UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For year ended December 31, 1999

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number 0-1469
CHURCHILL DOWNS INCORPORATED
Exact name of registrant as specified in its charter

KENTUCKY	61-0156015
State or other jurisdiction of incorporation or organization	IRS Employer Identification No.
700 CENTRAL AVENUE, LOUISVILLE, KENTUCKY	40208
Address of principal executive offices	Zip Code

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

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

None	None
Title of each class registered	Name of each exchange on which registered

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

COMMON STOCK, NO PAR VALUE
Title of class

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 and (2) has been subject to such filing requirements for the past 90 days. YES X NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment of this Form 10-K. (_____)

As of March 15, 2000, 9,853,627 shares of the Registrant's Common Stock were outstanding, and the aggregate market value of the shares held by nonaffiliates of the Registrant was $127,000,000.

Portions of the Registrant's Proxy Statement for its Annual Meeting of Shareholders to be held on June 22, 2000 are incorporated by reference herein in response to Items 10, 11, 12 and 13 of Part III of Form 10-K. The exhibit index is located on pages 57 to 60.

PART I

ITEM 1. BUSINESS

A. INTRODUCTION

Churchill Downs Incorporated (the "Company") is a racing company that primarily conducts pari-mutuel wagering on live Thoroughbred, Standardbred and Quarter Horse horse racing and simulcast signals of races. Additionally, we offer racing services through our other business interests. We were organized as a Kentucky corporation in 1928. Our principal executive offices are located at 700 Central Avenue, Louisville, Kentucky, 40208.

We own and operate our flagship operation, Churchill Downs racetrack, in Louisville, Kentucky ("Churchill Downs"). Churchill Downs has conducted Thoroughbred racing continuously since 1875 and is internationally known as home of the Kentucky Derby. The Churchill Downs operation also encompasses the Churchill Downs Sports Spectrum ("Louisville Sports Spectrum"), an off-track betting facility ("OTB").

Churchill Downs Management Company ("CDMC"), a wholly owned subsidiary, oversees and manages our other racing operations. CDMC oversees Calder Race Course, Inc. and Tropical Park, Inc. which hold licenses to conduct Thoroughbred horse racing

at Calder Race Course, a Thoroughbred racetrack in Miami, Florida ("Calder Race Course"). In addition, CDMC oversees Hollywood Park Race Track, a Thoroughbred racetrack in Inglewood, California ("Hollywood Park"). Calder Race Course and Hollywood Park were acquired in April 1999 and September 1999, respectively. CDMC also oversees Ellis Park Race Course ("Ellis Park"), a Thoroughbred track in Henderson, Kentucky, and Kentucky Horse Center in Lexington, Kentucky ("KHC"). We acquired ownership of these two facilities in April 1998. We have entered into a definitive agreement with Keeneland Association, Inc. ("Keeneland"), a Lexington, Kentucky racetrack, whereby Keeneland will purchase the assets of KHC for a cash payment of $5 million. The sale is subject to certain closing conditions, and closing is expected during the second quarter of 2000.

Additionally, CDMC manages Hoosier Park at Anderson in Anderson, Indiana ("Hoosier Park"). Hoosier Park conducts Thoroughbred, Quarter Horse and Standardbred horse racing. Hoosier Park is owned by Hoosier Park, LP ("HPLP"), an Indiana limited partnership. Anderson Park, Inc. ("Anderson"), a wholly owned subsidiary of CDMC, is the sole general partner of HPLP,and currently owns a 77% interest in HPLP. The remaining 23% of HPLP is held by unrelated third parties, Centaur, Inc. ("Centaur"), and Conseco HPLP, LLC ("Conseco"). We have entered into a definitive agreement with Centaur to sell an additional 26% interest in HPLP for a purchase price of $8.5 million. The transaction is subject to certain closing conditions, including the approval of the Indiana Horse Racing Commission ("IHRC") and various regulatory agencies, and closing is expected during the second quarter of 2000. CDMC also manages three Churchill Downs Sports Spectrum facilities ("Indiana Sports Spectrum") in Indiana owned by

Hoosier Park. These OTBs conduct simulcast wagering on horse racing year-round.

We formed Churchill Downs Investment Company ("CDIC"), a wholly owned subsidiary, to oversee other industry related investments. In 1999, we completed the purchase of a 60% ownership interest in Charlson Broadcast Technologies, LLC ("CBT"), a privately held company that provides simulcast graphic software and video services to racetracks and OTBs.

Other investments owned by CDIC include a 35 percent interest in EquiSource, LLC ("EquiSource"), a procurement business that assists in the group purchasing of supplies and services for the equine industry, and a 30 percent interest in NASRIN Services, LLC ("NASRIN"), a telecommunications service provider for the pari-mutuel and simulcasting industries. In March 1999, CDIC and Autotote Services, Inc. ("Autotote") formed NASRIN, which is managed on a day-to-day basis by Autotote. Currently, neither NASRIN nor EquiSource is a material investment for us.

CDIC also holds a 24 percent minority interest investment in Kentucky Downs, LLC ("Kentucky Downs"), a Franklin, Kentucky, racetrack that conducts a very limited Thoroughbred race meet with 7 live racing days in late September as well as year-round simulcasting. Turfway Park LLC ("Turfway"), a Florence, Kentucky, racetrack, also holds a minority interest in Kentucky Downs and manages its day-to-day operations. In April 1999, Keeneland ; Dreamport, Inc., a wholly owned subsidiary of GTECH Corporation; and Dusty Corporation, a wholly owned subsidiary of Harrah's Entertainment, Inc., through a jointly owned company, acquired all of Turfway's racetrack-related assets. It is not believed that this transaction will have a material effect on the management of Kentucky Downs. Our investment in Kentucky Downs is not material to the Company's operations at this time.

In February 2000, we announced the creation of a national branding program for our expanding network of racetracks and OTBs. We have unveiled a new corporate logo that will be applied consistently to all the CDI racetracks and off-track betting facilities.

B. LIVE RACING OPERATIONS

We conduct live horse racing at Churchill Downs, Hollywood Park, Calder Race Course, Hoosier Park and Ellis Park during each track's respective meets. Live racing produces revenues through pari-mutuel wagering at our racetracks and OTBs, simulcast fees, admissions and concessions revenue.

The Kentucky Derby and the Kentucky Oaks, both held at Churchill Downs, continue to be our premier racing events. The Kentucky Derby offers a minimum$1.0 million in purse money and the Kentucky Oaks offers a minimum $0.5 million in purse money. Calder Race Course is home to The Festival of the Sun, Florida's richest

day in Thoroughbred racing offering approximately $1.5 million in total purse money. Hollywood Park is home to the Sempra Energy Hollywood Gold Cup, which offers $1.0 million in purse money. Hollywood Park's Autumn Meet is highlighted by the annual $2.1 million Autumn Turf Festival, comprised of six graded stakes races. Other races that make us unique are the Indiana Derby for Thoroughbreds and the Dan Patch Invitational for Standardbreds held at Hoosier Park, as well as the Gardenia Stakes for older fillies and mares held at Ellis Park.

Churchill Downs hosted the Breeders' Cup Championship ("Breeders' Cup") in 1988, 1991, 1994 and 1998, and will host the event for a record fifth time on November 4, 2000. Hollywood Park has also hosted the Breeders' Cup in 1984, 1987 and 1997. The Breeders' Cup is sponsored by Breeders' Cup Limited, a tax-exempt organization chartered to promote Thoroughbred racing and breeding. The Breeders' Cup races, which feature $13.0 million in purses, are held annually for the purpose of determining Thoroughbred champions in eight different events. Racetracks across North America compete for the privilege of hosting the Breeders' Cup races each year. Although most of the income earned from this event is allocated to Breeders' Cup Limited, hosting the 1998 event had a positive impact on our 1998 results, and hosting the event in 2000 is expected to have a positive impact on our 2000 results.

Churchill Downs

We own the Churchill Downs racetrack site and improvements located in Louisville, Kentucky ("Churchill facility"). The Churchill facility consists of approximately 147 acres of land with a one-mile oval dirt track, a seven-eighths (7/8) mile turf track, permanent grandstands and a stabling area. The facility includes clubhouse and grandstand seating for approximately 48,500 persons, a state-of- the-art simulcast wagering facility designed to accommodate 450 persons, a general admission area, and food and beverage facilities ranging from fast food to full-service restaurants. The site also has a saddling paddock, infield accommodations for groups and special events, parking areas for the public, and our office facilities. The backside stable area has barns sufficient to accommodate approximately 1,400 horses, a new 114 room dormitory completed during 1999 and other facilities for backstretch personnel.

To supplement the facilities at Churchill Downs we provide additional stabling facilities sufficient to accommodate 500 horses and a three-quarter (3/4) mile dirt track, which is used for training Thoroughbreds, at the Louisville Sports Spectrum. The facilities provide a year-round base of operation for many horsemen and enable us to attract new horsemen to race at Churchill Downs.

We have made numerous capital improvements to the Churchill facility during the last 10 years in order to better serve our horsemen and patrons. We are in the process of constructing a $4.9 million expansion of Churchill Downs' main entrance and expansion of our corporate offices. This project is expected to be completed spring of 2000.

Hollywood Park

We own the Hollywood Park Race Track and the Hollywood Park Casino site and improvements located in Inglewood, California ("Hollywood Park facility"). The Hollywood Park facility consists of approximately 240 acres of land upon which the racetrack and casino are located with a one and one-eighth mile (1 1/8) oval dirt track, a one-mile oval turf track, permanent grandstands and stabling area. The facility includes clubhouse and grandstand seating for 16,675 persons, a general admission area, a saddling paddock area and food and beverage facilities ranging from fast food to full-service restaurants. The stabling area consists of stalls to accommodate approximately 2,000 horses, tack rooms, feed rooms, a federally approved quarantine facility, a half-mile oval training track, and a not-for-profit Equine Teaching Hospital and Research Center operated under the direction of the Southern California Equine Foundation. The Hollywood Park facility also features parking areas for the public and office facilities.

The Hollywood Park Casino is a state-of-the-art facility which is open 24 hours a day, 365 days a year. The casino features more than 150 gaming tables offering a variety of California approved casino games. Under California gaming law, the casino is a card club. Thus, it is not authorized to operate slot machines or video lottery terminals but instead rents its tables to casino patrons for a seat fee charged on a per hand basis. The casino also offers facilities for simulcast wagering. We lease the facility to Pinnacle Entertainment, Inc., formerly Hollywood Park Inc., under a ten-year lease for an annual rent of $3.0 million and, therefore, do not operate the casino. The lease includes a ten-year renewal option and is subject to an adjustment to the rent at the time the option is exercised.

We are also in the process of making a number of capital improvements to the Hollywood Park facility in order to better serve our horsemen and patrons in Southern California.

Calder Race Course

We own the Calder Race Course racetrack and improvements located in Miami, Florida ("Calder Race Course facility"). The Calder Race Course facility is adjacent to Pro Player Stadium, home of the Florida Marlins and Miami Dolphins. The Calder Race Course facility consists of approximately 220 acres of land with a one-mile dirt track, a seven-eighths (7/8) mile turf track, a training area with a five-eighths (5/8) mile training track, permanent grandstand and a stabling area. The facility includes clubhouse and grandstand seating for approximately 15,000 persons, a general admission area, and food and beverage facilities ranging from fast food to full-service restaurants. The stable area consists of a receiving barn, feed rooms, tack rooms, detention barns and living quarters and can accommodate approximately 1,800 Thoroughbreds. The Calder Race Course facility also features a saddling paddock, parking areas for the public and office facilities.

Ellis Park Race Course

We own the Ellis Park racetrack and improvements located in Henderson, Kentucky ("Ellis Park facility"). The Ellis Park facility consists of approximately 230 acres of land just north of the Ohio River with a one and one-eighths (1 1/8) mile dirt track, a one-mile turf course, permanent grandstands and a stabling area for 1,290 horses. The facility includes clubhouse and grandstand seating for 8,000 people, a general admission area, and food and beverage facilities ranging from fast food to full-service restaurants. The Ellis Park facility also features a saddling paddock, parking areas for the public and office facilities.

Hoosier Park

Hoosier Park is located in Anderson, Indiana, about 40 miles northeast of downtown Indianapolis ("Hoosier Park facility"). Hoosier Park leases the land under a long-term lease with the city of Anderson and owns all of the improvements on the site. The Hoosier Park facility consists of approximately 110 acres of leased land with a seven-eighths (7/8) mile oval dirt track, permanent grandstands and stabling area. The facility includes seating for approximately 2,400 persons, a general admission area, and food and beverage facilities ranging from fast food to a full-service restaurants. The site also has a saddling paddock, parking areas for the public and office facilities. The stable area has barns sufficient to accommodate 780 horses and other facilities for backstretch personnel.

C. SIMULCAST OPERATIONS

We generate a significant portion of our revenues by sending signals of races from our racetracks to other facilities and receiving signals from other tracks. These revenues are earned through pari- mutuel wagering on signals that we both import and export. Import simulcasting involves receiving a video signal of a live race at a remote wagering location. Export simulcasting involves sending the video signal of a live race to a remote wagering location.

Churchill Downs and Calder Race Course conduct simulcast wagering only during live race meets, while Hollywood Park, Hoosier Park and Ellis Park offer year-round simulcast wagering. The Louisville Sports Spectrum conducts simulcast wagering when Churchill Downs is not operating a live race meet with the exception of Kentucky Oaks Day, Kentucky Derby Day and the immediately following Sunday. The Indiana Sports Spectrums and the Kentucky Off-Track Betting facilities conduct simulcast wagering year-round.

During 1999, we initiated the sale of Churchill Downs, Ellis Park, Hoosier Park and the Kentucky Derby signals as a combined package. Hollywood Park and Calder Race Course were acquired during 1999, therefore, these signals were sold as separate products. Starting in 2000, we will combine all of the signals to form a new product, the Churchill Downs Simulcast Network (CDSN). CDSN will provide

incentives to encourage OTB operators to purchase the new CDSN product but will also continue to make individual signals available to OTB operators.

Louisville Sports Spectrum

We own the real property and improvements known as the Louisville Sports Spectrum, located in Louisville, Kentucky about seven miles from Churchill Downs. This 100,000-square-foot property, located on approximately 88 acres of land, is a state-of-the-art OTB and Thoroughbred training annex. The Louisville Sports Spectrum provides audio and visual technology, seating for approximately 3,000 persons, parking, offices and related facilities for simulcasting races. The Louisville Sports Spectrum also provides a stabling and training annex for Churchill Downs.

Indiana Sports Spectrums

Hoosier Park owns and operates three Churchill Downs Sports Spectrum facilities in Indiana ("Indiana Sports Spectrums"). These OTBs provide a statewide distribution system for Hoosier Park's racing signal and additional simulcast markets for our products. The Indiana Sports Spectrum at Merrillville, located about 30 miles southeast of Chicago, consists of approximately 27,300 square feet of space. The Indiana Sports Spectrum at Fort Wayne consists of approximately 15,750 square feet of space. A third Indiana Sports Spectrum is located in downtown Indianapolis where Hoosier Park leases space for the OTB. In February 1999, the Indianapolis facility was expanded from approximately 17,500 square feet to 24,800 square feet.

Hoosier Park is continuing to evaluate sites for the location of a fourth Indiana Sports Spectrum facility. The state of Indiana has enacted legislation that requires a county's fiscal body to adopt an ordinance permitting OTBs before such a facility can be located in that county. The ordinance requires that the voters of the county must approve the operation of an OTB in that county if the OTB is to be located on public property. The county fiscal body may require in the ordinance that the voters of the county must approve the operation of an OTB in that county if the OTB is to be located on private property. This legislation may affect Hoosier Park's ability to locate its fourth facility in certain counties.

Kentucky Off-Track Betting, Inc.

In 1992, the Company and three other Kentucky Thoroughbred racetracks formed Kentucky Off- Track Betting, Inc. ("KOTB"), of which we are a 50% shareholder. KOTB's purpose is to own and operate facilities for the simulcasting of races and the acceptance of wagers on such races at locations other than a racetrack. These OTBs may be located no closer than 75 miles from an existing racetrack without the track's consent and in no event closer than 50 miles to an existing track. Each OTB must first be approved by the Kentucky Racing Commission ("KRC")

and the local government where the facility is to be located. KOTB currently owns or leases and operates OTBs in Corbin, Maysville, Jamestown, and Pineville, Kentucky.

OTBs developed by KOTB provide additional markets for the intrastate simulcasting of and wagering on Churchill Downs' and Ellis Park's live races and interstate simulcasting of and wagering on out-of-state signals. KOTB did not contribute significantly to our operations in 1999 and is not anticipated to have a substantial impact on operations in the future.

In-Home Wagering

Technological innovations have opened the distribution channels for live racing products to include in-home wagering. Television Games Network ("TVG"), a subsidiary of TV Guide, Inc., offers high quality live racing video signals in conjunction with its interactive television wagering system. We have entered into agreements to broadcast our racetrack simulcast products as part of TVG's programming content. This new network is anticipated to eventually offer 24-hour - -a-day programming throughout the United States that will be primarily devoted to developing new fans for racing. In jurisdictions where lawful, in- home patrons of TVG can wager on our live races as well as other race signals. As the originator of the live racing signal, we will receive a simulcast fee on in-home wagers placed on our races.

In June 1999, the U.S. Justice Department raised concerns whether interactive wagering conducted through TVG's wagering hub would be legal under existing federal gambling laws. In addition, certain state attorney generals have expressed concern over the legality of TVG's business. TVG related revenues are not material to our operations at this time.

D. OTHER SOURCES OF REVENUE

In addition to revenues from live racing and simulcasting, we generate revenues from additional sources.

Riverboat Admissions Tax

To compensate for the adverse impact of riverboat competition, the horse industry in Indiana presently receives $0.65 per $3 admission to riverboats in the state. By IHRC rule we are required to allocate 70% of any revenue received from the subsidy directly for purse expenses, breed development and reimbursement of approved marketing costs. The balance, or 30%, is received by Hoosier Park as the only horse racetrack currently operating in Indiana. In November 1999, the Company and the IHRC agreed to a $6.8 million ceiling on Hoosier Park's share of the subsidy. The ceiling represents a 9% decrease from the $7.4 million Hoosier Park earned for 1999.

Kentucky Horse Center

We own the real property and improvements known as Kentucky Horse Center, located in Lexington, Kentucky ("KHC"). KHC is a Thoroughbred training and boarding facility. KHC, which sits on 245 acres of land, offers a one-mile dirt track with a starting gate, a five-eighths (5/8) mile training track and stabling for 1,100 horses. Additionally, KHC has facilities for meetings and larger special events, including a 920-seat auditorium known as the Pavilion. Escorted tours of KHC's training facilities are offered to the public. KHC's revenues are not material to our operations. We currently have a definitive agreement to sell KHC in 2000.

Charlson Broadcast Technologies

During 1999 we purchased a majority interest in CBT located in Erlanger, Kentucky, a Cincinnati, Ohio suburb. CBT provides television production and computer graphic services to the racing industry. CBT's proprietary software displays odds, statistical data and other racing information on televisions in real-time for customers at racetracks and OTBs.

E. LICENSING

Kentucky's racetracks, including Churchill Downs and Ellis Park, are subject to the licensing and regulation of the KRC. The KRC consists of 11 members appointed by the governor of Kentucky. Licenses to conduct live Thoroughbred race meets and to participate in simulcasting are approved annually by the KRC based upon applications submitted by the racetracks in Kentucky. Although to some extent Churchill Downs and Ellis Park compete with other racetracks in Kentucky for the award of racing dates, the KRC is required by state law to consider and seek to preserve each racetrack's usual and customary live racing dates. Generally, there is no substantial change from year to year in the racing dates awarded to each racetrack.

We received approval from the KRC to conduct two live Thoroughbred racing meets at Churchill Downs from April 29 through July 9, 2000 ("Spring Meet"), and from October 29 through November 25, 2000 ("Fall Meet"), for a total of 76 days, excluding the Breeders' Cup on November 4, 2000. The KRC also awarded Ellis Park approval to conduct live Thoroughbred racing from July 12 through September 4, 2000, for a total of 41 live racing days.

In California, licenses to conduct live Thoroughbred racing and to participate in simulcasting are approved annually by the California Horse Racing Board based upon applications submitted by California racetracks. Generally, there is no substantial change from year to year in the racing dates awarded to each racetrack. Hollywood Park, which was acquired on September 10, 1999, has been approved to conduct two live Thoroughbred race meets from April 28 through July 24, 2000 ("Spring/Summer Meet"), and from November 8 through December 24, 2000 ("Autumn Meet"), for a total of 100 live racing days.

In Florida, licenses to conduct live Thoroughbred racing and to participate in simulcasting are approved by the Department of Business and Professional Regulation, Division of Pari-Mutuel Wagering ("DPW"). The DPW is responsible for overseeing the network of state offices located at every pari-mutuel wagering facility, as well as issuing the permits necessary to operate a pari-mutuel wagering facility. The DPW also approves annual licenses for Thoroughbred, Standardbred and Quarter Horse races. Calder Race Course, Inc. and Tropical Park, Inc., which were acquired on April 23, 1999, hold licenses to conduct two consecutive live Thoroughbred race meets at Calder Race Course. Calder Race Course, Inc. was approved for live racing from May 23 through November 2, 2000, and Tropical Park, Inc. was approved for live racing from November 3, 2000 through January 2, 2001, for a total of 174 days of live racing.

In Indiana, licenses to conduct live Standardbred and Thoroughbred race meets, including Quarter Horse races, and to participate in simulcasting are approved annually by the IHRC, which consists of five members appointed by the governor of Indiana. Licenses are approved annually by the IHRC based upon applications submitted by Hoosier Park. Currently, Hoosier Park is the only facility in Indiana licensed to conduct pari-mutuel wagering on live Standardbred, Quarter Horse or Thoroughbred racing and to participate in simulcasting. The IHRC has approved Hoosier Park to conduct live Standardbred racing from April 7 through August 23, 2000, and live Thoroughbred racing from September 8 through December 3, 2000, for a total of 167 live racing dates.

The total number of days on which each racetrack conducts live racing fluctuates annually according to the calendar year. A substantial change in the allocation of live racing days at Churchill Downs, Hollywood Park, Calder Race Course, Hoosier Park or Ellis Park could adversely impact our operations and earnings in future years.

Service Marks

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

F. OTHER FACTORS AFFECTING THE COMPANY'S BUSINESS

North American bloodstock sales climbed again in 1999, continuing a trend that began in 1995. According to The Blood-Horse magazine, expenditures for Thoroughbred weanlings, yearlings, two year olds and broodmares totaled $987.5 million in 1999 compared to $816.9 million in 1998, which was the previous record. Since 1995, the number of Thoroughbred foals born each year has increased. These increases in Thoroughbred sales and the number of foals are indicators of a resurgence of the Thoroughbred breeding industry, reversing a

trend of declines from 1986 to 1995. The increase in the number of Thoroughbreds enables racetracks to increase the number of horses participating in live racing.

We generally do not directly compete with other racetracks or OTBs for patrons due to geographic separation of facilities or differences in seasonal timing of meets. However, we compete with other sports, entertainment and gaming options, including riverboat, cruise ship and land-based casinos and lotteries, for patrons for both live racing and simulcasting (For a further discussion of the Company's competitive environment, see "Management's Discussion and Analysis of Financial Condition and Results of Operations").

We have successfully grown our live racing product and positioned ourselves to compete by strengthening our flagship operations, increasing our share of the interstate simulcast market, and geographically expanding our racing operations. We also continue to seek industry consensus for a plan to allow video lottery terminals at our racetrack facilities in Kentucky as a means to attract new patrons and generate additional revenue for purses and capital investment.

G. ENVIRONMENTAL MATTERS

Hollywood Park has received cease and desist orders from the California Regional Water Quality Control Board addressing storm water runoff and dry weather discharge issues. We have retained an engineering firm to develop a plan for compliance and to construct certain drainage and waste disposal systems. As part of the 1999 asset acquisition of Hollywood Park, the seller has agreed to indemnify us in the amount of $5.0 million for costs incurred in relation to the waste water runoff issue. It is not possible at this time to accurately assess the total potential costs associated with this matter but we do not believe it will be materially in excess of the indemnification amount.

The septic system at our Ellis Park facility is in need of repair. The cost of the repairs is not yet known, but we believe it will be less than $400,000.

In 1992, we acquired certain assets of Louisville Downs Incorporated for $5.0 million including the site of the Louisville Sports Spectrum. In conjunction with this purchase, we withheld $995,000 from the amount due to the sellers to offset certain costs related to the remediation of environmental contamination associated with underground storage tanks at the site. All of the $995,000 hold back had been utilized as of December 31, 1999 and additional costs of remediation have not yet been conclusively determined. The sellers have now received a reimbursement from the commonwealth of Kentucky of $995,000 for remediation costs, and that amount is now being held in an escrow account to pay further costs of remediation. Approximately $1.2 million, including interest on the escrow principal, remains in the account. The seller has submitted a corrective action plan to the state and it is anticipated that the Kentucky Cabinet of Natural Resources will consent to a closure, either with or without monitoring. In addition to the hold back, we have obtained an indemnity to cover the full cost of remediation from the prior owner of the property. We do not believe the cost of further investigation and remediation will exceed the amount of funds in the escrow.

In January 1995, Hoosier Park opened the Indiana Sports Spectrum in Merrillville, Indiana. The 27,300 square-foot facility is designed exclusively for the simulcast of horse races and pari-mutuel wagering. The Merrillville, Indiana, facility was subject to contamination related to prior business operations adjacent to the property. In conjunction with the purchase, Hoosier Park withheld $50,000 from the amount due to the seller to offset costs related to remediation of the contamination. In connection with the remediation the seller received a certificate of completion of the voluntary remediation work from the Indiana Department of Environmental Management and a covenant not to sue from the state of Indiana. We believe that any potential loss relating to this matter will not be material.

It is not anticipated that we will have any material liability as a result of compliance with environmental laws with respect to any of our properties. Compliance with environmental laws has not materially affected the ability to develop and operate our properties and we are not otherwise subject to any material compliance costs in connection with federal or state environmental laws.

H. EMPLOYEES

As of December 31, 1999, we employed approximately 1,030 full-time employees Company-wide. Due to the seasonal nature of our live racing business, the number of seasonal and part-time persons employed will vary throughout the year. During 1999, peak employment occurred during Kentucky Derby week when we employed as many as 3,300 persons Company-wide. During 1999, average full-time and seasonal employment per pay period was approximately 950 individuals Company-wide.

ITEM 2. PROPERTIES

Information concerning property owned by us required by this Item is incorporated by reference to the information contained in Item 1. "Business" of this Report.

Our real and personal property (but not including the property of Hoosier Park, KOTB or Charlson) is encumbered by liens securing our $250 million line of credit facility. The shares of stock of certain of our subsidiaries are also pledged to secure this facility.

The Kentucky Derby Museum is operated on property adjacent to Churchill Downs. The Museum is owned and operated by the Kentucky Derby Museum Corporation, a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986.

ITEM 3. LEGAL PROCEEDINGS

There are no material pending legal proceedings, other than ordinary routine litigation incidental to our business, to which we are a party or of which any of our property is the subject and no such proceedings are known to be contemplated by governmental authorities.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of our shareholders during the fourth quarter of the fiscal year covered by this Report.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is traded on the National Association of Securities Dealers, Inc.'s National Market automated quotation system ("Nasdaq") under the symbol CHDN. As of March 14, 2000, there were approximately 3,350 shareholders of record.

The following table sets forth the high and low bid quotations, as reported by Nasdaq, and dividend payment information for our common stock during the last two years:

	1999 - By Quarter				1998 - By Quarter			
	1st	2nd	3rd	4th	1st	2nd	3rd	4th
High Bid	$38.75	$35.75	$33.63	$26.00	$25.31	$43.25	$41.44	$36.44
Low Bid	$26.25	$26.00	$22.50	$20.13	$19.31	$24.00	$27.63	$27.25
Dividend per share:				$.50				$.50

Stock quotations and dividend per share amounts reflect retroactive adjustments for the 2-for-1 stock split with a record date of March 30, 1998.

In July 1999, we issued 2,300,000 shares of common stock at a public offering price of $29 a share.

Quotations reflect inter-dealer prices, without retail mark-up, mark-down or commissions, and may not necessarily reflect actual transactions.

We presently expect that comparable annual cash dividends (adjusted for any stock splits or other similar transactions) will continue to be paid in the future.

ITEM 6. CONSOLIDATED SELECTED FINANCIAL DATA

(In thousands, expect per share data)

	Years ended December 31,				
	1999	1998	1997	1996	1995
Operations:					
Net revenues	$258,427	$147,300	$118,907	$107,859	$92,434
Operating income	$32,513	$17,143	$14,405	$12,315	$10,305
Net earnings	$14,976	$10,518	$9,148	$8,072	$6,203
Basic net earnings per share	$1.74	$1.41	$1.25	$1.08	$.82
Diluted net earnings per share	$1.72	$1.40	$1.25	$1.08	$.82
Dividend paid per share					
Annual	$.50	$.50	$.25	$.25	$.25
Special	-	-	$.25	$.08	-
Balance Sheet Data at Period End:					
Total assets	$398,046	$114,651	$85,849	$80,729	$77,486
Working capital surplus (deficiency)	$800	$(7,791)	$(8,032)	$(10,789)	$(10,434)
Long-term debt	$181,450	$13,665	$2,713	$2,953	$6,421
Other Data:					
Shareholders' equity	$138,121	$65,231	$53,393	$47,781	$46,653
Shareholders' equity per share	$14.02	$8.67	$7.30	$6.54	$6.17
Additions to racing plant and equipment, exclusive of business acquisitions	$12,083	$3,524	$4,568	$2,571	$8,590

Earnings, dividend and shareholders' equity per share amounts have been retroactively adjusted for the 2-for-1 stock split with a record date of March 30, 1998.

CHURCHILL DOWNS INCORPORATED

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

Information set forth in this discussion and analysis contain various "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The Private Securities Litigation Reform Act of 1995 (the "Act") provides certain "safe harbor" provisions for forward-looking statements. All forward-looking statements made in this Annual Report on Form 10-K are made pursuant to the Act. These statements represent our judgment concerning the future and are subject to risks and uncertainties that could cause our actual operating results and financial condition to differ materially. Forward-looking statements are typically identified by the use of terms such as "may," "will," "expect," "anticipate," "estimate," and similar words, although some forward-looking statements are expressed differently. Although we believe that the expectations reflected in such forward-looking statements are reasonable we can give no assurance that such expectations will prove to be correct. Important factors that could cause actual results to differ materially from our expectations include: the impact of gaming competition (including lotteries and riverboat, cruise ship and land-based casinos) and other sports and entertainment options in those markets in which we operate; a substantial change in law or regulations affecting our pari-mutuel activities; a substantial change in allocation of live racing days; a decrease in riverboat admissions revenue from our Indiana operations; the impact of an additional racetrack near our Indiana operations; our continued ability to effectively compete for the country's top horses and trainers necessary to field high-quality horse racing; our continued ability to grow our share of the interstate simulcast market; the impact of interest rate fluctuations; our ability to execute our acquisition strategy and to complete or successfully operate planned expansion projects; our ability to adequately integrate acquired businesses; the loss of our totalisator companies or their inability to keep their technology current; our accountability for environmental contamination; the loss of key personnel and the volatility of our stock price.

Overview

We conduct pari-mutuel wagering on live Thoroughbred, Standardbred and Quarter Horse horse racing and simulcast signals of races. Additionally, we offer racing services through our other interests.

We own and operate the Churchill Downs racetrack in Louisville, Kentucky, which has conducted Thoroughbred racing since 1875 and is internationally known as home of the Kentucky Derby. We also own and operate Hollywood Park Race Track, a Thoroughbred racetrack in Inglewood, California ("Hollywood Park"); Calder Race Course, a Thoroughbred racetrack in Miami, Florida, which owns racing licenses held by Calder Race Course, Inc. and Tropical Park, Inc. ("Calder Race Course"); Ellis Park Race Course, a Thoroughbred racetrack in Henderson, Kentucky ("Ellis Park"); and Kentucky Horse Center, a Thoroughbred training center in Lexington, Kentucky ("KHC"). We have entered into a definitive agreement with Keeneland Association, Inc.("Keeneland") whereby Keeneland will purchase the assets of KHC for a cash payment of $5 million. The sale is subject to certain closing conditions, and closing is expected during March or April of 2000.

Additionally, we are the majority owner and operator of Hoosier Park at Anderson in Anderson, Indiana, which conducts Thoroughbred, Quarter Horse and Standardbred horse racing ("Hoosier Park"). Hoosier Park is owned by Hoosier Park, LP ("HPLP"), an Indiana limited partnership. We have entered into a definitive agreement with Centaur, Inc. ("Centaur") to sell a 26% interest in Hoosier Park, LP for a purchase price of $8.5 million. Upon closing, we will retain a 51% interest in Hoosier Park and continue to manage its day-to-day operations. Centaur, which already owned a portion of HPLP prior to the agreement, will hold a 39% minority interest in HPLP. The transaction is subject to certain closing conditions, including the approval of the Indiana Horse Racing Commission ("IHRC") and various regulatory agencies and closing is expected during the second quarter of 2000. We also conduct simulcast wagering on horse racing at our off-track betting facilities (OTBs) located in Louisville, Kentucky, and in Indianapolis, Merrillville and Fort Wayne, Indiana, as well as at our racetracks.

Because of the seasonal nature of our business, revenues and operating results for any interim quarter are likely not indicative of the revenues and operating results for the year and are not necessarily comparable with results for the corresponding period of the previous year. We normally earn a substantial portion of our net earnings in the second quarter of each year during which the Kentucky Derby and the Kentucky Oaks are run. The Kentucky Derby and the Kentucky Oaks are run on the first weekend in May.

Our primary source of revenue is commissions on pari-mutuel wagering at our racetracks and OTBs. Other sources of revenue include Indiana riverboat admissions subsidy revenue, simulcast fees, lease income, admissions and concessions revenue.

The Kentucky Derby and the Kentucky Oaks, both held at Churchill Downs, continue to be our premier racing events. The Kentucky Derby offers a minimum$1.0 million in purse money and the Kentucky Oaks offers a minimum $0.5 million in purse money. Calder Race Course is home to the Festival of the Sun, Florida's richest day in Thoroughbred racing offering approximately $1.5 million in total purse money. Hollywood Park is home to the Sempra Energy Hollywood Gold Cup, which offers $1.0 million in purse money. Hollywood Park's Autumn Meet is highlighted by the annual $2.1 million Autumn Turf Festival, comprised of six graded stakes races. Other races that make us unique are the Indiana Derby for Thoroughbreds and the Dan Patch Invitational for Standardbreds held at Hoosier Park, as well as the Gardenia Stakes for older fillies and mares held at Ellis Park.

Churchill Downs hosted the Breeders' Cup Championship ("Breeders' Cup") in 1988, 1991, 1994 and 1998, and will host the event for a record fifth time on November 4, 2000. Hollywood Park has also hosted the Breeders' Cup in 1984, 1987 and 1997. The Breeders' Cup is sponsored by Breeders' Cup Limited, a tax-exempt organization chartered to promote Thoroughbred racing and breeding.The Breeders' Cup races, which feature $13.0 million in purses, are held annually for the purpose of determining Thoroughbred champions in eight different events. Racetracks across North

America compete for the privilege of hosting the Breeders' Cup races each year. Although most of the income earned from this event is allocated to Breeders' Cup Limited, hosting the 1998 event had a positive impact on our 1998 results, and hosting the event in 2000 is expected to have a positive impact on our 2000 results.

Kentucky's racetracks, including Churchill Downs and Ellis Park, are subject to the licensing and regulation of the Kentucky Racing Commission ("KRC"). The KRC consists of 11 members appointed by the governor of Kentucky. Licenses to conduct live Thoroughbred race meets and to participate in simulcasting are approved annually by the KRC based upon applications submitted by the racetracks in Kentucky. Although to some extent Churchill Downs and Ellis Park compete with other racetracks in Kentucky for the award of racing dates, the KRC is required by state law to consider and seek to preserve each racetrack's usual and customary live racing dates. Generally, there is no substantial change from year to year in the racing dates awarded to each racetrack.

We received approval from the KRC to conduct two live Thoroughbred racing meets at Churchill Downs from April 29 through July 9, 2000 ("Spring Meet"), and from October 29 through November 25, 2000 ("Fall Meet"), for a total of 76 days, excluding the Breeders' Cup on November 4, 2000. Churchill Downs conducted live racing from April 24 through June 27, 1999, and from October 31 through November 27, 1999, for a total of 71 racing days compared to a total of 71 racing days in 1998. KRC approved a one week increase in Churchill Downs' Spring Meet during 2000, which is a reduction to Ellis Park's customary racing schedule.

The KRC also awarded Ellis Park approval to conduct live Thoroughbred racing from July 12 through September 4, 2000, for a total of 41 live racing days. Ellis Park conducted live racing from June 28 through September 6, 1999, for a total of 61 racing days compared to 61 racing days in 1998. The decrease of 20 live race dates for 2000 compared to 1999 is the result of reducing the live racing week from 6 days of live racing to 5 days of live racing and the movement of one week of live racing to Churchill Downs' Spring Meet. We expect the change in live race dates to better utilize the operations of both racetracks.

In California, licenses to conduct live Thoroughbred racing and to participate in simulcasting are approved by the California Horse Racing Board annually based upon applications submitted by California racetracks. Generally, there is no substantial change from year to year in the racing dates awarded to each racetrack. Hollywood Park, which was acquired on September 10, 1999, has been approved to conduct two live Thoroughbred race meets from April 28 through July 24, 2000 ("Spring/Summer Meet"), and from November 8 through December 24, 2000 ("Autumn Meet"), for a total of 100 days combined. Hollywood Park conducted 97 days of racing during 1999 compared to 97 days of racing during 1998.

In Florida, licenses to conduct live Thoroughbred racing and to participate in simulcasting are approved by the Department of Business and Professional Regulation, Division of Pari-Mutuel Wagering ("DPW"). The DPW is responsible for overseeing the network of state offices located at every pari-mutuel wagering facility, as well as issuing the permits necessary to operate a pari-mutuel wagering facility. The DPW also approves annual licenses for Thoroughbred, Standardbred and Quarter Horse races. Calder Race Course, Inc. and Tropical Park, Inc., which were acquired April 23, 1999, hold licenses to conduct two consecutive live Thoroughbred race meets at Calder Race Course. Calder Race Course, Inc. has been approved for live racing from May 23 through November 2, 2000, and Tropical Park, Inc. was approved from November 3, 2000 through January 2, 2001, for a collective total of 174 days of live racing. In 1999, Calder Race Course conducted 169 days of racing, which included 2 days of racing in January 2000 compared to 173 days of racing during 1998, which included 2 days of racing in January 1999. During 1999, 1 day of approved live racing was lost as a result of inclement weather.

Tax laws in Florida currently discourage the three Miami-area racetracks in Florida from applying for licenses for race dates outside of their traditional racing season, which currently do not overlap. Effective July 1, 2001, a new tax structure will eliminate this deterrent. Accordingly, Calder Race Course may face direct competition from other Florida racetracks and may have the ability to increase live racing dates or lose live racing dates in the future.

In Indiana, licenses to conduct live Standardbred and Thoroughbred race meets, including Quarter Horse races, and to participate in simulcasting are approved annually by the Indiana Horse Racing Commission ("IHRC"), which consists of five members appointed by the governor of Indiana. Licenses are approved annually by the IHRC based upon applications submitted by Hoosier Park. Currently, Hoosier Park is the only facility in Indiana licensed to conduct pari-mutuel wagering on live Standardbred, Quarter Horse or Thoroughbred racing and to participate in simulcasting. The IHRC has approved Hoosier Park to conduct live Standardbred racing from April 7 through August 23, 2000, and live Thoroughbred racing from September 8 through December 3, 2000, for a combined total of 167 live racing dates in 2000. Hoosier Park conducted live racing from April 9, 1999 through December 5, 1999, for a combined total of 167 days of racing during 1999 compared to 153 total days of racing during 1998. Indiana law requires us to conduct live racing for at least 120 days each year in order to simulcast races.

In December 1999, the IHRC accepted an application from a group of investors who seek to build a Standardbred racetrack in Lawrence, Indiana. The application is now in the review process. It is our belief that the Indianapolis market cannot support two racetracks, and Hoosier Park is compiling market data to respond to the proposal. The addition of a second racetrack in Indiana could potentially impact Hoosier Park's share of the riverboat admissions revenue, create an increase in competition in the market and reduce the quality of racing. A reduction in Hoosier Park's live racing dates as a result of a second race-track could also result in an adverse impact on long term profitability of the facility.

The total number of days on which each racetrack conducts live racing fluctuates annually according to the calender year. A substantial change in the allocation of live racing days at Churchill Downs, Hollywood Park, Calder Race Course, Hoosier Park or Ellis Park could adversely impact our operations and earnings in future years.

As of December 31, 1999, we employed approximately 1,030 full-time employees Company-wide. Due to the seasonal nature of our live racing business, the number of seasonal and part-time persons employed will vary throughout the year. During 1999, peak employment occurred during Kentucky Derby week when we employed as many as 3,300 persons Company-wide. During 1999, average full-time and seasonal employment per pay period was approximately 950 individuals Company-wide.

We generally do not directly compete with other racetracks or OTBs for local patrons due to geographic separation of facilities or differences in seasonal timing of meets. Calder Race Course, for example, is in close proximity to two other racetracks, but the tracks currently do not directly compete with each other because they offer live races and simulcasting during different times of the year. However, we compete with other sports, entertainment and gaming options, including riverboat, cruise ship and land-based casinos and lotteries, for patrons for both live racing and simulcasting. We attempt to attract patrons by providing high quality racing products in attractive entertainment facilities with fairly priced, appealing concession services.

The development of riverboat gaming facilities began in Indiana pursuant to authorizing legislation passed by the state of Indiana in 1993. Illinois had previously authorized riverboat gaming. There are currently five riverboat casinos operating on the Ohio River along Kentucky's border, including two in the southeastern Indiana cities of Lawrenceburg and Rising Sun, one in southwestern Indiana in Evansville and one in Metropolis, Illinois. The fifth riverboat casino, licensed to RDI/Caesars, opened in November 1998 in Harrison County, Indiana, 10 miles from Louisville. We experienced some decreases in attendance and pari-mutuel wagering at the Churchill Downs Sports Spectrum ("Louisville Sports Spectrum") during 1999 as compared to 1998. However, we experienced an increase in pari-mutuel wagering on Churchill Downs races, including export simulcasting, during the same period. It is impossible to accurately determine the extent of the riverboat's impact on our business at these facilities. Other factors, such as unfavorable weather conditions, may also have had an impact.

The Indiana Gaming Commission voted in September 1998 to grant a license to open a fifth Indiana riverboat along the Ohio River in Switzerland County, about 70 miles from Louisville. The license holder, Pinnacle Entertainment, Inc., formerly Hollywood Park, Inc., plans to build a riverboat casino, hotel and resort complex, which is projected to open in the third quarter of 2000.

In addition to those riverboats operating along the Ohio River, five riverboat casinos have opened along the Indiana shore of Lake Michigan near our Indiana Sports Spectrum in Merrillville, Indiana. The opening of these Lake Michigan riverboats adversely impacted our pari-mutuel wagering activities at the Merrillville facility. Given its proximity to Chicago, the Merrillville Indiana Sports Spectrum also faces competition from OTBs and riverboat casinos near Chicago. We also compete with cruise ship casinos in Florida and state lotteries.

Additionally, several Native American tribes in Florida have expressed interest in opening casinos in southern Florida, which could compete with Calder Race Course. Also, the state of Michigan has approved a proposal by the Pokagon Band of the Potawatomi Indian Tribe to develop a casino in New Buffalo, Michigan, which is approximately 45 miles from our Merrillville facility. The development of this casino may negatively impact pari-mutuel activities at Hoosier Park's Indiana facilities.

In Kentucky, a Breeders' Cup incentive bill is being considered by the Kentucky General Assembly. This proposed legislation seeks to attract the Breeders' Cup to Kentucky more frequently by eliminating the excise tax on pari-mutuel wagering for live races on Breeders' Cup Day at any Kentucky racetrack hosting the event. It remains uncertain whether this proposal will be enacted.

The potential integration of alternative gaming products at our racetrack facilities is one of our four core business strategies developed to position us to compete in this changing environment. We have successfully grown our live racing product by implementing our other core business strategies by strengthening our flagship operations, increasing our share of the interstate simulcast market and geographically expanding our racing operations in Kentucky, Indiana, Florida and California. Alternative gaming in the form of video lottery terminals may enable us to more effectively compete with Indiana riverboat casinos and provide new revenue for purse money and capital investment. We continue to seek industry consensus for a plan to allow video lottery terminals at our racetrack facilities in Kentucky. Currently, we are working with members of the Kentucky horse industry to establish a consensus for a plan to operate video lottery terminals exclusively at Kentucky's racetracks.

The horse industry in Indiana presently receives $.65 per $3 admission to Indiana riverboats to compensate for the effect of riverboat competition. By IHRC rule we are required to allocate 70% of such revenue directly for purse expenses, breed development and reimbursement of approved marketing costs. The balance, or 30%, is received by Hoosier Park as the only horse racetrack currently operating in Indiana. Riverboat admissions revenue from our Indiana

operations increased $2.0 million for the year ended December 31, 1999 compared to 1998, as a result of the expansion of existing riverboats. The net increase in riverboat admissions revenue, after required purse and marketing expense increases of approximately $1.2 million, is $0.8 million.

In November 1999, the Company and the IHRC agreed to a $6.8 million ceiling on Hoosier Park's share of the subsidy. The ceiling represents a 9% decrease from the $7.4 million revenues Hoosier Park earned for 1999. A more significant change in Hoosier Park's share of the subsidy, as a result of a possible second track approved in Indiana, would impact funding for operating expenditures, potentially reducing the number of race dates at Hoosier Park and, in all likelihood, re-emphasize the need for the integration of alternative gaming products at the Hoosier Park racetrack in order for it to remian a profitable enterprise.

Technological innovations have opened the distribution channels for live racing products to include in-home wagering. Television Games Network ("TVG"), a subsidiary of TV Guide, Inc., offers high quality live racing video signals in conjunction with its interactive television wagering system. We have entered into agreements to broadcast our racetrack simulcast products as part of TVG's programming content. This new network is anticipated to eventually offer 24-hour - -a-day programming throughout the United States that will be primarily devoted to developing new fans for racing. In jurisdictions where lawful, in- home patrons of TVG can wager on our live races as well as other race signals. As the originator of the live racing signal, we will receive a simulcast fee on in-home wagers placed on our races.

In June 1999, the U.S. Justice Department raised concerns whether interactive wagering conducted through TVG's wagering hub would be legal under existing federal gambling laws. In addition, certain state attorney generals have expressed concern over the legality of TVG's business. TVG related revenues are not material to our operations at this time.

RESULTS OF OPERATIONS

Pari-mutuel wagering information, including intercompany transactions, for our five live racing facilities and four separate OTBs, which are included in their respective racetracks, during the years ended December 31, 1999 and 1998 is as follows ($ in thousands):

	Churchill Downs racetrack	Hollywood Park*	Calder Race Course*	Hoosier Park	Ellis Park*
Live racing					
1999 handle	$125,258	$198,683	$183,439	$15,888	$19,790
1999 no. of days	71	97	169	167	61
1998 handle	$128,250	$199,338	$187,477	$16,092	$20,944
1998 no. of days	71	97	173	153	61
Export simulcasting					
1999 handle	$459,545	$730,479	$489,519	$68,994	$159,964
1999 no. of days	71	97	169	167	61
1998 handle	$421,200	$732,510	$456,860	$62,720	$116,735
1998 no. of days	70	97	173	153	61
Import simulcasting					
1999 handle	$121,160	$228,556	-	$139,379	$38,040
1999 no. of days	234	175	-	1,205	290
1998 handle	$138,443	$214,799	-	$133,770	$38,065
1998 no. of days	232	179	-	1,219	288
Totals					
1999 handle	$705,963	$1,157,718	$672,958	$224,261	$217,794
1998 handle	$687,893	$1,146,647	$644,337	$212,582	$175,744

* Pari-mutuel wagering information is provided for years ended December 31, 1999 and 1998. Although the summary reflects handle for the full year, only revenues generated since the subsidiaries' acquisition dates have been included in the Company's results of operations.

Year Ended December 31, 1999 Compared to Year Ended December 31, 1998

Net Revenues

Net revenues increased $111.1 million (75%) from $147.3 million in 1998 to $258.4 million in 1999. Calder Race Course contributed $72.4 million and Hollywood Park contributed $30.5 million to the increase in 1999 net revenues. Churchill Downs revenues increased $1.5 million (2%) due primarily to an increase in corporate sponsor event ticket prices, admissions and seat revenue, concessions, and program revenue as a result of record attendance on Kentucky Oaks and Kentucky Derby days. Hoosier Park revenues increased $3.5 million (7%) primarily due to increased simulcasting revenues and a $2.0 million increase in the riverboat gross admissions subsidy of which a portion was required to be spent on purses and marketing expenses. Net revenues for Ellis Park for 1999 increased $2.3 million (13%) primarily due to the timing of the 1998 acquisition and increased pari-mutuel wagering revenue for 1999. Other operations, which include Charlson Broadcast Technologies, LLC ("CBT") and Kentucky Horse Center, comprised the remaining $0.9 million of the increase.

Operating Expenses

Operating expenses increased $88.4 million (74%) from $119.0 million in 1998 to $207.4 million in 1999, including Calder Race Course and Hollywood Park operating expenses of $54.4 million and $26.5 million, respectively. Churchill Downs operating expenses increased $1.9 million (3%). Hoosier Park operating expenses increased $2.8 million (7%) due primarily to increases in purses payable consistent with the increase in pari-mutuel revenue and an increase in required purses and marketing expenses related to the riverboat admissions subsidy. Ellis Park operating expenses increased $2.8 million (18%) during 1999 as compared to expenses after the acquisition date of April 21, 1998 for the prior year.

Gross Profit

Gross profit increased $22.7 million (80%) from $28.3 million in 1998 to $51.0 million in 1999. The increase was primarily due to a $18.0 million and $4.0 million increase in gross profit from Calder Race Course and Hollywood Park, respectively.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses increased by $7.4 million (66%) from $11.2 million in 1998 to $18.6 million in 1999. Calder Race Course and Hollywood Park added $2.4 million and $1.5 million, respectively, and the inclusion of Ellis Park during all of 1999 contributed $0.2 million of the increase. SG&A expenses at Churchill Downs racetrack and corporate expenses

increased $1.7 million (21%) due primarily to increased corporate staffing and compensation expenses reflecting the Company's strengthened corporate services to meet the needs of new business units. Other operations accounted for the remaining $1.6 million of the increase in SG&A expenses. SG&A expenses as a percentage of net revenues decreased slightly from 7.5% in 1998 to 7.2% in 1999.

Other Income and Expense

Interest expense increased $6.9 million from $0.9 million in 1998 to $7.8 million in 1999 primarily as a result of borrowings to finance the acquisitions of Calder Race Course, Hollywood Park and CBT during 1999 and the acquisition of Ellis Park in April 1998.

Income Tax Provision

Our income tax provision increased by $4.1 million during 1999 as compared to 1998 as a result of increased pre-tax earnings and an increase in the estimated effective tax rate from 39.1% in 1998 to 42.1% in 1999 due primarily to non-deductible goodwill amortization expense related to the acquisitions of Calder Race Course and CBT.

Year Ended December 31, 1998 Compared to Year Ended December 31, 1997

Net Revenues

Net revenues increased $28.4 million (24%) from $118.9 million in 1997 to $147.3 million in 1998. Churchill Downs revenues increased $3.5 million (5%) due primarily to increases in simulcast revenues and license, rights, broadcast revenues and increased corporate sponsorship of the Kentucky Derby. Hoosier Park revenues increased $6.2 million (15%) primarily due to increased simulcasting revenues and a $5.1 million increase in the riverboat gross admissions subsidy of which a portion was required to be spent on purses and marketing expenses. Ellis Park contributed $17.4 million to 1998 net revenues since its acquisition in the second quarter. Other operations, including Kentucky Horse Center which was also acquired in the second quarter, comprised the remaining $1.3 million of the increase.

Operating Expenses

Operating expenses increased $23.7 million (25%) from $95.4 million in 1997 to $119.1 million in 1998. Churchill Downs operating expenses increased $1.9 million (3%) due primarily to increased marketing, simulcast, totalisator and video expenses. Hoosier Park operating expenses increased $5.0 million (14%) due primarily to required increases in purses and marketing expenses of $2.8

million and $0.8 million, respectively, related to the riverboat admissions subsidy. Ellis Park increased 1998 operating expenses by $15.4 million since its acquisition. Other operations, including Kentucky Horse Center, accounted for the remaining $1.4 million of the increase in operating expenses.

Gross Profit

Gross profit increased $4.7 million (20%) from $23.5 million in 1997 to $28.2 million in 1998. The Ellis Park acquisition contributed $2.0 million to 1998 gross profit. Churchill Downs gross profit increased $1.6 million and Hoosier Park gross profit increased $1.2 million for the reasons described above.

Selling, General and Administrative Expenses

SG&A expenses increased by $2.0 million (22%) from $9.1 million in 1997 to $11.1 million in 1998. SG&A expenses at Churchill Downs increased $1.3 million (19%) due primarily to increased corporate staffing, compensation and business development expenses. Hoosier Park SG&A expenses decreased by $0.2 million (9%) due primarily to declines in professional fees and wages. The acquisition of Ellis Park contributed $0.6 million to the increase in 1998 SG&A expenses. Other operations accounted for the remaining $0.3 million of the increase. SG&A expenses as a percentage of net revenues decreased slightly from 7.6% in 1997 to 7.5% in 1998.

Other Income and Expense

Interest expense increased $0.6 million from $0.3 million in 1997 to $0.9 million in 1998 as a result of borrowings to finance our second quarter acquisition of Ellis Park and Kentucky Horse Center.

Income Tax Provision

Our income tax provision increased by $1.0 million from $5.8 million in 1997 to $6.8 million in 1998 primarily as the result of an increase in pre-tax earnings of $2.3 million. The effective income tax rate increased slightly from 38.9% in 1997 to 39.1% in 1998 due primarily to non-deductible goodwill amortization expense related to the acquisition of Ellis Park and Kentucky Horse Center and increases in other permanent differences, partially offset by the reversal of the valuation allowance on certain state income tax net operating loss carryforwards.

Significant Changes in the Balance Sheet December 31, 1999 to December 31, 1998

The net plant and equipment increase of $191.8 million during 1999 included $189.2 million for the acquisitions of Hollywood Park, Calder Race Course and CBT. The remaining increase was due to routine capital spending at our operating units offset by current year depreciation expense.

Intangible assets increased $54.0 million primarily a result of the addition of approximately $52.0 million of goodwill due to the acquisitions of Calder Race Course and CBT. In addition, deferred financing costs of $3.1 million related to our new $250 million revolving loan facility are included. These increases were partially offset by current year amortization expense.

The long-term debt increase of $167.4 million was the result of additional borrowings on our bank line of credit during 1999 used to fund the 1999 acquisitions of Hollywood Park, Calder Race Course and CBT.

Deferred income tax liabilities increased by $8.5 million primarily as a result of the Calder Race Course acquisition during the second quarter of 1999.

Common stock increased by $62.7 million primarily due to $62.1 million in net proceeds received from our public offering during the third quarter of 1999.

Significant Changes in the Balance Sheet December 31, 1998 to December 31, 1997

Plant and equipment increased $25.0 million during 1998 which included $22.0 million for the acquisition of Ellis Park and Kentucky Horse Center. Routine capital spending at our operating units made up the remainder of the increase. Accumulated depreciation increased $5.5 million for current year depreciation expense.

Intangible assets increased $6.5 million as a result of the acquisition of Ellis Park and Kentucky Horse Center.

We borrowed on our bank line of credit during 1998 primarily to fund the Ellis Park acquisition during the second quarter.

Deferred income tax liabilities increased to $6.9 million in 1998, an increase of $4.6 million from 1997 balances, primarily as a result of the acquisition of Ellis Park and Kentucky Horse Center.

Liquidity and Capital Resources

The working capital surplus (deficiency) was $0.8, $(7.8) and $(8.0) million for the years ended December 31, 1999, 1998 and 1997, respectively. Working capital surplus \ deficiency results from the nature and seasonality of our business. Cash flows provided by operations were $39.7, $10.8 and $10.5 million for the years ended December 31, 1999, 1998 and 1997, respectively. The

significant increase in operating cash flow for 1999 was primarily a result of the current year acquisitions. The net increase of $0.3 million in 1998 resulted from a $1.4 million increase in net earnings and $1.2 million increase in depreciation and amortization coupled with the timing of accounts receivable, accounts payable, income taxes payable and deferred revenue balances. Management believes cash flows from operations and available borrowings during 2000 will be sufficient to fund our cash requirements for the year, including capital improvements and any acquisitions.

Cash flows used in investing activities were $240.4, $20.8 and $6.9 million for the years ended December 31, 1999, 1998 and 1997, respectively. Cash used for 1999 business acquisitions consisted of $142.5 million for the acquisition of Hollywood Park during the third quarter, $82.4 million net of cash acquired for the acquisition of Calder Race Course during the second quarter, and $2.9 million net of cash acquired for the acquisition of CBT during the first quarter. We used $12.6 million for capital spending at our facilities including $1.8 million for the construction of the main entrance and corporate offices, $2.2 million for the construction of a stable area dormitory and $0.7 million for the renovation of the racing offices at the Churchill Downs racetrack facility. The additional increase in capital spending from prior year spending is primarily the result of routine capital spending at CBT and Calder Race Course, which were acquired during 1999. The capital additions for all locations, including the expansion of Churchill Downs' main entrance and expansion of our corporate offices, are expected to approximate $16.6 million for 2000.

Cash flows provided by (used in) financing activities were $223.3, $7.0 and $(2.5) million for the years ended December 31, 1999, 1998 and 1997, respectively. We borrowed $269.5 million on our line of credit during 1999 primarily to finance the purchase of Hollywood Park, Calder Race Course and CBT. We received net proceeds of $62.1 million in connection with the July 15, 1999 common stock public offering and an additional $0.6 million for the issuance of common stock under our stock purchase plan and the exercise of stock options. Proceeds from the stock offering and operations were used to repay $102.5 million on our line of credit. In addition, cash dividends of $3.8 million were paid to shareholders in 1999 (declared in 1998) versus $3.7 million paid in 1998 (declared in 1997).

In April 1999, our total line of credit was increased to $250 million under a new revolving loan facility, of which $178 million was outstanding at December 31, 1999. This credit facility replaced a $100 million line of credit obtained during the third quarter of 1998. The new facility is collateralized by substantially all of our assets. This credit facility is intended to provide funds for acquisitions and to meet working capital, capital expenditures and other short-term requirements. Proceeds from the sale of a portion of our interest in Hoosier Park and the sale of KHC are expected to be used to repay a portion of this credit facility. The new revolving loan facility matures in 2004.

Impact of the Year 2000 Issue

During 1999, we completed a company-wide program to make our computer systems Year 2000 compliant. The Year 2000 issue is the result of computer programs that were written using two digits rather than four to define the applicable year in date-dependent systems. If our computer programs with date-sensitive functions were not Year 2000 compliant, they may not have been able to distinguish the year 2000 from the year 1900. This could have resulted in system failure or miscalculations leading to a disruption of business operations.

As of December 31, 1999, we had completed the Year 2000 compliance evaluation for our owned systems as well as issues involving third party service providers. In addition, we have also completed the Year 2000 compliance evaluation for our recent acquisitions of Calder Race Course and Hollywood Park and the remediation plans were completed on all critical operating systems. We have not experienced any disruptions to our business operations as a result of the Year 2000 issue. While we will continue to monitor our systems for continued Year 2000 compliance and continue to verify the Year 2000 preparedness of our third party service providers, we do not anticipate any significant business disruptions related to this matter.

Total cost to remediate Year 2000 compliance issues was approximately $275,000. Our management believes that any future costs to remediate Year 2000 compliance issues will not be material to our financial position or results of operations.

Subsequent Events

We have entered into a definitive agreement with Keeneland Association, Inc. ("Keeneland") whereby Keeneland will purchase our Thoroughbred training and boarding facility known as Kentucky Horse Center ("KHC"). Keeneland has agreed to purchase KHC for a cash payment of $5 million. Proceeds from the sale will be used to repay a portion of our line of credit. The sale is subject to certain closing conditions, and closing is expected during March or April of 2000.

We have also entered into a definitive agreement with Centaur, Inc. ("Centaur") to sell a 26% interest in Hoosier Park, LP ("HPLP") for a purchase price of $8.5 million. HPLP is an Indiana limited partnership which owns Hoosier Park racetrack and related OTBs. Upon closing, we will retain a 51% interest in HPLP and continue to manage its day-to-day operations. Centaur, which already owned a portion of HPLP prior to the agreement, will hold a 39% minority interest in HPLP. The transaction is subject to certain closing conditions, including the approval of the IHRC and various regulatory agencies. The agreement also contains a provision under which Centaur has the right to purchase our remaining interest at any time prior to July 31, 2001. Upon failure of Centaur to exercise this provision both parties will have an opportunity to purchase the other's remaining interest. We do not expect our earnings to be significantly effected by this sale. We expect any loss in Hoosier Park annual income to be significantly offset by a reduction in interest expense as a result of using the proceeds from the sale to repay a portion of our line of credit. Closing is expected during the second quarter of 2000.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

At December 31, 1999, we had $178.0 million of debt outstanding under our revolving loan facility which bears interest at LIBOR based variable rates. We are exposed to market risk on this variable rate debt due to potential adverse changes in the LIBOR rate. Assuming the outstanding balance on the revolving loan facility remains constant, a one percentage point increase in the LIBOR rate would reduce pre-tax earnings and cash flows by $1.8 million.

In order to mitigate a portion of the market risk associated with our variable rate debt, we entered into interest rate swap contracts with a major financial institution. Under terms of the contracts we receive a LIBOR based variable interest rate and pay a fixed interest rate of 5.89% and 5.92% on notional amounts of $35.0 million and $70.0 million, respectively. The $70.0 million interest rate swap matured in March 2000 and the $35.0 million interest rate swap matures in August 2000. At December 31, 1999, these interest rate swaps approximated a mark-to-market value of $77,000 based on current interest rates. Assuming the December 31, 1999 notional amounts under the interest rate swap contracts remain constant, a one percentage point increase in the LIBOR rate would increase pre-tax earnings and cash flows by $1.1 million.

Upon expiration of the $70 million interst rate swap in early March 2000, we enterd into a 3-year interest rate swap in which we pay a fixed interest rate of 7.015% on a notional amount of $35 million. Management plans to engage in further interest rate swap agreements in the future to protect our interest rate exposure.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Directors
Churchill Downs Incorporated

In our opinion, the consolidated financial statements listed in the index appearing under Item 14 (a) (1), present fairly, in all material respects, the financial position of Churchill Downs Incorporated and its subsidiaries as of December 31, 1999, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 14 (a)(2), presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

\s\PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP

Louisville, Kentucky
February 23, 2000

CHURCHILL DOWNS INCORPORATED
CONSOLIDATED BALANCE SHEETS
December 31,
(in thousands)

ASSETS	1999	1998	1997
Current assets:			
Cash and cash equivalents	$ 29,060	$ 6,380	$ 9,280
Accounts receivable	24,279	11,968	7,087
Other current assets	2,751	1,049	541
Total current assets	56,090	19,397	16,908
Other assets	4,740	3,796	3,884
Plant and equipment, net	274,882	83,088	63,163
Intangible assets, net	62,334	8,370	1,894
	$398,046	$114,651	$85,849
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 14,794	$ 6,381	$ 6,549
Accrued expenses	23,821	8,248	7,121
Dividends payable	4,927	3,762	3,658
Income taxes payable	336	258	187
Deferred revenue	10,860	8,412	7,345
Long-term debt, current portion	552	127	80
Total current liabilities	55,290	27,188	24,940
Long-term debt	180,898	13,538	2,633
Other liabilities	8,263	1,756	2,506
Deferred income taxes	15,474	6,938	2,377
Commitments and contingencies	-	-	-
Shareholders' equity:			
Preferred stock, no par value; 250 shares authorized; no shares issued	-	-	-
Common stock, no par value; 50,000 shares authorized; issued: 9,854 shares in 1999; 7,525 shares in 1998; and 7,317 shares in 1997	71,634	8,927	3,615
Retained earnings	66,667	56,599	49,843
Deferred compensation costs	(115)	(230)	-
Note receivable for common stock	(65)	(65)	(65)
	138,121	65,231	53,393
	$398,046	$114,651	$85,849

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

CHURCHILL DOWNS INCORPORATED
CONSOLIDATED STATEMENTS OF EARNINGS
Years ended December 31,
(in thousands, except per share data)

	1999	1998	1997
Net revenues	$258,427	$147,300	$118,907
Operating expenses:			
Purses	97,585	50,193	39,718
Other direct expenses	109,783	68,788	55,706
	207,368	118,981	95,424
Gross profit	51,059	28,319	23,483
Selling, general and administrative expenses	18,546	11,176	9,078
Operating income	32,513	17,143	14,405
Other income (expense):			
Interest income	847	680	575
Interest expense	(7,839)	(896)	(332)
Miscellaneous, net	334	342	325
	(6,658)	126	568
Earnings before provision for income taxes	25,855	17,269	14,973
Provision for income taxes	10,879	6,751	5,825
Net earnings	$ 14,976	$ 10,518	$ 9,148
Earnings per common share data:			
Basic	$1.74	$1.41	$1.25
Diluted	$1.72	$1.40	$1.25
Weighted average shares outstanding:			
Basic	8,598	7,460	7,312
Diluted	8,718	7,539	7,321

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

CHURCHILL DOWNS INCORPORATED
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Years ended December 31, 1999, 1998 and 1997
(in thousands, except per share data)

	Common Shares	Stock Amount	Retained Earnings	Note Receivable Common Stock	Deferred Compensation Costs	Total
Balances December 31, 1996	7,309	$ 3,493	$44,353	$(65)	-	$47,781
Net earnings			9,148			9,148
Issuance of common stock at $14.45 per share	8	122				122
Cash dividends, $.50 per share			(3,658)			(3,658)
Balances December 31, 1997	7,317	3,615	49,843	(65)	-	53,393
Net earnings			10,518			10,518
Deferred compensation		344			$(344)	-
Deferred compensation amortization					114	114
Issuance of common stock at $24.25 per share in conjunction with RCA acquisition	200	4,850				4,850
Issuance of common stock at $14.60 per share	8	118				118
Cash dividends, $.50 per share			(3,762)			(3,762)
Balances December 31, 1998	7,525	8,927	56,599	(65)	(230)	65,231
Net earnings			14,976			14,976
Deferred compensation amortization					115	115
Issuance of common stock at $29.00 per share	2,300	62,122				62,122
Issuance of common stock at $24.00 per share	7	170				170
Exercise of Stock Options	22	415	19			434
Cash dividends, $.50 per share			(4,927)			(4,927)
Balances December 31, 1999	9,854	$71,634	$66,667	$(65)	$ (115)	$138,121

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

CHURCHILL DOWNS INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31,
(in thousands)

	1999	1998	1997
Cash flows from operating activities:			
Net earnings	$ 14,976	$ 10,518	$ 9,148
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	11,306	5,744	4,559
Deferred income taxes	(502)	(121)	352
Deferred compensation	285	183	55
Increase (decrease) in cash resulting from changes in operating assets and liabilities:			
Accounts receivable	(8,971)	(2,973)	(2,053)
Other current assets	(1,119)	(293)	(153)
Accounts payable	7,619	(2,211)	680
Accrued expenses	11,150	386	(434)
Income taxes payable (refundable)	98	71	(2,324)
Deferred revenue	(231)	758	1,017
Other assets and liabilities	5,121	(1,246)	(377)
Net cash provided by operating activities	39,732	10,816	10,470
Cash flows from investing activities:			
Acquisition of businesses, net of cash acquired of $4,200 in 1999 and $517 in 1998	(228,303)	(17,232)	-
Additions to plant and equipment, net	(12,083)	(3,524)	(4,568)
Purchase of minority-owned investment	-	-	(2,338)
Net cash used in investing activities	(240,386)	(20,756)	(6,906)
Cash flows from financing activities:			
Decrease in long-term debt, net	(1,295)	(140)	(240)
Borrowings on bank line of credit	269,500	22,000	-
Repayments of bank line of credit	(102,500)	(11,000)	-
Payment of loan origination costs	(2,867)	(280)	-
Payment of dividends	(3,762)	(3,658)	(2,375)
Capital contribution by minority interest in subsidiary	1,551	-	-
Common stock issued	62,707	118	122
Net cash provided by (used in) financing activities	223,334	7,040	(2,493)
Net increase (decrease) in cash and cash equivalents	22,680	(2,900)	1,071
Cash and cash equivalents, beginning of period	6,380	9,280	8,209
Cash and cash equivalents, end of period	$ 29,060	$ 6,380	$ 9,280
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	$ 6,858	$ 497	$ 151
Income taxes	$ 10,796	$ 7,130	$ 7,915
Schedule of Non-cash Activities:			
Issuance of common stock related to the acquisition of RCA	-	$ 4,850	-
Invoicing for future events	$ 2,678	$ 678	$ 402
Plant & equipment additions included in accounts payable	$ 502	$ 95	-
Compensation expense	-	$ 344	-

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

1. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

Churchill Downs Incorporated (the "Company") conducts pari-mutuel wagering on live race meetings for Thoroughbred horses and participates in intrastate and interstate simulcast wagering at its racetracks in Kentucky, California and Florida. In addition, the Company, through its subsidiary, Hoosier Park L.P. ("Hoosier Park"), conducts pari-mutuel wagering on live Thoroughbred, Quarter Horse and Standardbred horse races and participates in interstate simulcast wagering. The Company's Kentucky, California, Florida and Indiana operations are subject to regulation by the racing commissions of the respective states.

The accompanying consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, Churchill Downs California Company d/b/a Hollywood Park Race Track ("Hollywood Park"), Calder Race Course, Inc. and Tropical Park, Inc. which hold licenses to conduct horse racing at Calder Race Course ("Calder Race Course"), Ellis Park Race Course ("Ellis Park"), Churchill Downs Management Company ("CDMC"), Churchill Downs Investment Company ("CDIC"), Kentucky Horse Center and Anderson Park Inc. ("Anderson") and its majority-owned subsidiaries, Hoosier Park and Charlson Broadcast Technologies, LLC ("CBT"). All significant intercompany balances and transactions have been eliminated.

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

A Summary of Significant Accounting Policies Followed

Cash Equivalents

The Company considers investments with original maturities of three months or less to be cash equivalents. The Company has, from time to time, cash in the bank in excess of federally insured limits.

Plant and Equipment

Plant and equipment are recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets as follows: 10 to 30 years for grandstands and buildings, 3 to 11 years for equipment, 5 to 10 years for furniture and fixtures and 10 to 20 years for tracks and other improvements.

1. Basis of Presentation and Summary of Significant Accounting Policies(cont'd)

Intangible Assets

Amortization of the cost of acquisitions in excess of fair value of assets acquired and the Indiana racing license is provided over 40 years using the straight-line method. Loan origination costs on the Company's line of credit are being amortized under the effective interest method over 60 months, the term of the loan.

Long-lived Assets

In the event that facts and circumstances indicate that the carrying amount of tangible or intangible long-lived assets or groups of assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the assets would be compared to the assets' carrying amount to determine if a write-down to market value or discounted cash flow value is required.

Interest Rate Swaps

The Company utilizes interest rate swap contracts to hedge exposure to interest rate fluctuations on its variable rate debt. The differential between the fixed interest rate paid and the variable interest rate received under the interest rate swap contracts is recognized as an adjustment to interest expense in the period in which the differential occurs. Differential amounts incurred under the interest rate swap contracts but not settled in cash at the end of a reporting period are recorded as receivables or payables in the balance sheet. Any gains or losses realized on the early termination of interest rate swap contracts are deferred and amortized as an adjustment to interest expense over the remaining term of the underlying debt instrument.

Deferred Revenue

Deferred revenue includes primarily advance sales related to the Kentucky Derby and Oaks races in Kentucky and other advanced billings on racing events.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees". In accordance with Statement of Financial Accounting Standards (SFAS) No. 123 "Accounting for Stock-based Compensation" proforma disclosure of net earnings and earnings per share are presented in Note 10 as if SFAS No. 123 had been applied.

Reclassification

Certain financial statement amounts have been reclassified in the prior years to conform to current year presentation.

2. Acquisitions

On September 10, 1999, the Company acquired the assets of the Hollywood Park Race Track and the Hollywood Park Casino in Inglewood, California, including approximately 240 acres of land upon which the racetrack and casino are located, for a purchase price of $140.0 million plus approximately $2.5 million in transaction costs. The Company leases the Hollywood Park Casino to the seller under a ten-year lease with one ten-year renewal option. The lease provides for annual rent of $3.0 million, subject to adjustment during the renewal period. The entire purchase price of $142.5 million was allocated to the acquired assets and liabilities based on their fair values on the acquisition date. The acquisition was accounted for by the Company as an asset purchase and, accordingly, the financial position and results of operations of Hollywood Park Race Track have been included in the Company's consolidated financial statements since the date of acquisition. The allocation of the purchase price is preliminary and may require adjustment in the Company's future financial statements based on a final determination of the fair value of assets acquired in the acquisition.

On April 23, 1999, the Company acquired all of the outstanding stock of Calder Race Course, Inc.and Tropical Park, Inc. from KE Acquisition Corp.for a purchase price of $86 million cash plus a closing net working capital adjustment of approximately $2.9 million cash and $0.6 million in transaction costs. The purchase included Calder Race Course in Miami and the licenses held by Calder Race Course, Inc. and Tropical Park, Inc. to conduct horse racing at Calder Race Course. The purchase price, plus additional costs, of $89.5 million was allocated to the acquired assets and liabilities based on their fair values on the acquisition date with the excess of $49.4 million being recorded as goodwill, which is being amortized over 40 years. The acquisition was accounted for by the Company under the purchase method of accounting and, accordingly, the financial position and results of operations of Calder Race Course, Inc. and Tropical Park, Inc. have been included in the Company's consolidated financial statements since the date of acquisition. The allocation of the purchase price is preliminary and may require adjustment in the Company's future financial statements based on a final determination of the fair value of assets acquired and liabilities assumed in the acquisition.

On April 21, 1998, the Company acquired from TVI Corp. ("TVI") all of the outstanding stock of Racing Corporation of America ("RCA") for a purchase price of $22.6 million, which includes transaction costs of $0.6 million. As part of the transaction, TVI received 0.2 million shares of the Company's common stock valued at $4.9 million with the remaining balance of $17.1 million paid from cash on hand and a draw on the Company's bank line of credit. The acquisition was accounted for by the Company under the purchase method of accounting and, accordingly, the results of operations of RCA subsequent to April 20, 1998, are included in the Company's consolidated results of operations.

($ in thousands, except per share data)

2. Acquisitions (cont'd)

Following are the unaudited pro forma results of operations as if the September 10, 1999 acquisition of Hollywood Park Race Track, the July 20, 1999 stock issuance, the April 23, 1999 acquisition of Calder Race Course and the April 21, 1998 acquisition of RCA had occurred on January 1, 1998:

	December 31,	
	1999	1998
Net revenues	$335,254	$318,017
Net earnings	$20,200	$15,993
Earnings per common share:		
Basic	$2.05	$1.63
Diluted	$2.03	$1.62
Weighted average shares outstanding:		
Basic	9,834	9,820
Diluted	9,953	9,900

This unaudited pro forma financial information is not necessarily indicative of the operating results that would have occurred had the transactions been consummated as of January 1, 1998, nor is it necessarily indicative of future operating results.

3. Plant and Equipment

Plant and equipment is comprised of the following:

	1999	1998	1997
Land	$105,292	$ 7,632	$ 5,999
Grandstands and buildings	201,613	73,377	57,580
Equipment	17,120	4,979	3,416
Furniture and fixtures	7,741	5,341	4,328
Tracks and other improvements	39,602	37,998	33,118
Construction in process	2,411	249	113
	373,779	129,576	104,554
Accumulated depreciation	(98,897)	(46,488)	(41,391)
	$274,882	$83,088	$63,163

Depreciation expense was approximately $9,506, $5,490, and $4,288 for the years ended December 31, 1999, 1998 and 1997.

($ in thousands, except per share data)

4. Intangibles assets

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

	1999	1998	1997
Cost of acquisitions in excess of fair value of net assets acquired	$59,433	$6,449	-
Indiana racing license	2,085	2,085	$2,085
Loan origination costs	3,076	280	-
	64,594	8,814	2,085
Accumulated amortization	(2,260)	(444)	(191)
	$62,334	$8,370	$1,894

Amortization expense was approximately $1,353, $253 and $271 for the years ended December 31, 1999, 1998 and 1997.

5. Income Taxes

Components of the provision for income taxes are as follows:

	1999	1998	1997
Currently payable:			
Federal	$ 9,528	$5,795	$4,617
State & local	1,853	1,077	856
	11,381	6,872	5,473
Deferred:			
Federal	(439)	46	308
State & local	(63)	6	44
	(502)	52	352
Reversal of valuation allowance	-	(173)	-
	$10,879	$6,751	$5,825

($ in thousands, except per share data)

5. Income Taxes (cont'd)

The Company's income tax expense is different from the amount computed by applying the statutory federal income tax rate to income before taxes as follows:

	1999	1998	1997
Federal statutory tax on earnings before income tax	$ 9,049	$5,942	$5,141
State income taxes, net of federal income tax benefit	1,154	747	612
Permanent differences and other	676	235	72
Reversal of valuation allowance	-	(173)	-
	$10,879	$6,751	$5,825

At December 31, 1999, the Company has net operating loss carryforwards of approximately $1,169 for Indiana state income tax purposes expiring from 2009 through 2011 and approximately $6,401 for Kentucky state income tax purposes expiring from 2002 through 2011. Management has determined that its ability to realize future benefits of the state net operating loss carryforwards meets the "more likely than not" criteria of SFAS No. 109, "Accounting for Income Taxes"; therefore, no valuation allowance has been recorded at December 31, 1999.

Components of the Company's deferred tax assets and liabilities are as follows:

	1999	1998	1997
Deferred tax liabilities:			
Property & equipment in excess of tax basis	$16,288	$7,805	$2,415
Racing license in excess of tax basis	650	650	636
Other	66	-	-
Deferred tax liabilities	17,004	8,455	3,051
Deferred tax assets:			
Supplemental benefit plan	337	316	295
State net operating loss carryforwards	638	857	173
Allowance for uncollectible receivables	345	87	71
Other	830	437	378
Deferred tax assets	2,150	1,697	917
Valuation allowance for state net operating loss carryforwards	-	-	173
Net deferred tax liability	$14,854	$6,758	$2,307
Income taxes are classified in the balance sheet as follows:			
Net non-current deferred tax liability	$15,474	$6,938	$2,377
Net current deferred tax asset	(620)	(180)	(70)
	$14,854	$6,758	$2,307

6. Shareholders' Equity

On July 20, 1999 the Company issued 2,300 shares of the Company's common stock at a price of $29 per share. The total proceeds net of offering expenses was $62.1 million, and was used for the repayment of bank borrowings.

On March 19, 1998, the Company's Board of Directors authorized a 2-for-1 stock split of its common stock effective March 30, 1998. All share and per share amounts in the accompanying consolidated financial statements have been restated to give effect to the stock split.

Additionally, the Company's Board of Directors approved a stockholder "Rights Plan" (the "Plan") on March 19, 1998, which grants each stockholder the right to purchase a fraction of a share of Series 1998 Preferred Stock at the rate of one right for each share of the Company's common stock. The rights will become exercisable 10 business days (or such later date as determined by the Board of Directors) after any person or group acquires, obtains a right to acquire or announces a tender offer for 15% or more of the Company's outstanding common stock. The rights would allow the holder to purchase preferred stock of the Company at a 50% discount. The Plan is intended to protect stockholders from takeover tactics that may be used by an acquirer that the Board believes are not in the best interests of the shareholders. The Plan expires on March 19, 2008.

7. Employee Benefit Plans

The Company has a profit-sharing plan that covers all employees with one year or more of service and one thousand or more worked hours. The Company will match contributions made by the employee up to 3% of the employee's annual compensation. The Company will also match at 50%, contributions made by the employee up to an additional 2%.The Company 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%. The Company's contribution to the plan for the years ended December 31, 1999, 1998 and 1997 was approximately $819, $806 and $535 respectively.

The Company is a member of a noncontributory defined benefit multi-employer retirement plan for all members of the Pari-mutuel Clerk's Union of Kentucky and several other collectively-bargained retirement plans which are administered by unions. Contributions are made in accordance with negotiated labor contracts. Retirement plan expense for the years ended December 31, 1999, 1998 and 1997 was approximately $665, $258 and $205, respectively. The Company's policy is to fund this expense as accrued.

The estimated present value of future payments under a supplemental benefit plan is charged to expense over the period of active employment of the employees covered under the plan. Supplemental benefit plan expense for the years ended December 31, 1999, 1998 and 1997 was approximately $55, $55 and $51, respectively.

($ in thousands, except per share data)

8. Long-Term Debt

On April 23, 1999, the Company increased its line of credit to $250 million under a new revolving loan facility through a syndicate of banks headed by its principal lender to meet working capital and other short-term requirements and to provide funding for acquisitions. This credit facility replaced a $100 million line of credit obtained during the third quarter of 1998. The interest rate on the borrowing is based upon LIBOR plus 75 to 250 additional basis points, which is determined by certain Company financial ratios. There was $178.0 million outstanding on the line of credit at December 31, 1999 compared to $11.0 million outstanding at December 31, 1998 and no borrowings outstanding at December 31, 1997 under previous lines of credit. The line of credit is collateralized by substantially all of the assets of the Company and its wholly owned subsidiaries, and matures in 2004.

During the third quarter of 1999 we entered into interest rate swap contracts with a major financial institution which have termination dates through August 31, 2000. Under the terms of the contracts we receive a LIBOR based variable interest rate and pay a fixed interest rate of 5.89% and 5.92% on notional amounts of $35.0 million and $70.0 million, respectively. The variable interest rate paid on the contracts is determined based on LIBOR on the last day of each month, which is consistent with the variable rate determination on the underlying debt.

The Company also has two non-interest bearing notes payable in the aggregate face amount of $900 relating to the purchase of an intrastate wagering license from the former owners of the Louisville Sports Spectrum property. Interest has been imputed at 8%. The balance of these notes net of unamortized discount was $110, $196 and $276 at December 31, 1999, 1998 and 1997, respectively. The notes require aggregate annual payments of $110.

On May 31, 1996, the Company entered into a Partnership Interest Purchase Agreement with Conseco, LLC ("Conseco") for the sale of 10% of the Company's partnership interest in Hoosier Park to Conseco. The transaction also included assumption by Conseco of a loan to the Company of approximately $2.6 million, of which the balance is $2.4 million at December 31, 1999. The loan requires interest of prime plus 2% (10.5% at December 31, 1999) payable monthly with principal due November 2004. The note is collateralized by 10% of the assets of Hoosier Park.

Future aggregate maturities of long-term debt are as follows:

2000	$ 552
2001	359
2002	127
2003	17
2004	180,395
	$181,450

($ in thousands, except per share data)

9. Operating Leases

The Company has a long-term operating lease for the land in Anderson, Indiana on which its Hoosier Park facility is located, as well as operating leases for the Indianapolis off-track betting facility and certain totalisator and audio/visual and other equipment and services. The Anderson lease expires in 2003, with an option to extend the lease for three additional ten year terms. The Indianapolis lease expires in 2009, with an option to extend the lease for two additional five year terms. The leases include provisions for minimum lease payments as well as contingent lease payments based on handle or revenues. Total annual rent expenses for contingent lease payments including certain totalisator and audio/visual equipment and services and land and facility rent was approximately $6,287, $3,942 and $3,475 for the years ended December 31, 1999, 1998 and 1997. Total rent expense for all operating leases was approximately $6,832, $4,022 and $3,803 for the years ended December 31, 1999, 1998 and 1997.

Future minimum operating lease payments are as follows:

	Minimum Lease Payment
2000	$1,088
2001	885
2002	646
2003	513
2004	405
Thereafter	1,841
	$5,378

10. Stock-Based Compensation Plans

Employee Stock Options:

The Company sponsors both the "Churchill Downs Incorporated 1997 Stock Option Plan" (the "97 Plan") and the "Churchill Downs Incorporated 1993 Stock Option Plan" (the "93 Plan"), stock-based incentive compensation plans, which are described below. The Company applies APB Opinion 25 and related interpretations in accounting for both the plans. However, pro forma disclosures are as if the Company adopted the cost recognition provisions of SFAS 123 are presented below.

The Company is authorized to issue up to 300 shares and 400 shares of common stock (as adjusted for the stock split) under the 97 Plan and 93 Plan, respectively, pursuant to "Awards" granted in the form of incentive stock options (intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended) and non-qualified stock options. Awards may be granted to selected employees of the Company or any subsidiary.

($ in thousands, except per share data)

10. Stock-Based Compensation Plans (cont'd)

Both the 97 Plan and the 93 Plan provide that the exercise price of any incentive stock option may not be less than the fair market value of the common stock on the date of grant. The exercise price of any nonqualified stock option is not so limited by the plans. The Company granted stock options in 1999, 1998 and 1997. The stock options granted in those years have contractual terms of 10 years and varying vesting dates, ranging from one to three years following the date of grant. In accordance with APB 25, the Company has not recognized any compensation cost for these stock options.

A summary of the status of the Company's stock options as of December 31, 1999, 1998 and 1997 and the changes during the year ended on those dates is presented below:

	1999		1998		1997	
	# of Shares Underlying Options	Weighted Average Exercise Prices	# of Shares Underlying Options	Weighted Average Exercise Prices	# of Shares Underlying Options	Weighted Average Exercise Prices
Outstanding at beginning of the year	478	$20.86	426	$19.45	337	$19.08
Granted	154	$23.70	52	$32.50	89	$20.83
Exercised	22	$19.30	-	-	-	-
Canceled	-	-	-	-	-	-
Forfeited	10	$22.53	-	-	-	-
Expired	-	-	-	-	-	-
Outstanding at end of year	600	$21.62	478	$20.86	426	$19.45
Exercisable at end of year	311	$19.09	248	$21.02	207	$19.67
Weighted-average fair value per share of options granted during the year		$12.01		$10.42		$6.34

The fair value of each stock option granted is estimated on the date of grant using the Black- Scholes option-pricing model with the following weighted-average assumptions for grants in 1999, 1998 and 1997, respectively: dividend yields ranging from 1.20% to 1.54%; risk- free interest rates are different for each grant and range from 5.75% to 6.76%; and the expected lives of options are different for each grant and range from approximately 6.5 to 7.0 years, and expected volatility rates of 43.74%, 24.86% and 19.38% for years ending December 31, 1999,1998 and 1997.

($ in thousands, except per share data)

10. Stock-Based Compensation Plans (cont'd)

The following table summarizes information about stock options outstanding at December 31, 1999:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at 12/31/99	Weighted Average Remaining Contributing Life	Weighted Average Exercise Price	Number Exercisable at 12/31/99	Weighted Average Exercise Price
$13.40 to $16.75	20	6.0	$15.75	20	$15.75
$16.76 to $20.10	273	6.6	$18.93	253	$18.97
$20.11 to $23.45	240	8.5	$22.17	38	$21.61
$26.80 to $30.15	8	9.3	$29.88	-	-
$30.16 to $33.50	59	9.0	$32.67	-	-
TOTAL	600	7.6	$21.62	311	$19.09

Employee Stock Purchase Plan:

Under the Company's Employee Stock Purchase Plan (the "Employee Stock Purchase Plan"), the Company is authorized to sell, pursuant to short-term stock options, shares of its common stock to its full-time(or part-time for at least 20 hours per week and at least five months per year) employees at a discount from the common stock's fair market value. The Employee Stock Purchase Plan operates on the basis of recurring, consecutive one-year periods. Each period commences on August 1 and ends on the next following July 31.

On the first day of each 12-month period, August 1, the Company offers to each eligible employee the opportunity to purchase common stock. Employees elect to participate for each period to have a designated percentage of their compensation withheld (after-tax) and applied to the purchase of shares of common stock on the last day of the period, July 31. The Employee Stock Purchase Plan allows withdrawals, terminations and reductions on the amounts being deducted. The purchase price for the common stock is 85% of the lesser of the fair market value of the common stock on (i) the first day of the period, or (ii) the last day of the period. No employee may purchase common stock under the Employee Stock Purchase Plan valued at more than $25 for each calendar year.

Under the Employee Stock Purchase Plan, the Company sold 7 shares of common stock to 131 employees pursuant to options granted on August 1, 1998, and exercised on July 30, 1999. Because the plan year overlaps the Company's fiscal year, the number of shares to be sold pursuant to options granted on August 1, 1999, can only be estimated because the 1999 plan year is not yet complete. The Company's estimate of options granted in 1999 under the Plan is based on the number of shares sold to employees under the Plan for the 1998 plan year, adjusted to reflect the change in the number of employees participating in the Plan in 1999.

($ in thousands, except per share data)

10. Stock-Based Compensation Plans (cont'd)

A summary of the status of the Company's stock options under the Employee Stock Purchase Plan as of December 31, 1999, 1998 and 1997 and the changes during the year ended on those dates is presented below:

	1999		1998		1997	
	# of Shares Underlying Options	Weighted Average Exercise Prices	# of Shares Underlying Options	Weighted Average Exercise Prices	# of Shares Underlying Options	Weighted Average Exercise Prices
Outstanding at beginning of the year	5	$24.00	8	$14.60	8	$14.45
Adjustment to prior year estimated grants	2	$24.00	0	$14.60	0	$14.45
Granted	9	$23.90	5	$31.45	8	$18.94
Exercised	7	$24.00	8	$14.60	8	$14.95
Forfeited	-	-	-	-	-	-
Expired	-	-	-	-	-	-
Outstanding at end of year	9	$23.90	5	$31.45	8	$18.94
Exercisable at end of year	-	-	-	-	-	-
Weighted-average Fair value per share of options granted during the year		$8.67		$12.16		$5.36

Had the compensation cost for the Company's stock-based compensation plans been determined consistent with SFAS 123, the Company's net earnings and earnings per common share for 1999, 1998 and 1997 would approximate the pro forma amounts presented below:

	1999	1998	1997
Net earnings:			
As reported	$14,976	$10,518	$9,148
Pro-forma	$14,262	$10,087	$8,605
Earnings per common share:			
As reported			
Basic	$1.74	$1.41	$1.25
Diluted	$1.72	$1.40	$1.25
Pro-forma			
Basic	$1.66	$1.35	$1.18
Diluted	$1.64	$1.34	$1.18

The effects of applying SFAS 123 in this pro forma disclosure are not indicative of future amounts. The Company anticipates making awards in the future under its stock-based compensation plans.

11. Fair Values of Financial Instruments

Financial Accounting Standards Board ("FASB") Statement No. 107,"Disclosure about Fair Value of Financial Instruments," is a part of a continuing process by the FASB to improve information on financial instruments. The following methods and assumptions were used by the Company in estimating its fair value disclosures for such financial instruments as defined by the Statement:

Cash and Cash Equivalents - The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

Long-Term Debt - The carrying amounts of the Company's borrowings under its line of credit agreements and other long-term debt approximates fair value, based upon current interest rates.

Interest Rate Swaps - The carrying amounts of the Company's interest rate swaps approximates mark-to-market value of $77, based upon current interest rates.

12. Contingencies

Hollywood Park has received cease and desist orders from the California Regional Water Quality Control Board addressing storm water runoff and dry weather discharge issues. We have retained an engineering firm to develop a plan for compliance and to construct certain drainage and waste disposal systems. As part of the 1999 asset acquisition of Hollywood Park, the seller has agreed to indemnify our Company in the amount of $5.0 million for costs incurred in relation to the waste water runoff issue. It is not possible at this time accurately assess the total potential costs associated with this matter but we do not believe it will be materially in excess of the indemnification amount.

On January 22, 1992, the Company acquired certain assets of Louisville Downs, Incorporated for $5.0 million including the site of the Louisville Sports Spectrum. In conjunction with this purchase, the Company withheld $1.0 million from the amount due to the sellers to offset certain costs related to the remediation of environmental contamination associated with underground storage tanks at the site. All of the $1.0 million hold back had been utilized as of December 31, 1999 and additional costs of remediation have not yet been conclusively determined. The sellers have now received a reimbursement from the commonwealth of Kentucky of $1.0 million for remediation costs and that amount is now being held in an escrow account to pay further costs of remediation. Approximately $1.2 million, including interest on the escrow principal, remains in the account. The seller has submitted a corrective action plan to the state and it is anticipated that the Kentucky Cabinet of Natural Resources will consent to a closure, either with or without monitoring. In addition to the hold back, we have obtained an indemnity to cover the full cost of remediation from the prior owner of the property. We do not believe the cost of further investigation and remediation will exceed the amount of funds in the escrow.

($ in thousands, except per share data)

12. Contingencies (cont'd)

It is not anticipated that the Company will have any liability as a result of compliance with environmental laws with respect to any of the Company's property. Except as discussed herein, compliance with environmental laws has not affected the ability to develop and operate the Company's properties and the Company is not otherwise subject to any material compliance costs in connection with federal or state environmental laws.

13. Earnings Per Common Share Computations

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

	1999	1998	1997
Net earnings (numerator) amounts used for basic and diluted per share computations:	$14,976	$10,518	$9,148
Weighted average shares (denominator) of common stock outstanding per share computations:			
Basic	8,598	7,460	7,312
Plus dilutive effect of stock options	120	79	9
Diluted	8,718	7,539	7,321
Earnings per common share:			
Basic	$1.74	$1.41	$1.25
Diluted	$1.72	$1.40	$1.25

Options to purchase approximately 67, 52 and 10 shares for the years ended December 31, 1999, 1998 and 1997, respectively, were not included in the computation of earnings per common share-assuming dilution because the options' exercise prices were greater than the average market price of the common shares.

14. Segment Information

The Company has adopted SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information." The Company has determined that it currently operates in the following six segments (1) Churchill Downs racetrack, the Louisville Sports Spectrum simulcast facility and Churchill Downs corporate expenses (2) Hollywood Park Race Track(3)Calder Race Course (4) Ellis Park racetrack and its on-site simulcast facility, (5) Hoosier Park racetrack and its on-site simulcast facility and the other three Indiana simulcast facilities and (6) Other operations, including Kentucky Horse Center, CBT and the Company's investments in various equity interests in the net income of equity method investees, which are not material. Eliminations include the elimination of management fee and other intersegment transactions.

Most of the Company's revenues are generated from commissions on pari-mutuel wagering at the Company's racetracks and OTBs, plus Indiana riverboat admissions subsidy revenue, simulcast fees, lease income, admissions and concessions revenue.

($ in thousands, except per share data)

14. Segment Information (cont'd)

The accounting policies of the segments are the same as those described in the "Summary of Significant Accounting Policies" in the Company's annual report to stockholders for the year ended December 31, 1999. EBITDA should not be considered as an alternative to, or more meaningful than, net income (as determined in accordance with accounting principles generally accepted in the United States) as a measure of our operating results or cash flows(as determined in accordance with accounting principles generally accepted in the United States) or as a measure of our liquidity.

The table below presents information about reported segments for the years ended December 31, 1999, 1998 and 1997:

	December 31,		
	1999	1998	1997
Net revenues:			
Churchill Downs including corporate expenses	$ 82,429	$ 80,925	$ 77,404
Hollywood Park	30,494	-	-
Calder Race Course	72,418	-	-
Hoosier Park	51,280	47,744	41,503
Ellis Park	19,653	17,386	-
Other Operations	6,151	2,497	1,299
	262,425	148,552	120,206
Eliminations	(3,998)	(1,252)	(1,299)
	$258,427	$147,300	$118,907
EBITDA:			
Churchill Downs including corporate expenses	$12,110	$14,417	$14,205
Hollywood Park	3,842	-	-
Calder Race Course	17,946	-	-
Hoosier Park	6,423	5,599	4,282
Ellis Park	2,071	2,305	-
Other Operations	1,314	909	802
	$43,706	$23,230	$19,289
Operating income (loss):			
Churchill Downs including corporate expenses	$8,561	$10,700	$10,557
Hollywood Park	2,574	-	-
Calder Race Course	15,564	-	-
Hoosier Park	5,246	4,499	3,088
Ellis Park	721	1,422	-
Other Operations	(153)	522	760
	$32,513	$17,143	$14,405

($ in thousands, except per share data)

14. Segment Information (cont'd)

	As of December 31,		
	1999	1998	1997
Total Assets:			
Churchill Downs	$345,909	$ 89,427	$ 72,490
Hollywood Park	153,126	-	-
Calder Race Course	114,396	-	-
Hoosier Park	32,559	31,732	29,689
Ellis Park	25,015	23,038	-
Other Operations	312,272	71,109	31,180
	983,277	215,306	133,359
Eliminations	(585,231)	(100,655)	(47,510)
	$398,046	$114,651	$ 85,849

Following is a reconciliation of total EBITDA to income before provision for income taxes:

	December 31,		
	1999	1998	1997
Total EBITDA	$43,706	$23,230	$19,289
Depreciation and amortization	(10,859)	(5,744)	(4,559)
Interest income (expense), net	(6,992)	(216)	243
Earnings before provision for income taxes	$25,855	$17,270	$14,973

15. Subsequent Events

The Company and Keeneland Association, Inc. ("Keeneland") have entered into a definitive agreement whereby Keeneland will purchase the Company's Thoroughbred training and boarding facility known as Kentucky Horse Center ("KHC"). Keeneland has agreed to purchase KHC for a cash payment of $5 million. Proceeds from the sale will be used to repay a portion of the Company's line of credit. The sale is subject to certain closing conditions, and closing is expected during the second quarter of 2000.

The Company has entered into a definitive agreement with Centaur, Inc. ("Centaur") to sell a 26% interest in Hoosier Park, LP ("HPLP") for a purchase price of $8.5 million. HPLP is an Indiana limited partnership which owns Hoosier Park racetrack and related OTBs. Upon closing, the Company will retain a 51% interest in HPLP and continue to manage its day-to-day operations. Centaur, which already owned a portion of HPLP prior to the agreement, will hold a 39% minority interest in HPLP. The transaction is subject to certain closing conditions, including the approval of the Indiana Horse Racing Commission and various regulatory agencies. The agreement also contains a provision under which Centaur has the right to purchase our remaining interest at any time prior to July 31, 2001. Upon failure of Centaur to exercise this provision both parties will have an opportunity to purchase the other's remaining interest. The Company does not expect earnings to be significantly effected by this sale, as any loss in Hoosier Park annual income is expected to be significantly offset by a reduction in interest expense as a result of using the proceeds from the sale to repay a portion of the Company's line of credit. Closing is expected during the second quarter of 2000.

Supplementary Financial Information(Unaudited) (In thousands, except per share data)				Common Stock Information Per Share of Common Stock				
	Net Revenues	Operating Income (Loss)	Net Earnings (Loss)	Basic Earnings (Loss)	Diluted Earnings (Loss)	Dividends	Market Price High	Low
1999	$258,427	$32,513	$14,976	$1.74	$1.72			
Fourth Quarter	$93,548	$8,784	$3,128	$0.32	$0.31	$0.50	$26.00	$20.13
Third Quarter	63,076	3,635	1,192	0.13	0.12		33.63	22.50
Second Quarter	84,140	24,891	13,666	1.82	1.79		35.75	26.00
First Quarter	17,663	(4,797)	(3,010)	(0.40)	(0.40)		38.75	26.25
1998	$147,300	$17,143	$10,518	$1.41	$1.40			
Fourth Quarter	$31,242	$(1,291)	$(780)	$(0.10)	$(0.10)	$0.50	$36.44	$27.25
Third Quarter	33,299	(1,016)	(655)	(0.09)	(0.09)		41.44	27.63
Second Quarter	67,374	22,220	13,522	1.81	1.79		43.25	24.00
First Quarter	15,385	(2,770)	(1,569)	(0.21)	(0.21)		25.31	19.31
1997	$118,907	$14,405	$9,148	$1.25	$1.25			
Fourth Quarter	$28,021	$(270)	$31	$0.00	$0.00	$0.50	$23.38	$20.75
Third Quarter	16,827	(3,005)	(1,819)	(0.25)	(0.25)		21.00	16.25
Second Quarter	60,780	20,816	12,785	1.75	1.75		19.00	16.50
First Quarter	13,279	(3,136)	(1,849)	(0.25)	(0.25)		18.50	16.00

The Company's Common Stock is traded on the National Association of Securities Dealers, Inc.'s National Market("Nasdaq") under the symbol CHDN. As of March 14, 2000, there were approximately 3,350 shareholders of record.

Earnings (loss) per share and other per share amounts have been retroactively adjusted for the 2-for-1 stock split with a record date of March 30, 1998.

On July 20, 1999 the Company issued 2.3 million shares of common stock at a public offering price of $29 per share.

Quarterly earnings (loss) per share figures may not equal total earnings (loss) per share for the year due in part to the fluctuation of the market price of the stock.

The above table sets forth the high and low bid quotations (as reported by Nasdaq) and dividend payment information for the Company's Common Stock during its last three years. Quotations reflect inter-dealer prices, without retail mark-up, mark-down or commissions, and may not necessarily reflect actual transactions.

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required herein is incorporated by reference from sections of the Company's Proxy Statement titled "Section 16(a) Beneficial Ownership Reporting Compliance," "Election of Directors," and "Executive Officers of the Company," which Proxy Statement will be filed with the Securities and Exchange Commission pursuant to instruction G(3) of the General Instructions to Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION.

The information required herein is incorporated by reference from sections of the Company's Proxy Statement titled "Election of Directors - Compensation and Committees of the Board of Directors," "Compensation Committee Report on Executive Compensation," "Compensation Committee Interlocks and Insider Participation," "Performance Graph," and "Executive Compensation," which Proxy Statement will be filed with the Securities and Exchange Commission pursuant to instruction G(3) of the General Instructions to Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required herein is incorporated by reference from the sections of the Company's Proxy Statement titled "Common Stock Owned by Certain Persons," "Election of Directors" and "Executive Officers of the Company," which Proxy Statement will be filed with the Securities and Exchange Commission pursuant to instruction G(3) of the General Instructions to Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required herein is incorporated by reference from the section of the Company's Proxy Statement titled "Certain Relationships and Related Transactions," which Proxy Statement will be filed with the Securities and Exchange Commission pursuant to instruction G(3) of the General Instructions to Form 10-K.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(b) Reports on Form 8-K:

(1) Churchill Downs Incorporated filed a Current Report on Form 8-K dated September 10, 1999, amended by Form 8-K/A dated November 24, 1999, reporting , under Item 2, "Acquisition or disposition of assets", for the acquisition of Hollywood Park Race Track horse racing facility and the Hollywood Park Casino card club casino pursuant to an Asset Purchase Agreement dated as of May 5, 1999, amended by Amendment No.1 dated August 31, 1999.

(c) Exhibits

See exhibit index.

(d) All financial statements and schedules except those items listed under items 14(a)(1) and (2) above are omitted because they are not applicable, or not required, or because the required information is included in the financial statements or notes thereto.

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 its behalf by the undersigned, thereunto duly authorized.

CHURCHILL DOWNS INCORPORATED

/s/Thomas H. Meeker
Thomas H. Meeker
President and Chief Executive Officer
March 16, 2000

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/Thomas H. Meeker
Thomas H. Meeker, President and Chief Executive Officer
March 16, 2000
(Director and Principal Executive Officer)

/s/Robert L. Decker
Robert L. Decker,
Executive Vice President and Chief Financial Officer
March 16, 2000
(Principal Financial Officer)

/s/Michael E. Miller
Michael E. Miller,
Senior Vice President, Finance
March 16, 2000
(Principal Accounting Officer)

/s/Daniel P. Harrington
Daniel P. Harrington
March 16, 2000
(Director)

/s/Frank B. Hower, Jr.
Frank B. Hower, Jr.
March 16, 2000
(Director)

Arthur B. Modell
March 16, 2000
(Director)

/s/William S. Farish
William S. Farish
March 16, 2000
(Director)

/s/G. Watts Humphrey, Jr.
G. Watts Humphrey, Jr.
March 16, 2000
(Director)

/s/Carl F. Pollard
Carl F. Pollard
March 16, 2000
(Director)

/s/J. David Grissom
J. David Grissom
March 16, 2000
(Director)

/s/W. Bruce Lunsford
W. Bruce Lunsford
March 16, 2000
(Director)

/s/Dennis D. Swanson
Dennis D. Swanson
March 16, 2000
(Director)

/s/Charles W. Bidwill, Jr.
Charles W. Bidwill, Jr.
March 16, 2000
(Director)

/s/Seth W. Hancock
Seth W. Hancock
March 16, 2000
(Director)

/s/Darrell R. Wells
Darrell R. Wells
March 16, 2000
(Director)

CHURCHILL DOWNS INCORPORATED

SCHEDULE VIII. - VALUATION AND QUALIFYING ACCOUNTS

(In thousands)

Description	Balance, Beginning of Period	Charged to Expenses	Deductions	Balance, End of Period
Year ended December 31, 1999:				
Allowance for doubtful account and notes receivable	$121	$272	$(140)	$253
Valuation allowance for deferred tax asset	-	-	-	-
	$121	$272	$(140)	$253
Year ended December 31, 1998:				
Allowance for doubtful account and notes receivable	$176	$ 1	$ (56)	$121
Valuation allowance for deferred tax asset *	173	-	(173)	-
	$349	$ 1	$(229)	$121
Year ended December 31, 1997:				
Allowance for doubtful account and notes receivable	$165	$61	$(50)	$176
Valuation allowance for deferred tax asset *	176	-	(3)	173
	$341	$61	$(53)	$349

* Adjustments taken to income represent reversals of valuation allowance previously established for state net operating loss carryforwards.

EXHIBIT INDEX

Numbers		Description	By Reference To
(2)	(a)	Stock Purchase Agreement and Joint Escrow Instructions dated as of January 21, 1999 by and among Churchill Downs Incorporated and KE Acquisition Corp.	Exhibit 2.1 to Report on Form 8-K dated April 23, 1999
	(b)	First Amendment to Stock Purchase Agreement dated as of April 19, 1999 by and between Churchill Downs Incorporated, Churchill Downs Management Company and KE Acquisition Corp.	Exhibit 2.2 to Report on Form 8-K dated April 23, 1999
	(c)	Agreement and Plan of Merger and Amendment to Stock Purchase Agreement dated as of April 22,1999 by and among Churchill Downs Incorporated, Churchill Downs Management Company, CR Acquisition Corp., TP Acquisition Corp., Calder Race Course, Inc., Tropical Park, Inc. and KE Acquisition Corp.	Exhibit 2.3 to Report on Form 8-K dated April 23, 1999
	(d)	Asset Purchase Agreement dated May 5, 1999 between Hollywood Park, Inc., a Delaware Corporation, and Churchill Downs Incorporated	Exhibit 2.1 to Registration Statement on Form S-3 filed May 21, 1999 (No. 333-79031)
	(e)	Amendment No. 1 to Asset Purchase Agreement dated as of August 31, 1999 by and among Churchill Downs Incorporated, Churchill Downs California Company and Hollywood Park, Inc.	Exhibit 2.2 to Report on Form 8-K dated September 10, 1999
	(f)	Stock Purchase Agreement dated as of March 28, 1998 between Churchill Downs Incorporated and TVI Corp.	Exhibit 2.1 to Current Report on Form 8-K dated April
	(g)	Agreement and Plan of Merger dated as of April 17, 1998 by and among TVI Corp., Racing Corporation of America, Churchill Downs Incorporated and RCA Acquisition Company	Exhibit 2.2 to Current Report on Form 8-K dated April 21, 1998
	(h)	Partnership Interest Purchase Agreement dated as of February 16, 2000 by and among Anderson Park, Inc., Churchill Downs Management Company and Centaur, Inc.	Page 61, Report on Form 10-K for the year ended December 31, 1999
(3)	(a)	Amended and Restated Articles of Incorporation of Churchill Downs Incorporated	Page 91, Report on Form 10-K for the year ended December 31, 1999

	(b)	Restated Bylaws of Churchill Downs Incorporated as amended	Exhibit (3)(a) to Report on Form 10-Q for the fiscal quarter ended June 30, 1999
(4)		Rights Agreement dated as of March 19, 1998 between Churchill Downs, Inc. and Bank of Louisville	Exhibit 4.1 to Current Report on Form 8-K dated March 19, 1998
(10)	(a)	$250,000,000 Revolving Credit Facility Credit Agreement between Churchill Downs Incorporated, and the guarantors party hereto, and the Banks party hereto and PNC Bank, National Association, as Agent, and CIBC Oppenheimer Corp., as Syndication Agent, and Bank One, Kentucky, N.A., as Documentation Agent, dated as of April 23, 1999	Exhibit (10)(a) to Report on Form 10-Q for the fiscal quarter ended March 31, 1999
	(b)	First Amendment to $250,000,000 Revolving Credit Facility Credit Agreement dated April 30, 1999	Exhibit (10)(b) to Report on Form 10-Q for the fiscal quarter ended March 31, 1999
	(c)	Second Amendment to $250,000,000 Revolving Credit Facility Credit Agreement dated June 14, 1999	Exhibit (10)(c) to Form 10-Q for the fiscal quarter ended June 30, 1999
	(d)	Third Amendment, Waiver and Consent to $250,000,000 Revolving Credit Facility Credit Agreement dated February 23, 2000	Page 109, Report on Form 10-K for the year ended December 31, 1999
	(e)	Underwriting agreement for 2,000,000 Shares of Churchill Downs Incorporated Common Stock between Churchill Downs Incorporated and CIBC World Markets Corporation, Lehman Brothers, Inc., JC Bradford & Co., J.J.B. Hilliard, W.L. Lyons, Inc. on behalf of several underwriters	Exhibit 1.1 to Registration Statement on Form S-3/A filed July 15, 1999 (No. 333-79031)
	(f)	Casino Lease Agreement dated as of September 10, 1999 by and between Churchill Downs California Company and Hollywood Park, Inc.	Exhibit 10.1 to Report on Form 8-K dated September 10, 1999
	(g)	Churchill Downs Incorporated Amended and Restated Supplemental Benefit Plan dated December 1, 1998 *	Exhibit (10)(a) to Report on Form 10-K for the year ended December 31, 1998
	(h)	Employment Agreement dated as of October 1,1984, with Thomas H. Meeker, President*	Exhibit 19(a) to Report on Form 10-Q for fiscal quarter ended October 31, 1984

(i)	Churchill Downs Incorporated Incentive Compensation Plan (1997) *	Exhibit 10 (c) to Report on Form 10-K for the year ended December 31, 1996
(j)	Churchill Downs Incorporated 1993 Stock Option Plan *	Exhibit 10(h) to Report on Form 10-K for the eleven months ended December 31, 1993
(k)	Amendment of Employment Agreement with Thomas H. Meeker, President, dated October 1, 1984 *	Report on Form 10-K for the fiscal year ended January 31, 1986; Report on Form 10-K for the fiscal year ended January 31, 1987; 1988, 1990, 1991, 1992 and 1993
(l)	Amendment No. 1 to Churchill Downs Incorporated 1993 Stock Option Plan *	Exhibit 10 (g) to Report on Form 10-K for the year ended December 31, 1994
(m)	Amended and Restated Lease Agreement dated January 31, 1996	Exhibit 10 (l) to Report on Form 10-K for the year ended December 31, 1995
(n)	Partnership Interest Purchase Agreement dated December 20, 1995 among Anderson Park, Inc., Conseco HPLP, LLC, Pegasus Group, Inc. and Hoosier Park, L.P.	Exhibit 10(k) to Report on Form 10-K for the year ended December 31, 1995
(o)	Employment Agreement between Churchill Downs Incorporated and Robert L. Decker*	Exhibit 10 (l) to Report on Form 10-Q for the fiscal quarter ended March 31, 1997
(p)	Amendment No. 2 to Churchill Downs Incorporated 1993 Stock Option Plan *	Report on Form 10-K for the year ended December 31, 1997
(q)	Churchill Downs Incorporated, Amended and Restated Deferred Compensation Plan for Employees and Directors *	Exhibit (10)(n) to Report on Form 10-K for the year ended December 31, 1998
(r)	Amended and Restated Churchill Downs Incorporated 1997 Stock Option Plan *	Page 127, Report on Form 10-K for the year ended December 31, 1999

(21)	Subsidiaries of the registrant	Page 137, Report on Form 10-K for the year ended December 31, 1999
(23)	Consent of PricewaterhouseCoopers, LLP Independent Accountants	Page 138, Report on Form 10-K for the year ended December 31, 1999
(27)	Financial Data Schedule for the year ended December 31, 1999	Page 139, Report on Form 10-K for the year ended December 31, 1999

*Management contract or compensatory plan or arrangement.

PARTNERSHIP INTEREST PURCHASE AGREEMENT

By and Among

Anderson Park, Inc.,
an Indiana corporation,

Churchill Downs Management Company,
a Kentucky corporation,

and

Centaur, Inc.,
an Indiana corporation

Dated as of the 16th day of February, 2000.

TABLE OF CONTENTS

EXHIBITS

Exhibit A	Form of Participation Agreement
Exhibit B	Form of Consulting Agreement
Exhibit C	Hoosier Park Year-End Financial Statements
Exhibit D	Hoosier Park Interim Financial Statement

PARTNERSHIP INTEREST PURCHASE AGREEMENT

THIS PARTNERSHIP INTEREST PURCHASE AGREEMENT (this "Agreement") is made and entered into as of the 16th day of February, 2000, by and among Anderson Park, Inc., an Indiana corporation ("Seller"), Churchill Downs Management Company, a Kentucky corporation and the parent corporation of Seller ("CDMC") (Seller and CDMC, collectively, the "Selling Parties") and Centaur, Inc., an Indiana corporation ("Buyer").

RECITALS:

A. Seller is the general partner of Hoosier Park, L.P., an Indiana limited partnership ("Hoosier Park"), and owns a seventy-seven percent (77%) partnership interest therein.

B. Hoosier Park operates a horse race track and related pari-mutuel wagering facility in Anderson, Indiana as well as various satellite pari-mutuel wagering facilities in the State of Indiana (collectively, the "Gaming Facility").

C. Seller's principal asset is its seventy-seven percent (77%) general partnership interest in Hoosier Park.

D. Buyer desires to acquire from Seller, and Seller desires to sell to Buyer, (i) all right, title and interest of Seller in, to and under Seller's interest as a partner in Hoosier Park equal to twenty-six percent (26%) of all of the partnership interests therein now outstanding (the "Transferred Partnership Interest"), and (ii) the right to purchase from Seller either (1) its remaining fifty-one percent (51%) interest as a partner in Hoosier Park (the "Remaining Asset"), or (2) a portion (the "Asset Portion") of the Remaining Asset and all of the issued and outstanding common shares of Seller (the Asset Portion and such issued and outstanding shares, collectively, the "Asset and Stock Combination"), on the terms and subject to the conditions set forth in this Agreement. Buyer's right under Subsection (ii)(1) is hereinafter referred to as the "Asset Purchase Right" and its right under Subsection (ii)(2) as the "Stock and Asset Right".

AGREEMENT:

NOW, THEREFORE, in consideration of the mutual covenants contained in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

ARTICLE I
PURCHASE OF ASSETS

1.1 Acquisition of Transferred Partnership Interest. Upon the terms and subject to the conditions contained herein, Seller shall (and CDMC shall cause Seller to) sell and transfer to Buyer, and Buyer shall purchase and acquire from Seller, at the Closing (as hereinafter defined), all of

Seller's right, title and interest in, to and under the Transferred Partnership Interest, free and clear of all security interests, liens, restrictions, claims, encumbrances or charges of any kind, other than those set forth in the Partnership Agreement or restrictions under any federal or state securities laws (collectively, "Encumbrances").

1.2 Participation Agreement. At the Closing, CDMC shall grant to Buyer, by delivery of the Participation Agreement substantially in the form attached hereto as Exhibit A (the "Participation Agreement") a twenty-six percent (26%) interest in that certain loan (including all accrued and unpaid interest thereon) owed to CDMC by Hoosier Park in the original principal amount of $28,700,000, evidenced by that certain Second Amended Secured Promissory Note dated November 1, 1994 and executed by Hoosier Park in favor of CDMC (such loan, the "Loan" and such interest therein, the "Transferred Loan Interest").

1.3 Consulting Fee. At the Closing and in consideration for certain advisory services to be performed by Buyer in favor of CDMC (as described in the Consulting Agreement defined below), CDMC shall pay to Buyer an amount equal to twenty percent (20%) of all the management fees (the "Consulting Fee") payable to CDMC (in excess of $400,000 annually and other than any management fees accrued and unpaid at Closing) under the Amended and Restated Management Agreement dated May 31, 1996, between CDMC and Hoosier Park (the "Existing Management Agreement"), by delivery of the Consulting Agreement substantially in the form attached hereto as Exhibit B (the "Consulting Agreement").

ARTICLE II
PURCHASE PRICE

2.1 Purchase Price. In consideration for the Transferred Partnership Interest to be sold and transferred to Buyer, the Transferred Loan Interest and the Consulting Fee and upon the terms and conditions contained herein, Buyer shall pay or cause to be paid to or for the account of Seller (as set forth in Section 2.2 below), Eight Million Five Hundred Thousand Dollars ($8,500,000) (the "Purchase Price").

2.2 Payment of Purchase Price. Buyer shall pay the Purchase Price to Seller as follows:

(a) Buyer shall deliver an irrevocable letter of credit, in a form and from a financial institution acceptable to Seller, in the amount of Two Million Five Hundred Thousand Dollars ($2,500,000) (the "Deposit Amount") to Seller upon the execution of this Agreement; and

(b) Buyer shall pay the Purchase Price, less any amounts drawn on the letter of credit described in Section 2.2(a) above, to Seller at Closing by wire transfer to an account or accounts designated by Seller at least forty-eight hours prior to Closing.

Seller shall only draw upon such letter of credit as permitted under Section 6.8 below and any funds drawn thereon shall be applied to the Purchase Price at the time of Closing or as otherwise provided in Section 6.8.

2.3 Taxes and Costs. All taxes, stamp duties, notarial, registration and recording fees resulting from or relating to the sale and transfer of the Transferred Partnership Interest as contemplated hereby shall be paid by Seller.

2.4 Allocation. The parties shall agree at the Closing to the allocation of the Purchase Price among the Transferred Partnership Interest and the Transferred Loan Interest for financial accounting and tax purposes so that the portion of the Purchase Price attributable to the Transferred Loan Interest shall be equal to twenty-six percent (26%) of the then principal balance of the Loan and all accrued interest thereon, with all remaining Purchase Price allocated to the Transferred Partnership Interest.

ARTICLE III
CLOSING; CLOSING DELIVERIES

3.1 Closing. The "Closing" means the time at which the Selling Parties consummate the sale and transfer of the Transferred Partnership Interest, the Transferred Loan Interest and the Consulting Fee (collectively, the "Transferred Interests") to Buyer, against payment by Buyer of the Purchase Price, after the satisfaction (or receipt of a duly executed waiver) of each of the conditions precedent to Closing as hereinafter described. The Closing shall take place at the offices of Buyer's counsel, Sommer & Barnard, PC, 4000 Bank One Tower, 111 Monument Circle, Indianapolis, Indiana. Subject to Section 10.11 below, the Closing shall occur at 10:00 a.m., Eastern Standard Time, on June 30, 2000, or such other date as the parties may mutually agree. The date on which the Closing occurs is herein referred to as the "Closing Date".

3.2 Closing Deliveries of the Selling Parties. At the Closing, in addition to any other documents specifically required to be delivered pursuant to this Agreement, the Selling Parties shall, in form and substance reasonably satisfactory to Buyer and its counsel, deliver to Buyer the following:

(a) A Bill of Sale and Assignment, duly executed by Seller, conveying all of Seller's right, title and interest in, to and under the Transferred Partnership Interest to Buyer;

(b) A counterpart to the Participation Agreement, duly executed by CDMC;

(c) A counterpart to the Consulting Agreement, duly executed by CDMC;

(d) A certificate, duly executed by each of the Selling Parties, certifying that each of the Selling Parties has performed and complied with, in all material respects, all of the terms, provisions and conditions of this Agreement to be performed and complied with by each of them at

or prior to Closing and that their respective representations and warranties are true in all material respects as of the date of this Agreement and as of the Closing (except as expressly contemplated or permitted by this Agreement);

(e) A certificate of the Secretary or Assistant Secretary of Seller, dated the Closing Date, certifying (i) the resolutions duly adopted by CDMC, as sole shareholder of Seller (if required by Law, as hereinafter defined), and the Board of Directors of Seller authorizing and approving the execution, delivery and performance of this Agreement and the transactions contemplated hereby, and (ii) that such resolutions have not been rescinded or modified and remain in full force and effect as of the Closing Date;

(f) A certificate of the Secretary or Assistant Secretary of CDMC, dated the Closing Date, certifying (i) the resolutions duly adopted the Board of Directors of CDMC authorizing and approving the execution, delivery and performance of this Agreement and the transactions contemplated hereby, and (ii) that such resolutions have not been rescinded or modified and remain in full force and effect as of the Closing Date;

(g) A Certificate of Existence of Seller, dated no more than ten days prior to the Closing Date, issued by the Secretary of State of Indiana;

(h) A Certificate of Existence of CDMC, dated no more than ten days prior to the Closing Date, issued by the Secretary of State of Kentucky;

(i) An opinion of Wyatt, Tarrant & Combs, counsel for the Selling Parties, dated the Closing Date and addressed to Buyer, containing customary opinions;

(j) Such other instruments of sale, transfer, conveyance and assignment as Buyer and its counsel may reasonably request to effect the transfer of the Transferred Interests as contemplated hereby, including, without limitation, such documents as are required by the Amended and Restated Hoosier Park, L.P. Agreement of Limited Partnership dated as of May 31, 1996, among the partners of Hoosier Park (the "Partnership Agreement") to cause the sale and transfer of the Transferred Partnership Interest as herein contemplated to be effective and to cause the conveyance of the Transferred Partnership Interest to Buyer to be recognized by Hoosier Park and accurately reflected in Schedule 1 to the Partnership Agreement and in such other of its records as relate to the identity of its partners and the extent of their partnership interests or as otherwise required by applicable agreements; and

(k) All other previously undelivered items required to be delivered by any of the Selling Parties at or prior to Closing pursuant to this Agreement or otherwise required in connection herewith unless waived in writing by Buyer.

3.3 Buyer's Closing Deliveries. At the Closing, in addition to any other documents specifically required to be delivered pursuant to this Agreement, Buyer shall, in form and substance

reasonably satisfactory to the Selling Parties and their counsel, deliver to the Selling Parties the following:

(a) The portion of the Purchase Price (in U. S. Dollars) to be paid at the Closing pursuant to Section 2.2(b) of this Agreement;

(b) A counterpart to the Participation Agreement,duly executed by Buyer;

(c) A counterpart to the Consulting Agreement, duly executed by Buyer;

(d) A certificate, duly executed by Buyer, certifying that Buyer has performed and complied with, in all material respects, all of the terms, provisions and conditions of this Agreement to be performed and complied with by it at or prior to Closing and that its representations and warranties are true in all material respects as of the date of this Agreement and as of the Closing (except as expressly contemplated or permitted by this Agreement);

(e) A certificate of the Secretary or Assistant Secretary of Buyer, dated the Closing Date, certifying (i) the resolutions duly adopted by the Board of Directors of Buyer authorizing and approving the execution, delivery and performance of this Agreement and the transactions contemplated hereby, and (ii) that such resolutions have not been rescinded or modified and remain in full force and effect as of the Closing Date;

(f) A Certificate of Existence of Buyer, dated no more than ten days prior to the Closing Date, issued by the Secretary of State of Indiana;

(g) An opinion of Sommer & Barnard, P.C., counsel for Buyer, dated the Closing Date, addressed to the Selling Parties, containing customary opinions; and

(h) All other previously undelivered items required to be delivered by Buyer at or prior to Closing pursuant to this Agreement or otherwise required in connection herewith unless waived in writing by each of the Selling Parties.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF THE SELLING PARTIES

As an inducement to Buyer to enter into this Agreement and to consummate the transactions contemplated hereby, the Selling Parties, jointly and severally, represent and warrant to Buyer, and Buyer in agreeing to pay the Purchase Price and to otherwise consummate the transactions contemplated by this Agreement has relied upon such representations and warranties, except as set forth in that certain Disclosure Letter which is referred to herein and which has previously been delivered by the Selling Parties to Buyer, as follows:

4.1 Representations and Warranties Concerning the Selling Parties.

(a) Organization of Seller. Seller is a corporation duly organized and validly existing under the laws of the state of its organization and is qualified to do business as a foreign corporation in good standing in each other state wherein the nature of its business or activities requires such qualification.

(b) Organization of CDMC. CDMC is a corporation duly organized and validly existing under the laws of the state of its organization and is qualified to do business as a foreign corporation in good standing in each other state wherein the nature of its respective business or activities requires such qualification.

(c) Authorization. Each of the Selling Parties has full corporate power and authority to (a) execute and deliver this Agreement and to perform its respective obligations hereunder, and (b) own and operate its respective assets, properties and business and carry on its respective business as presently conducted. The execution, delivery and performance of this Agreement have been duly authorized by all necessary corporate action on the part of each of the Selling Parties, including director and shareholder (where required) authorization.

(d) Validity; Binding Effect. This Agreement has been duly and validly executed and delivered by each of the Selling Parties and constitutes a valid and legally binding obligation of each of the Selling Parties, enforceable against each of the Selling Parties in accordance with its terms.

(e) Noncontravention. The execution, delivery and performance of this Agreement by each of the Selling Parties, the consummation of the transactions contemplated hereby and the compliance with or fulfillment of the terms and provisions hereof or of any other agreement or instrument contemplated hereby, do not and will not (i) conflict with or result in a breach of any of the provisions of the Articles of Incorporation or Bylaws of any of the Selling Parties, (ii) contravene any Law which affects or binds any of the Selling Parties or any of their respective properties, (iii) except as set forth in the Disclosure Letter, conflict with, result in a breach of, constitute a default under, or give rise to a right of termination or acceleration under any material contract, agreement, note, deed of trust, mortgage, trust, lease, Governmental (as hereinafter defined) or other license, permit or other authorization, or any other material instrument or restriction to which any of the Selling Parties is a party or by which any of their respective properties may be affected or bound, or (iv) except for the Regulatory Approvals (as hereinafter defined) require any of the Selling Parties to obtain the approval, consent or authorization of, or to make any declaration, filing or registration with, any third party or any Governmental authority which has not been obtained in writing prior to the date of this Agreement.

(f) Title to Acquired Assets. Seller has, or will have at Closing, good and marketable title to the Transferred Partnership Interest, free and clear of any and all Encumbrances.

(g) Legal Compliance. Seller has complied in all material respects with all applicable Laws (including rules, regulation, codes, plans, injunctions, judgments, orders, decrees, rulings, and charges thereunder) of federal, state, local and foreign governments (and all agencies thereof) and no action, suit, proceeding, hearing, investigation, charge, complaint, claim, demand, or notice has been filed or commenced against Seller alleging any failure so to comply.

4.2 Representations and Warranties Concerning Hoosier Park.

(a) Organization of Hoosier Park. Hoosier Park is a limited partnership duly organized and validly existing under the laws of the State of Indiana and is qualified to do business as a foreign limited partnership in good standing in each other state wherein the nature of its business or activities requires such qualification.

(b) Ownership Interest. Hoosier Park is owned seventy-seven percent (77%) by Seller and to Seller's knowledge ten percent (10%) by Conseco HPLP, L.L.C., an Indiana limited liability company ("Conseco"). To Seller's knowledge, other than the interest of Centaur, there are no other holders of any ownership interest in Hoosier Park. There are no outstanding subscriptions, options, warrants, contracts, commitments, convertible securities or other agreements or arrangements of any character or nature whatsoever under which Hoosier Park or Seller is or may become obligated to issue, assign or transfer any ownership interest in Hoosier Park, except as provided in the Partnership Agreement.

(c) Financial Statements. The (i) audited balance sheets and statements of income, changes in stockholders' equity and cash flow as of and for the fiscal years ending 1996, 1997 and 1998 for Hoosier Park, attached hereto as Exhibit C, and (ii) unaudited balance sheets and statements of income, statement of partner's capital and cash flow as of and for the months ended November 30, 1999 (the "Hoosier Park Interim Financial Statements"), for Hoosier Park attached hereto as Exhibit D have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods covered thereby and present fairly the financial condition of Hoosier Park as of such dates and the results of operations of Hoosier Park for such periods; provided, however, that the Hoosier Park Interim Financial Statements are subject to normal year-end adjustments and lack footnotes and other presentation items required under generally accepted accounting principles.

(d) Subsequent Events. Since the date of the Hoosier Park Interim Financial Statements, to the Selling Parties' knowledge there has not been any material adverse change in the business, financial condition, operations or result of operations of Hoosier Park.

(e) Undisclosed Liabilities. To the Selling Parties' knowledge, Hoosier Park has no liability (and there is no basis for any present or future action, suit, proceeding, hearing, investigation, charge, complaint, claim or demand against it giving rise to any liability), except for (i) liabilities (whether known or unknown, foreseen or unforseen, contingent or otherwise

("Liabilities")) disclosed in the Hoosier Park Interim Financial Statements, and (ii) Liabilities not required to be so disclosed or which have arisen thereafter in the ordinary course of business.

(f) Notes and Accounts Receivable. Except as set forth in the Disclosure Letter, all notes and accounts receivable of Hoosier Park are reflected properly on its books and records, and to the knowledge of the Selling Parties, all material notes and accounts receivable of Hoosier Park are valid receivables subject to no setoffs or counterclaims, are current and are collectible in accordance with their terms at their recorded amounts, subject only to the reserve for bad debts set forth on the face of the balance sheet contained in the Hoosier Park Interim Financial Statements (rather than in any notes thereto) as adjusted for the passage of time through the Closing Date in accordance with the past custom and practice of Hoosier Park. At the Closing, Hoosier Park will have no obligations for borrowed money or the deferred purchase price of any asset, other than the Loan and capitalized leases incurred in the ordinary course of business.

(g) Legal Compliance. Hoosier Park has complied in all material respects with all applicable Laws (including rules, regulations, codes, plans, injunctions, judgments, orders, decrees, rulings, and charges thereunder) of federal, state, local and foreign Governments (and all agencies thereof) and no action, suit, proceeding, hearing, investigation, charge, complaint, demand, or notice has been filed or commenced against Hoosier Park alleging any failure so to comply.

(h) Tax Matters.

(i) Hoosier Park has filed all tax returns that it was required to file. All such tax returns were prepared in substantial compliance with applicable rules and instructions. Seller has delivered true and complete copies of all the tax returns of Hoosier Park for the last three (3) years to Buyer. All taxes, penalties, and interest (collectively, "Taxes") owed by Hoosier Park (whether or not shown on any tax return) have been paid, except as being contested in good faith, including the matters set forth in the Disclosure Letter. Hoosier Park is not currently the beneficiary of any extension of time within which to file any tax return. No claim has ever been made by an authority in a jurisdiction where Hoosier Park does not file tax returns that it is or may be subject to taxation by that jurisdiction.

(ii) Hoosier Park has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder, or other third party.

(iii)Hoosier Park has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.

(i) ERISA; Benefit Plans. The Disclosure Letter describes each employee benefit plan (as such term is defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) and each other material employee benefit plan, program or

arrangement maintained, contributed to or required to be contributed to, by Hoosier Park as of the date hereof on account of current or former employees of Hoosier Park (each, a "Benefit Plan").

(i)Each Benefit Plan that is intended to be qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code") has received a determination from the Internal Revenue Service that such Benefit Plan is so qualified and nothing has occurred since the date of such determination that would adversely affect the qualified status of such Benefit Plan.

(ii) Each Benefit Plan has been maintained, funded, and administered in compliance with its terms, the terms of any applicable collective bargaining agreements, and all applicable laws including, but not limited to, ERISA and the Code.

(j) Employees. To the knowledge of each of the Selling Parties, no executive, key employee, or group of employees has any plans to terminate employment with Hoosier Park. Except as set forth in the Disclosure Letter, Hoosier Park is not a party to or bound by any collective bargaining agreement, nor has Hoosier Park experienced any material strikes, grievances, claims of unfair labor practices, or other collective bargaining disputes. To the knowledge of the Selling Parties, Hoosier Park has not committed any unfair labor practice. None of the Selling Parties has any knowledge of any organizational effort presently being made or threatened by or on behalf of any labor union with respect to employees of Hoosier Park.

(k) Litigation. Hoosier Park (i) is not subject to any material outstanding injunction, judgment, order, decree, ruling or charge, and (ii) is not a party to (or to the best of the knowledge of each of the Selling Parties, threatened to be made a party to) any action, suit, proceeding, hearing or investigation of, in, or before any court or quasi-judicial or administrative agency of any federal, state, local or foreign jurisdiction.

(l) Environmental, Health and Safety Matters.

i)To the knowledge of the Selling Parties, Hoosier Park is in compliance with all federal, state, local and foreign statutes, regulations and ordinances concerning public health and safety, worker health and safety and pollution or protection of the environment, including, without limitation, all those relating to the presence, use, production, generation, handling, transportation, treatment, storage, disposal, distribution, labeling, testing, processing, discharge, release, threatened release, control or cleanup of any hazardous materials, substances or wastes (collectively, "Environmental, Health and Safety Requirements").

(ii) Hoosier Park has not received any written notice, report or other information regarding any active or alleged violation of any Environmental, Health and Safety Requirements.

(m) Title to Property. Hoosier Park has good and marketable title to or, as applicable, a valid leasehold interest in all of its assets and properties (or interests therein), real or

personal, tangible or intangible, which it owns or leases, free and clear of all Encumbrances except for those (i) Encumbrances set forth in the Disclosure Letter, (ii) liens for real and personal property taxes not yet due and payable, (iii) statutory landlord's liens, or (iv) any liens incurred in the ordinary course of business since March 3, 1999 and which will not have an adverse effect on the operation or use of its property.

(n) Contracts, Agreements, and Commitments. Except for the contracts, agreements and commitments set forth in the Disclosure Letter (true and complete copies of which have been provided to or made available to Buyer), Hoosier Park is not a party to, or bound by any written or oral contract, agreement or commitment which involves the payment or potential payment per annum by or to Hoosier Park of more than Fifty Thousand Dollars ($50,000) individually or One Hundred Thousand Dollars ($100,000) in the aggregate (with respect to contracts relating to the same general subject matter) or that are otherwise material to the business, operations, assets or property of Hoosier Park (including, without limitation, oral or written employment agreements, consulting or deferred compensation agreements). Each contract disclosed or required to be disclosed in the Disclosure Letter is in full force and effect and constitutes a valid and binding obligation of Hoosier Park in accordance with its terms and, to the Selling Parties' knowledge, no party to such contract, has violated, breached or defaulted under such contract, unless such violation, breach or default has been cured or waived, or, with or without notice or lapse of time or both, would be in violation or breach of or default under any such contract.

4.3 Disclosure. None of the representations or warranties of any of the Selling Parties contained in this Article IV, and none of the information contained in the Disclosure Letter referred to in this Article IV, is false or misleading in any material respect or omits to state a fact herein or therein necessary to make the statements made herein or therein not misleading in any material respect.

4.4 No Breach. Notwithstanding anything to the contrary herein contained, no inaccuracy of any of the representations or warranties set forth in Sections 4.2(h), (i), (j) or (l) of this Agreement shall constitute a breach of this Agreement on which a right of action could be maintained against the Selling Parties.

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF BUYER

As an inducement to the Selling Parties to enter into this Agreement and to consummate the transactions contemplated hereby, Buyer represents and warrants to each of the Selling Parties, and each of the Selling parties in agreeing to consummate the transactions contemplated by this Agreement has relied upon such representations and warranties, as follows:

5.1 Organization of Buyer. Buyer is a corporation duly organized and validly existing under the laws of the State of Indiana and is qualified to do business as a foreign corporation in good standing in each other state wherein the nature of its business or activities requires such qualification.

5.2 Authorization. Buyer has full corporate power and authority to (a) execute and deliver this Agreement and to perform its obligations hereunder, and (b) own and operate its assets, properties and business and carry on its business as presently conducted. The execution, delivery and performance of this Agreement has been duly authorized by all necessary corporate action on the part of Buyer, including director authorization.

5.3 Validity; Binding Effect. This Agreement has been duly and validly executed and delivered by Buyer and constitutes a valid and legally binding obligation of Buyer, enforceable against Buyer in accordance with its terms.

5.4 Noncontravention. The execution, delivery and performance of this Agreement by Buyer, the consummation of the transactions contemplated hereby and the compliance with or fulfillment of the terms and provisions hereof or of any other agreement or instrument contemplated hereby, do not and will not (a) conflict with or result in a breach of any of the provisions of the Articles of Incorporation or Bylaws of Buyer, (b) contravene any Law which affects or binds Buyer or any of its properties, (c) conflict with, result in a breach of, constitute a default under, or give rise to a right of termination or acceleration under any material contract, agreement, note, deed of trust, mortgage, trust, lease, Governmental or other license, permit or other authorization, or any other material instrument or restriction to which Buyer is a party or by which any of its properties may be affected or bound, or (d) except for the Regulatory Approvals require Buyer to obtain the approval, consent or authorization of, or to make any declaration, filing or registration with, any third party or any Governmental authority which has not been obtained in writing prior to the date of this Agreement.

5.5 Licensing. Buyer, its beneficial owners and its Affiliates are Qualified (both as hereinafter defined), and shall be Qualified at the Closing, to acquire an interest in Hoosier Park pursuant to Indiana Code Section 4-31-1 et. seq. or any other applicable Indiana law and the rules and regulations of the IHRC. "Qualified" shall include, without limitation, the ability to obtain a license from the IHRC. Buyer, in its reasonable judgment, believes that it, its beneficial owners and its Affiliates will not jeopardize Hoosier Park's continuing opportunity to conduct its business.

5.6 Securities Matters

(a) Buyer understands and agrees that the Transferred Partnership Interest has not been registered under the Securities Act of 1933, as amended (the "Act"), or any state securities act and, therefore, may not be resold unless registered under such acts or unless an exemption from registration is available. Buyer further understands that the certificate evidencing the Transferred Partnership Interest will contain a legend setting forth the restrictions on transferability of such shares.

(b) Buyer is purchasing the Transferred Partnership Interest for investment only for its own account and not with a view to the distribution or resale thereof.

(c) Buyer acknowledges that the Transferred Partnership Interest is a speculative investment which involves a risk of loss by it of its entire investment.

(d) Buyer is an "accredited investor" as defined in Rule 501(a) promulgated under the Act and has sufficient knowledge and experience in business and financial matters to evaluate the merits and risks of an investment in the Transferred Partnership Interest.

(e) Buyer has been afforded access to all material books, records and contracts of Hoosier Park, has had an opportunity to ask questions of and receive answers from Hoosier Park, or a person or persons acting on behalf of Hoosier Park concerning the business and affairs of Hoosier Park and concerning the terms and conditions of an investment in the Transferred Partnership Interest; and all such questions have been answered to its full satisfaction.

5.7 Disclosure. None of the representations or warranties of Buyer contained in this Article V is false or misleading in any material respect or omits to state a fact herein or therein necessary to make the statements made herein or therein not misleading in any material respect.

ARTICLE VI
COVENANTS PENDING CLOSING

The parties agree as follows with respect to the period between the date of the execution of this Agreement and the Closing:

6.1 Reasonable Efforts. Each of the parties hereto shall take all action and do all things reasonably necessary, proper or advisable in order to consummate the transactions contemplated by this Agreement, including, without limitation, (a) obtaining the Regulatory Approvals and resolving any licensing issues before the IHRC, and (b) satisfaction, but not waiver, of the conditions to Closing set forth below.

6.2 Notices and Consents. Each of the parties hereto shall use reasonable efforts to obtain any and all consents of third parties and Governmental authorities (including, without limitation, the Regulatory Approvals) as are necessary to consummate the transactions contemplated hereby; provided, however, that no party hereto shall be obligated under this Section 6.2 until after March 30, 2000.

6.3 Full Access. Seller shall, and Seller shall cause Hoosier Park to, permit the representatives of Buyer to have full access at all reasonable times, and in a manner so as not to interfere with the normal business operations of Hoosier Park and Seller, to all premises, properties, personnel, books, records (including tax records), contracts and documents of or pertaining to

Hoosier Park, Seller, the Transferred Partnership Interest, the Remaining Asset, the Transferred Loan Interest and the Consulting Fee.

6.4 Operation of Business. From and after the date hereof until the Closing, Hoosier Park and Seller will (and CDMC shall cause Seller, and Seller shall cause Hoosier Park, to): (a) operate their respective businesses in the ordinary course, consistent with past practice; (b) use their best efforts to preserve their operations so that Buyer will obtain the benefits intended to be afforded by this Agreement; (c) not take or permit any action which would result in any representation or warranty of any of the Selling Parties becoming incorrect or untrue in any material respect or result in the failure of any of the Selling Parties to comply with its covenants and agreements herein in any material respect; and (d) notify Buyer in writing promptly after any of the Selling parties becomes aware of the occurrence of any event (other than matters of general knowledge or otherwise known to Buyer) that might have a material adverse effect on the business, operations or financial condition of Hoosier Park. By way of describing the limitations described in Section 6.4(a) above, but without limiting the scope of such provision, Seller will not (nor will CDMC permit Seller nor will Seller permit Hoosier Park to): (x) make any non-customary or extraordinary distributions or payments to any party (including, without limitation, CDMC or Seller) for any purpose whatsoever (the parties acknowledging that payments under the Existing Management Agreement and the Loan are customary and not extraordinary), (y) enter into any material agreement (oral or written) that is likely to continue beyond the Closing Date (without the written consent of Buyer, which consent shall not be unreasonably withheld), except that Hoosier Park may enter into concession agreements in the ordinary course of business and on commercially reasonable terms, or (z) sell, transfer or encumber (or enter into any agreement to sell transfer or encumber) any of the Transferred Partnership Interest, the Remaining Asset, the Transferred Loan Interest or the Consulting Fee (except as contemplated by this Agreement).

6.5 Notices. The parties hereto will promptly notify each other in writing if any of them receives any notice, or otherwise becomes aware, of any action or proceeding instituted or threatened before any court or governmental agency or by any third party to restrain or prohibit, or obtain substantial damages in respect of this Agreement or the consummation of the transactions contemplated hereby.

6.6 Preservation of Business. Hoosier Park will use its best efforts to keep (and Seller will cause Hoosier Park to keep) its business and properties substantially intact, including, its present operations, physical facilities, working conditions, and relationships with lessors, licensors, suppliers, customers, and employees.

6.7 Exclusivity. Seller will not (and CDMC will not cause or permit Seller to) (a) solicit, initiate, or encourage the submission of any proposal or offer from any third party relating to the acquisition of any interest in Hoosier Park, or any capital stock or other voting securities, or any substantial portion of the assets, of Seller (including any acquisition structured as a merger, consolidation, or share exchange or any acquisition of any interest in Seller's partnership interest in Hoosier Park) or (b) participate in any discussions or negotiations regarding, furnish any information

with respect to, assist or participate in, or facilitate in any other manner any effort or attempt by any third party to do or seek any of the foregoing. Seller will notify Buyer immediately if any third party makes any proposal, offer, inquiry, or contact with respect to any of the foregoing.

6.8 Letter of Credit. Seller may not draw upon the letter of credit described in Section 2.2(a) above until Closing or if the Closing does not occur for any reason other than (a) a breach of a material provision of this Agreement by any of the Selling Parties (whether or not a right of action exists with respect to such breach), or (b) the failure or refusal of the IHRC to grant the approval described in Section 7.5 of this Agreement (unless such refusal or failure is caused by the action or inaction, or an attribute, of Buyer) at which time Buyer shall forfeit the Deposit Amount and Seller can draw upon the letter of credit for payment thereof. The forfeiture of the Deposit Amount as set forth above shall not constitute a waiver of any legal or equitable remedies, including specific performance, available to the Selling Parties.

ARTICLE VII
CONDITIONS PRECEDENT OF THE SELLING PARTIES

The obligation of the Selling Parties to effect the transactions contemplated by this Agreement is subject to the fulfillment at or prior to the Closing of each of the following conditions, except to the extent any such condition is waived in writing by all of the Selling Parties:

7.1 Performance by Buyer. Buyer shall have performed and complied in all material respects with all of the terms, provisions and conditions of this Agreement to be performed and complied with by Buyer at or prior to the Closing.

7.2 Accuracy of Representations and Warranties. All of the representations and warranties made by Buyer in this Agreement shall be true in all material respects as of the date of this Agreement and as of the Closing (except as expressly contemplated or permitted by this Agreement).

7.3 No Injunction. No injunction, restraining order, judgment or decree of any court or Governmental authority shall be existing against any of the parties to this Agreement or any of their officers, directors or representatives, which restrains, prevents or materially alters the transactions contemplated hereby.

7.4 Closing Deliveries. Buyer shall have delivered to the Selling Parties each of the documents required of Buyer under Section 3.3 of this Agreement.

7.5 Receipt of Regulatory Approvals. Seller shall have received the approval of the Indiana Horse Racing Commission (the "IHRC"), and the City of Anderson, Indiana, Parks and Recreations Board (to the extent their approval is required by applicable Law or agreement) (collectively, the "Regulatory Approvals").

ARTICLE VIII
BUYER'S CONDITIONS PRECEDENT

The obligation of Buyer to effect the transactions contemplated by this Agreement is subject to the fulfillment at or prior to the Closing of each of the following conditions, except to the extent any such condition is waived in writing by Buyer:

8.1 Performance by CDMC and Seller. Each of the Selling Parties shall have performed and complied in all material respects with all of the terms, provisions and conditions of this Agreement to be performed and complied with by it at or prior to the Closing.

8.2 Accuracy of Representations and Warranties. All of the representations and warranties made by the Selling Parties in this Agreement shall be true in all material respects as of the date of this Agreement and as of the Closing (except as expressly contemplated or permitted by this Agreement).

8.3 No Injunction. No injunction, restraining order, judgment or decree of any court or Governmental authority shall be existing against any of the parties to this Agreement or any of their officers, directors or representatives, which restrains, prevents or materially alters the transactions contemplated hereby.

8.4 Closing Deliveries. The Selling Parties shall have delivered to Buyer each of the documents required of them under Section 3.2 of this Agreement.

8.5 Receipt of Consents/Regulatory Approvals. Buyer shall have received all of the Regulatory Approvals.

8.6 No Material Change. There will not have occurred (a) any suspension or revocation of the IHRC license for Hoosier Park or (b) any destruction or disposition (voluntary or involuntary, except as contemplated by this Agreement) of a material part of the assets of Hoosier Park.

ARTICLE IX
POST-CLOSING COVENANTS

The parties agree as follows with respect to the period after the Closing:

9.1 Indemnification.

(a) The Selling Parties shall, jointly and severally, indemnify and hold Buyer harmless from and against any and all damages, claims, causes of action, losses and expenses, including reasonable attorneys' fees and expenses (collectively, "Indemnifiable Losses"), incurred

in connection with or arising from (i) any nonfulfillment or breach by any of the Selling Parties of any of their agreements or covenants contained in this Agreement, (ii) any breach of any warranty or the inaccuracy of any representation or warranty of any of the Selling Parties contained in this Agreement or in the Disclosure Letter (other than the representations and warranties set forth in Sections 4.2(h), 4.2(i), 4.2 (j) or 4.2(l) of this Agreement), (iii) any Liabilities of any of the Selling Parties, and (iv) ownership of the Transferred Partnership Interest prior to the Closing; provided, however, that Buyer shall not be entitled to make a claim for indemnification under Section 9.1(a) (ii) until Buyer's Indemnifiable Losses in the aggregate equal or exceed One Hundred Thousand Dollars ($100,000) (the "Threshold Level"); provided, further, that once a claim for such indemnification exceeds the Threshold Level, such indemnification shall be made from the first dollar of Indemnifiable Losses and no indemnity shall be provided for such Indemnifiable Losses in excess of One Million Dollars ($1,000,000) (the "Indemnity Limit").

(b) Buyer shall indemnify and hold each of the Selling Parties harmless from and against any and all Indemnifiable Losses incurred in connection with or arising from (i) any nonfulfillment or breach by Buyer of any of its agreements or covenants contained in this Agreement, (ii) any breach of any warranty or the inaccuracy of any representation or warranty of Buyer contained in this Agreement, and (iii) ownership of the Transferred Partnership Interest after the Closing; provided, however, that Seller shall not be entitled to make a claim for indemnification under Section 9.1(b)(ii) until Seller's Indemnifiable Losses in the aggregate equal or exceed the Threshold Level; provided, further, that once a claim for such indemnification exceeds the Threshold Level, such indemnification shall be made from the first dollar of Indemnifiable Losses and no indemnity shall be provided for such Indemnifiable Losses in excess of the Indemnity Limit.

9.2 Survival Period. Except as otherwise specifically provided herein, the representations and warranties contained in this Agreement or in the Disclosure Letter delivered pursuant to this Agreement (or in any other information delivered to any other party incident to the transactions contemplated hereby) shall survive the Closing and shall remain in full force and effect, regardless of any investigation made by or on behalf of any party hereto, and shall continue for a period of one (1) year after the Closing Date, at which time all of such representations and warranties shall terminate. Notwithstanding anything contained in this Section 9.2 to the contrary, any claim for indemnification made by any party hereto in writing to another party hereto prior to the expiration of the survival period set forth above shall survive until such claim has been resolved.

9.3 Matters Affecting Partnership Agreement. Buyer and Seller shall discharge in full all of their respective obligations arising from, through or in any manner related to the Partnership Agreement, including, without limitation, any obligations owed to Conseco under Section 10.2(d) thereof. Specifically, but not by way of limitation, Buyer agrees that if Conseco exercises its co-sale right under the Partnership Agreement or otherwise desires to sell its interest as a partner in Hoosier Park, at the election of Conseco, Buyer shall either (a) purchase the entire partnership interest of Conseco in Hoosier Park and all rights of Conseco in, to or under the Loan, the Existing Management Agreement and any and all other interest of Conseco in any way relating thereto, but excluding accrued and unpaid financial advisory fees, if any (collectively, the "Conseco Interest")

for an amount equal to the result of ten (10) multiplied by a fraction (the "Fraction") the numerator of which is equal to the Purchase Price and the denominator of which is equal to twenty-six (26), or (b) purchase twenty-six seventy-sevenths (26/77) of the Conseco Interest for an amount equal to twenty-six seventy-sevenths (26/77) of ten (10) multiplied by the Fraction and offer to purchase the remaining portion of the Conseco Interest (i.e., fifty-one seventy sevenths (51/77) of the Conseco Interest) for an amount equal to fifty-one seventy-sevenths (51/77) of ten (10) multiplied by a fraction the numerator of which is equal to the Call Price (as hereinafter defined) and the denominator of which is equal to fifty-one (51). Notwithstanding any other provision of this Agreement, Buyer shall not be in breach of this Agreement for failure to consummate the purchase of the Conseco Interest as set forth in this Section 9.3 above if such failure is caused by the failure or refusal of Conseco to sell the Conseco Interest on such terms or its failure or refusal to consummate such a sale.

9.4 No Investment. From the date of this Agreement and for a period of five years thereafter, Buyer and its Affiliates will not acquire equity securities representing more than five percent (5%) of the issued and outstanding equity securities of Churchill Downs Incorporated, a Kentucky corporation.

9.5 Non-Solicitation and Retention.

(a) From the date on which the sale of the Retained Partnership Interest (as hereinafter defined) from Seller to Buyer is consummated pursuant to either Section 9.6 or 9.7 below and for one (1) year thereafter, none of the Selling Parties will (nor will they permit any of their respective Affiliates to), without Buyer's prior written consent, directly or indirectly, recruit, solicit or otherwise induce or influence any employee or sales agent of Hoosier Park (other than Richard B. Moore) to discontinue such employment, agency or other relationship with Hoosier Park.

(b) For a period of one (1) year after the closing of the sale of the Call Right, Buyer agrees that it will offer or cause Hoosier Park to continue to offer employment to all of Hoosier Park's employees effective on the closing of the Call Right (other than such non-union employees Buyer has identified by written notice to the Selling Parties within thirty (30) days of the Call Notice), it being understood that Hoosier Park thereafter will be free to terminate such employees and that Hoosier Park may terminate any employees at any time For Cause (as hereinafter defined).

(c) "For Cause" shall mean (i) any act or omission on the part of an employee that constitutes (A) common law fraud, (B) a felony, or (C) dishonesty, or (ii) any act or omission on the part of an employee that jeopardizes Hoosier Park's continuing ability to conduct its business or is otherwise injurious to Hoosier Park, or (iii) any neglect by an employee in connection with his or her duties.

9.6 Call Right.

(a) At any time prior to July 31, 2001 (the "Call Period"), Buyer may notify Seller of its intention to purchase the Retained Partnership Interest (defined as the Remaining Asset or the Asset and Stock Combination, whichever is elected by Buyer, along with all remaining interest of CDMC in, to and under the Loan, and the Existing Management Agreement (other than any accrued and unpaid management fees), which agreement shall be forthwith terminated by Buyer) from Seller at a price of Sixty Million Dollars ($60,000,000), adjusted or allocated as provided in Section 9.6(c) below (the "Call Price") (Buyer's right to purchase the Retained Partnership Interest from Seller for the Call Price during such period, the "Call Right").

(b) Upon Buyer delivering notice to Seller of its intention to exercise its Call Right as set forth in Section 9.6 (a) above (the "Call Notice"), Seller (and CDMC, as appropriate) shall be obligated to sell and transfer the Retained Partnership Interest to Buyer on the terms and subject to the conditions set forth in this Agreement relating to the sale and transfer of the Transferred Partnership Interest; provided, however, that (i) the purchase price for the Retained Partnership Interest shall be the Call Price rather than the Purchase Price, (ii) the Call Price shall be paid to Seller and/or CDMC (in U.S. Dollars) in full at the Closing, (iii) the Closing shall occur within the earlier of (A) three months from the date all Regulatory Approvals are given, or (B) six months from the date the Call Notice is delivered (subject to the proviso set forth in Section 10.11 below), (iv) the representations and warranties of Buyer and the Selling Parties set forth in this Agreement shall be reaffirmed on the Closing Date (it being understood, however, that (A) the representations and warranties made in Sections 4.2(b) through (d) and (j) of this Agreement (the "Updated Representations") shall be updated within thirty (30) days of the date of the Call Notice to reflect events occurring after the Closing Date ("Intervening Events"), and (B) changes in the Updated Representations and immaterial changes in the other representations and warranties caused by Intervening Events shall not be deemed a breach thereof by the Selling Parties and/or Buyer, (v) if Buyer elects to exercise the Stock and Asset Right, (A) all representations and warranties given in Section 4.2 hereof shall be made with respect to both Hoosier Park and Seller, and (B) the Indemnity for Liabilities of Seller set forth in Section 9.1(a)(iii) shall not apply, unless such Liabilities result from a breach of this Agreement, (vi) the parties' indemnity obligations relating to the sale of the Retained Partnership Interest shall be extended beyond the date of the consummation of the sale of the Retained Partnership Interest for the period described in Section 9.2 above, and (vii) the Indemnity Limit shall be increased to Three Million Five Hundred Thousand Dollars ($3,500,000).

(c) If Buyer purchases the Remaining Asset pursuant to Buyer's exercise of the Asset Purchase Right, then the Call Price shall be increased by an amount equal to (i) the product of (A) One Million Seven Hundred Nineteen Thousand Seven Hundred Fourteen Dollars ($1,719,714) multiplied by (B) the maximum marginal federal corporate income tax rate then in effect (currently thirty-five percent (35%)) plus seven percent (7%) (the "Applicable Tax Rate") multiplied by (ii) the reciprocal of one minus the Applicable Tax Rate. If Buyer purchases the Asset Portion and the stock of Seller pursuant to the Stock and Asset Right, then the Call Price shall be allocated between the stock of the Seller and such Asset Portion so that, based on an assumed effective tax rate to Seller equal to the Applicable Tax Rate, the tax on the gain realized by Seller on the sale of the Asset Portion plus the tax on the gain realized by CDMC on the sale of the stock

of Seller shall equal the tax on the gain CDMC would realize upon a sale of all of the stock of Seller without Seller having sold any of the Remaining Asset, provided, however, that at least so much of the Call Price shall be allocable to the stock of the Seller so that, after giving effect to the sale of the Asset Portion and the distribution of the proceeds of such sale from the Seller to CDMC, no loss shall be realized by CDMC on the sale of the stock of the Seller.

(d) Upon delivery of the Call Notice to Seller, Buyer shall simultaneously deliver a letter of credit in the Deposit Amount, having terms described in Section 2.2(a) above, to Seller. Such letter of credit shall be subject to forfeiture on the same terms as described in Section 6.8 above, relating to the failure of the consummation of the sale of the Retained Partnership Interest.

(e) Buyer may extend the Call Period until April 30, 2002, by delivery to Seller of a written notice of its intention to so do prior to the expiration of the initial Call Period, along with a payment in immediately available funds of Two Hundred Fifty Thousand Dollars ($250,000).

9.7 Put/Call Right.

(a) If Buyer fails to exercise its Call Right during the Call Period, either Seller or Buyer shall have the right to offer to either (i) sell the entire interest it then owns as a partner in Hoosier Park to the other for an amount equal to the result of (A) the value of Hoosier Park as a going concern as determined by the offering party (the "Total Enterprise Value") multiplied by (B) the percentage interest the offering party then owns as a partner in Hoosier Park (the "Offered Sales Price"), or (ii) purchase the entire interest the other party then owns as a partner in Hoosier Park for an amount equal to the result of (A) the Total Enterprise Value multiplied by (B) the percentage interest the other party then owns as a partner in Hoosier Park (the "Offered Purchase Price") (such right to either purchase or sell, the "Put/Call Right"). If the offering party so desires to exercise its Put/Call Right, it shall do so by written notice (the "Put/Call Notice"). The non-offering party shall then be obligated to either sell its partnership interest for the Offered Purchase Price, or purchase the offering party's partnership interest for the Offered Sales Price. The non-offering party shall have sixty (60) days from delivery of the Put/Call Notice (the "Put/Call Period") to notify the offering party as to whether it will sell its partnership interest or purchase the offering party's partnership interest. If the non-offering party fails to respond to the Put/Call Notice during the Put/Call Period, the non-offering party shall be deemed to have elected to sell its partnership interest as set forth above.

(b) Upon expiration of the Put/Call Period, the parties shall be obligated to sell or purchase their respective interests as hereinabove provided in Section 9.7(a), on the terms and conditions set forth herein relating to the sale of the Transferred Partnership Interest, subject to the proviso set forth in Section 9.6(b) above (substituting the interest so sold or purchased for the Retained Partnership Interest, the Put/Call Notice for the Call Notice and the Offered Sales Price or the Offered Purchase Price, as the case may be, for the Call Price).

9.8 Additional Interests Acquired. Any sale of the partnership interest in Hoosier Park of Seller or Buyer pursuant to Section 9.6 or Section 9.7 shall include the sale of such party's rights under the Loan and the Existing Management Agreement, which agreement shall forthwith be terminated by Buyer. The allocation of the price to be paid for the Retained Partnership Interest shall be allocated as set forth in Section 2.4 above.

9.9 Acquisition of Conseco Interest. Seller acknowledges that Buyer may acquire (by purchase, stock purchase, merger, consolidation, share exchange, or otherwise) the Conseco Interest. Seller hereby waives any and all rights of first refusal it may have under the Partnership Agreement if Buyer seeks to so acquire such interest of Conseco. If Buyer consummates such an acquisition of the Conseco Interest, the parties hereto agree that Buyer shall succeed to all rights of Conseco in, to and under the Loan and the Existing Management Agreement.

9.10 Simulcasting Rights. The parties agree that from the date of the consummation of the sale of Seller's partnership interest in Hoosier Park to Buyer under Sections 9.6 or 9.7 above, they will each negotiate for making available simulcast signals relating to Hoosier Park on commercially reasonable terms for a five (5) year period.

9.11 Disclosures. From the Closing and for so long as the Call Right or the rights set forth in Section 9.7 above are in existence, the Selling Parties will deliver or cause to be delivered to Buyer, the following statements:

(a) Within twenty (20) days after the end of each calendar month (except the last month of the year), a detailed balance sheet, profit and loss statement, and cash flow statement showing the results of operation of Hoosier Park for such month and the year to date, with a comparison to the then current Annual Plan (as defined in the Management Agreement) and the same period(s) in the prior year and figures for handle and attendance at Hoosier Park;

(b) Within forty-five (45) days after the end of each calendar quarter (except the last calendar quarter of the year), a detailed balance sheet, profit and loss statement, and cash flow statement showing the results of operation of Hoosier Park for such quarter and the year to date, with a comparison to the then current Annual Plan and the same period(s) in the prior year, and a narrative explanation for those items which vary ten percent (10%) or more from the Annual Plan, to the extent that ten percent (10%) is in excess of $100,000; and

(c) Within ninety (90) days after the end of each year, a balance sheet, together with a comparison to the previous year, a related statement of profit and loss and a cash flow statement, together with a comparison to the previous year, and having annexed thereto a computation in reasonable detail of the management fees (payable pursuant to the Management Agreement) for such year.

9.12 Board Participation. From the date of this Agreement and as long as the Call Right or the Put/Call Right exist, Buyer shall be entitled to designate one (1) person to the Board of Directors of Seller.

9.13 Due Diligence. From the date of this Agreement and as long as the Call Right or the Put/Call Right exist, each of the Selling Parties will (and shall cause Hoosier Park to) permit representatives of Buyer to have full access at all reasonable times, and in a manner so as not to interfere with the normal business operations of Seller and Hoosier Park, to all premises, properties, personnel, books, records, contracts and documents pertaining to Seller, Hoosier Park or the Retained Partnership Interest.

ARTICLE X
MISCELLANEOUS

10.1 Confidentiality; Press Release.

(a) Prior to Closing, and for four (4) years thereafter, each party hereto shall treat in confidence, and not disclose without the prior consent of the other parties hereto, all documents, materials and other information which it shall have obtained regarding the other party during the course of the negotiations leading to the consummation of the transactions contemplated hereby (whether obtained before or after the date of this Agreement), the investigation provided for herein and the preparation of this Agreement and other related documents, except for disclosure required by law, or in connection with any lawsuit between or involving the parties or any party hereto. The obligation of each party to treat such documents, materials and other information in confidence shall not apply to any information which (a) such party can demonstrate was already lawfully in its possession prior to the disclosure thereof by the other party, (b) is known to the public and did not become so known through any violation of a legal obligation, or (c) became known to the public through no fault of such party. Upon termination of this Agreement in accordance with Section 10.11 hereof, each party shall promptly return to the other parties hereto all of the confidential documents, materials and other information it has obtained from such other parties. The obligations imposed by the immediately preceding sentence shall survive any termination of this Agreement pursuant to Section 10.11.

(b) No party to this Agreement shall issue any press release or make any public announcement relating to the subject matter of this Agreement prior to the Closing without the prior written approval of all of the other parties hereto, except as otherwise required by Law or the rules or regulations of NASDAQ.

10.2 Notices. All notices, requests, consents and other communications hereunder ("Notice") shall be in writing and shall be deemed to have been given (a) if mailed, the date of receipt of such Notice when sent via first class United States registered mail, return receipt requested, postage prepaid to the address listed below for the party to whom the Notice is being sent ("Notice Party"); (b) if hand delivered or delivered by courier, upon actual delivery of such Notice to the Notice Party at the address listed below for such Notice Party; or (c) if sent by facsimile, on the first business day after the date of the sender's receipt of a confirmed transmission of such Notice to the Notice Party at the facsimile number, if any, listed below for such Notice Party provided the party giving such Notice mails a copy of such Notice within two days after the transmission of such

Notice by facsimile to the Notice Party. The addresses and facsimile numbers for each party to this Agreement, as of the date hereof, are:

If to any of the Selling Parties:	Churchill Downs Incorporated Attn: Rebecca C. Reed 700 Central Avenue Louisville, KY 40208 Facsimile No. 502/636-4456
With a copy to:	Wyatt, Tarrant & Combs Attn: Robert A. Heath 2800 Citizens Plaza Louisville, KY 40202-2898 Facsimile No. 502/589-0309
If to Buyer:	Centaur, Inc. Attn: Kurt E. Wilson 20 N. Salisbury W. Lafayette, IN 47906 Facsimile No. 765/746-1015
With a copy to:	Sommer & Barnard, P.C. Attn: James K. Sommer 111 Monument Cir., Suite 4000 P. O. Box 44363 Indianapolis, IN 46244 Facsimile No. 317/236-9802

Any party may change its address or facsimile number by providing written notice, in accordance with the foregoing provisions of this Section 10.2, to each other party of such change.

10.3 Expenses.

(a) Each party hereto will pay all costs, fees and expenses incident to its negotiation and preparation of this Agreement and to its performance and compliance with all agreements contained herein on its part to be performed, including the fees, expenses and disbursements of its respective counsel and accountants.

(b) In any legal action between the parties arising out of or related to this Agreement, the prevailing party shall be entitled to recover its costs and expenses, including reasonable accounting and legal fees.

10.4 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Indiana, without regard to such jurisdiction's conflict of laws principles.

10.5 Partial Invalidity. In case any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision or provisions had never been contained herein.

10.6 Assignment. None of the Selling Parties may assign this Agreement, or any rights hereunder, to any other party without the prior written consent of Buyer. Buyer may, however, assign its rights hereunder to a majority-owned Affiliate of Buyer, provided, however, that Buyer shall not make any such assignment of its rights without having given Seller written notice of the proposed assignment, which notice shall identify the beneficial owners of such Affiliate (the "Assignment Notice"). For a period of thirty (30) days after the giving of the Assignment Notice, Seller shall be entitled to give Buyer written notice of rejection of such proposed Affiliate (the "Rejection Notice") if Seller, upon the advice of legal counsel and in its reasonable, good faith judgment, believes that the assignment to such proposed Affiliate would jeopardize Hoosier Park's continuing ability to conduct (or is materially injurious to) its business because of the identity of one or more of such beneficial owners, which Rejection Notice shall specify the beneficial owner or owners of such Affiliate to whom Seller takes exception. Buyer may thereafter assign its rights hereunder to such Affiliate of Buyer if such beneficial owner or owners to whom Seller has taken exception no longer hold a beneficial ownership interest in such Affiliate. A Selling Party may, however, assign this Agreement to one of its wholly-owned subsidiaries or to a wholly-owned subsidiary of Churchill Downs Incorporated. Seller hereby also agrees that Buyer may assign its rights to the current partnership interest in Hoosier Park owned by Buyer to a majority-owned Affiliate of Buyer on the terms set forth in this Section 10.6 above, and Seller waives any and all right Seller may have to acquire such partnership interest under the Partnership Agreement, along with any co-sale or rights of first refusal of Seller.

10.7 Successors and Assigns. Subject to the provisions of Section 10.6 above, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

10.8 Execution in Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be considered an original counterpart, and all of which shall be considered to be but one agreement and shall become a binding agreement when each party shall have executed one counterpart and delivered it to the other party hereto.

10.9 Titles and Headings; Rules of Construction. Titles and headings to sections herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement. Whenever the context so requires the use of or reference to any gender includes the masculine, feminine and neuter genders; and all terms used in the singular shall have comparable meanings when used in the plural and vice versa.

10.10 Entire Agreement; Amendments and Waivers. This Agreement contains the entire understanding of the parties hereto with regard to the subject matter contained in this Agreement and supersedes all prior agreements or understandings of the parties. The parties, by mutual agreement in writing, may amend, modify and supplement this Agreement. The failure of any party to this Agreement to enforce at any time any provision of this Agreement shall not be construed to be a waiver of such provision, nor in any way to affect the validity of this Agreement or any part hereof or the right of such party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to constitute a waiver of any other or subsequent breach.

10.11 Termination. This Agreement shall terminate and shall be of no further force or effect (a) upon mutual written agreement of the parties hereto, or (b) upon notice given by any party which is not in breach of this Agreement to the other party hereto in the event the Closing has not occurred on or before June 30, 1999; provided, however, that if the Closing has not occurred prior to such date due to delays in acquiring any of the Regulatory Approvals and the party responsible for acquiring such approvals is diligently pursuing the same, this Agreement may not be so terminated and the Closing Date shall be extended until such approvals are acquired so long as such party continues to diligently pursue their acquisition. Except for the provisions of Sections 6.8, 9.1,10.1 and 10.3 of this Agreement, upon termination of this Agreement, this Agreement shall be of no further force or effect. No termination of this Agreement shall release, or be construed as releasing, any party from any liability to any other party which may have arisen for any reason. A party's right to terminate this Agreement is in addition to, and not in lieu of, any other rights or remedies which such party may have.

10.12 No Third Party Beneficiaries. This Agreement will not confer any rights or remedies upon any person other than the parties and their respective heirs, successors and permitted assigns, as applicable.

10.13 Definitions. For purposes of this Agreement:

(a) "Affiliate" means, with respect to any person or entity, any person or entity that controls, is controlled by or is under common control with such person or entity. A person or entity shall be presumed to have control when it possesses the power, directly or indirectly, to direct, or cause the direction of, the management or policies of another person or entity, whether through ownership of voting securities, by contract, or otherwise. Notwithstanding the foregoing, Affiliate shall not include individuals who are (A) independent directors of CDMC, or (B) independent directors or shareholders of Churchill Downs Incorporated, a Kentucky corporation.

(b) "Government" shall mean (or in the case of "Governmental") shall refer to:

(i) the government of the United States of America;

(ii) the government of any state, county, municipality, city, town or district of the United States of America; and

(iii) any ministry, agency, department, authority, commission, administration, corporation, court, magistrate, tribunal, arbitrator, instrumentality or political subdivision of, or within the geographical jurisdiction of, any government described in the foregoing subparagraphs (A) and (B).

(c) "Law" shall mean any of the following of, or issued by, any Government or Governmental agency: any statute, law, act, ordinance, code, rule or regulation or any license, permit, authorization or approval, or any injunction, award, decree, judgment or order.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the day and year first above written.

"SELLER"	"BUYER"
Anderson Park, Inc.	Centaur, Inc.
By: _____	By: _____
Printed: _____	Kurt E. Wilson, President
Title: _____	

"CDMC"

Churchill Downs Management Company
By: _____
Printed: _____
Title: _____

CERTIFICATE
REGARDING AMENDED AND RESTATED
ARTICLES OF INCORPORATION OF
CHURCHILL DOWNS INCORPORATED

THIS CERTIFICATE is delivered pursuant to KRS 271B.10-070(4) together with the Restated Articles of Incorporation of Churchill Downs Incorporated. On behalf of Churchill Downs Incorporated, the undersigned states that the Restated Articles of Incorporation attached hereto contain an amendment to the Articles of Incorporation requiring shareholder approval and therefore, provides the information required by KRS 271B.10-060 as follows:

ARTICLE I

The name of the corporation is Churchill Downs Incorporated.

ARTICLE II

Article VII of the Articles of Incorporation of Churchill Downs Incorporated is amended to read in its entirety as follows:

ARTICLE VII

CAPITAL STOCK

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

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

B. The Preferred Stock.

1. Shares of the Preferred Stock may be issued from time to time in one or more series as may from time to time be determined by the Board of Directors of the corporation. Each series shall be distinctly designated. All shares of any one series of the Preferred Stock shall be alike in every particular, except that there may be different dates from which dividends (if any) thereon shall be cumulative, if made cumulative. The relative preferences,

participating, optional and other special rights of each such series, and limitations thereof, if any, may differ from those of any and all other series at any time outstanding. The Board of Directors of the corporation is hereby expressly granted authority to fix by resolution or resolutions adopted prior to the issuance of any shares of each particular series of the Preferred Stock, the designation, relative preferences, participating, optional and other special rights and limitations thereof, if any, of such series, including but without limiting the generality of the foregoing, the following:

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

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

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

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

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

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

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

C. Other Provisions.

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

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

ARTICLE III

The amendment to the Articles of Incorporation does not provide for an exchange, reclassification or cancellation of issued shares.

ARTICLE IV

The amendment to the Articles of Incorporation was adopted by the vote of the shareholders of Churchill Downs Incorporated at the Annual Meeting of Shareholders held on June 17, 1999.

ARTICLES V

At the June 17, 1999 Annual Meeting of Shareholders of Churchill Downs Incorporated, 7,525,041 shares of Churchill Downs Incorporated common stock were outstanding and entitled to vote upon all matters presented to the meeting, including adoption of the amendment. No other voting groups exist. A total of 6,306,277 shares of the common capital stock of Churchill Downs Incorporated were represented at the meeting and a total of 5,832,957 votes were cast for adoption of the amendment to the Articles of Incorporation of Churchill Downs Incorporated, which number is sufficient for approval of the amendment to the Articles of Incorporation.

Executed this ____ day of July, 1999.

CHURCHILL DOWNS INCORPORATED

Rebecca C. Reed, Senior Vice President,
General Counsel and Secretary

AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF CHURCHILL DOWNS INCORPORATED

ARTICLE I

NAME

The name of the corporation shall be Churchill Downs Incorporated.

ARTICLE II

PURPOSE AND POWERS

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

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

ARTICLE III

DURATION

The corporation shall have perpetual existence.

ARTICLE IV

REGISTERED OFFICE AND AGENT

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

700 Central Avenue
Louisville, Kentucky 40208

ARTICLE V

REGISTERED AGENT

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

Rebecca C. Reed
700 Central Avenue
Louisville, Kentucky 40208

ARTICLE VI

DEBT LIMITATION

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

ARTICLE VII

CAPITAL STOCK

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

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

B. The Preferred Stock.

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

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

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

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

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

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

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

[g] The voting powers, if any, of the holders of shares of the series which may,without limiting the generality of the foregoing, include the right, voting as a series by itself or together with other series of the Preferred Stock as a class, to vote more or less than one vote per share on

any or all matters voted upon by the stockholders and to elect one or more directors of the corporation in the event there shall have been a default in the payment of dividends on any one or more series of the Preferred Stock or under such other circumstances and upon such conditions as the Board of Directors may fix.

C. Other Provisions.

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

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

ARTICLE VIII

VOTING RIGHTS OF COMMON STOCK

In stockholders' meetings each holder of Common Stock shall be entitled to one vote for each share of Common Stock standing in his name on the books of the corporation, except that in the election of directors, each holder of Common Stock shall have as many votes as results from multiplying the number of shares held by him by the number of directors to be elected. Such votes may be divided among the total number of directors to be elected or distributed among any lesser number in such proportion as the holder may determine.

The presence in person or by proxy of the holders of a majority of the outstanding Common Stock of the corporation shall constitute a quorum at all stockholders' meetings.

ARTICLE IX

PREEMPTIVE RIGHTS

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

ARTICLE X

DIRECTORS

The business and affairs of the corporation shall be managed by or under the direction of a Board of Directors consisting of not less than nine (9) nor more than twenty-five (25) directors, the exact number of directors to be determined by affirmative vote of a majority of the entire Board of Directors except that at the time this new Articles X is adopted, the number of directors shall be fixed at seventeen (17). The directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as possible, of one-third of the total number of directors constituting the entire Board of Directors.

At the 1984 annual meeting of stockholders, the seventeen (17) directors elected will not be elected to a specific class of directors. Following the 1984 annual meeting of stockholders, the Board of Directors will initially determine which directors will be designated and serve as Class I, Class II and Class III directors, respectively. Upon such determination by the Board of Directors, Class I directors shall serve for a one-year term expiring in 1985. Class II directors for a two-year term expiring in 1986, and Class III directors for a three-year term expiring in 1987. At each succeeding annual meeting of Stockholders beginning in 1985, successors to the class of directors whose term expires at that annual meeting shall be elected for a three-year term. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case will a decrease in the number of directors shorten the term of any incumbent director. A director shall hold office until the annual meeting of the year in which his term expires and until his successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office. Any vacancy on the Board of Directors that results from an increase in the number of directors may be filled by a majority of the Board of Directors then in office, and any other vacancy occurring in the Board of Directors may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director. Any director elected to fill a vacancy not resulting from an increase in the number of directors shall have the same remaining term as that of his predecessor.

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

Any director or the entire Board of Directors may be removed from office without cause by the affirmative vote of eighty percent (80%) of the votes entitled to be cast by the holders of all then outstanding shares of voting stock of the corporation, voting together as a single class; provided, however, that no individual director shall be removed without cause (unless the Board of Directors or the class of directors of which he is a member be removed) in case the votes cast against such removal would be sufficient, if voted cumulatively for such director, to elect him to the class of directors of which he is a member.

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

ARTICLE XI

ELIMINATION OF DIRECTOR LIABILITY

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

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

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

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

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

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

ARTICLE XII

SPECIAL MEETING OF SHAREHOLDERS

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

[a] The Board of Directors; or

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

SERIES DESIGNATION FOR SERIES 1998 PREFERRED STOCK

I. Designation and Number of Shares. This series of the Preferred Stock shall be designated as "Series 1998 Preferred Stock" (the "Series 1998 Preferred Stock"). The number of shares initially issuable as the Series 1998 Preferred Stock shall be 11,300; provided, however, that, if more than a total of 11,300 shares of Series 1998 Preferred Stock shall be issuable upon the exercise of Rights (the "Rights") issued pursuant to the Rights Agreement dated as of March 19, 1998, between the Corporation and Bank of Louisville, as Rights Agent (the "Rights Agreement"), the Board of Directors of the Corporation, shall, if then permitted by the Kentucky Business Corporation Act, direct by resolution or resolutions that Articles of Amendment of the Articles of Incorporation of the Corporation be properly executed and filed with the Secretary of State of Kentucky providing for the total number of shares issuable as Series 1998 Preferred Stock to be increased (to the extent that the Articles of Incorporation then permit) to the largest number of whole shares (rounded up to the nearest whole number) issuable upon exercise of such Rights.

II. Dividends or Distributions.

(a) Subject to the prior and superior rights of the holders of shares of any other series of Preferred Stock or other class of capital stock of the Corporation ranking prior and superior to the shares of Series 1998 Preferred Stock with respect to dividends, the holders of shares of the Series 1998 Preferred Stock shall be entitled to receive, when, as and if declared by

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

(b) The Corporation shall declare a dividend or distribution on the Series 1998 Preferred Stock as provided in Section II(a) immediately prior to or at the same time it declares a dividend or distribution on the Common Stock (other than a dividend or distribution solely in shares of Common Stock); provided, however, that, in the event no dividend or distribution (other than a dividend or distribution in shares of Common Stock) shall have been declared on the Common Stock during the period between any Annual Dividend Payment Date and the next subsequent Annual Dividend Payment Date, a dividend of

$.01 per share on the Series 1998 Preferred Stock shall nevertheless be payable on such subsequent Annual Dividend Payment Date. The Board of Directors may fix a record date for the determination of holders of shares of Series 1998 Preferred Stock entitled to receive a dividend or distribution declared thereon, which record date shall be the same as the record date for any corresponding dividend or distribution on the Common Stock.

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

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

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

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

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

(b) Except as otherwise provided herein or by applicable law, the holders of shares of Series 1998 Preferred Stock and the holders of shares

of Common Stock shall vote together as one voting group for the election of directors of the Corporation and on all other matters submitted to a vote of shareholders of the Corporation.

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

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

IV. Certain Restrictions.

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

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

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the

Series 1998 Preferred Stock, except dividends paid ratably on the Series 1998 Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

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

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

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

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

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

this Section VI and Section II appear to apply to a transaction, this Section VI will control.

VII. No Redemption; No Sinking Fund.

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

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

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

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

X. Reacquired Shares. Any shares of Series 1998 Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock, without par value, of the Corporation, undesignated as to series, and may thereafter be reissued as part of a new series of such Preferred Stock as permitted by law.

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

Stock shall be deemed to apply to the powers, preferences, rights or privileges of any holder of shares of Series 1998 Preferred Stock originally issued upon exercise of a Right after the time of such approval without the approval of such holder.

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

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

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

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

It is hereby certified that on this date I am the duly elected and qualified Senior Vice President, General Counsel and Secretary of Churchill Downs Incorporated and that on the 17th day of June, 1999, the foregoing Restated Articles of Incorporation of the corporation were amended to amend provisions of the foregoing Article VII thereto, in the manner as set forth in the Certificate delivered herewith and that the foregoing Restated Articles of Incorporation were approved by action of the Board of Directors.

CHURCHILL DOWNS INCORPORATED

Rebecca C. Reed, Senior Vice President,
General Counsel and Secretary

THIRD AMENDMENT, WAIVER AND CONSENT

to

$250,000,000 REVOLVING CREDIT FACILITY

CREDIT AGREEMENT

by and among

CHURCHILL DOWNS INCORPORATED, as the Borrower,

and

THE GUARANTORS PARTY HERETO

and

THE BANKS PARTY HERETO

and

PNC BANK, NATIONAL ASSOCIATION, As Agent,

and

CIBC OPPENHEIMER CORP., As Syndication Agent.

and

BANK ONE, KENTUCKY, N.A., As Documentation Agent

Dated as of February 23, 2000

THIS THIRD AMENDMENT, WAIVER AND CONSENT TO CREDIT AGREEMENT (the "Third Amendment") dated as of February 23, 2000, by and among CHURCHILL DOWNS INCORPORATED, as the Borrower (the "Borrower"), the GUARANTORS party to the Credit Agreement (as hereinafter defined), the BANKS party to the Credit Agreement (as hereinafter defined) and PNC BANK, NATIONAL ASSOCIATION, as the Agent (the "Agent"), and CIBC OPPENHEIMER CORP., as Syndication Agent. and BANK ONE, KENTUCKY, N.A., as Documentation Agent

WHEREAS, reference is made to the Credit Agreement dated April 23, 1999, as amended prior to the date hereof (the "Credit Agreement") described above;

WHEREAS, capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement; and

WHEREAS, reference is made to that certain memorandum from PNC Bank to Churchill Downs Bank Group dated October 12, 1999 attached hereto as Exhibit A (the "October 12, 1999 Memorandum").

NOW, THEREFORE, the parties hereto, in consideration of their mutual covenants and agreements hereinafter set forth and intending to be legally bound hereby, covenant and agree as follows:

1. Sale of Kentucky Horse Center and Release of Liens

A. Recital.

Attached hereto as Exhibit 1(A) is a letter dated December 21, 1999 from the Borrower to the Agent describing the proposed sale of the Kentucky Horse Center (the "KHC") by Racing Corporation of America ("RCA"). Attached to such letter is a description of the personal property and other assets to be sold (together with the applicable real property comprising the KHC, the "KHC Assets") and a summary of the financial performance and projections relating to the KHC. Under such transaction, Borrower will guaranty the obligations of RCA under the applicable transaction documents. Under the terms described in such letter, RCA will sell the KHC Assets for a price of approximately $5,000,000. RCA may engage in a "deferred like kind exchange" under Section 1031 of the Internal Revenue Code (the "Code") and currently intends to employ Bank One Exchange Corporation as the "qualified intermediary" under Regulation Section 1.1031(k)-1(g)(4) (the "Intermediary") to hold the proceeds of such sale pending identification and purchase of "replacement assets" (as defined in the Code). It is also possible that RCA will not engage in a "deferred like-kind of exchange".

B. Consent; Authorization to Release.

The Banks hereby approve of such sale and authorize the Agent

to execute such documents as are necessary to release the Liens of the Banks in the KHC Assets subject to the following:

(a) Sales Price.

The sales price for the KHC Assets shall be approximately $5,000,000 and the other terms of the sale shall be substantially as set forth in the first paragraph of this Section 1;

(b) Terms of Intermediary Agreement; Delivery of Intermediary Agreement.

If RCA engages in a "deferred like kind exchange", the Loan Parties shall deliver to the Agent a copy of the agreement between KHC and the Intermediary (the "Intermediary Agreement") at least 3 Business Days before the date of RCA's sale of the KHC Assets. The Intermediary Agreement shall (1) be substantially consistent with the first paragraph of this Section 1, (2) comply with the requirements of a deferred like-kind exchange using a qualified intermediary pursuant to Section 1031 of the Code, (3) provide that the proceeds held by the Intermediary shall be returned to RCA if either (a) RCA fails to identify "replacement property" within 45 days of the date of the sale of the KHC Assets or (b) RCA fails to purchase replacement property within 180 days after the sale of the KHC Assets, and (4) provide that any net proceeds held by the Intermediary in excess of the purchase price for the replacement property shall be returned to RCA;

(c) Release Terms.

The Agent shall not be required to release its Liens on the KHC Assets until it has satisfactory assurance that the proceeds of such sale have been, or simultaneously with such release will be, received by the Intermediary;

(d) Exclusion of KHC Assets from Financial Covenant Computations After Sale.

The parties hereto acknowledge that on any computations of the financial ratios listed below pursuant to the Credit Agreement made after the date on which RCA sells the KHC Assets (including quarterly computations for quarters ending prior to the date of such sale if the due date for the Compliance Certificate setting forth such computation is after the date of such sale), the operations of KHC shall be excluded from all income and expense items in the computations of such ratios. For purposes of the preceding sentence "Income and expense items" shall include without limitation Consolidated EBITDA and both the numerators and denominators of the Interest Coverage Ratio and the Fixed Charge Coverage Ratio (and each component of such numerators and denominators).

Section/Ratio	
Section 7.2.17	Maximum Total Leverage Ratio
Section 7.2.18	Maximum Senior Leverage Ratio
Section 7.2.19	Minimum Interest Coverage Ratio
Section 7.2.21	Minimum Fixed Charge Coverage Ratio

; and

(e) Compliance with Section 7.2.5 (Liquidations, Mergers, Consolidations, Acquisitions) in Connection With Purchase of Replacement Property.

The purchase by the Loan Parties of replacement property shall be subject to Section 2.5 (Liquidations, Mergers, Consolidations, Acquisitions) and the Loan Parties shall comply with the requirements of such Section.

2. Amendment to Permit Pledge of Assets by Charlson Broadcast Technologies, LLC

A new clause (xii) is hereby added to the definition of "Permitted Liens" to follow immediately after the last clause of such definition to read as set forth below. Such last clause is renumbered to read "(xi)" instead of "(x)" (correcting the numerical sequence--such definition now has two clauses numbered "(x)") :

"(xii) Liens granted by Charlson Broadcast Technologies, LLC provided that the Indebtedness secured thereby is permitted under clause (i) of Section 7.2.1(Limitation on Indebtedness) (and such Indebtedness shall reduce the amount of availability under the $5,000,000 limit on Indebtedness of Excluded Subsidiaries permitted under such clause (i))."

3. Amendments to Create a $10 Million "Basket" for Guarantees and Indebtedness.

A. Indebtedness (Section 7.2.1)

A new clause (xi) is hereby added to Section 7.2.1 to follow immediately after clause (x) and to read as follows:

"(xi) other Indebtedness provided that the total amount of Indebtedness included under this clause (xi) and Guarantees included under clause (iii) of Section 7.2.3 shall not exceed $10,000,000."

B. Guaranties (Section 7.2.3)

Section 7.2.3 is hereby amended and restated to read as follows:

"7.2.3 Guaranties.

Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, at any time, directly or indirectly, become or be liable in respect of any Guaranty, or assume, guarantee, become surety for, endorse or otherwise agree, become or remain directly or contingently liable upon or with respect to any obligation or liability of any other Person, except for (i) the Guaranty Agreement (ii) other Guaranties entered into in the ordinary course of business on behalf of a Loan Party or any of its Subsidiaries (subject in the case of Guaranties on behalf of the Excluded Subsidiaries to the limitation on Restricted Investments contained in Section 7.2.4(vii)) provided that such other Guaranties do not to exceed $5,000,000 in the aggregate and are otherwise permitted hereunder, (iii) other Guaranties provided that the total amount of Guaranties included in this clause (iii) plus the amount of Indebtedness included in clause (xi) of Section 7.2.1 shall not exceed $10,000,000, and (iv) Guarantees by any Loan Party of Indebtedness or other obligations of any other Loan Party permitted hereunder."

C. Acknowledgments Related to The Foregoing Amendments.

(a) $5,000,000 Loan From Triple Crown Productions, LLC.

The $5,000,000 loan to the Borrower from Triple Crown Productions, LLC referenced in Section I of the October 12, 1999 Memorandum is Indebtedness permitted under clause (xi) of Section 7.2.1 of the Credit Agreement and shall be included under such clause (xi).

(b) $1,500,000 Loan to Kentucky Derby Museum.

The $1,500,000 loan from the Borrower to the Kentucky Derby Museum referenced in Section II of the October 12, 1999 Memorandum shall (as provided in such October 12, 1999 Memorandum) be included as a Permitted Investment under the last clause of the definition of such term (beginning "and in addition, the Borrower shall be allowed to invest") in the Credit Agreement (and accordingly such loan shall reduce from $5,000,000 to $3,500,000 the amount of "similar cash investments"
which may be treated as "Permitted Investments" under the last clause of such definition).

4. Landlord's Waiver and Consent--Calder Satellite Uplink.

A. Recital:

Calder entered into that certain Agreement of Lease dated as of July 1, 1995 pursuant

to which Calder leased to The Satlink Corporation ("Satlink") space on the premises of Calder's racetrack facility for the construction of a satellite communications uplink facility. Roberts Communications Network, Inc. ("Roberts"), is the successor by merger to Satlink. Roberts' lender, General Electric Capital Corporation ("GECC"), has requested that Calder enter into that certain Landlord's Waiver and Consent (the "GECC Waiver") in the form attached as Exhibit 4(A) hereto pursuant to which among other things, the Agent acknowledges the validity of GECC's liens in the personal property and trade fixtures of Roberts some of which is located on Calder's premises.

B. Waiver and Consent.

The Banks hereby permit Calder to enter into the GECC Waiver in substantially the form attached hereto and waive any provisions of the Calder Mortgage, the related assignment of leases executed by Calder or any of the other Loan Documents to the extent that such documents would otherwise prohibit Calder from executing such GECC Waiver or require consent for the same.

5. Landlord's Waiver and Consent--Calder Satellite Tower.

A. Recital:

Calder desires to enter into a certain Option and Lease Agreement with AT&T Wireless Services of Florida, Inc. ("AT&T") pursuant to which Calder will lease to AT&T space for the construction of towers or other facilities for transmission and reception of communications signals on Calder's premises. AT&T has requested that Calder enter into that certain Subordination, Non-Disturbance and Attornment Agreement (the " AT&T Waiver") in substantially the form attached as Exhibit 5(A) hereto pursuant to which among other things, the Agent acknowledges it will acquire no interest and it waives any interest it may have or acquire in the personal property of AT&T some of which is located on Calder's premises.

B. Waiver and Consent.

The Banks hereby permit Calder to enter into the AT&T Waiver in substantially the form attached hereto and waive any provisions of the Calder Mortgage, the related assignment of leases executed by Calder or any of the other Loan Documents to the extent that such documents would otherwise prohibit Calder from executing such AT&T Waiver or require consent for the same.

6. Lease For Equine Hospital--Hollywood Park.

A. Recital:

Hollywood Park, Inc. entered into a certain lease (the "Prior Lease") agreement pursuant to which Hollywood Park, Inc. leased to Southern California Equine Foundation a portion of its premises located at the Hollywood Park racetrack for the operation of an Equine Hospital. The Prior Lease expired and Hollywood Park, Inc. continued to lease the real estate

comprising the Equine Hospital on a month-to month basis. Churchill Downs California Company purchased the Hollywood Park racetrack assets of Hollywood Park, Inc. on September 10, 1999, including Hollywood Park, Inc.'s rights under its month to month lease with Southern California Equine Foundation. Churchill Downs California Company entered into a written new Ground Lease Agreement dated December 1, 1999 (the "Ground Lease") with Southern California Equine Foundation replacing its month to month lease with Southern California Equine Foundation.

B. Waiver and Consent.

The Agent and the Banks hereby consent to Churchill Downs California Company entering into a written lease agreement with Southern California Equine Foundation. The Agent and the Banks waive any provisions of their Mortgage on the Hollywood Park property and the related Assignment of Leases and Rents, each dated as of September 10, 1999, to the extent that such documents would otherwise prohibit Churchill Downs California Company from executing such lease or require consent for the same.

7. Amendment to Schedule of Existing Indebtedness (Section 7.2.1).

A. Recital:

The parties desire to amend Schedule 7.2.1 (Permitted Indebtedness) to the Credit Agreement to reflect the potential maximum principal amount of Indebtedness of Hoosier Park under the Second Amended Secured Promissory Note dated as of November 1, 1994, as amended ("Hoosier Park/CDMC Note"), in favor of Churchill Downs Management Company. Such Indebtedness was heretofore also reflected on Schedule 7.2.4 (Restricted Investments on the Closing Date).

B. Waiver and Amendment.

Schedule 7.2.1 to the Credit Agreement is hereby amended and restated to read as set forth on Schedule 7.2.1 hereto. The Agent and the Banks hereby waive any alleged breach of the Credit Agreement which may be alleged to have occurred between the Closing Date and the date hereof resulting from any failure of Schedule 7.2.1 to reflect correctly the amount of the Indebtedness under the Hoosier Park/CDMC Note.

8. Amendment to Section 7.2.5 (Liquidations, Mergers, Consolidations, Acquisitions); Amendments to Mortgages.

A. Amendment to Section 7.2.5.

A new clause (4) is hereby added to Section 7.2.5 (Liquidations, Mergers, Consolidations, Acquisitions) to follow immediately after existing clause (3) to read as follows:

"(4) Any Loan Party may acquire by purchase, lease or otherwise all or substantially all of the assets of any other Person (without complying with the requirements of clause (3) of this Section 7.2.5) provided that:

(i) the total Consideration paid or given by such Loan Party in connection with such acquisition does not exceed $500,000;

(ii) the total Consideration paid or given by such Loan Party in connection with acquisitions under this clause (4) of Section 7.2.5 over the term of this Agreement shall not exceed $10,000,000, and

(iii) the Borrower shall send to the Agent written notice of each acquisition under this Section 7.2.5(4) within five (5) Business Days after such acquisition and such report shall contain

(a) a certification in the form of Section 9 of the quarterly Compliance Certificate (as amended by the Third Amendment to this Agreement) demonstrating the Loan Parties' compliance with the requirements of subclauses (i) and (ii) of this clause (4) and

(b) an updated Schedule 7.2.5(4) (Acquisitions Under Section 7.2.5(4)) listing all of the acquisitions made by the Loan Parties under clause (4) of Section 7.2.5 between February 23, 2000 (date of Third Amendment) and the date of such acquisition.

(iv) the Borrower shall report all such acquisitions under this clause (4) of Section 7.2.5 in each quarter on its Compliance Certificate for such quarter."

B. New Schedule 7.2.5(4)

A new Schedule 7.2.5(4) is hereby added to the Credit Agreement to be in the form attached as Schedule 7.2.5(4). Such Schedule shall list all of the acquisitions all of the acquisitions made by the Loan Parties under clause (4) of Section 7.2.5 after February 23, 2000 (date of Third Amendment):

C. Amendment to (Exhibit 7.3.3) Quarterly Compliance Certificate (Exhibit 7.3.3).

Exhibit 7.3.3 (Quarterly Compliance Certificate) is hereby amended and restated to read as set forth on Exhibit 7.3.3 hereto.

D. Amendments to Mortgages.

The Agent and the Banks shall not require the Borrower to amend the applicable Mortgages to include within the Collateral thereunder Real Property acquired pursuant to acquisitions described in and permitted under Section 7.2.5 (4) (added to the Credit Agreement pursuant to the Third Amendment thereto), provided that such Loan Parties shall at any time promptly upon the request of the Agent or the Required Banks amend such Mortgages to include such Real Property (and any other similar Real Property owned by the Loan Parties and not then included in such Collateral, including the Schedule 9.E) Parcels (as such term is defined in Section 9.E))) and obtain appropriate amendments or endorsements to the title insurance policies relating to the same.

E. Waiver.

Subject to the covenant contained in Section 8.D, the Agent and the Banks waive any requirement that the Loan Parties have, prior to the date of this Third Amendment, amended the Mortgages to include the Schedule 9.E) Parcels (as such term is defined in Section 9.E) in the Collateral thereunder.

9. Warranties

The Loan Parties, jointly and severally, represent and warrant as follows:

A. Recitals.

The recitals hereto are true, correct and complete.

B. Warranties Under the Credit Agreement

The representations and warranties of Loan Parties contained in the Credit Agreement, after giving effect to the amendments thereto on the date hereof, are true and correct on and as of the date hereof with the same force and effect as though made by the Loan Parties on such date, except to the extent that any such representation or warranty expressly relates solely to a previous date. The Loan Parties are in compliance with all terms, conditions, provisions, and covenants contained in the Credit Agreement.

C. Power and Authority; Validity and Binding Effect; No Conflict.

Each Loan Party has full power to enter into, execute, deliver and carry out this Third Amendment, and such actions have been duly authorized by all necessary proceedings on its part. This Third Amendment has been duly and validly executed and delivered by each Loan Party. This Third Amendment constitutes the legal, valid and binding obligation of each Loan Party which is enforceable against such Loan Party in accordance with its terms. Neither the execution and delivery of this Third Amendment nor the consummation of the transactions herein contemplated will conflict with, constitute a default under or result in any breach of (i) the terms and conditions of any organizational documents of any Loan Party or (ii) any Law or any material agreement or instrument or other obligation to which any Loan Party or any of its

Subsidiaries is a party or by which it or any of its Subsidiaries is bound, or result in the creation or enforcement of any Lien upon any property of any Loan Party or any of its Subsidiaries other than as set forth herein.

D. Consents and Approvals; No Event of Default.

No consent, approval, exemption, order or authorization of any Person other than the parties hereto is required by any Law or any agreement in connection with the execution, delivery and carrying out of this Third Amendment. No event has occurred and is continuing and no condition exists or will exist after giving effect to this Third Amendment which constitutes an Event of Default or Potential Default.

E. Schedule of Properties Acquired Since Closing.

Attached as Schedule 9.E to this Third Amendment is a list of the properties (the "Schedule 9.E Parcels") purchased by the Borrower between the Closing Date and the date of this Third Amendment which are located in Jefferson County, Kentucky and which have not been included in the Collateral under the Mortgages filed in such County.

10. Conditions to Effectiveness.

The effectiveness of this Third Amendment is subject to satisfaction of each of the following conditions on or before the date hereof:

A. Representations and Warranties.

Each of the representations and warranties under Section 9 hereof are true and correct on the date hereof.

B. Execution by Required Banks, Agent and Loan Parties.

This Third Amendment shall have been executed by all of the Banks, the Agent and the Loan Parties on or before the date hereof.

C. Opinion of Counsel.

The Loan Parties shall have delivered an opinion of their counsel confirming the warranties in Section 9 hereof.

11. References to Credit Agreement, Loan Documents.

Any reference to the Credit Agreement or other Loan Documents in any document, instrument, or agreement shall hereafter mean and include the Credit Agreement or such Loan Document, including such schedules and exhibits, as amended hereby. In the event of irreconcilable inconsistency between the terms or provisions hereof and the terms or provisions of the Credit Agreement or such Loan Document, including such schedules and exhibits, the terms and provisions hereof shall control.

12. Force and Effect.

The Borrower reconfirms, restates, and ratifies the Credit Agreement and all other documents executed in connection therewith except to the extent any such documents are expressly modified by this Third Amendment and Borrower confirms that all such documents have remained in full force and effect since the date of their execution.

13. Governing Law.

This Third Amendment shall be deemed to be a contract under the laws of the Commonwealth of Kentucky and for all purposes shall be governed by and construed and enforced in accordance with the internal laws of the Commonwealth of Kentucky without regard to its conflict of laws principles.

14. Counterparts; Effective Date.

This Third Amendment may be signed in any number of counterparts each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Third Amendment shall become effective when it has been executed by the Agent, the Loan Parties and all of the Banks and each of the other conditions set forth in Section 10 of this Third Amendment has been satisfied.

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed this Third Amendment as of the day and year above written.

BORROWER:

CHURCHILL DOWNS INCORPORATED

By:
Title:

GUARANTORS:

CHURCHILL DOWNS MANAGEMENT COMPANY

By:
Title:

CHURCHILL DOWNS INVESTMENT COMPANY

By:
Title:

RACING CORPORATION OF AMERICA

By:
Title:

ELLIS PARK RACE COURSE, INC.

By:
Title:

CALDER RACE COURSE, INC.

By:
Title:

TROPICAL PARK, INC.

By:
Title:

BANKS AND AGENT

PNC BANK, NATIONAL ASSOCIATION,
individually and as Agent

By:
Title:

BANK ONE, KENTUCKY, NA

By:
Title:

CIBC INC.

By:
Title:

COMERICA BANK

By:
Title:

FIFTH THIRD BANK

By:
Title:

NATIONAL CITY BANK OF KENTUCKY

By:
Title:

FIRSTAR BANK, N.A.

By:
Title:

BANK OF LOUISVILLE

By:
Title:

CIVITAS BANK

By:
Title:

WELLS FARGO BANK

By:
Title:

Schedules and Exhibits to Third Amendment

Schedules		
Schedule 9.E	-	Kentucky Properties Acquired Since Closing
Schedule 7.2.1	-	Permitted Indebtedness
Schedule 7.2.5(4)	-	Acquisitions Under Section 7.2.5(4)
Exhibits		
Exhibit A	-	October 12, 1999 Memorandum
Exhibit 1.A	-	Letter dated December 21, 1999 re sale of the Kentucky Horse Center
Exhibit 4.A	-	GECC Waiver
Exhibit 5.A	-	AT&T Waiver
Exhibit 7.3.3	-	Form of Compliance Certificate (changed pages only)

Schedule 7.2.5(4)

Acquisitions Under Section 7.2.5(4)

The following is a list of all of the acquisitions made by the Loan Parties under clause (4) of Section 7.2.5 between February 23, 2000 (date of Third Amendment) and the Report Date:

Name of Seller	Description of Assets Acquired	Consideration Paid by the Loan Parties
		$
		$
Total (may not exceed $10,000,000)		$

Schedule 9.E

Kentucky Properties Acquired Since Closing
(Not Included in the Mortgages)

CHURCHILL DOWNS INCORPORATED
AMENDED AND RESTATED 1997 STOCK OPTION PLAN

1. Purpose. The purpose of the Churchill Downs Incorporated 1997 StockOption Plan is to promote Company's interests by affording an incentive to key employees to remain in the employ of Company and its Subsidiaries and to use their best efforts on its behalf; and further to aid Company and its Subsidiaries in attracting, maintaining, and developing capable personnel of a caliber required to ensure the continued success of Company and its Subsidiaries by means of an offer to such persons of an opportunity to acquire or increase their proprietary interest in Company through the granting of incentive stock options and nonstatutory stock options to purchase Company's stock pursuant to the terms of the Plan and related stock appreciation rights.

2. Definitions.

A. "Board" means Company's Board of Directors.

B. "Change in Control" means:(a) the sale, lease, exchange or other transfer of all or substantially all of the assets of Company (in one transaction or in a series of related transactions) to a person that is not controlled by Company, (b) the approval by Company shareholders of any plan or proposal for the liquidation or dissolution of Company, or (c) a change in control of Company of a nature that would be required to be reported (assuming such event has not been "previously reported") in response to Item 1(a) of the Current Report on Form 8-K, as in effect on the effective date of the Plan, pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, whether or not Company is then subject to such reporting requirement; provided, however, that, without limitation, such a change in control shall be deemed to have occurred at such time as (i) any Person becomes after the date this Plan is approved or ratified by Company's shareholders the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934), directly or indirectly, of 30% or more of the combined voting power of Company's outstanding securities ordinarily having the right to vote at elections of directors, or (ii) individuals who constitute the board of directors of Company on the date this Plan is approved or ratified by Company's shareholders cease for any reason to constitute at least a majority thereof, provided that any person becoming a director subsequent to such date whose election, or nomination for election by Company's shareholders, was approved by a vote of at least a majority of the directors comprising or deemed pursuant hereto to comprise the Board on the date this Plan is approved or ratified by Company's shareholders (either by a specific vote or by approval of the proxy statement of Company in which such person is named as a nominee for director) shall be, for purposes of this clause (ii) considered as though such person were a member of the Board on the date this Plan is approved or ratified by Company's shareholders.

C. "Code" means the Internal Revenue Code of 1986, as amended.

D. "Committee" means the committee appointed by the Board to administer the Plan pursuant to Section 4.

E. "Common Stock" means Company's common stock, no par value, or the common stock or securities of a Successor that have been substituted therefor pursuant to Section 11.

F. "Company" means Churchill Downs Incorporated, a Kentucky corporation, with its principal place of business at 700 Central Avenue, Louisville, Kentucky 40208.

G. "Disability" means, as defined by and to be construed in accordance with Code Section 22(e)(3), any medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than twelve (12) months, and that renders Optionee unable to engage in any substantial gainful activity. An Optionee shall not be considered to have a Disability unless Optionee furnishes proof of the existence thereof in such form and manner, and at such time, as the Committee may require.

H. "ISO" means an option to purchase Common Stock that at the time the option is granted qualifies as an incentive stock option within the meaning of Code Section 422.

I. "NSO" means a nonstatutory stock option to purchase Common Stock that at the time the option is granted does not qualify as an ISO.

J. "Option Price" means the price to be paid for Common Stock upon the exercise of an option, in accordance with Section 6.E.

K. "Optionee" means a key employee to whom an option has been granted under the Plan.

L. "Optionee's Representative " means the personal representative of Optionee's estate, and after final settlement of Optionee's estate, the successor or successors entitled thereto by law.

M. "Plan" means the Churchill Downs Incorporated 1997 Stock Option Plan as set forth herein, and as amended from time to time.

N. "SAR" means a stock appreciation right described in Section 7.

O. "Subsidiary" means any corporation that at the time an option is granted under the Plan qualifies as a subsidiary of Company as defined by Code Section 424(f).

P. "Successor" means the entity surviving a merger or consolidation with Company, or the entity that acquires all or a substantial portion of Company's assets or outstanding capital stock (whether by merger, purchase or otherwise).

Q. "Ten Percent Shareholder" means an employee who, at the time an option is granted, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of Company or Subsidiary employing Optionee or of its parent (within the meaning of Code Section 424(e)) or Subsidiary corporation.

3. Shares Subject to Plan.

A. Authorized Unissued Shares. Subject to the provisions of Section 11, shares to be delivered upon exercise of options granted under the Plan shall be made available, at the discretion of the Board, from the authorized unissued shares of Common Stock.

B. Aggregate Number of Shares. Subject to adjustments and substitutions made pursuant to Section 11, the aggregate number of shares that may be issued upon exercise of all options that may be granted under the Plan shall not exceed six hundred thousand (650,000) of Company's authorized shares of Common Stock.

C. Shares Subject to Expired Options. If an option is canceled, expires or terminates for any reason without having been exercised in full, the shares of Common Stock subject to, but not delivered under, such option shall become available for any lawful corporate purpose, including for transfer pursuant to other options granted to the same key employee or other key employees without decreasing the aggregate number of shares of Common Stock that may be granted under the Plan.

4. Plan Administration. The Plan shall be administered by a Board committee consisting of not fewer than two (2) directors who are not officers or employees of Company or a parent or subsidiary company and who receive no compensation from Company in any capacity other than as a director (except for amounts for which disclosure is not required under federal securities law). The Committee shall have full power and authority to construe, interpret, and administer the Plan and may from time to time adopt such rules and regulations for carrying out the Plan as it deems proper and in Company's best interests. Subject to the terms, provisions and conditions of the Plan, the Committee shall have exclusive jurisdiction: [i] to determine the key employees to whom awards shall be granted; [ii] to determine the times at which awards shall be granted; [iii] to determine the form, amount, and manner of exercise of awards; [iv] to grant any combination of ISOs,

NSOs and SARs; [v] to determine the limitations, restrictions and conditions applicable to awards; [vi] to fix such other provisions of the option agreement as it may deem necessary or desirable consistent with the terms of the Plan; and [vii] to determine all other questions relating to the administration of the Plan. In making such determinations, the Committee may take into account the nature of the services performed by such employees, their present and potential contributions to the success of Company or a Subsidiary and such other factors as the Committee in its discretion shall deem relevant. The interpretation of any provision of the Plan by the Committee shall be final, conclusive, and binding upon all persons and the officers of Company shall place into effect and shall cause Company to perform its obligations under the Plan in accordance with the determinations of the Committee in administering the Plan.

5. Eligibility. Key employees of Company and its Subsidiaries shall be eligible to receive options under the Plan. Key employees to whom options may be granted under the Plan will be those selected by the Committee from time to time who, in the sole discretion of the Committee, have contributed in the past or who may be expected to contribute materially in the future to the successful performance of Company and its Subsidiaries.

6. Terms and Conditions of Options. Each option granted under the Plan shall be evidenced by an option agreement signed by Optionee and by a member of the Committee on behalf of Company. An option agreement shall constitute a binding contract between Company and Optionee, and every Optionee, upon acceptance of such option agreement, shall be bound by the terms and restrictions of the Plan and of the option agreement. Such agreement shall be subject to the following express terms and conditions and to such other terms and conditions that are not inconsistent with the Plan as the Committee may deem appropriate.

A. $100,000 ISO Limitation. The aggregate fair market value (determined as of the date an option is granted) of the Common Stock for which ISOs will first become exercisable by an Optionee in any calendar year under all ISO plans of Optionee's employer corporation and its parent (within the meaning of Code Section 424(e)) or subsidiary (within the meaning of Code Section 424(f)) corporation shall not exceed $100,000. Options in excess of this limitation shall constitute NSOs.

B. Option Period. Each option agreement shall specify the period during which the option is exercisable. The Committee may extend the period; provided, however, that the period may not be extended without Optionee's consent if the extension would disqualify the option as an ISO. In no case shall such period, including extensions, exceed ten (10) years from the date of grant, provided, however, that in the case of an ISO granted to a Ten Percent Stockholder, such period, including extensions, shall not exceed five (5) years from the date of grant.

C. Option Vesting. No part of any option may be exercised until Optionee has been employed by Company or a Subsidiary for such period, which shall be no less than one (1) year, after the date on which the option is granted as the Committee may specify in the option agreement. The option agreement may provide for exercisability in installments.

D. Acceleration of Option Vesting. The Committee may provide that the exercise dates of outstanding options shall accelerate and become exercisable on or after the date of a Change in Control or termination of Optionee's employment due to death and/or Disability on such terms and conditions deemed appropriate by the Committee and set forth in the option agreement.

E. Option Price. The Option Price per share of Common Stock shall be determined by the Committee at the time an option is granted. The Option Price for ISOs shall be not less than fair market value, or in the case of an ISO granted to a Ten Percent Shareholder one hundred ten percent (110%) of the fair market value, at date of grant. The fair market value of Common Stock shall be the closing high bid quotation for the Common Stock in the over-the-counter market, as reported by the National Association of Securities Dealers Automated Quotation System, on the business day immediately preceding the date of grant. The Option Price shall be subject to adjustments in accordance with the provisions of Section 11.

F. Option Expiration. An option shall expire, and cease to be exercisable, at the earliest of the following times:

[1] ten (10) years after the date of grant; or

[2] in the case of an ISO granted to a Ten Percent Shareholder, five (5) years after the date of grant; or

[3] in the case of both an ISO and NSO, unless provided otherwise in the option agreement solely with respect to an NSO, five (5) years after termination of employment with Company or a Subsidiary because of Optionee's retirement in accordance with the terms of Company's tax-qualified retirement plans or with the consent of the Committee; or

[4] two (2) years after termination of employment with Company or a Subsidiary because of Optionee's death or Disability; or

[5] the earlier of: [i] date of Optionee's termination of employment with Company or a Subsidiary for any reason other than death, Disability or retirement; or [ii] the date on which written notice of such employment termination is delivered by Company to Optionee; or

[6] any earlier time set by the grant as provided in the option agreement.

G. Exercise By Optionee's Estate. Upon Optionee's death, options may be exercised, to the extent exercisable by Optionee on the date of Optionee's death, by Optionee's Representative at any time before expiration of said options.

H. Leaves of Absence. The Committee may, in its discretion, treat all or any portion of a period during which an Optionee is on military or an approved leave of absence as a period of employment with Company or Subsidiary for purposes of accrual of rights under the Plan. Notwithstanding the foregoing, in the case of an ISO, if the leave exceeds ninety (90) days and reemployment is not guaranteed by contract or statute, Optionee's employment shall be deemed to have terminated on the 91st day of the leave.

I. Payment of Option Price. Each option shall provide that the Option Price shall be paid to Company at the time of exercise either in cash or in such other consideration as the Committee deems appropriate, including, but not limited to, Common Stock already owned by Optionee having a total fair market value, as determined by the Committee, equal to the Option Price, or a combination of cash and Common Stock having a total fair market value, as determined by the Committee, equal to the Option Price.

J. Manner of Exercise. To exercise an option, Optionee shall deliver to Company, or to a broker-dealer in the Common Stock with the original copy to Company, the following: [i] seven (7) days' prior written notice specifying the number of shares as to which the option is being exercised and, if determined by counsel for Company to be necessary, representing that such shares are being acquired for investment purposes only and not for purpose of resale or distribution; and [ii] payment by Optionee, or the broker-dealer, for such shares in cash, or if the Committee in its discretion agrees to so accept, by delivery to Company of other Common Stock owned by Optionee, or in some combination of cash and such Common Stock acceptable to the Committee. At the expiration of the seven (7) day notice period, and provided that all conditions precedent contained in the Plan are satisfied, Company shall, without transfer or issuance tax or other incidental expenses to Optionee, deliver to Optionee, at the offices of Company, a certificate or certificates for the Common Stock. If Optionee fails to accept delivery of the Common Stock, Optionee's right to exercise the applicable portion of the option shall terminate. If payment of the Option Price is made in Common Stock, the value of the Common Stock used for payment of the Option Price shall be the fair market value of the Common Stock, determined in accordance with Section 6.E, on the business day preceding the day written notice of exercise is delivered to Company. Options may be exercised in whole or in part at such times as the Committee may prescribe in the applicable option agreement.

K. Cancellation of SARs. The exercise of an option shall cancel a proportionate number, if any, of SARs included in such option.

L. Exercises Causing Loss of Compensation Deduction. No part of an option may be exercised to the extent the exercise would cause Optionee to have compensation from Company and its affiliated companies for any year in excess of $1 million and that is nondeductible by Company and its affiliated companies pursuant to Code Section 162(m) and the regulations issued thereunder. Any option not exercisable because of this limitation shall continue to be exercisable in any subsequent year in which the exercise would not cause the loss of Company's or its affiliated companies' compensa tion tax deduction, provided such exercise occurs before the option expires, and otherwise complies with the terms and conditions of the Plan and option agreement.

M. ISOs. Each option agreement that provides for the grant of an ISO shall contain provisions deemed necessary or desirable by the Committee to qualify such option as an ISO.

7. Stock Appreciation Rights.

A. Form of Award. The Committee may include an SAR in any ISO or NSO granted under the Plan, either at the time of grant or thereafter while the option is outstanding; provided that no SAR may be awarded with respect to an outstanding ISO without the Optionee's consent to the extent the award would disqualify the option as an ISO. SARs shall be subject to such terms and conditions not inconsistent with the other provisions of the Plan as the Committee shall determine.

B. Exercise of SAR/Cancellation of Option. An SAR shall entitle the Optionee to surrender to Company for cancellation the unexercised option, or portion thereof, to which it is related, and to receive from Company in exchange therefor, at the discretion of the Committee, either: [i] a cash payment equal to the excess of the fair market value of the Common Stock subject to the option or portion thereof so surrendered over the aggregate Option Price for the shares; or [ii] delivery to Optionee of Common Stock with a fair market value equal to such excess, or [iii] a combination of cash and Common Stock with a combined value equal to such excess. The value of the Common Stock shall be determined by the Committee in accordance with Section 6.E on the day immediately preceding the day written notice of exercise of the SAR is delivered to Company. The exercise procedures provided by Section 6.J shall apply to the exercise of an SAR to the extent applicable.

C. Limitations. An SAR shall be exercisable only to the extent the option to which is relates is exercisable and shall be exercisable only for such period as the Committee may provide in the option agreement (which period may expire before, but not later than, the expiration date of the option). Notwithstanding the preceding sentence, an SAR is exercisable only when the fair market value of a share of Common Stock exceeds the Option Price for the share.

8. Investment Representation. Each option agreement may provide that, upon demand by the Committee for such a representation, Optionee or Optionee's Representative shall deliver to the Committee at the time of exercise a written representation that the shares to be acquired upon exercise of an option or SAR are to be acquired for investment and not for resale or distribution. Upon such demand, delivery of such representation before delivery of Common Stock shall be a condition precedent to the right of Optionee or Optionee's Representative to purchase Common Stock.

9. Tax Withholding. Company shall have the right to: [i] withhold from any payment due to Optionee or Optionee's Representative; or [ii] require Optionee or Optionee's Representative to remit to Company; or [iii] retain Common Stock otherwise deliverable to Optionee or Optionee's Representative, in an amount sufficient to satisfy applicable tax withholding requirements resulting from the grant or exercise an option or SAR or disqualifying disposition of Common Stock acquired pursuant to the Plan.

10. Compliance With Other Laws and Regulations.The Plan, the grant and exercise of options and SARs and the obligation of Company to sell and deliver shares under such options and SARs, shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any government or regulatory agency as may be required. Company shall not be required to issue or deliver certificates for shares of Common Stock before [i] the listing of such shares on any stock exchange or over-the-counter market, such as NASDAQ, on which the Common Stock may then be listed or traded, and [ii] the completion of any registration or qualification of any governmental body which Company shall, in its sole discretion, determines to be necessary or advisable.

11. Capital Adjustments and Mergers and Consolidations.

A. Capital Adjustments. In the event of a stock dividend, stock split, reorganization, merger, consolidation, or a combination or exchange of shares, the number of shares of Common Stock subject to the Plan and the number of shares under an option or SAR shall be automatically adjusted to take into account such capital adjustment. The price of any share under an option or SAR shall be adjusted so that there will be no change in the aggregate purchase price payable upon exercise of such option or SAR.

B. Mergers and Consolidations. In the event Company merges or consolidates with another entity, or all or a substantial portion of Company's assets or outstanding capital stock are acquired (whether by merger, purchase or otherwise) by a Successor, the kind of shares of Common Stock that shall be subject to the Plan and to each outstanding option and SAR shall automatically be converted into and replaced by shares of common stock, or such other class of securities having rights and preferences no less favorable than Company's Common Stock, of the Successor, and the number of shares subject to the option and SAR and the purchase price per share upon exercise of the option or SAR shall be correspondingly adjusted, so that each Optionee shall have the right to purchase [a] that number of shares of common stock of the Successor that have

a value equal, as of the date of the merger, conversion or acquisition, to the value, as of the date of the merger, conversion or acquisition, of the shares of Common Stock of Company theretofore subject to Optionee's option and SAR, [b] for a purchase price per share that, when multiplied by the number of shares of common stock of the Successor subject to the option and SAR, shall equal the aggregate exercise price at which Optionee could have acquired all of the shares of Common Stock of Company theretofore optioned to Optionee. Conversion of an ISO shall be done in a manner to comply with Code Section 424 and the regulations thereunder so the conversion does not disqualify the option as an ISO.

C. No Effect on Company's Rights. The granting of an option or SAR pursuant to the Plan shall not affect in any way the right and power of Company to make adjustments, reorganizations, reclassifications, or changes of its capital or business structure or to merge, consolidate, dissolve, liquidate, sell or transfer all or any part of its business or assets.

12. Transferability. Options and SAR granted under the Plan may not be transferred by Optionee other than by will or the laws of descent and distribution and during the lifetime of Optionee, may be exercised only by the Optionee. Any attempted assignment, transfer, pledge, hypothecation or other disposition of an option or SAR, or levy or attachment or similar process not specifically permitted herein, shall be null and void and without effect.

13. No Rights as Shareholder. No Optionee or Optionee's Representative shall have any rights as a shareholder with respect to Common Stock subject to an option or SAR before the date of transfer to the Optionee of a certificate for such shares.

14. No Rights to Continued Employment. Neither the Plan nor any award under the Plan shall confer upon any Optionee any right with respect to continuance of employment by Company or Subsidiary nor interfere with the right of Company or Subsidiary to terminate the Optionee's employment.

15. Amendment, Suspension, or Termination. The Board may amend, suspend or terminate the Plan at any time and in any respect that it deems to be in Company's best interests, except that without approval by shareholders of Company holding not less than a majority of the votes represented and entitled to be voted at a duly held meeting of Company's shareholders, no amendment shall be made that would: [i] change the aggregate number of shares of Common Stock which may be delivered under the Plan, except as provided in Section 11; or [ii] change the employees or class of employees eligible to receive ISOs; or [iii] require shareholder approval under federal or state securities laws.

16. Effective Date, Term and Approval. The effective date of the Plan is November 20, 1997 (the date of Board adoption of the Plan), subject to approval by

stockholders of Company holding not less than a majority of the shares present and voting at its 1998 annual meeting on June 18, 1998. The effective date of the amendment to Sections 3.B and 6.F of the Plan will be March 16, 2000, subject to approval by stockholders of Company holding not less than a majority of the shares present and voting at its 2000 annual meeting on June 22,2000. The Plan shall terminate ten (10) years after the effective date of the Plan and no options may be granted under the Plan after such time, but options granted prior thereto may be exercised in accordance with their terms.

17. Severability. The invalidity or unenforceability of any provision of the Plan or any option or SAR granted pursuant to the Plan shall not affect the validity and enforce ability of the remaining provisions of the Plan and the options and SARs granted hereunder. The invalid or unenforceable provision shall be stricken to the extent necessary to preserve the validity and enforceability of the Plan and the options SARs granted hereunder.

18. Governing Law. The Plan shall be governed by the laws of the Commonwealth of Kentucky.

Dated this 19th day of November, 1997, but effective as of June 22, 2000, as to the amendments to Section 3.B and 6.F of the Plan.

CHURCHILL DOWNS INCORPORATED

By:
President and Chief Executive Officer

Subsidiary	State/Jurisdiction of Incorporation/Organization
Churchill Downs Management Company	Kentucky
Hoosier Park, L.P. (limited partnership)	Indiana
Ellis Park Race Course, Inc.	Kentucky
Racing Corporation of America d/b/a Kentucky Horse Center	Delaware
Calder Race Course, Inc.	Florida
Tropical Park, Inc	Florida
Hollywood Park Race Track	California

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Forms S-8 (File Nos. 33-85012, 333-62013 and 33-61111) of Churchill Downs Incorporated and its subsidiaries of our report dated February 23, 2000 relating to the financial statements and financial statement schedule, which appears in this Form 10-K.

\s\ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP

Louisville, Kentucky
March 15, 2000

5
1,000
U.S. Dollars

YEAR
DEC-31-1999
JAN-01-1999
DEC-31-1999
1
29,060
0
24,279
794
306
56,090
373,779
98,897
398,046
55,290
0
71,634
0
0
64,487
398,046
258,427
258,427
207,368
225,914
(1,181)
0
7,839
25,855
10,879
14,976
0
0
0
14,976
1.74
1.72