, strategies, services, or activities of the Company, including, without limitation, information with respect to the Company's operations, processes, products, inventions, business practices, finances, principals, vendors, suppliers, customers, potential customers, marketing methods, costs, prices, contractual relationships, including leases, regulatory status, compensation paid to employees, or other terms of employment, and trade secrets, market reports, customer investigations, customer lists, and other similar information that is proprietary information of the Company; provided, however, the term "Confidential Information" shall not include any of the above forms of information which has become public knowledge, unless such Confidential Information became public knowledge due to any act or acts by Executive or his representative(s) in violation of this Agreement. Notwithstanding the foregoing, Executive may disclose such Confidential Information when required to do so by a court of competent jurisdiction, by any governmental agency having supervisory authority over the business of the Company and/or its affiliates, as the case may be, or by any administrative body or legislative body (including a committee thereof) with jurisdiction to order Executive to divulge, disclose or make accessible such information; provided, further, that in the event that Executive is ordered by any such court or other government agency, administrative body, or legislative body to disclose any Confidential Information, Executive shall (i) promptly notify the Company of such order, (ii) at the reasonable written request of the Company, diligently contest such order at the sole expense of the Company as expenses occur, and (iii) at the reasonable written request of the Company, seek to obtain, at the sole expense of the Company, such confidential treatment as may be available under applicable laws for any information disclosed under such order.

(b) Non-Solicit. During Executive's employment and for two (2) years immediately following a Termination of Employment for any reason, Executive shall not, without the prior written consent of the Company, solicit or induce any then-existing employee of the Company or any of its subsidiaries to leave employment with the Company or any of its subsidiaries or contact any then-existing customer or vendor under contract with the Company or any of its subsidiaries for the purpose of obtaining business similar to that engaged in, or received (as appropriate), by the Company, except that Executive shall not be precluded from (i) hiring any such employee who has been terminated by the Company or its subsidiaries prior to commencement of employment discussions between the Executive or his/her subsequent employer and such employee, (ii) employing or contacting any such person who contacts Executive or his/her subsequent employer on his or her own initiative without any otherwise prohibited solicitation, or (iii) employing or contacting any person as a result of general solicitation not specifically directed at the Company, any of its subsidiaries or any of its employees.

(c) Cooperation. Executive agrees that during his employment or following a Termination of Employment for any reason, Executive shall, upon reasonable advance notice, assist and cooperate with the Company as is reasonable with regard to any investigation or litigation related to a matter or project in which Executive was involved during Executive's employment. The Company shall reimburse Executive for all reasonable and necessary expenses related to Executive's services under this Section 4(c) (i.e., travel, lodging, meals, telephone and overnight courier) within ten (10) business days of Executive submitting to the Company appropriate receipts and expense statements.

(d) Survivability. The duties and obligations of Executive pursuant to this Section 4 shall survive the termination of this Agreement and Executive's Termination of Employment for any reason.

(e) Remedies. Executive acknowledges that the protections of the Company set forth in this Section 4 are fair and reasonable. Executive agrees that remedies at law for a breach or threatened breach of the provisions of this Section 4 would be inadequate and, therefore, the Company shall be entitled, in addition to any other available remedies, without posting a bond, to equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction, or any other equitable remedy that may be then available.

(f) Limitation. If the duration, scope, or nature of any restriction on business activity covered by any provision of Section 4(b) above is in excess of what is valid and enforceable under applicable law, such restriction shall be construed to limit duration, scope or activity to an extent that is valid and enforceable, with such extent to be the maximum extent possible under applicable law. For Section 4(b) above, Executive hereby acknowledges that such Section shall be given the construction which renders its provisions valid and enforceable to the maximum extent, not exceeding its express terms, possible under applicable law.

Article 5. Tax Adjustment Payment

5.1 Tax Adjustment Payment. In the event that the Executive becomes entitled to Severance Benefits or any other payment or benefit under this Agreement, or under any other agreement with or plan of the Company (in the aggregate, the "Total Payments"), whether or not the Executive has terminated employment with the Company, if all or any part of the Total Payments will be subject to the tax imposed by Section 4999 of the Code (or any similar tax that may hereafter be imposed) (the "Excise Tax"), the Total Payments shall be reduced (but not below zero) such that the value of the Total Payments shall be one dollar ($1) less than the maximum amount of payments which the Executive may receive without becoming subject to the tax imposed by Section 4999 of the Code; provided, however, that the foregoing limitation shall not apply in the event that it is determined that the Total Payments on an after-tax basis (i.e., after payment of federal, state, and local income taxes, penalties, interest, and Excise Tax) if such limitation is not applied would exceed the after-tax benefits to the Executive if such limitation is applied. The Executive shall bear the expense of any and all Excise Taxes due on any payments that are deemed to be "excess parachute payments" under Section 280G of the Code.

5.2 Tax Computation. The determination of whether any of the Total Payments will be subject to the Excise Tax and the assumptions to be used in arriving at such determination, shall be made by a nationally recognized certified public accounting firm that does not serve as an accountant or auditor for any individual, entity or group effecting the Change in Control as designated by the Company (the "Accounting Firm"). The Accounting Firm will provide detailed supporting calculations to the Company and the Executive within fifteen (15) business days of the receipt of notice from the Executive or the Company requesting a calculation hereunder. All fees and expenses of the Accounting Firm will be paid by the Company.

Article 6. The Company's Payment Obligation

The Company's obligation to make the payments and the arrangements provided for herein will be absolute and unconditional, and will not be affected by any circumstances, including, without limitation, any offset, counterclaim, recoupment, defense, or other right which the Company may have against the Executive or anyone else. All amounts payable by the Company hereunder will be paid without notice or demand.

The Executive will not be obligated to seek other employment in mitigation of the amounts payable or arrangements made under any provision of this Agreement, and the obtaining of any such other employment will in no event effect any reduction of the Company's obligations to make the payments and arrangements required to be made under this Agreement.

Notwithstanding anything in this Agreement to the contrary, if Severance Benefits are paid under this Agreement, no severance benefits under any program of the Company, other than benefits described in this Agreement, will be paid to the Executive.

Article 7. Indemnification

7.1 Indemnity of Executive. To the fullest extent permitted by law, and subject only to the exclusions set forth in Sections 7.2 and 7.10 of this Agreement, the Company hereby agrees to hold harmless and indemnify the Executive from and against any and all reasonable costs and

expenses (including, but not limited to, attorneys' fees) and any liabilities (including, but not limited to, judgments, fines, penalties and reasonable settlements) paid by or on behalf of, or imposed against, the Executive in connection with any threatened, pending or completed claim, action, suit or proceeding, whether civil, criminal, administrative, investigative or other (including any appeal relating thereto), whether formal or informal, and whether made or brought by or in the right of the Company or otherwise, in which the Executive is, was or at any time becomes a party or witness, or is threatened to be made a party or witness, or otherwise, by reason of the fact that the Executive is, was or at any time becomes a director, officer, employee or agent of the Company or, at the Company's request, a director, officer, partner, manager, trustee, employee or agent of another corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise.

7.2 Limitations on Indemnity. No Indemnity pursuant to Section 7.1 of this Agreement shall be paid by the Company:

(a) if a court of competent jurisdiction renders a final adjudication on the merits, in an action, suit or proceeding in which the Executive is a party, that such indemnification is prohibited by law;

(b) in connection with any transaction with respect to which a court of competent jurisdiction renders a final adjudication on the merits, in an action, suit or proceeding in which the Executive is a party, (i) that the Executive's personal financial interest was in conflict with the financial interests of the Company or its shareholders and (ii) that the Executive derived an improper personal benefit;

(c) on account of acts or omissions of the Executive to the extent a court of competent jurisdiction renders a final adjudication on the merits, in an action, suit or proceeding in which the Executive is a party, that such acts or omissions (i) were not in good faith, or (ii) involved intentional misconduct, or (iii) were known to the Executive to be a violation by law;

(d) in respect of any liability to the extent that a court of competent jurisdiction renders a final adjudication on the merits, in an action, suit or proceeding in which the Executive is a party, that such liability arises under any federal or state statute providing for personal liability by reason of the fact that the Executive is or was a director or officer of the Company, including, by way of example and not limitation, liability under Section 16(b) of the Securities Exchange Act of 1934, as amended, but excluding any liability resulting from actions taken or omitted by the Executive as a fiduciary of an employee benefit plan of the Company to the extent otherwise indemnifiable hereunder;

(e) to the extent and only to the extent that a majority of the Board of Directors of the Company or a duly designated committee thereof, in either case consisting entirely of directors who are not at the time parties to the claim, action, suit or proceeding against the Executive, determines that the amount of expenses and/or settlements for which indemnification is sought is unreasonable, as determined by

an informal survey of the outcomes in similar cases, if any, and/or the Company's previous dealings in other matters or offers of settlement, if applicable; or

(f) in connection with any claim, action, suit or proceeding if such claim, action, suit or proceeding was initiated by the Executive or his personal or legal representative, or involved the voluntary solicitation or intervention by the Executive or his personal or legal representative (other than an action to enforce indemnification rights or an action initiated with the approval of a majority of the Board of Directors).

7.3 Continuation of Indemnity. All agreements and obligations of the Company contained in this Article 7 shall continue during the period the Executive serves in any capacity entitling the Executive to indemnification under this Article 7 and shall continue thereafter so long as the Executive shall be subject to any possible claim or threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative or other including any appeal relating thereto), whether formal or informal, arising as a result of acts or omissions occurring during the period the Executive served as a director or officer of the Company.

7.4 Notification of Claim. It shall be a condition precedent to indemnification under this Article 7 that, within thirty days after receipt by the Executive of actual notice that the Executive is or will be a party, witness or otherwise involved in any threatened or pending action, suit or proceeding described in Section 7.1, the Executive shall have notified the Company in writing of the assertion or commencement thereof. The omission to so notify the Company will not relieve it from any liability which it may have to the Executive otherwise than under this Article 7.

7.5 Advancement of Costs and Expenses. The costs and expenses (including, but not limited to, attorneys' fees) incurred by the Executive in investigating, defending, being a witness in, appealing or otherwise participating in any threatened or pending claim or any threatened or pending action, suit or proceeding described in Section 7.1 shall, at the written request of the Executive, be paid by the Company in advance of final judgment or settlement with the understanding, undertaking and agreement hereby made and entered into by the Executive and the Company that the Executive shall, if it is ultimately determined in accordance with Section or pursuant to Section 7.10 that the Executive is not entitled to be indemnified, or was not entitled to be fully indemnified, repay to the Company such amount, or the appropriate portion thereof, so paid or advanced. Such advancements shall be made within ten business days of written request therefor by the Executive.

7.6 Enforcement. If a claim for payment under this Article 7 is not paid in full by the Company within ninety days after a written demand has been delivered by the Executive to the Company, or within thirty days after delivery of a written demand by the Executive to the Company based upon a final and unappealable judgment of a court of competent jurisdiction, the Executive may at any time thereafter bring suit against the Company to recover the unpaid amount of the claim and, if successful in whole or in part, the Executive shall also be entitled to be paid all costs and expenses (including, but not limited to, 'attorneys' fees) incurred by the Executive in prosecuting such suit. In any suit brought by the Executive to enforce this Article 7, the burden of proof shall be on the Company to establish that the Executive is not entitled to the relief sought under this Article 7.

7.7 Partial Indemnity. If the Executive is entitled under any provision of this Article 7 to indemnification by the Company for some or a portion of the costs, expenses, judgments, fines, penalties and amounts paid in settlement, but not for the total amount thereof, the Company shall nevertheless indemnify the Executive for the portion thereof to which the Executive is entitled.

7.8 Non-exclusivity. The rights of the Executive under this Article 7 shall be in addition to any other rights the Executive may have under the Articles of Incorporation or Bylaws of the Company or by agreement, vote of shareholders or disinterested directors, as a matter of law or otherwise.

7.9 Subrogation. In the event of any payment under this Article 7, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the Executive, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents as may be necessary to enable the Company effectively to bring suit to enforce such rights.

7.10 No Duplication of Payments. The Company shall not be liable under this Article 7 to make any payment to the extent the Executive has otherwise actually received payment (under any insurance policy, bylaw or otherwise) of the amounts otherwise payable by the Company under this Article 7. The Executive shall use his best efforts to collect from all third parties any amounts otherwise payable by the Company under this Article 7. If the Executive is entitled to but has not received payment from a third party (under an insurance policy or otherwise) of amounts otherwise payable by the Company under this Article 7, the Company shall nevertheless pay the Executive such amounts with the understanding, undertaking and agreement hereby made and entered into by the Executive and the Company that the Executive will repay to the Company such amounts to the extent they are ultimately paid to the Executive by such third party.

7.11 Directors' and Officers' Liability Insurance. The Company agrees to maintain in effect throughout the term of Executive's employment with the Company and for a period of two years thereafter, directors' and officers' liability insurance policies for the benefit of the Executive in a form at least as comprehensive as, and in an amount that is at least equal to, that maintained by the Company at such time for any officer or director of the Company.

Article 8. Miscellaneous

8.1 Employment Status. The employment of the Executive by the Company is "at will," and may be terminated by either the Executive or the Company at any time, subject to applicable law.

8.2 Resolution of Disputes and Reimbursement of Legal Costs. Except as otherwise provided in Article 4, the Company and Executive agree that any controversy or claim arising out of or relating to this Agreement or the breach thereof shall be settled by arbitration administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules then in effect. Venue for any arbitration pursuant to this Agreement will lie in Louisville, Kentucky. Any award entered by the arbitrator(s) shall be final, binding and nonappealable and judgment may be entered thereon by either party in accordance with applicable law in any court of competent jurisdiction. This arbitration provision shall be specifically enforceable. Each party shall be responsible for its own expenses relating to the conduct of the arbitration (including reasonable

attorneys' fees and expenses) and shall share the fees of the American Arbitration Association and the arbitrator(s), if applicable, equally.

8.3 Governing Law. This Agreement will be governed by, and interpreted in accordance with, the laws of the Commonwealth of Kentucky applicable to agreements made and to be wholly performed within the Commonwealth of Kentucky, without regard to the conflict of laws provisions of any jurisdiction which would cause the application of any law other than that of the Commonwealth of Kentucky.

8.4 Entire Agreement/Amendments. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements, negotiations, representations or proposals, whether written or oral. This Agreement may not be altered, modified, or amended except by written instrument signed by the parties hereto. Articles 3 and 4 of this Agreement shall survive the termination of Executive's employment with the Company, except as otherwise specifically stated therein.

8.5 Neutral Interpretation. This Agreement constitutes the product of the negotiation of the parties hereto and the enforcement of this Agreement shall be interpreted in a neutral manner, and not more strongly for or against any party based upon the source of the draftsmanship of the Agreement. Each party has been provided ample time and opportunity to review and negotiate the terms of this Agreement and consult with legal counsel regarding the Agreement.

8.6 No Waiver. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver of such party's rights or deprive such party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.

8.7 Severability. In the event that any one or more of the provisions of this Agreement shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected thereby.

8.8 Successors.

(a) This Agreement is personal to Executive and shall not be assignable by Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns. The Company shall require any successor (whether direct or indirect, by purchase, merger, reorganization, consolidation, acquisition of property or stock, liquidation, or otherwise) to all or a substantial portion of its business and/or assets, by agreement in form and substance reasonably satisfactory to Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform this Agreement if no such succession had taken place. Regardless of whether such an agreement is executed, this Agreement shall be binding upon any successor of the Company and such successor shall be deemed the "Company" for purposes of this Agreement.

8.9 Notice. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given if delivered personally, if delivered by overnight courier service, if sent by facsimile transmission or if mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the respective addresses or sent via facsimile to the respective facsimile numbers, as the case may be, as set forth below, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt; provided, however, that (i) notices sent by personal delivery or overnight courier shall be deemed given when delivered; (ii) notices sent by facsimile transmission shall be deemed given upon the sender's receipt of confirmation of complete transmission, and (iii) notices sent by United States registered mail shall be deemed given two days after the date of deposit in the United States mail.

If to the Company, to:

Churchill Downs Incorporated
Attn: Senior Vice President, Human Resources
600 N. Hurstbourne Parkway, Ste. 400
Louisville, KY 40222

with copy to:

Churchill Downs Incorporated Attn: General Counsel
600 N. Hurstbourne Parkway, Ste. 400
Louisville, KY 40222

If to Executive, to

Maureen Adams, at the mailing address registered in the CDI Human Resources Information System.

8.10 Counterparts and Signatures. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. Signatures delivered by facsimile or PDF file shall constitute original signatures.

8.11 Code Section 409A. It is intended that any amounts payable under this Agreement and the Company's and Executive's exercise of authority or discretion hereunder shall comply with Code Section 409A (including the Treasury regulations and other published guidance relating thereto) so as not to subject Executive to the payment of any interest or additional tax imposed under Code Section 409A. To the extent any amount payable under this Agreement would trigger the additional tax imposed by Code Section 409A, the Agreement shall be modified to avoid such additional tax. Notwithstanding the foregoing, to the extent required in order to avoid accelerated taxation and/or tax penalties under Code Section 409A and the rules and regulations thereunder ("Section 409A"), if Executive is a "specified employee" (as defined under Section 409A) as of the date of his "separation from service" (as defined under Section 409A) from the Company, then any payment of benefits scheduled to be paid by the Company to Executive during the first six (6) month period following the date of a termination of employment hereunder that constitutes

deferred compensation under Code Section 409A shall not be paid until the earlier of (a) the expiration of the six (6) month period measured from the date of Executive's "separation from service" and (b) the date of Executive's death. All payments and benefits that are delayed pursuant to the immediately preceding sentence shall be paid to Executive in a lump sum as soon as practicable following the expiration of such period (or if earlier, upon Executive's death) but in no event later than thirty (30) days following such period. To the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A, no amount or benefit that is payable upon a termination of employment or services from the Company shall be payable unless such termination also meets the requirements of a "separation from service" under Section 409A. Each payment, including each installment payment, made under this Agreement shall be designated as a "separate payment" within the meaning of Section 409A. As such, and to the extent applicable and permissible under Section 409A, each such "separate payment" shall be made in a manner so as to satisfy Section 409A and Treasury Regulations promulgated thereunder, including the provisions which exempt certain compensation from Section 409A, including but not limited to Treasury Regulations Section l.409A-l(b)(4) regarding payments made within the applicable 2 ½ month period and Section l.409A-l(b)(9)(iii) regarding payments made only upon an involuntary separation from service. In addition, the parties shall cooperate fully with one another to ensure compliance with Section 409A, including, without limitation, adopting amendments to arrangements subject to Section 409A and operating such arrangements in compliance with Section 409A.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed this Agreement on this 26th day of July, 2022.

CHURCHILL DOWNS INCORPORATED

By: [signature]
Name: CHARLES G KENYON
Its: SVP HR

EXECUTIVE:

[signature: Maureen Adams]

4847-9707-3830.1 067818.1001

CHURCHILL DOWNS INCORPORATED

Executive Change in Control, Severance and Indemnity Agreement

THIS AGREEMENT is made and entered into as of the 26th day of July, 2022 (the "Effective Date"), by and between Churchill Downs Incorporated (hereinafter referred to as the "Company") and Brad Blackwell (hereinafter referred to as the "Executive").

WHEREAS, the Board has approved the Company's entering into change in control, severance and indemnity agreements with certain key executives of the Company; and

WHEREAS, the Executive is a key executive of the Company;

NOW THEREFORE, to assure the Company that it will have the continued dedication of the Executive and the availability of the Executive's advice and counsel notwithstanding the possibility, threat, or occurrence of a Change in Control of the Company, and to induce the Executive to remain in the employ of the Company, and for other good and valuable consideration, the Company and the Executive agree as follows:

Article 1. Establishment, Term, and Purpose

This Agreement will commence on the Effective Date and will continue in effect for a three (3) year term, until the fourth anniversary of the Effective Date. Upon the expiration of the fourth anniversary of the Effective Date (and each applicable anniversary thereafter, to the extent the Agreement is extended as provided herein), the term of this Agreement will be extended automatically for one (1) additional year, unless either party to this Agreement delivers written notice at least twelve (12) months prior to such anniversary to the other party that this Agreement will not be extended. In such case, this Agreement will terminate at the end of the term or extended term. Executive hereby acknowledges, for avoidance of doubt, that any termination of this Agreement vis-a-vis notice provided pursuant to this Article 1 shall not constitute an act subject to Section 2.14 or Article 3.

However, in the event a Change in Control occurs during the original or any extended term, this Agreement will remain in effect for the longer of: (i) twenty-four (24) months beyond the month in which such Change in Control occurred; or (ii) until all obligations of the Company hereunder have been fulfilled, and until all benefits required hereunder have been paid to the Executive.

Article 2. Definitions

Whenever used in this Agreement, the following terms will have the meanings set forth below and, when the meaning is intended, the initial letter of the word is capitalized.

2.1 Agreement - see the recitals to this Agreement.

2.2 Accrued Obligations means the aggregate of (i) an Executive's earned but unpaid Base Salary through the Executive's date of termination; (ii) payment in respect of any paid time off days accrued but unused through the Executive's date of termination, to the extent provided by Company policy; (iii) reimbursement for all business expenses properly incurred in accordance

with Company policy prior to the Executive's date of termination and not yet reimbursed by the Company; and (iv) subject to Section 3.3, any earned but unpaid annual bonus in respect of any of the Company's fiscal years preceding the fiscal year in which the termination occurs (provided, however, that if Executive's termination is by the Company for Cause and such event(s) and/or action(s) that constitute Cause are materially and demonstrably injurious to the business or reputation of the Company, then no payment will be made pursuant to this clause (iv)).

2.3 Base Salary means the salary of record paid to an Executive as annual salary, excluding amounts received under incentive or other bonus plans, whether or not deferred.

2.4 Board means the Board of Directors of the Company.

2.5 Cause for termination by the Company of Executive's employment with the Company means any of the following:

(a) the willful and continued failure of Executive to perform substantially his duties to the Company (other than any such failure resulting from incapacity due to disability), after a written demand to cure such failure (the "Demand to Cure") is delivered to Executive by the Chief Executive Officer or the Board, as the case may be, which specifically identifies the manner in which the Board believes that Executive has not substantially performed his duties;

(b) Executive's conviction of, or plea of guilty or no contest to (A) a felony or (B) a misdemeanor involving dishonesty or moral turpitude; or

(c) the willful engaging by Executive in illegal conduct or gross misconduct which is materially and demonstrably injurious to the business or reputation of the Company.

For purposes of this definition, no act or failure to act, on the part of Executive, shall be considered "willful" unless it is done, or omitted to be done, by Executive in bad faith or without reasonable belief that Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon specific authority given pursuant to a resolution duly adopted by the Board or upon instructions of the Chief Executive Officer or the Board, as the case may be, or based upon the advice of counsel of the Company which Executive honestly believes is within such counsel's competence shall be conclusively presumed to be done, or omitted to be done, by Executive in good faith and in the best interests of the Company. The Company shall give written notice to Executive of the termination for Cause. Such notice shall state in detail the particular act or acts or the failure or failures to act that constitute the grounds on which the Cause termination is based and such notice shall be given within six (6) months of the occurrence of, or, if later, the Company's actual knowledge of, the act or acts or the failure or failures to act which constitute the grounds for Cause. Executive shall have sixty (60) days upon receipt of the Demand to Cure in which to cure such conduct; to the extent such cure is possible.

2.6 Change in Control means the first to occur of the following events:

(a) the acquisition, directly or indirectly, by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of

beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than 50% of either the then outstanding voting securities of the Company (the "Outstanding Company Common Stock") or the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however that for purposes of this subsection (a), the following acquisitions shall not constitute a Change in Control: (w) any acquisition directly from the Company, (x) any acquisition by the Company or any of its subsidiaries, (y) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (z) any acquisition by any corporation pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (c) of this definition;

(b) individuals who, as of the Effective Date, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(c) consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another entity (a "Corporate Transaction"), in each case, unless, immediately following such Corporate Transaction, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Corporate Transaction beneficially own, directly or indirectly, more than 50% of, respectively, the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Corporate Transaction (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Corporate Transaction, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any corporation resulting from such Corporate Transaction or employee benefit plan (or related trust) of the Company or such corporation resulting from such Corporate Transaction) beneficially owns, directly or indirectly, 50% or more of, respectively, the then-Outstanding Company Common Stock resulting from such Corporate Transaction or the Outstanding Company Voting Securities resulting from such Corporate Transaction, except to the extent that such

ownership existed prior to the Corporate Transaction, and (C) at least a majority of the members of the Board resulting from the Corporate Transaction were members of the Incumbent Board at the time of the execution of the initial plan or action of the Board providing for such Corporate Transaction; or

(d) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

2.7 Code means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.

2.8 Common Stock means the common stock, no par value, of the Company.

2.9 Company - see the recitals to this Agreement.

2.10 Disability means that Executive becomes "disabled" within the meaning of Section 409A(a)(2)(C) of the Code or any successor provision and the applicable regulations thereunder.

2.11 Effective Date - see recitals to this Agreement.

2.12 Exchange Act means the Securities Exchange Act of 1934.

2.13 Executive - see recitals to this Agreement.

2.14 Good Reason for termination by Executive of Executive's employment means the occurrence (without Executive's express written consent) of any one of the following acts by the Company or failures by the Company to act:

(a) the assignment to Executive of any duties inconsistent in any material respect with the position of General Counsel (including status, office, title and reporting requirements), or the authority, duties or responsibilities of General Counsel, or any other diminution in any material respect in such position, authority, duties or responsibilities unless agreed to by Executive;

(b) the Company's requiring Executive to be based at, or perform his principal functions at, any office or location other than a location within 35 miles of the Main Office unless such other location is closer to Executive's then-primary residence than the Main Office;

(c) a reduction in Base Salary or annual incentive target opportunity under the Executive Annual Incentive Plan or other such plan; and

(d) a material reduction in Executive's welfare benefits plans, qualified retirement plan, or paid time off benefit unless other senior executives suffer a comparable reduction.

"Good Reason" for Executive's termination of employment will exist only if (i) Executive gives written notice to the Company of his intention to terminate his employment on account of a Good

Reason, with the notice stating in detail the particular act or acts or the failure or failures to act that constitute the grounds on which Executive's Good Reason termination is based and given within six (6) months of the occurrence of the act or acts or the failure or failures to act which constitute the grounds for Good Reason, (ii) the Company fails to cure the conduct within sixty (60) days following receipt of Executive's written notice, and (iii) Executive terminates employment with the Company effective not later than sixty (60) days after the end of the Company's cure period.

2.15 Main Office means 600 N. Hurstbourne Parkway, Ste. 400, Louisville, Kentucky.

2.16 Taxes means the incremental United States federal, state and local income, excise and other taxes payable by Executive with respect to any applicable item of income.

2.17 Termination of Employment means a termination by the Company or by Executive of Executive's employment with the Company that constitutes a separation from service under Code Section 409A.

Article 3. Severance Benefits

3.1 Right to Severance Benefits. The Executive will be entitled to receive from the Company Severance Benefits, as described in this Article 3 herein, if the Executive satisfies the conditions set forth in this Article 3. Except with respect to the Accrued Obligations (and subject to Section 3.3, as applicable), in no event herein, except as may be required by applicable federal and/or state law, shall the Executive be entitled to receive any other Severance Benefits if the Executive's employment is terminated (i) for Cause or (ii) due to a voluntary termination without Good Reason.

3.2 Severance Benefits.

(a) Termination Without Cause by the Company or Voluntary Resignation by Executive for Good Reason. If Executive is terminated by the Company other than for Cause, Disability or death, or if Executive voluntarily resigns for Good Reason, Executive shall receive: (i) the Accrued Obligations; and (ii) subject to Section 3.3, (A) cash payments equal to the product of 1.5 times the sum of (x) Executive's Base Salary plus (y) Executive's target bonus for the year of the Termination of Employment, payable in equal installments over the 18 months following Termination of Employment, (B) treatment of all equity-based awards per the terms of the applicable plan, award or agreement, and (C) a lump sum amount equal to the total premiums for medical, dental and vision benefits for a three month period which the Executive may, but is not required to, use to pay for COBRA continuation coverage, if applicable. Except for amounts subject to Section 3.3, the remaining Accrued Obligations shall be paid to Executive in a lump sum amount within sixty (60) days following the Executive's date of termination.

(b) Termination following a Change in Control. If, during the 2-year period following a Change in Control, Executive is terminated by the Company other than for Cause, Disability or death, or if Executive voluntarily resigns for Good Reason, Executive shall receive: (i) the Accrued Obligations; and (ii) subject to Section 3.3, (A) cash payments equal to the product of 2 times the sum of (x) Executive's Base Salary plus (y) Executive's target bonus for the year of the Termination of Employment,

payable in a lump sum on the sixtieth (60th) day following such Termination of Employment, (B) treatment of all equity-based awards per the terms of the applicable plan, award or agreement, and (C) a lump sum amount equal to the total premiums for medical, dental and vision benefits for a three month period which the Executive may, but is not required to, use to pay for COBRA continuation coverage, if applicable. Except for amounts subject to Section 3.3, the remaining Accrued Obligations shall be paid to Executive in a lump sum amount within sixty (60) days following the Executive's date of termination.

(c) Death. Following a Termination of Employment for death, Executive's estate shall receive: (i) the Accrued Obligations; and (ii) subject to Section 3.3, (A) a pro-rata bonus, if any, for the year of death, based on the target bonus for which Executive was eligible for such year, and paid when bonuses under such applicable bonus plans are normally paid, (B) treatment of all equity-based awards per the terms of the applicable plan, award or agreement, (C) all other benefits and payments per the applicable plan or program, and (D) life insurance benefits paid per such applicable plans. Except for amounts subject to Section 3.3, the remaining Accrued Obligations shall be paid to Executive in a lump sum amount within sixty (60) days following the Executive's date of termination. All other accrued and vested benefits, if any; due Executive following a Termination of Employment for death shall be determined in accordance with the plans, policies, and practices of the Company.

(d) Disability. Following a Termination of Employment for Disability, Executive shall receive: (i) the Accrued Obligations; and (ii) subject to Section 3.3, (A) a pro-rata bonus, if any, for the year of Termination of Employment, based on the target bonus for which Executive was eligible for such year, and paid when bonuses under the applicable bonus plans are normally paid, (B) treatment of all equity-based awards per the terms of the applicable plan, award or agreement, (C) all other benefits and payments per the applicable plan or program, and (D) short-term and long-term disability benefits per the applicable plans. Except for amounts subject to Section 3.3, the remaining Accrued Obligations shall be paid to Executive in a lump sum amount within sixty (60) days following the Executive's date of termination. All other accrued and vested benefits, if any; due Executive following a Termination of Employment for Disability shall be determined in accordance with the plans, policies, and practices of the Company.

3.3 Release. Notwithstanding any other provision of this Agreement to the contrary, Executive acknowledges and agrees that any and all payments to which Executive is entitled under this Article 3, which are described as being subject to this Section 3.3 are conditioned upon and shall not be payable unless (A) Executive, or, if applicable, his or her estate's personal representative, executes a general release and waiver, in such reasonable and customary form as shall be prepared by the Company, of all claims Executive may have against the Company and its directors, officers, subsidiaries and affiliates, except as to (i) matters covered by provisions of this Agreement that expressly survive the termination of this Agreement and (ii) rights to which Executive is entitled by virtue of his participation in the employee benefit plans, policies and arrangements of the Company, within the minimum time period required under applicable state and federal laws, or if

no such period, ten business days following the date of Executive's termination, and (B) Executive, or, if applicable, his or his estate's personal representative, has not revoked such release agreement within the time permitted under applicable law. Payments subject to this Section 3.3 shall commence or be made, as applicable, on the sixtieth (60th) day after the Termination of Employment, with any payments scheduled to occur between the Termination of Employment and such sixtieth (60th) day provided on such day.

3.4 Withholding of Taxes. The Company will be entitled to withhold from any amounts payable under this Agreement all Taxes as may be legally required (including, without limitation, any United States federal taxes and any other state, city, or local taxes).

Article 4. Covenants

(a) Confidentiality. Executive agrees that Executive will not at any time during Executive's employment with the Company or thereafter, except in performance of Executive's obligations to the Company hereunder, disclose, either directly or indirectly, any Confidential Information (as hereinafter defined) that Executive may learn by reason of his association with the Company. The term "Confidential Information" shall mean any past, present, or future confidential or secret plans, programs, documents, agreements, internal management reports, financial information, or other material relating to the business, strategies, services, or activities of the Company, including, without limitation, information with respect to the Company's operations, processes, products, inventions, business practices, finances, principals, vendors, suppliers, customers, potential customers, marketing methods, costs, prices, contractual relationships, including leases, regulatory status, compensation paid to employees, or other terms of employment, and trade secrets, market reports, customer investigations, customer lists, and other similar information that is proprietary information of the Company; provided, however, the term "Confidential Information" shall not include any of the above forms of information which has become public knowledge, unless such Confidential Information became public knowledge due to any act or acts by Executive or his representative(s) in violation of this Agreement. Notwithstanding the foregoing, Executive may disclose such Confidential Information when required to do so by a court of competent jurisdiction, by any governmental agency having supervisory authority over the business of the Company and/or its affiliates, as the case may be, or by any administrative body or legislative body (including a committee thereof) with jurisdiction to order Executive to divulge, disclose or make accessible such information; provided, further, that in the event that Executive is ordered by any such court or other government agency, administrative body, or legislative body to disclose any Confidential Information, Executive shall (i) promptly notify the Company of such order, (ii) at the reasonable written request of the Company, diligently contest such order at the sole expense of the Company as expenses occur, and (iii) at the reasonable written request of the Company, seek to obtain, at the sole expense of the Company, such confidential treatment as may be available under applicable laws for any information disclosed under such order.

(b) Non-Solicit. During Executive's employment and for two (2) years immediately following a Termination of Employment for any reason, Executive shall not, without the prior written consent of the Company, solicit or induce any then-existing employee of the Company or any of its subsidiaries to leave employment with the Company or any of its subsidiaries or contact any then-existing customer or vendor under contract with the Company or any of its subsidiaries for the purpose of obtaining business similar to that engaged in, or received (as appropriate), by the Company, except that Executive shall not be precluded from (i) hiring any such employee who has been terminated by the Company or its subsidiaries prior to commencement of employment discussions between the Executive or his/her subsequent employer and such employee, (ii) employing or contacting any such person who contacts Executive or his/her subsequent employer on his or her own initiative without any otherwise prohibited solicitation, or (iii) employing or contacting any person as a result of general solicitation not specifically directed at the Company, any of its subsidiaries or any of its employees.

(c) Cooperation. Executive agrees that during his employment or following a Termination of Employment for any reason, Executive shall, upon reasonable advance notice, assist and cooperate with the Company as is reasonable with regard to any investigation or litigation related to a matter or project in which Executive was involved during Executive's employment. The Company shall reimburse Executive for all reasonable and necessary expenses related to Executive's services under this Section 4(c) (i.e., travel, lodging, meals, telephone and overnight courier) within ten (10) business days of Executive submitting to the Company appropriate receipts and expense statements.

(d) Survivability. The duties and obligations of Executive pursuant to this Section 4 shall survive the termination of this Agreement and Executive's Termination of Employment for any reason.

(e) Remedies. Executive acknowledges that the protections of the Company set forth in this Section 4 are fair and reasonable. Executive agrees that remedies at law for a breach or threatened breach of the provisions of this Section 4 would be inadequate and, therefore, the Company shall be entitled, in addition to any other available remedies, without posting a bond, to equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction, or any other equitable remedy that may be then available.

(f) Limitation. If the duration, scope, or nature of any restriction on business activity covered by any provision of Section 4(b) above is in excess of what is valid and enforceable under applicable law, such restriction shall be construed to limit duration, scope or activity to an extent that is valid and enforceable, with such extent to be the maximum extent possible under applicable law. For Section 4(b) above, Executive hereby acknowledges that such Section shall be given the construction which renders its provisions valid and enforceable to the maximum extent, not exceeding its express terms, possible under applicable law.

Article 5. Tax Adjustment Payment

5.1 Tax Adjustment Payment. In the event that the Executive becomes entitled to Severance Benefits or any other payment or benefit under this Agreement, or under any other agreement with or plan of the Company (in the aggregate, the "Total Payments"), whether or not the Executive has terminated employment with the Company, if all or any part of the Total Payments will be subject to the tax imposed by Section 4999 of the Code (or any similar tax that may hereafter be imposed) (the "Excise Tax"), the Total Payments shall be reduced (but not below zero) such that the value of the Total Payments shall be one dollar ($1) less than the maximum amount of payments which the Executive may receive without becoming subject to the tax imposed by Section 4999 of the Code; provided, however, that the foregoing limitation shall not apply in the event that it is determined that the Total Payments on an after-tax basis (i.e., after payment of federal, state, and local income taxes, penalties, interest, and Excise Tax) if such limitation is not applied would exceed the after-tax benefits to the Executive if such limitation is applied. The Executive shall bear the expense of any and all Excise Taxes due on any payments that are deemed to be "excess parachute payments" under Section 280G of the Code.

5.2 Tax Computation. The determination of whether any of the Total Payments will be subject to the Excise Tax and the assumptions to be used in arriving at such determination, shall be made by a nationally recognized certified public accounting firm that does not serve as an accountant or auditor for any individual, entity or group effecting the Change in Control as designated by the Company (the "Accounting Firm"). The Accounting Firm will provide detailed supporting calculations to the Company and the Executive within fifteen (15) business days of the receipt of notice from the Executive or the Company requesting a calculation hereunder. All fees and expenses of the Accounting Firm will be paid by the Company.

Article 6. The Company's Payment Obligation

The Company's obligation to make the payments and the arrangements provided for herein will be absolute and unconditional, and will not be affected by any circumstances, including, without limitation, any offset, counterclaim, recoupment, defense, or other right which the Company may have against the Executive or anyone else. All amounts payable by the Company hereunder will be paid without notice or demand.

The Executive will not be obligated to seek other employment in mitigation of the amounts payable or arrangements made under any provision of this Agreement, and the obtaining of any such other employment will in no event effect any reduction of the Company's obligations to make the payments and arrangements required to be made under this Agreement.

Notwithstanding anything in this Agreement to the contrary, if Severance Benefits are paid under this Agreement, no severance benefits under any program of the Company, other than benefits described in this Agreement, will be paid to the Executive.

Article 7. Indemnification

7.1 Indemnity of Executive. To the fullest extent permitted by law, and subject only to the exclusions set forth in Sections 7.2 and 7.10 of this Agreement, the Company hereby agrees to hold harmless and indemnify the Executive from and against any and all reasonable costs and

expenses (including, but not limited to, attorneys' fees) and any liabilities (including, but not limited to, judgments, fines, penalties and reasonable settlements) paid by or on behalf of, or imposed against, the Executive in connection with any threatened, pending or completed claim, action, suit or proceeding, whether civil, criminal, administrative, investigative or other (including any appeal relating thereto), whether formal or informal, and whether made or brought by or in the right of the Company or otherwise, in which the Executive is, was or at any time becomes a party or witness, or is threatened to be made a party or witness, or otherwise, by reason of the fact that the Executive is, was or at any time becomes a director, officer, employee or agent of the Company or, at the Company's request, a director, officer, partner, manager, trustee, employee or agent of another corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise.

7.2 Limitations on Indemnity. No Indemnity pursuant to Section 7.1 of this Agreement shall be paid by the Company:

(a) if a court of competent jurisdiction renders a final adjudication on the merits, in an action, suit or proceeding in which the Executive is a party, that such indemnification is prohibited by law;

(b) in connection with any transaction with respect to which a court of competent jurisdiction renders a final adjudication on the merits, in an action, suit or proceeding in which the Executive is a party, (i) that the Executive's personal financial interest was in conflict with the financial interests of the Company or its shareholders and (ii) that the Executive derived an improper personal benefit;

(c) on account of acts or omissions of the Executive to the extent a court of competent jurisdiction renders a final adjudication on the merits, in an action, suit or proceeding in which the Executive is a party, that such acts or omissions (i) were not in good faith, or (ii) involved intentional misconduct, or (iii) were known to the Executive to be a violation by law;

(d) in respect of any liability to the extent that a court of competent jurisdiction renders a final adjudication on the merits, in an action, suit or proceeding in which the Executive is a party, that such liability arises under any federal or state statute providing for personal liability by reason of the fact that the Executive is or was a director or officer of the Company, including, by way of example and not limitation, liability under Section 16(b) of the Securities Exchange Act of 1934, as amended, but excluding any liability resulting from actions taken or omitted by the Executive as a fiduciary of an employee benefit plan of the Company to the extent otherwise indemnifiable hereunder;

(e) to the extent and only to the extent that a majority of the Board of Directors of the Company or a duly designated committee thereof, in either case consisting entirely of directors who are not at the time parties to the claim, action, suit or proceeding against the Executive, determines that the amount of expenses and/or settlements for which indemnification is sought is unreasonable, as determined by

an informal survey of the outcomes in similar cases, if any, and/or the Company's previous dealings in other matters or offers of settlement, if applicable; or

(f) in connection with any claim, action, suit or proceeding if such claim, action, suit or proceeding was initiated by the Executive or his personal or legal representative, or involved the voluntary solicitation or intervention by the Executive or his personal or legal representative (other than an action to enforce indemnification rights or an action initiated with the approval of a majority of the Board of Directors).

7.3 Continuation of Indemnity. All agreements and obligations of the Company contained in this Article 7 shall continue during the period the Executive serves in any capacity entitling the Executive to indemnification under this Article 7 and shall continue thereafter so long as the Executive shall be subject to any possible claim or threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative or other including any appeal relating thereto), whether formal or informal, arising as a result of acts or omissions occurring during the period the Executive served as a director or officer of the Company.

7.4 Notification of Claim. It shall be a condition precedent to indemnification under this Article 7 that, within thirty days after receipt by the Executive of actual notice that the Executive is or will be a party, witness or otherwise involved in any threatened or pending action, suit or proceeding described in Section 7.1, the Executive shall have notified the Company in writing of the assertion or commencement thereof. The omission to so notify the Company will not relieve it from any liability which it may have to the Executive otherwise than under this Article 7.

7.5 Advancement of Costs and Expenses. The costs and expenses (including, but not limited to, attorneys' fees) incurred by the Executive in investigating, defending, being a witness in, appealing or otherwise participating in any threatened or pending claim or any threatened or pending action, suit or proceeding described in Section 7.1 shall, at the written request of the Executive, be paid by the Company in advance of final judgment or settlement with the understanding, undertaking and agreement hereby made and entered into by the Executive and the Company that the Executive shall, if it is ultimately determined in accordance with Section or pursuant to Section 7.10 that the Executive is not entitled to be indemnified, or was not entitled to be fully indemnified, repay to the Company such amount, or the appropriate portion thereof, so paid or advanced. Such advancements shall be made within ten business days of written request therefor by the Executive.

7.6 Enforcement. If a claim for payment under this Article 7 is not paid in full by the Company within ninety days after a written demand has been delivered by the Executive to the Company, or within thirty days after delivery of a written demand by the Executive to the Company based upon a final and unappealable judgment of a court of competent jurisdiction, the Executive may at any time thereafter bring suit against the Company to recover the unpaid amount of the claim and, if successful in whole or in part, the Executive shall also be entitled to be paid all costs and expenses (including, but not limited to, 'attorneys' fees) incurred by the Executive in prosecuting such suit. In any suit brought by the Executive to enforce this Article 7, the burden of proof shall be on the Company to establish that the Executive is not entitled to the relief sought under this Article 7.

7.7 Partial Indemnity. If the Executive is entitled under any provision of this Article 7 to indemnification by the Company for some or a portion of the costs, expenses, judgments, fines, penalties and amounts paid in settlement, but not for the total amount thereof, the Company shall nevertheless indemnify the Executive for the portion thereof to which the Executive is entitled.

7.8 Non-exclusivity. The rights of the Executive under this Article 7 shall be in addition to any other rights the Executive may have under the Articles of Incorporation or Bylaws of the Company or by agreement, vote of shareholders or disinterested directors, as a matter of law or otherwise.

7.9 Subrogation. In the event of any payment under this Article 7, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the Executive, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents as may be necessary to enable the Company effectively to bring suit to enforce such rights.

7.10 No Duplication of Payments. The Company shall not be liable under this Article 7 to make any payment to the extent the Executive has otherwise actually received payment (under any insurance policy, bylaw or otherwise) of the amounts otherwise payable by the Company under this Article 7. The Executive shall use his best efforts to collect from all third parties any amounts otherwise payable by the Company under this Article 7. If the Executive is entitled to but has not received payment from a third party (under an insurance policy or otherwise) of amounts otherwise payable by the Company under this Article 7, the Company shall nevertheless pay the Executive such amounts with the understanding, undertaking and agreement hereby made and entered into by the Executive and the Company that the Executive will repay to the Company such amounts to the extent they are ultimately paid to the Executive by such third party.

7.11 Directors' and Officers' Liability Insurance. The Company agrees to maintain in effect throughout the term of Executive's employment with the Company and for a period of two years thereafter, directors' and officers' liability insurance policies for the benefit of the Executive in a form at least as comprehensive as, and in an amount that is at least equal to, that maintained by the Company at such time for any officer or director of the Company.

Article 8. Miscellaneous

8.1 Employment Status. The employment of the Executive by the Company is "at will," and may be terminated by either the Executive or the Company at any time, subject to applicable law.

8.2 Resolution of Disputes and Reimbursement of Legal Costs. Except as otherwise provided in Article 4, the Company and Executive agree that any controversy or claim arising out of or relating to this Agreement or the breach thereof shall be settled by arbitration administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules then in effect. Venue for any arbitration pursuant to this Agreement will lie in Louisville, Kentucky. Any award entered by the arbitrator(s) shall be final, binding and nonappealable and judgment may be entered thereon by either party in accordance with applicable law in any court of competent jurisdiction. This arbitration provision shall be specifically enforceable. Each party shall be responsible for its own expenses relating to the conduct of the arbitration (including reasonable

attorneys' fees and expenses) and shall share the fees of the American Arbitration Association and the arbitrator(s), if applicable, equally.

8.3 Governing Law. This Agreement will be governed by, and interpreted in accordance with, the laws of the Commonwealth of Kentucky applicable to agreements made and to be wholly performed within the Commonwealth of Kentucky, without regard to the conflict of laws provisions of any jurisdiction which would cause the application of any law other than that of the Commonwealth of Kentucky.

8.4 Entire Agreement/Amendments. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements, negotiations, representations or proposals, whether written or oral. This Agreement may not be altered, modified, or amended except by written instrument signed by the parties hereto. Articles 3 and 4 of this Agreement shall survive the termination of Executive's employment with the Company, except as otherwise specifically stated therein.

8.5 Neutral Interpretation. This Agreement constitutes the product of the negotiation of the parties hereto and the enforcement of this Agreement shall be interpreted in a neutral manner, and not more strongly for or against any party based upon the source of the draftsmanship of the Agreement. Each party has been provided ample time and opportunity to review and negotiate the terms of this Agreement and consult with legal counsel regarding the Agreement.

8.6 No Waiver. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver of such party's rights or deprive such party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.

8.7 Severability. In the event that any one or more of the provisions of this Agreement shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected thereby.

8.8 Successors.

(a) This Agreement is personal to Executive and shall not be assignable by Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns. The Company shall require any successor (whether direct or indirect, by purchase, merger, reorganization, consolidation, acquisition of property or stock, liquidation, or otherwise) to all or a substantial portion of its business and/or assets, by agreement in form and substance reasonably satisfactory to Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform this Agreement if no such succession had taken place. Regardless of whether such an agreement is executed, this Agreement shall be binding upon any successor of the Company and such successor shall be deemed the "Company" for purposes of this Agreement.

8.9 Notice. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given if delivered personally, if delivered by overnight courier service, if sent by facsimile transmission or if mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the respective addresses or sent via facsimile to the respective facsimile numbers, as the case may be, as set forth below, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt; provided, however, that (i) notices sent by personal delivery or overnight courier shall be deemed given when delivered; (ii) notices sent by facsimile transmission shall be deemed given upon the sender's receipt of confirmation of complete transmission, and (iii) notices sent by United States registered mail shall be deemed given two days after the date of deposit in the United States mail.

If to the Company, to:

Churchill Downs Incorporated
Attn: Senior Vice President, Human Resources
600 N. Hurstbourne Parkway, Ste. 400
Louisville, KY 40222

with copy to:

Churchill Downs Incorporated Attn: General Counsel
600 N. Hurstbourne Parkway, Ste. 400
Louisville, KY 40222

If to Executive, to

Brad Blackwell, at the mailing address registered in the CDI Human Resources Information System.

8.10 Counterparts and Signatures. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. Signatures delivered by facsimile or PDF file shall constitute original signatures.

8.11 Code Section 409A. It is intended that any amounts payable under this Agreement and the Company's and Executive's exercise of authority or discretion hereunder shall comply with Code Section 409A (including the Treasury regulations and other published guidance relating thereto) so as not to subject Executive to the payment of any interest or additional tax imposed under Code Section 409A. To the extent any amount payable under this Agreement would trigger the additional tax imposed by Code Section 409A, the Agreement shall be modified to avoid such additional tax. Notwithstanding the foregoing, to the extent required in order to avoid accelerated taxation and/or tax penalties under Code Section 409A and the rules and regulations thereunder ("Section 409A"), if Executive is a "specified employee" (as defined under Section 409A) as of the date of his "separation from service" (as defined under Section 409A) from the Company, then any payment of benefits scheduled to be paid by the Company to Executive during the first six (6) month period following the date of a termination of employment hereunder that constitutes

deferred compensation under Code Section 409A shall not be paid until the earlier of (a) the expiration of the six (6) month period measured from the date of Executive's "separation from service" and (b) the date of Executive's death. All payments and benefits that are delayed pursuant to the immediately preceding sentence shall be paid to Executive in a lump sum as soon as practicable following the expiration of such period (or if earlier, upon Executive's death) but in no event later than thirty (30) days following such period. To the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A, no amount or benefit that is payable upon a termination of employment or services from the Company shall be payable unless such termination also meets the requirements of a "separation from service" under Section 409A. Each payment, including each installment payment, made under this Agreement shall be designated as a "separate payment" within the meaning of Section 409A. As such, and to the extent applicable and permissible under Section 409A, each such "separate payment" shall be made in a manner so as to satisfy Section 409A and Treasury Regulations promulgated thereunder, including the provisions which exempt certain compensation from Section 409A, including but not limited to Treasury Regulations Section l.409A-l(b)(4) regarding payments made within the applicable 2 ½ month period and Section l.409A-l(b)(9)(iii) regarding payments made only upon an involuntary separation from service. In addition, the parties shall cooperate fully with one another to ensure compliance with Section 409A, including, without limitation, adopting amendments to arrangements subject to Section 409A and operating such arrangements in compliance with Section 409A.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed this Agreement on this 26th day of July, 2022.

CHURCHILL DOWNS INCORPORATED

By: ____________________

Name: CHARLES G KENYON

Its: SVP HR

EXECUTIVE: ____________________

4847-9707-3830.1 067818.1001

SUBSIDIARIES OF THE REGISTRANT

December 31, 2022

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
CDIHC, 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
Colonial Downs Group, LLC	Delaware
DCGD, LLC	Delaware
Derby City Gaming, LLC	Kentucky
Derby City Gaming Downtown, LLC	Kentucky
Ellis Entertainment, LLC	Kentucky
GBKY, LLC	Delaware
GBKY Management, LLC	Delaware
HCRH, LLC	Delaware
KYCR Holdings, LLC	Delaware
Kymalimi, LLC	New Hampshire
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
Richmond VA Development, LLC	Delaware
Richmond VA Management, LLC	Delaware
RVA Group II, LLC	Delaware
RVA Holdings Group, LLC	Delaware
SCE Partners, LLC	Iowa

Exhibit 21

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 22, 2023 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Louisville, Kentucky
February 22, 2023

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 22, 2023

/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 22, 2023

/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, 2022, 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 22, 2023

/s/ Marcia A. Dall

Marcia A. Dall
Executive Vice President and Chief Financial Officer
(Principal Financial & Accounting Officer)
February 22, 2023

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.