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DEC-31-1995	5,856,188
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	2,098,901
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	8,504,909
	97,451,463
	33,101,934
	81,021,528
18,938,838	
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	43,148,769
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	92,434,216
92,434,216	
	73,768,482
	82,129,006
	521,703
	35,000
	572,779
	10,254,135
	4,051,000
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	0
	6,203,135
	\$1.64
	\$1.64

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934 For Year
Ended December 31, 1995 Commission File No.0-1469

CHURCHILL DOWNS INCORPORATED
Exact name of registrant as specified in its charter

KENTUCKY
State of Incorporation
61-0156015
I.R.S Employer Identification No.
700 CENTRAL AVENUE, LOUISVILLE, KENTUCKY
Address of Principal Executive Offices
40208
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	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 28, 1996, 3,784,605 shares of the Registrant's Common Stock were outstanding, and the aggregate market value of the shares held by nonaffiliates of the Registrant was \$105,000,000.

Portions of the Registrant's Proxy Statement for its Annual Meeting of Shareholders to be held on June 13, 1996 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 45 to 46.

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PART I

ITEM 1. BUSINESS

Churchill Downs Incorporated (the "Company") conducts pari-mutuel wagering on live and simulcast Thoroughbred and Standardbred horse races and conducts related business operations in Kentucky and Indiana. The Company was organized as a Kentucky corporation in 1937. The Company is best known for the Kentucky Derby and Kentucky Oaks horse races which are run on the first weekend in May of each year. Because the business of the Company is seasonal, the number of persons employed will vary throughout the year. Approximately 500 individuals are employed on a permanent year-round basis. During the live race meetings, as many as 2,500 persons are employed.

A. KENTUCKY OPERATIONS

In Kentucky, the Company conducts Thoroughbred horse races, accepts pari-mutuel wagering on such races and conducts related business operations in Louisville at Churchill Downs, its racetrack facility located at 700 Central Avenue ("Churchill Downs") and at the Churchill Downs Sports Spectrum, its off-site wagering facility located at 4520 Poplar Level Road ("Sports Spectrum"), both in Louisville, Kentucky.

The Company conducts Spring (late April to early July) and Fall (late October to late November) live race meetings at its racetrack facility. The Company conducted live racing on 74 days during the year ended December 31, 1995. For 1996, the Company has received a license to conduct live racing for a total of 78 racing days on approximately the same dates as the prior year's Spring and Fall race meetings.

Licenses to conduct live Thoroughbred race meetings and to participate in simulcasting (discussed below) are approved annually by the Kentucky Racing Commission ("KRC") based upon applications submitted by the racetracks in Kentucky, including the Company. Although to some extent the Company competes 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 track's usual and customary live racing dates. Generally, there is no substantial change from year to year in the racing dates awarded to each track. A substantial change in the allocation of live racing days could impact the Company's operations and earnings.

Since November 1988, the Company has participated in intertrack simulcasting in Kentucky. Intertrack simulcasting occurs when a racetrack located in Kentucky, which is conducting a live race meeting (the "host track"), arranges for the telecast of audio and visual signals of its live races ("simulcast") at another racetrack located in Kentucky (the "receiving track") for the purpose of accepting pari-mutuel wagers on these races from patrons at the receiving track. Churchill Downs currently participates in intertrack simulcasting as both a receiving track (sometimes referred to below as "intertrack receiving") and a host track (sometimes referred to below as "intertrack host"). Starting in fiscal year 1991, Churchill Downs has conducted intertrack simulcasting in Kentucky as a host track for all of its live racing days except Kentucky Derby Day. In 1995, for the first time Churchill Downs offered the simulcast of its races on Kentucky Derby Day. During the year ended December 31, 1995, Churchill Downs conducted intertrack simulcasting as a

receiving track in Kentucky for a total of 209 days. In 1996, Churchill Downs has been licensed as a receiving track for any and all possible dates from January 1, 1996 through December 31, 1996.

The Company participates in interstate simulcasting whereby Churchill Downs sends the simulcast of its live races to other tracks and off-track betting facilities located in other states and in foreign countries for the purpose of accepting pari-mutuel wagers on these races from patrons located at those facilities. Churchill Downs plans to increase the interstate and international exportation of its live race signal in fiscal year 1996.

Churchill Downs also receives interstate simulcasts of races run outside of the state and accepts pari-mutuel wagers on such races (referred to as "whole card simulcasting"). In July 1994, Kentucky authorized licensed racetracks and satellite facilities located in Kentucky to conduct whole card simulcasting. Whole card simulcasting has created a major new wagering opportunity for patrons at Churchill Downs and the Sports Spectrum. The Sports Spectrum, which previously could only display one or perhaps two horse race programs run at other tracks in the state (with limited exceptions), now operates year around showing multiple quality racing programs from around the nation. Whole card simulcasting enables Churchill Downs to better utilize the Sports Spectrum asset. It also helps Churchill Downs access new markets for exporting the simulcast of Churchill Downs' live race product as Churchill Downs now is able to reciprocate by importing out of state simulcast signals.

As a result of changes made to Kentucky law in 1992, the Company and three other Kentucky Thoroughbred racetracks have formed Kentucky Off-Track Betting, Inc. ("KOTB"). The Company is a 25% shareholder in KOTB. 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 ("simulcast facilities"). A simulcast facility 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 simulcast facility must first be approved by the KRC. Once approved, the simulcast facility may then be established unless the local government where the facility is to be located votes to disapprove its establishment. KOTB currently owns and operates simulcast facilities in Corbin, Maysville and Jamestown, Kentucky, all of which were opened in 1993, and a simulcast facility in Pineville, Kentucky which opened in September, 1995.

The Company anticipates that simulcast facilities developed by KOTB will provide additional markets for the simulcast of the Company's live races. By statute, of the amount retained by KOTB on wagers (net of taxes) placed at a simulcast facility on the Company's races, 30% is paid to the Company, 30% is set aside for the Company's horsemen, 6% is retained by KOTB to cover its operating expenses and 34% is paid to a Breeders Award Fund administered by the KRC. Any KOTB expenses not covered by its 6% are funded by the Company during the period of time KOTB takes the Company's races. In addition, the Company may also receive dividends from KOTB. KOTB is not expected to have a significant impact on operations.

The Company believes that intertrack and interstate simulcasting (both sending and receiving) will continue to be a revenue growth area for Churchill Downs in 1996.

In November 1992, the Company opened the Sports Spectrum. The facility was a Standardbred racetrack before the Company acquired it in January of 1992 and converted it for use as a simulcast and pari-mutuel wagering facility. This property was subject to contamination as a result of the prior existence of underground and above ground storage tanks on the site. A remediation plan for the property has been submitted to the Commonwealth of Kentucky. A Risk Assessment Report has been filed with the Commonwealth of Kentucky and the Company is waiting for a determination by the Commonwealth of Kentucky as to whether additional remediation is required. One million dollars in funds for the remediation had been set aside by the sellers of the property to defray the cost of the remediation. Substantially all of the \$1,000,000 hold back has been utilized as of December 31, 1995. The remediation has also been approved to receive funds up to \$995,000, from the Kentucky Petroleum Storage Tank Environmental Assurance Fund (the "Fund"). In addition, the Company may offset any additional costs against additional amounts payable to the sellers for the acquisition of the property. It is not anticipated that the Company will have any liability as a result of compliance with environmental laws with respect to the property.

The Company has renovated the racetrack portion of the Louisville Sports Spectrum facility for use as a Thoroughbred stabling and training area for 500 horses. The Company does not intend to conduct live horse races at the facility at this time. While the Company still has the option to conduct intertrack and interstate simulcasting at its main facility located on Central Avenue, the Company plans to conduct most intertrack and interstate simulcasting at the Churchill Downs Sports Spectrum. The Company began using the simulcasting facility as the site of a Thoroughbred "horses in training" sale in 1995.

B. INDIANA OPERATIONS

In Indiana, the Company conducts both Thoroughbred and Standardbred horse races, accepts pari-mutuel wagering on such races and conducts related business operations at Hoosier Park, a racetrack facility located at 4500 Dan Patch Circle in Anderson, Indiana ("Hoosier Park"). Hoosier Park is owned by Hoosier Park, L.P. ("HPLP"), an Indiana limited partnership formed in 1994. The Company owns an 87% interest in HPLP through Anderson Park, Inc. ("Anderson"). Anderson is a wholly-owned subsidiary of Churchill Downs Management Company ("CDMC"). CDMC is a wholly-owned subsidiary of the Company. The remaining 13% is held by an unrelated third party, Pegasus Group, Inc. ("Pegasus"). Anderson is HPLP's sole general partner. CDMC has entered into a management agreement with HPLP pursuant to which CDMC has operational control of the day-to-day affairs of Hoosier Park and its related simulcast operations. The Company, through CDMC, has loaned, and committed to advance, up to \$28.7 million in loans and capital contributions to HPLP for the development of the racetrack and related satellite wagering facilities.

Hoosier Park conducts both live Thoroughbred and Standardbred race meetings. The Company commenced live Standardbred racing in Indiana on September 1, 1994 and conducted live racing on 54 days during the year ended December 31, 1994. For 1995, the Company conducted live racing for a total of 146 racing days, including 104 days of live Standardbred racing and 42 days of live Thoroughbred racing. In 1996, the Company has received a license to conduct 133 days of live racing including 80 days of Standardbred racing and 53 days of Thoroughbred racing.

In 1994, HPLP was also licensed to construct and operate four satellite wagering facilities located in Merrillville, Indiana, Ft. Wayne, Indiana, Indianapolis, Indiana, and Jeffersonville, Indiana. Three of these facilities opened in 1995: Merrillville on January 25, 1995, Ft. Wayne on April 26, 1995, and Indianapolis on October 25, 1995. The license for the Jeffersonville, Indiana facility was surrendered in July, 1995 because ownership of the tentative site was in question and resolution was not expected in the near future. The Company is continuing to evaluate sites for the location of the fourth satellite wagering facility.

The State of Indiana has recently enacted legislation which requires a county fiscal body to adopt an ordinance permitting satellite wagering facilities before such a facility can be located in that county. The county fiscal body may require in the ordinance that the voters of the county must approve the operation of a satellite wagering facility in that county. This new legislation may affect the Company's ability to locate a facility in certain counties.

In Indiana, the Company engages in whole card simulcasting at the Company's racetrack in Anderson, Indiana. At its simulcast wagering facilities, the Company offers pari-mutuel wagering on races simulcast from Hoosier Park and whole card simulcasting. Indiana law provides that so long as Hoosier Park conducts live racing for a total of not less than 120 days per year, whole card simulcasting can be conducted year round at Hoosier Park and each of the simulcasting facilities.

Licenses to conduct live Standardbred and Thoroughbred race meetings and to participate in simulcasting are approved annually by the Indiana Horse Racing Commission ("IHRC") based upon applications submitted by the Company. Currently, the Company is the only facility in Indiana conducting live Standardbred or Thoroughbred race meetings and participating in simulcasting. During 1995, Sagamore Park, LLC ("Sagamore") was licensed to construct a racetrack in Shelbyville, Indiana but that license was suspended on January 22, 1995 and Sagamore surrendered the license to the IHRC on May 8, 1995 because of Sagamore's failure to commence construction of its racetrack's facility and otherwise provide the Commission with certain financing information.

Hoosier Park also participates in interstate simulcasting whereby Hoosier Park sends the simulcast of its live races to other tracks and off-track betting facilities located in other states for the purpose of accepting pari-mutuel wagers on these races from patrons located at those facilities. Hoosier Park plans to increase the interstate exportation of its live race signal in fiscal year 1996.

The Company believes that simulcasting (both sending and receiving) will continue to be a revenue growth area for Hoosier Park in 1996.

In January 1995, Hoosier Park opened the "Churchill Downs Sports Spectrum at Merrillville", in Merrillville, Indiana. The 27,300 square foot facility is designed exclusively for the simulcast of horse races and the conducting of pari-mutuel wagering. The Merrillville, Indiana facility is also subject to contamination related to prior business operations adjacent to the property. The contamination on the property is being remediated under the State of Indiana's voluntary remediation program. The State of Indiana approved the remediation plan in May of 1995 and it is anticipated that remediation will be completed during 1996. The Company has obtained an indemnity concerning the cost of remediation from the prior owner of the property. The cost of remediation could be up to \$50,000. Except as discussed herein and with respect to the Sports Spectrum, 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.

On December 20, 1995, Anderson, HPLP and Pegasus entered into a Partnership Interest Purchase Agreement with Consec HPLP, L.L.C. ("Consec") for the sale of 10% of the Company's partnership interest in HPLP to Consec. The purchase price for the 10% partnership interest will be \$218,000 and the acquisition of a 10% interest in the debt owed by HPLP to CDMC at face value of debt at the date of the closing (approximately \$2,530,000). The purchase is subject to the approval of the Indiana Horse Racing Commission. Following the purchase, Consec and Pegasus will be limited partners of HPLP and Anderson will continue to be the sole general partner of HPLP. Thereafter through December 31, 1998, Consec will have an option to purchase from Anderson an additional 47% partnership interest in HPLP. The purchase price of the additional partnership interest will be \$22,156,000 of which approximately \$6,222,000 will be allocated to the purchase of the partnership interest and approximately \$15,934,000 will be allocated to the acquisition of debt owed by HPLP to CDMC. This purchase is also subject to the approval of the IHRC. Following this purchase, Consec will be the sole general partner of HPLP and Anderson and Pegasus will be limited partners of HPLP. CDMC will have a long-term management agreement with HPLP pursuant to which CDMC has operational control of the day-to-day affairs of Hoosier Park and its related simulcast facilities.

C. SOURCES OF INCOME

The Company's principal sources of income are as follows: commissions from on-track pari-mutuel wagers, commissions from intertrack simulcasting and interstate simulcasting received by the Company, fees from interstate simulcasting sent by the Company to other states, admissions and seating, concession commissions (primarily for sale of food and beverages), and license, rights, broadcast and sponsorship fees.

The Company's primary source of income is pari-mutuel wagering. The Company retains the following amounts on specific revenue streams as a percentage of handle:

	KENTUCKY	INDIANA
On-track pari-mutuel wagers	15%	19%
Intertrack host	9%	--
Interstate/simulcast host	5%	3%
Intertrack/simulcast receiving	7%	18%

The Company's next major source of income is admission and seating revenue, which was 13% of total revenue for the year ended December 31, 1995. Average daily on-track attendance at Churchill Downs has declined since 1989; however, during the same period increases in intertrack and interstate simulcast revenues in Kentucky have substantially offset the related decline in admission and seating revenue. In addition, declines in daily average attendance do not impact upon Churchill Downs' admission and seating revenue proportionately since Churchill Downs receives approximately 50% of its admission and seating revenue from the Kentucky Derby weekend.

The Company holds federal servicemark registrations on the names "Kentucky Derby", "Churchill Downs", "Churchill Downs Sports Spectrum", "Kentucky Oaks" and the twin spires design in various categories including entertainment business, apparel, paper goods, printed matter and housewares and glass. The Company licenses the use of the servicemarks and derives revenue from such license agreements; during the year ended December 31, 1995, gross revenue derived from such licensing was less than 2% of total revenues. Hoosier Park has applied for federal servicemark registration of the name "Indiana Derby".

The Company hosted its first Thoroughbred sale on May 3, 1995. The sale did not contribute significantly to operations. The second sale, scheduled during Derby week, in 1996 is not expected to contribute significantly to operations. It is not anticipated that the Thoroughbred sale will become a revenue growth area for the Company.

D. OTHER FACTORS AFFECTING THE COMPANY'S BUSINESS

From 1986 through 1995, the Thoroughbred industry as a whole has seen depressed prices for the sale of Thoroughbreds at all stages of their career. Although prices continue to be significantly below peak prices of the mid-eighties, 1993-1995 sales have shown improvement. There have also been numerous bankruptcies or other financial failures of Thoroughbred farms since the mid-eighties. As a result, the number of Thoroughbred foals born has decreased each year until 1995 which showed a 1.4% increase. The long term trend has led to an industry wide decline in the number of Thoroughbreds available to run in races. Racetracks may be competing for horses to participate in live racing and some racetracks now offering live racing may be forced to curtail or eliminate live events and rely more heavily or exclusively on simulcast receiving for revenue. The Company believes that because of the significant Thoroughbred industry infrastructure in the Commonwealth of Kentucky, the Company's live racing product will not be as heavily impacted by the decline in Thoroughbreds. Moreover, the Company is well positioned to provide live racing product to the emerging simulcast market in other states and internationally.

The Company generally does not directly compete with other racetracks or simulcast facilities for patrons due to geographic separation of such facilities. However, the Company competes with other entertainment options for patrons for both live racing and simulcasting. The Company competes with other sports and other entertainment and wagering options available to consumers including riverboat gambling and lotteries. The Company attempts to attract patrons by providing the highest quality racing products in attractive entertainment facilities with well-priced, appealing concession services. The Company is the premier racetrack in Kentucky for both live racing and simulcasting, based upon total handle and attendance, and the only facility in Indiana providing live and simulcast racing.

The development of riverboat gaming facilities began along the Ohio River in Indiana pursuant to authorizing legislation passed by the State of Indiana in 1993. Such legislation provided for local communities to vote to approve or disapprove the operation of riverboat gaming operations in their community. In November 1995, Floyd and Clark Counties of Indiana, which are adjacent to Louisville, Kentucky, voted to reject such operations. Notwithstanding the foregoing, the Company intends to review potential opportunities for an investment in a riverboat casino. Communities in other sections of Indiana adjacent to northern and western Kentucky and near Louisville, Kentucky have authorized riverboat casino operations. Applications for the conduct of such operations are currently pending before the Indiana Gaming Commission. One license has been issued in Evansville, Indiana to Aztar, Inc. ("Aztar"). Aztar began operations in December of 1995. It is anticipated that riverboat casino operations will commence elsewhere on the Ohio River during the second quarter of 1996. A portion of admission taxes assessed by the state on riverboat gaming is paid to pari-mutuel tracks.

Indiana law allows up to five licensed riverboat casinos on the Ohio River and one on Patoka Lake which is approximately 40 miles from Louisville. In addition, licenses to conduct similar operations on Lake Michigan near the Company's Merrillville, Indiana satellite wagering facility have been granted by the Indiana Gaming Commission. Indiana law allows up to five riverboat casino licenses to be issued on Lake Michigan. The Potawatomi Indian Tribe has also expressed an interest in establishing a land based casino operation in southwestern Michigan and northeastern Indiana, also near the Company's Merrillville satellite wagering facility. The Company anticipates that the commencement of such operations will have a negative impact upon the Company's wagering activities, although the extent of the impact is unknown at this time due in part, to the uncertain geographic distances between the Company's operations and the number of potential casino sites.

ITEM 2. PROPERTIES

The Company owns its racetrack site and improvements located at or adjacent to 700 Central Avenue, Louisville, Kentucky (the "racetrack facility"). The racetrack facility consists of approximately 157 acres of land with a one-mile oval dirt track, a seven eighths (7/8) mile turf track and sprinklered, permanent grandstands (including food and beverage facilities). The racetrack facility seats approximately 48,500 persons. The site also has parking facilities for the public, office facilities, sprinklered barns and stables sufficient to accommodate approximately 1,400 horses and other facilities for backstretch personnel.

The Company has made numerous capital improvements to the racetrack facility in the past ten years in order to better meet the needs of its horsemen and patrons. The dirt and turf tracks provide an excellent venue for live Thoroughbred racing. The Company's ability to provide stabling facilities and a training track for horses at the racetrack facility is limited, but additional facilities have been developed, as discussed below. The Company's physical plant, including grandstands, restaurant facilities, parking, etc., is fully utilized only on the weekend on which the Company conducts the running of the Kentucky Oaks and Kentucky Derby races or when it hosts the Breeders' Cup Championship Day races ("Breeders' Cup Day").

The Company also owns the real property and improvements known as the Churchill Downs Sports Spectrum. This property, acquired in 1992, is approximately 7 miles from the Company's racetrack facility. Located on approximately 90 acres of land, Churchill Downs Sports Spectrum is a former Standardbred racetrack. The grandstand/clubhouse has been renovated and converted for use as a simulcast and pari-mutuel wagering facility. The facility seats approximately 3,000 persons and includes parking, offices and related facilities. The property also includes a three quarters (3/4) mile dirt track which is used for training Thoroughbreds. Also located at the property is a stabling area for horses. As part of the renovation of the facility, the Company demolished existing barns and constructed enough new barns to accommodate approximately 500 horses. The barns and training track provide additional stalls and training facilities for the Company.

The Kentucky Derby Museum is operated on property adjacent to the Company's racetrack facility. 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.

Through its subsidiary, HPLP, the Company owns and operates a racetrack site and improvements in Anderson, Indiana. The racetrack facility consists of approximately 105 acres of leased land with a 7/8th mile oval dirt track and sprinklered, permanent grandstands. This racetrack facility seats approximately 2,400 persons. The site also has parking facilities for the public, office facilities, barns and stables sufficient to accommodate 780 horses and other facilities for back stretch personnel. During 1995, Hoosier Park made \$3.1 million in improvements to stabling, paddock, dormitory and other facilities to accommodate Thoroughbred racing dates in the last half of 1995.

Hoosier Park also owns satellite wagering facilities in Merrillville, Indiana, Ft. Wayne, Indiana and Indianapolis, Indiana. The Churchill Downs Sports Spectrum at Merrillville consists of approximately 27,300 square feet of space. The Churchill Downs Sports Spectrum at Ft. Wayne consists of approximately 15,750 square feet of space. Hoosier Park also leases approximately 17,800 square feet of space in the Claypool Courts Building in Indianapolis where it operates the Churchill Downs Sports Spectrum at Indianapolis. The Merrillville facility opened in January, 1995, the Ft. Wayne facility opened in April, 1995 and the Indianapolis location opened in October, 1995.

ITEM 3. LEGAL PROCEEDINGS

There are no material pending legal proceedings, other than ordinary routine litigation incidental to the business of the Company, to which it is a party or of which any of its 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 the Company's stockholders 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

The Company's Common Stock is traded in the over-the-counter market. As of March 29, 1993, the Company's common stock was listed on the National Association of Securities Dealers, Inc.'s Small Cap Market automated quotation system ("NASDAQ"). As of March 10, 1996, there were approximately 3,032 stockholders of record.

The following 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 two years:

	1995 - BY QUARTER -----				1994 - BY QUARTER -----			
	1ST -----	2ND -----	3RD -----	4TH -----	1ST -----	2ND -----	3RD -----	4TH -----
High Bid	\$47.00	\$46.00	\$43.25	\$38.50	\$52.00	\$45.00	\$43.50	\$43.00
Low Bid	42.50	41.00	35.50	31.00	43.00	42.00	42.00	41.50
Dividend per share			\$.50				\$.50	

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

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

ITEM 6. SELECTED FINANCIAL DATA

	Year Ended December 31, 1995 -----	Year Ended December 31, 1994 -----	Eleven Months Ended December 31, 1993 -----	FISCAL YEAR ENDED 1993 -----	JANUARY 31 1992 -----
Operations:					
Net revenues	\$92,434,216	\$66,419,460	\$55,809,889	\$51,847,747	\$47,518,411
Operating income	\$10,305,210	\$ 9,861,086	\$ 8,959,220	\$ 7,427,241	\$ 7,551,753
Net earnings	\$6,203,135	\$ 6,166,353	\$ 5,906,034	\$ 5,212,610	\$ 5,427,097
Net earnings per share	\$1.64	\$1.63	\$1.56	\$1.38	\$1.44
Dividend paid per share	\$.50	\$.50	\$.50	\$.50	\$.50
At Period End:					
Total assets	\$77,486,482	\$70,175,840	\$56,819,959	\$49,058,319	\$44,686,744
Working capital (deficiency)	\$(10,433,929)	\$(10,131,254)	\$ (776,756)	\$(5,290,858)	\$(4,982,463)
Notes Payable	\$6,421,176	\$ 8,683,314	\$ 583,090	\$ 594,227	\$ 624,689
Stockholders' equity	\$46,653,157	\$42,003,147	\$36,995,853	\$32,976,784	\$29,497,489
Stockholders' equity per share	\$12.33	\$11.10	\$9.80	\$8.74	\$7.83
Additions to racing plant and equipment	\$8,589,535	\$23,310,204	\$1,409,888	\$6,741,158	\$7,855,855

CHURCHILL DOWNS INCORPORATED

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

RESULTS OF OPERATIONS

GENERAL INFORMATION

This discussion and analysis contains both historical and forward looking information. The forward looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward looking statements may be significantly impacted by certain risks and uncertainties described here in, and in the Company's annual report on form 10-K for the year ended December 31, 1995.

For many years, the Company has conducted live Spring and Fall race meetings for Thoroughbred horses in Kentucky. The Kentucky Derby and Kentucky Oaks, which are run on the first weekend in May of each year, continue to be the Company's outstanding attractions. In 1995, Derby weekend accounted for approximately 21% of total on-track pari-mutuel wagering and 25% of total on-track attendance for the Company's Kentucky operations. For the first time in 1995, the Derby day races were simulcast to all racetracks and simulcast facilities in the state of Kentucky. In 1988, the Company began to participate in intertrack simulcasting as a host track for all of its live races except those run on Kentucky Derby Day. In 1989, the Company commenced operations as a receiving track for intertrack simulcasting. During November 1991, the Company began interstate simulcasting for all of the live races with the receiving locations participating in the Company's mutuel pool. In July 1994, the Company began to participate in whole card simulcasting, whereby the Company began importing whole race cards or programs from host tracks located outside the state for pari-mutuel wagering purposes. Whole card simulcasting has created a major new wagering opportunity for patrons of the Company in both Kentucky and Indiana.

The Company hosted the 1994 Breeders' cup races in November which generated approximately 10% of the total pari-mutuel wages accepted on track and 8% of total on-track attendance. The Company may be the host site for the Breeders' Cup Event Day in the future.

At its meeting held on November 18, 1993, the Board of Directors of the Company voted to change the fiscal year end of the Company from January 31 to December 31. Accordingly, in 1993 the Company's eleven month period began on February 1, 1993 and ended on December 31, 1993.

CHURCHILL DOWNS INCORPORATED

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

Churchill Downs, through its subsidiary, Hoosier Park, L.P., is majority owner and operator of Indiana's only pari-mutuel racetrack, Hoosier Park at Anderson. Start-up costs incurred in Indiana during 1995 included improvements to Hoosier Park in anticipation of the track's inaugural Thoroughbred meet. In addition, Hoosier Park conducted two Harness race meets, as well as simulcast wagering, during its first 16 months of operation. In 1995, the Company opened off-track wagering facilities in Merrillville, Fort Wayne and downtown Indianapolis, Indiana. The license for the Jeffersonville, Indiana facility was surrendered in July 1995 because ownership of the tentative site was in question and resolution was not expected in the near future. The Company is continuing to evaluate sites for the location of a fourth satellite wagering facility.

The Company's principal sources of income are commissions from on-track pari-mutuel wagers, commissions from intertrack and fees from interstate simulcast wagers, admissions and seating, concession commissions (primarily for the sale of food and beverages), and license, rights, broadcast and sponsorship fees. The Company's primary source of income is pari-mutuel wagering. The Company retains the following amounts on specific revenue streams as a percentage of handle:

	KENTUCKY	INDIANA
On-track pari-mutuel wagers	15%	19%
Intertrack host	9%	--
Interstate/simulcast host	5%	3%
Intertrack/simulcast receiving	7%	18%

The consolidated gross operating margins have declined the past two years. A slight decline was felt in 1994 after whole card simulcasting (with its slimmer margins) was legalized in Kentucky in July of that year, coupled with the start-up costs associated with the opening of Hoosier Park in September 1994. Margins continued to drop in 1995 due to the full year impact of both whole card simulcasting in Kentucky, a full year of operations at Hoosier Park and start-up costs for the three satellite wagering facilities opened in Indiana during 1995.

In Kentucky, licenses to conduct Thoroughbred race meetings and to participate in simulcasting are approved annually by the Kentucky Racing Commission based upon applications submitted by the racetracks in Kentucky, including the Company. Based on gross figures for on-track pari-mutuel wagering and attendance, the company is the leading thoroughbred racetrack in Kentucky.

In Indiana, licenses to conduct live Standardbred and Thoroughbred race meetings and to participate in simulcasting are approved annually by the Indiana Horse Racing Commission based upon applications submitted by the Company. Currently, the Company is the only facility in Indiana licensed to conduct live Standardbred or Thoroughbred race meetings and to participate in simulcasting.

In Kentucky, the Company conducted live racing during the period from April 29, 1995 through July 4, 1995, and from October 29, 1995 through November 25, 1995, for a total of 74 racing days compared to 73 racing days in 1994. In Indiana, the Company commenced live racing on September 1, 1994 and conducted live racing 54 days during the year ended December 31, 1994. In 1995, the Company conducted live racing for a total of 146 racing days, including 104 days of Standardbred racing from April 1, 1995 through August 20, 1995, and 42 days of Thoroughbred racing from September 1, 1995 through October 28, 1995.

CHURCHILL DOWNS INCORPORATED
 ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
 CONDITION AND RESULTS OF OPERATION (continued)

The Company operated two live racing facilities and conducted simulcast wagering at five locations during 1995. The Company began its operations in Indiana on September 1, 1994. The chart below summarizes the results of these operations.

	KENTUCKY			INDIANA	
	Year Ended December 31, 1995 -----	Year Ended December 31, 1994 -----	Eleven Months Ended December 31, 1993 -----	Year Ended December 31, 1995 -----	Year Ended December 31, 1994 -----
ON-TRACK					
Number of Race Days	74	73	78	146	54
Attendance	927,581	941,167*	1,004,584	242,139	151,222
Handle	\$123,751,130	\$130,557,435*	\$130,897,521	\$24,768,351	\$13,242,632
Average daily attendance	12,535	12,893	12,879	1,658	2,800
Average daily handle	\$1,672,313	\$1,788,458	\$1,678,173	\$169,646	\$245,234
Per capita handle	\$133.41	\$138.72	\$130.30	\$102.29	\$87.57
INTERTRACK/SIMULCAST HOST (SENDING)***					
Number of Race Days	74	73	78	146	n/a
Handle	\$227,998,154	\$150,837,816	\$88,063,566	\$13,727,916	n/a
Average daily handle	\$3,081,056	\$2,066,271	\$1,129,020	\$94,027	n/a
INTERTRACK/SIMULCAST RECEIVING					
Number of Receiving Days	209	217	192	821**	45
Attendance	489,093	494,137	386,037	328,509	24,611
Handle	\$119,571,023	\$102,377,334	\$73,209,734	\$92,745,040	\$6,498,011
Average daily attendance	2,340	2,277	2,011	400	547
Average daily handle	\$572,110	\$471,785	\$381,301	\$112,966	\$144,400
Per capita handle	\$244.48	\$207.18	\$189.64	\$282.32	\$264.03

* Excludes Breeders' Cup handle of \$11,536,657 and attendance of 71,671.

** The Company's operations in Indiana include simulcasting at 1-4 wagering locations during 1995.

*** Includes common/commingle pools only.

CHURCHILL DOWNS INCORPORATED

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION (continued)

COMPARISON OF YEAR ENDED DECEMBER 31, 1995 TO 1994

Pari-mutuel revenue during the twelve months ended December 31, 1995 increased \$23,674,752. The Company's subsidiary Hoosier Park generated 74 percent, or \$17,321,012, of the increase in pari-mutuel revenue which when combined with admissions, concessions, programs, and other revenue totalled \$18,783,355 in revenues. License and rights revenues were up 12% primarily due to increased race sponsorships and souvenir licensing at Churchill Downs. This revenue increase is due largely to the 821 operating days of whole card simulcasting offered beginning January 1, 1995 at Hoosier Park, January 25 in Merrillville, Indiana, April 26 in Ft. Wayne, Indiana and October 25 in Indianapolis, Indiana. Simulcasting has been well received in Indiana with an average daily handle of \$112,966.

The advent of whole card simulcasting helped increase simulcast receiving revenue by \$2,881,470 in the state of Kentucky, with Simulcast Host revenue increasing by \$3,932,211 due largely to marketing of the Churchill Downs live racing product to a record number of interstate simulcast outlets. Whole card simulcasting was also largely responsible for the increase in program revenue due to two or more programs and racing forms being sold per day. Revenues from the Derby Expansion Area, referred to as Marquee Village, were up 19% largely due to the addition of a covered seating area near the racetrack's first turn. The backside of the Churchill Downs racetrack facility was closed during the first quarter of 1994 for maintenance and repair for the first time in several years which reduced other revenue. Other revenue was higher in 1994 primarily due to hosting the Breeders' Cup Day Event.

ITEM 7. CHURCHILL DOWNS INCORPORATED
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS (continued)

	NET REVENUE SUMMARY					
	Year Ended	% To	Year Ended	% To	1995 VS. 1994	
	December 31,	Total	December 31,	Total	\$	%
	1995	Revenue	1994	Revenue	Change	Change
	-----	-----	-----	-----	-----	-----
Pari-Mutuel Revenue						
On-track	21,438,916	23%	\$21,200,811	32%	\$238,105	1%
Intertrack-Host	6,794,868	8%	5,449,807	8%	1,345,061	25%
Simulcast Receiving	27,113,225	29%	8,953,850	13%	18,159,375	203%
Simulcast Host	10,355,181	11%	6,422,970	10%	3,932,211	61%
	-----	---	-----	---	-----	-----
	\$65,702,190	71%	\$42,027,438	63%	\$23,674,752	56%
Admission & Seat Revenue	12,243,245	13%	11,889,845	18%	353,400	3%
License, Rights, Broadcast & Sponsorship Fees	5,642,092	6%	5,032,565	8%	609,527	12%
Concession Commission	2,610,658	3%	2,172,914	3%	437,744	20%
Program Revenue	2,931,315	3%	1,755,546	3%	1,175,769	67%
Derby Expansion Area	987,440	1%	832,050	1%	155,390	19%
Other	2,317,276	3%	2,709,102	4%	(391,826)	-14%
	-----	-----	-----	-----	-----	-----
	\$92,434,216	100%	\$66,419,460	100%	\$26,014,756	39%
	=====	=====	=====	=====	=====	=====

CHURCHILL DOWNS INCORPORATED

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

Operating expenses increased \$24,431,384 during the twelve month period. This increase is primarily due to the live and simulcasting operations at Hoosier Park combined with the opening of the Indiana off-track wagering facilities. The largest single increase in meet expenses are the higher purses which are a direct result of increased handle from whole card simulcasting in Kentucky and Indiana. Purse expense varies directly with pari-mutuel revenues and is calculated as a percentage of the related handle revenue and may change from year to year pursuant to contract or statute. Whole card simulcasting and Hoosier Park operations were also primarily responsible for increased wages, advertising and marketing, audio, video, totalisator, program expenses and other. Wages and contract labor increased due to additional days and hours of operation related to whole card simulcasting at Sports Spectrum and Hoosier Park. The simulcast host fee is the amount paid to the host track in exchange for receiving the tracks' races. This expense is based on handle, and is directly related to the \$18 million increase in simulcasting revenue.

Depreciation and amortization increases are attributed to the addition of the Indiana facilities of which 77%, or \$921,909 of the total expense is related to Hoosier Park. Indiana operations contributed 84%, or \$782,200 to the total increase in utilities and 70%, or \$537,225 to insurance, taxes and license fees.

CHURCHILL DOWNS INCORPORATED
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS (continued)

ITEM 7.

	OPERATING EXPENSE SUMMARY					
	Year Ended December 31, 1995	% To Total Expense	Year Ended December 31, 1994	% To Total Expense	1995 VS. 1994 \$ Change	1994 % Change
Purses						
On-track	11,570,597	16%	\$11,138,607	22%	\$431,990	4%
Intertrack-Host	3,082,013	4%	2,430,083	5%	651,930	27%
Simulcast-Receiving	7,117,104	10%	3,914,124	8%	3,202,980	82%
Simulcast-Host	5,881,768	8%	2,939,360	6%	2,942,408	100%
	-----	----	-----	----	-----	----
	\$27,651,482	38%	20,422,174	41%	\$7,229,308	35%
Wages and Contract Labor	15,897,434	22%	10,777,468	22%	5,119,966	48%
Advertising, Marketing & Publicity	3,166,951	4%	2,114,020	4%	1,052,931	50%
Racing Relations & Services	1,406,905	2%	1,325,424	3%	81,481	6%
Totalisator Expense	1,092,718	1%	577,101	1%	515,617	89%
Simulcast Host Fee	5,561,467	7%	509,811	1%	5,051,656	991%
Audio/Video Expense	2,259,983	3%	1,261,894	3%	998,089	79%
Program Expense	2,035,447	3%	998,074	2%	1,037,373	104%
Depreciation & Amortization	4,427,492	6%	3,230,432	7%	1,197,060	37%
Insurance, Taxes & License Fees	2,718,727	4%	1,947,686	4%	771,041	40%
Maintenance	1,797,533	2%	1,645,094	3%	152,439	9%
Utilities	2,511,310	3%	1,580,273	3%	931,037	59%
Derby Expansion Area	404,478	1%	313,920	1%	90,558	29%
Other	2,836,555	4%	2,633,727	5%	202,828	8%
	-----	----	-----	----	-----	----
	\$73,768,482	100%	\$49,337,098	100%	\$24,431,384	50%
	=====	=====	=====	=====	=====	=====

Selling, general and administrative expenses increased by \$1,139,248. The increase was primarily related to increases in wages and benefits of \$506,491 and professional fees of \$404,083, most of which were related to Indiana operations. Interest expense increased by \$397,245 largely due to the borrowings necessary to fund the construction of three satellite wagering facilities and Thoroughbred improvements in Indiana. Interest income was lower due to less cash available for short-term investment.

CHURCHILL DOWNS INCORPORATED
 ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
 RESULTS OF OPERATIONS (continued)

COMPARISON OF YEAR ENDED DECEMBER 31, 1994 TO 1993

Net revenue during the year ended December 31, 1994 increased \$8,822,916. The Company's new subsidiary Hoosier Park generated 47 percent or \$3,625,944 of the increase in pari-mutuel revenue which combined with admissions, concessions, programs, and other revenue totalled \$4.9 million in revenues. This facility opened September 1, 1994 with live Standardbred racing for 54 days. From November 5, 1994, Hoosier Park conducted whole card simulcasting for 45 days.

The advent of whole card simulcasting in the state of Kentucky helped increase simulcast receiving revenue by 26%. Whole card simulcasting was also largely responsible for the increase in program revenue due to 2 or more programs and racing forms being sold per day, coupled with 25 additional simulcast receiving days and higher average attendance.

Simulcast Host revenues rose 63% due to additional tracks receiving the Churchill Downs live racing signal in 1994. The increase in intertrack-host revenue is primarily due to the Kentucky whole card simulcasting legislation, passed in 1994, which provided for the host track to receive a percentage of all simulcast wagering conducted within the state of Kentucky.

	NET REVENUE SUMMARY					
	Year Ended December 31, 1994	% To Total Revenue	Year Ended December 31, 1993	% To Total Revenue	1994 VS. 1993 \$ Change	1993 % Change
	-----	-----	-----	-----	-----	-----
Pari-Mutuel Revenue						
On-track	\$21,200,811	32%	\$19,041,315	33%	\$2,159,496	11%
Intertrack-Host	5,449,807	8%	4,117,909	7%	1,331,898	32%
Simulcast Receiving	8,953,850	13%	7,133,470	12%	1,820,380	26%
Simulcast Host	6,422,970	10%	3,946,779	7%	2,476,191	63%
	-----	---	-----	-----	-----	---
	42,027,438	63%	34,239,473	59%	7,787,965	23%
Admission & Seat Revenue	11,889,845	18%	11,681,677	20%	208,168	2%
License, Rights, Broadcast & Sponsorship Fees	5,032,565	8%	4,892,672	8%	139,893	3%
Concession Commission	2,172,914	3%	2,027,399	4%	145,515	7%
Program Revenue	1,755,546	3%	1,324,815	2%	430,731	33%
Derby Expansion Area	832,050	1%	819,150	1%	12,900	2%
Other	2,709,102	4%	2,611,358	5%	97,744	4%
	-----	----	-----	-----	-----	-----
	\$66,419,460	100%	\$57,596,544	100%	\$8,822,916	15%
	=====	=====	=====	=====	=====	=====

CHURCHILL DOWNS INCORPORATED
ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS (continued)

Operating expenses rose \$7,230,276 during the year. This increase is primarily due to the operations of Hoosier Park and due to the higher purses which are a direct result of increased handle from whole card simulcasting. In Kentucky and Indiana purse expense varies directly with pari-mutuel revenues and is calculated as a percentage of the related revenue and may change from year to year pursuant to contract or statute. Whole card simulcasting and Hoosier Park operations were also primarily responsible for increased wages, advertising and marketing, audio, video and signal distribution, program expenses and other. Wages and contract labor increased due to additional days and hours of operation related to whole card simulcasting at Sports Spectrum and Hoosier Park. Simulcast host fees, a new expense in 1994, is the amount paid to the host track in exchange for receiving the tracks' races. This expense is based on handle and is directly related to the \$1.8 million increase in simulcast receiving revenue. Totalisator expense fell by \$348,277 due to a new contract with the totalisator company. Other expense increased primarily due to expenses at Hoosier Park in 1994 and expenses related to the training center at the Sports Spectrum in Louisville, including maintenance, manure removal and ambulance service.

CHURCHILL DOWNS INCORPORATED
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS (continued)

ITEM 7.

	OPERATING EXPENSE SUMMARY					
	Year Ended December 31, 1994	% To Total Expense	Year Ended December 31, 1993	% To Total Expense	1994 VS. 1993 \$ Change	1993 % Change
	-----	-----	-----	-----	-----	-----
Purses						
On-track	\$11,138,607	22%	\$10,124,191	24%	\$1,014,416	10%
Intertrack-Host	2,430,083	5%	1,820,556	4%	609,527	33%
Simulcast-Receiving	3,914,124	8%	3,138,529	7%	775,595	25%
Simulcast-Host	2,939,360	6%	2,017,172	5%	922,188	46%
	-----	-----	-----	-----	-----	-----
	20,422,174	41%	17,100,448	40%	3,321,726	19%
Wages and Contract Labor	10,777,468	22%	9,619,862	23%	1,157,606	12%
Advertising, Marketing & Publicity	2,114,020	4%	1,897,581	5%	216,439	11%
Racing Relations & Services	1,325,424	3%	1,209,078	3%	116,346	10%
Totalisator Expense	577,101	1%	925,378	2%	(348,277)	-38%
Simulcast Host Fee	509,811	1%	-	0%	509,811	100%
Audio/Video Expense	1,261,894	3%	1,051,186	2%	210,708	20%
Program Expense	998,074	2%	947,714	2%	50,360	5%
Depreciation & Amortization	3,230,432	7%	2,566,818	6%	663,614	26%
Insurance, Taxes & License Fees	1,947,686	4%	1,860,049	4%	87,637	5%
Maintenance	1,645,094	3%	1,492,154	4%	152,940	10%
Utilities	1,580,273	3%	1,510,122	4%	70,151	5%
Derby Expansion Area	313,920	1%	299,084	1%	14,836	5%
Other	2,633,727	5%	1,627,348	4%	1,006,379	62%
	-----	-----	-----	-----	-----	-----
	\$49,337,098	100%	\$42,106,822	100%	\$7,230,276	17%
	=====	=====	=====	=====	=====	=====

Selling, general and administrative costs were essentially unchanged on a twelve month comparable basis. Increases in wages, professional fees and other expenses related to the opening of Hoosier Park in September, 1994 were almost entirely offset by decreased spending in the Business Development area. Interest income decreased and interest expense increased due to the cash requirements related to the construction and start-up operation in Indiana.

CHURCHILL DOWNS INCORPORATED

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

SIGNIFICANT CHANGES IN THE BALANCE SHEET DECEMBER 31, 1995 TO DECEMBER 31, 1994

The increase in cash and cash equivalents in 1995 is the result of declining cash requirements from the Company's Indiana operations. In 1994 the Company was preparing to open satellite wagering facilities in Merrillville and Fort Wayne, Indiana.

Racing plant and equipment increased by \$7,913,762 during 1995. The Company's Indiana operations received \$6,468,000 of these additions, primarily in the form of three satellite wagering facilities in the state and three million dollars in improvements at Hoosier Park that were necessary for the Thoroughbred race meet.

Accounts payable and accrued expenses have increased by \$2,913,430 mostly due to increases in purses payable related to the increase in simulcast revenue, and due to the normal increase in operating payables related to three additional simulcast facilities in Indiana. The increase in income taxes payable is due to the timing of the Company's fourth quarter payments which were made in January for 1995, versus December in 1994.

Notes payable have decreased as the Company continues to retire debt incurred with the acquisition and construction of its Indiana operations. Outstanding mutuel tickets have increased in relation to the increase in business due to whole card simulcasting in Kentucky and the opening of the three additional simulcast wagering facilities in Indiana.

CHURCHILL DOWNS INCORPORATED

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

SIGNIFICANT CHANGES IN THE BALANCE SHEET DECEMBER 31, 1994 TO DECEMBER 31, 1993

The decrease in cash balances and the increase in fixed assets reflect additions for the training facility at the Sports Spectrum, construction of the Hoosier Park racetrack facility in Anderson, Indiana and satellite wagering facilities in Merrillville, Indiana and Ft. Wayne, Indiana.

Accounts receivable at December 31, 1994 were \$1,438,984 lower than December 31, 1993. The decrease was due to the December 1993 billing of Turf Club and Season Box revenue for the 1994 racing meets. Such billings for the 1995 racing meets were not billed until January 1995.

Other assets, notes payable and deferred income taxes increased due to the racing license acquired in conjunction with the acquisition of Anderson Park, Inc. A \$1,000,000 escrow deposit with the Indiana Horse Racing Commission ("IHRC") was made as a commitment to open the Anderson Park facility by September 1, 1994; the deposited funds were subject to forfeiture to the State of Indiana, in whole or in part, at the discretion of the IHRC, if the racetrack was not opened by that date. The racetrack opened September 1, and the refund was received by September 30, 1994.

Accounts payable at December 31, 1994 were \$2,318,467 higher than December 31, 1993 due principally to liabilities for the construction of satellite wagering facilities in Merrillville, Indiana and Ft. Wayne, Indiana and normal operating liabilities at the Hoosier Park racetrack facility. Additionally, purses payable increased due to whole card simulcasting which commenced in Kentucky July 22, 1994.

At December 31, 1994 the Company had dividends payable of \$1,891,759 related to the annual dividend payment payable on January 13, 1995 which was declared at the November 17, 1994 Board of Directors meeting.

CHURCHILL DOWNS INCORPORATED

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

LIQUIDITY AND CAPITAL RESOURCES

Working capital as of December 31, 1995, 1994 and 1993 follows:

	1995 -----	1994 -----	1993 -----
Deficiency in working capital	\$(10,433,929)	\$(10,131,254)	\$ (776,756)
Working Capital ratio	.45 to 1	.35 to 1	.96 to 1

The working capital deficiency results from the nature and seasonality of the Company's business. Cash flows from operations were \$15,402,814 for the year ended December 31, 1995, \$11,399,973 for the year ended December 31, 1994 and \$8,726,596 for the eleven months ended December 31, 1993. Management believes cash flows from operations during 1996 and funds available under the Company's unsecured line of credit will be sufficient to fund dividend payments and additions and improvements to the racing plant and equipment.

Cash flow from operations funded \$850,000 of the Anderson Park, Inc. stock purchase in January 1994. Similarly, cash flow from operations and, as necessary, funds available under the unsecured line of credit were used to fund up to \$14 million for construction of the Hoosier Park racing facility in Anderson, Indiana. During 1995, Churchill Downs also funded an additional \$6.5 million to construct three satellite wagering facilities in Indiana and improvements which allowed for Thoroughbred racing at Hoosier Park.

The Company has a \$20,000,000 unsecured line-of-credit with \$14.0 million available at December 31, 1995 to meet working capital and other short-term requirements. Management believes that the Company has the ability to obtain additional long-term financing should the need arise.

CHURCHILL DOWNS INCORPORATED

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

IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation", is effective for the Company's year ended December 31, 1996. This statement introduces a fair-value based method of accounting for stock-based compensation, but allows companies that choose not to adopt the new rules to continue to apply the existing accounting rules contained in Accounting Principals Board Opinion No. 25 "Accounting For Stock Issued to Employees", provided proforma net income and earnings per share disclosures are provided under the new method. Management does not believe this statement will have a material effect on the Company's consolidated financial position or the consolidated results of its operations.

During the eleven months ended December 31, 1993, the Company adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, requiring a change in accounting for income taxes. The cumulative effect of this change, \$61,000, or \$.01 per share, is included in earnings for the period ended December 31, 1993. Prior year results have not been restated.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders and Board of Directors
Churchill Downs Incorporated

We have audited the accompanying consolidated balance sheets of Churchill Downs Incorporated and subsidiaries as of December 31, 1995, December 31, 1994, and December 31, 1993 and the related consolidated statements of earnings, stockholders' equity and cash flows, and the consolidated financial statement schedule, for the years ended December 31, 1995, December 31, 1994, and for the eleven month period ended December 31, 1993 as listed in Item 14 of this Form 10-K. These consolidated 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 in accordance with generally accepted auditing standards. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Churchill Downs Incorporated and subsidiaries as of December 31, 1995, December 31, 1994, and December 31, 1993 and the results of their operations and cash flows for the years ended December 31, 1995, December 31, 1994, and for the eleven month period ended December 31, 1993 in conformity with generally accepted accounting principles. In addition, in our opinion, the consolidated financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects, the information required to be included therein for the years ended December 31, 1995, December 31, 1994, and for the eleven month period ended December 31, 1993.

As discussed in Note 3 to the consolidated financial statements, the Company changed its method of accounting for income taxes as of February 1, 1993.

/s/Coopers & Lybrand L.L.P.

Coopers & Lybrand L.L.P.

Louisville, Kentucky
March 8, 1996

CHURCHILL DOWNS INCORPORATED
CONSOLIDATED BALANCE SHEETS

ASSETS	December 31, 1995 -----	December 31, 1994 -----	December 31, 1993 -----
Current assets:			
Cash and cash equivalents	\$ 5,856,188	\$ 2,521,033	\$11,117,716
Accounts receivable	2,098,901	2,277,218	3,716,202
Other current assets	549,820	741,560	682,754
	-----	-----	-----
Total current assets	8,504,909	5,539,811	15,516,672
Other assets	4,632,044	5,058,524	1,973,009
Racing plant and equipment	97,451,463	89,537,701	66,227,497
Less accumulated depreciation	(33,101,934)	(29,960,196)	(26,897,219)
	-----	-----	-----
	64,349,529	59,577,505	39,330,278
	-----	-----	-----
	\$77,486,482	\$70,175,840	\$56,819,959
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$6,517,508	\$4,567,292	\$2,248,825
Accrued expenses	3,310,882	2,347,668	2,310,696
Dividends payable	1,892,302	1,891,759	1,886,965
Income taxes payable	1,049,508	-	1,492,740
Deferred revenue	6,098,541	6,142,111	8,134,737
Notes payable	70,097	722,235	219,465
	-----	-----	-----
Total current liabilities	18,938,838	15,671,065	16,293,428
Notes payable	6,351,079	7,961,079	524,431
Outstanding mutuel tickets (payable after one year)	2,256,696	1,523,600	953,881
Deferred compensation	871,212	690,178	633,366
Deferred income taxes	2,415,500	2,248,000	1,419,000
Minority interest in equity of consolidated subsidiary	-	78,771	-
Stockholders' equity:			
Preferred stock, no par value; authorized, 250,000 shares; issued, none			
Common stock, no par value; authorized, 10,000,000 shares, issued 3,784,605 shares, 1995, 3,783,318 shares, 1994, and 3,773,930 shares, 1993	3,504,388	3,437,911	2,977,911
Retained earnings	43,486,460	39,175,627	34,901,033
Deferred compensation costs	(272,691)	(545,391)	(818,091)
Note receivable for common stock	(65,000)	(65,000)	(65,000)
	-----	-----	-----
	46,653,157	42,003,147	36,995,853
	-----	-----	-----
	\$77,486,482	\$70,175,840	\$56,819,959
	=====	=====	=====

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

CHURCHILL DOWNS INCORPORATED
CONSOLIDATED STATEMENTS OF EARNINGS

	Year Ended December 31, 1995 -----	Year Ended December 31, 1994 -----	Eleven Months Ended December 31, 1993 -----
Net revenues	\$92,434,216	\$66,419,460	\$55,809,889
Operating expenses:			
Purses and stakes	27,651,482	20,422,174	16,690,246
Other direct expenses	46,117,000	28,914,924	24,140,553
	-----	-----	-----
	73,768,482	49,337,098	40,830,799
	-----	-----	-----
Gross profit	18,665,734	17,082,362	14,979,100
Selling, general and administrative	8,360,524	7,221,276	6,019,880
	-----	-----	-----
Operating income	10,305,210	9,861,086	8,959,220
	-----	-----	-----
Other income (expense):			
Interest income	233,556	292,115	324,017
Interest expense	(572,779)	(175,534)	-
Miscellaneous income	288,148	174,386	195,597
	-----	-----	-----
	(51,075)	290,967	519,614
	-----	-----	-----
Earnings before income taxes	10,254,135	10,152,053	9,478,834
	-----	-----	-----
Income taxes:			
Current	3,883,500	3,856,700	3,787,000
Deferred	167,500	129,000	(153,200)
	-----	-----	-----
	4,051,000	3,985,700	3,633,800
	-----	-----	-----
Earnings before cumulative effect of accounting change	6,203,135	6,166,353	5,845,034
Cumulative effect of accounting change	-	-	61,000
	-----	-----	-----
Net earnings	\$6,203,135	\$ 6,166,353	\$5,906,034
	=====	=====	=====
Earnings per share before cumulative effect of accounting change	\$1.64	\$1.63	\$1.55
Cumulative effect of accounting change	-	-	.01
	-----	-----	-----
Net earnings per share (based on weighted average shares outstanding of 3,784,140, 3,778,350 and 3,775,444, respectively)	\$1.64	\$1.63	\$1.56
	=====	=====	=====

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

CHURCHILL DOWNS INCORPORATED
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the years ended December 31, 1995, December 31, 1994 and the eleven months ended December 31, 1993

	Common Stock	Retained Earnings	Note Receivable for Common Stock	Deferred Compensation Costs	Total
Balances January 31, 1993	\$2,159,820	\$30,881,964	\$ (65,000)		\$32,976,784
Net earnings		5,906,034			5,906,034
Deferred compensation	818,091			\$(818,091)	
Cash dividends, \$.50 per share		(1,886,965)			(1,886,965)
	-----	-----	-----	-----	-----
Balances December 31, 1993	2,977,911	34,901,033	(65,000)	(818,091)	36,995,853
Net earnings		6,166,353			6,166,353
Deferred compensation amortization				272,700	272,700
Cash dividends, \$.50 per share		(1,891,759)			(1,891,759)
Issuance of 9,388 shares of common stock at \$49.00 per share	460,000				460,000
	-----	-----	-----	-----	-----
Balances December 31, 1994	3,437,911	39,175,627	(65,000)	(545,391)	42,003,147
Net earnings		6,203,135			6,203,135
Deferred Compensation Amortization				272,700	272,700
Issuance of 1,287 shares of common stock at \$51.65 per share	66,477				66,477
Cash dividends, \$.50 per share		(1,892,302)			(1,892,302)
	-----	-----	-----	-----	-----
Balances December 31, 1995	\$3,504,388	\$43,486,460	\$(65,000)	\$(272,691)	\$46,653,157
	=====	=====	=====	=====	=====

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

CHURCHILL DOWNS INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 1995	Year Ended December 31, 1994	Eleven Months Ended December 31, 1993
Cash flows from operating activities:			
Net earnings	\$ 6,203,135	\$ 6,166,353	\$ 5,906,034
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	4,506,427	3,327,731	2,387,618
Deferred income taxes	167,500	129,000	(214,200)
Deferred compensation	142,534	640,712	-
Increase (decrease) in cash resulting from changes in operating assets and liabilities, net of effects from acquisitions:			
Accounts receivable	178,317	1,438,984	(1,843,885)
Other current assets	191,740	(44,526)	(65,606)
Income taxes payable	1,049,508	(1,492,740)	837,758
Deferred revenue	(43,570)	(1,992,626)	(131,748)
Accounts payable, accrued expenses and other	4,144,532	3,227,085	1,850,625
	-----	-----	-----
Net cash provided by operating activities	16,540,123	11,399,973	8,726,596
	-----	-----	-----
Cash flows from investing activities:			
Additions to racing plant and equipment, net	(8,589,535)	(23,310,204)	(1,409,888)
Acquisition of Anderson Park, net of note payable of \$1,100,000	-	(850,000)	-
Additions in intangible assets	(461,536)	(1,248,905)	-
Purchase of investments	-	-	(450,000)
	-----	-----	-----
Net cash used in investing activities	(9,051,071)	(25,409,109)	(1,859,888)
	-----	-----	-----
Cash flows from financing activities:			
Increase (decrease) in bank notes payable, net	(2,262,138)	7,299,418	(501,205)
Dividends paid	(1,891,759)	(1,886,965)	-
	-----	-----	-----
Net cash used in financing activities	(4,153,897)	5,412,453	(501,205)
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	3,335,155	(8,596,683)	6,365,503
Cash and cash equivalents, beginning of period	2,521,033	11,117,716	4,752,213
	-----	-----	-----
Cash and cash equivalents, end of period	\$5,856,188	\$ 2,521,033	\$11,117,716
	=====	=====	=====
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	\$ 485,908	\$ 102,626	\$ 103,691
Income taxes	\$2,790,000	\$ 5,393,000	\$2,840,000

Noncash investing and financing activities:

During 1994, \$460,000 of notes payable was paid by the issuance of common stock.

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

CHURCHILL DOWNS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF PRESENTATION:

Churchill Downs Incorporated (the "Company") conducts Spring and Fall live race meetings for Thoroughbred horses and participates in intertrack and interstate simulcast wagering as a host track and as a receiving track in Kentucky. In Indiana, the Company, through its subsidiary, Hoosier Park L.P. (Hoosier Park), conducts live Thoroughbred and Standardbred race meetings and participates in simulcast wagering. Both its Kentucky 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 Management Company and Anderson Park Inc. and its majority owned subsidiary, Hoosier Park, L.P. All significant intercompany balances and transactions have been eliminated.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the 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 FOLLOWS:

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, had cash in bank in excess of federally insured limits.

RACING PLANT AND EQUIPMENT:

Racing plant and equipment are recorded at cost. Depreciation is provided by accelerated and straight-line methods over the estimated useful lives of the related assets.

DEFERRED REVENUE:

Deferred revenue includes advance sales of tickets.

CHURCHILL DOWNS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

RECLASSIFICATION:

Certain prior year accounts have been reclassified to conform to the current year presentation.

EARNINGS PER SHARE:

Earnings per share has been computed by dividing net earnings by the weighted average number of common shares and equivalents outstanding. Common share equivalents included in the computation represent shares issuable upon assumed exercise of stock options which would have a dilutive effect on earnings. Such equivalents had no material effect on the computation for the periods ended December 31, 1995, 1994 and 1993.

IMPACT OF REPORTING PERIOD:

In 1993, the Company changed to a calendar year from a fiscal year ending January 31. The change of fiscal year resulted in a transition period of eleven months which began February 1, 1993 and ended December 31, 1993.

	Twelve Months Ended December 31	
	1994 -----	1993 Unaudited -----
Net revenues	66,419,460	57,596,544
Gross profit	17,082,362	15,489,722
Income taxes	3,985,700	3,495,000
Earnings before cumulative effect of accounting change	6,166,353	5,421,253
Cumulative effect of accounting change	-	61,000
Net earnings	6,166,353	5,482,253
Earnings per share before cumulative effect of accounting change	1.63	1.44
Cumulative effect of accounting change	-	.01
Earnings per share	1.63	1.45

CHURCHILL DOWNS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

2. RACING PLANT AND EQUIPMENT:

Racing plant and equipment are summarized as follows:

	December 31, 1995	December 31, 1994	December 31, 1993
	-----	-----	-----
Land	5,930,242	\$ 5,864,863	\$ 5,033,145
Grandstands and buildings	55,946,326	48,749,083	35,291,747
Equipment	2,685,026	2,110,793	1,526,524
Furniture and fixtures	3,435,761	3,586,659	2,961,423
Tracks and other improvements	29,332,188	28,364,732	20,706,395
Construction in process	121,920	861,571	708,263
	-----	-----	-----
	\$97,451,463	\$89,537,701	\$66,227,497
	=====	=====	=====

Depreciation expense was \$3,817,511 and \$3,062,978 for the years ended December 31, 1995 and 1994 and \$2,387,618 for the eleven months ended December 31, 1993.

3. INCOME TAXES:

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 109, ACCOUNTING FOR INCOME TAXES, as of February 1, 1993. SFAS No. 109 changes the method of accounting for income taxes from the deferred to the liability method. Under the liability method, deferred income taxes at the end of each period are determined by using the enacted tax rates for the years in which the taxes are expected to be paid or recovered. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be recovered. Under the deferred method, deferred income taxes were recognized using the tax rates in effect when the tax was first recorded.

The adoption of SFAS No. 109 required revaluation of the Company's deferred income tax liability to reflect the provisions of this statement. The cumulative effect of this change as of February 1, 1993 increased net earnings for the eleven months ended December 31, 1993 by approximately \$61,000, or \$.01 per share. Prior year financial statements were not restated for this accounting change.

CHURCHILL DOWNS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

The components of the net deferred tax liability recognized in the accompanying balance sheet as of December 31 follow:

	1995	1994	1993
	-----	-----	-----
Deferred tax liability	\$2,841,000	\$2,737,000	\$1,907,000
Deferred tax asset	(529,500)	(489,000)	(488,000)
Valuation allowance	104,000	-	-
	-----	-----	-----
	\$2,415,500	\$2,248,000	\$1,419,000
	=====	=====	=====

At December 31, 1995, the Company has operating loss carry forwards of approximately \$3,000,000 for Indiana State income tax purposes expiring from 2009 through 2010. Based on the weight of evidence, both negative and positive, including the lack of historical earnings in the state of Indiana, the Company has provided a valuation allowance because it is unable to assert that it is more likely than not to realize some portion or all of the deferred tax asset attributable to the Indiana State income tax net operating loss carry forwards.

Significant components of the Company's deferred tax assets and liabilities at December 31 follows:

	1995	1994	1993
	-----	-----	-----
Excess of book over tax basis of property & equipment	\$2,161,000	\$2,037,000	\$1,907,000
Book basis of racing license in excess of tax basis	680,000	700,000	-
Accrual for supplemental benefit plan	(252,900)	(230,000)	(210,000)
Net operating loss carryforwards	(104,000)	-	-
Allowance for uncollectible receivables	(54,000)	(86,000)	(86,000)
Other accruals	(118,600)	(173,000)	(192,000)
	-----	-----	-----
	2,311,500	2,248,000	1,419,000
Valuation allowance for deferred tax assets	104,000	-	-
	-----	-----	-----
	\$2,415,500	\$2,248,000	\$1,419,000
	=====	=====	=====

CHURCHILL DOWNS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

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:

	Year Ended December 31, 1995		Year Ended December 31, 1994		Eleven Months Ended December 31, 1993	
	Amount	Percent of Pretax Income	Amount	Percent of Pretax Income	Amount	Percent of Pretax Income
Statutory tax on earnings before income tax	\$3,486,000	34.0%	\$3,452,000	34.0%	\$3,223,000	34.0%
State income taxes, net of federal income tax benefit	552,400	5.4%	533,700	5.3%	498,000	5.2%
Other	(12,600)	(.1%)	-	-	(87,200)	(.9%)
	<u>\$4,051,000</u>	<u>39.5%</u>	<u>\$3,985,700</u>	<u>39.3%</u>	<u>\$3,633,800</u>	<u>38.3%</u>
	=====	=====	=====	=====	=====	=====

4. EMPLOYEE BENEFIT PLANS:

The Company has a profit-sharing plan which covers all full-time employees with one year or more of service. The Company will match contributions made by the employee up to 2% of the employee's annual compensation and contribute a discretionary amount determined annually by the Board of Directors. The cost of the plan for the years ended December 31, 1995, December 31, 1994 and the eleven months ended December 31, 1993 was \$280,000, \$276,000, and \$258,000, respectively.

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 year ended December 31, 1995, December 31, 1994 and the eleven months ended December 31, 1993 were \$57,000, \$49,000, and \$44,000, 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. Contributions are made in accordance with negotiated labor contracts. Retirement plan expense for the year ended December 31, 1995, December 31, 1994 and the eleven months ended December 31, 1993 were \$193,774, \$190,626 and \$179,770, respectively. The Company's policy is to fund this expense as accrued.

5. NOTES PAYABLE:

The Company has an unsecured \$20,000,000 bank line of credit with various options for the interest rate, none of which are greater than the bank's prime rate. The rate in effect at December 31, 1995 was 6.85%. Borrowings are payable on January 31, 1997. There was \$6.0 million outstanding at December 31, 1995 and \$7.5 million outstanding at December 31, 1994. No borrowings were outstanding at December 31, 1993.

CHURCHILL DOWNS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

5. NOTES PAYABLE: (cont'd)

The Company also has two non-interest bearing notes payable in the aggregate face amount of \$900,000 relating to the purchase of an intertrack wagering license from the former owners of the Sports Spectrum property. Interest has been imputed at 8%. At December 31, 1995, the balance of these notes was \$420,000 net of an unamortized discount of \$152,000. The notes require aggregate annual payments of \$110,000 from September, 1993. As described in the contingency footnote (Note 9) any remediation costs for environmental cleanup can be offset against any amounts due under these notes payable.

Maturities of all notes payable for the five years following December 31, 1995 follow:

	PRINCIPLE AMOUNT
1996 - \$	68,000
1997 -	6,074,000
1998 -	80,000
1999 -	86,000
2000 and thereafter -	113,000

6. COMMITMENTS:

The Company contracts for totalisator equipment and service. A contract with a new vendor was entered into on November 1, 1993 and extends through October, 1998. The contract provides for rentals based on a percentage of pari-mutuel wagers registered by the totalisator equipment. Hoosier Park entered into a separate contract for totalisator equipment and service under an agreement which expires in 2001 and provides for variable rentals based on the level of activity.

Total rental expense follows:

	Year Ended December 31, 1995	Year Ended December 31, 1994	Eleven Months Ended December 31, 1993
	-----	-----	-----
Minimum rentals	\$ -	\$ -	\$427,000
Variable rentals	1,093,000	577,000	414,000
	-----	-----	-----
	\$1,093,000	\$577,000	\$841,000
	=====	=====	=====

CHURCHILL DOWNS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

7. STOCK OPTIONS:

At the June, 1994 annual meeting of stockholders, a stock option plan for key employees was approved. Options may be granted on no more than 200,000 shares of the Company's common stock.

The plan provides for granting of options to buy shares of the Company's common stock intended either to qualify as "incentive stock options" under the Internal Revenue Code of 1986 or "nonqualified stock options" not intended to so qualify. In accordance with the plan, options are exercisable over a 10 year period from date of grant.

Stock option activity follows:

	Option Price Per Share	Number Of Shares Exercisable In				Total
		1996	1997	1998	1999	
1993 ACTIVITY						
Granted	\$46.00-\$55.00	101,700	--	--	--	101,700
Total outstanding December 31, 1993		101,700	--	--	--	101,700
1994 ACTIVITY						
Granted	\$42.50-\$44.00	--	10,800	10,750	--	21,550
Cancelled	\$44.00-\$46.00	(9,000)	(1,000)	--	--	(10,000)
Total outstanding December 31, 1994		92,700	9,800	10,750	--	113,250
1995 Activity						
Granted	\$31.50	--	--	--	10,600	10,600
Total outstanding December 31, 1995		92,700	9,800	10,750	10,600	123,850

All incentive stock options and nonqualified stock options granted during 1995 and 1994 were granted at the closing high bid quotation on the business day immediately preceding the date of grant. In November 1993, nonqualified stock options were granted at \$46.00, the February 1, 1993 market price. The excess of the current market value of the stock at the date of grant over the option price has been accounted for as deferred compensation and is being expensed over the vesting period, three years.

CHURCHILL DOWNS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation", is effective for the Company's year ended December 31, 1996. This statement introduces a fair-value based method of accounting for stock-based compensation, but allows companies that choose not to adopt the new rules to continue to apply the existing accounting rules contained in Accounting Principals Board Opinion No. 25 "Accounting For Stock Issued to Employees", provided proforma net income and earnings per share disclosures are provided under the new method. Management has not decided whether it will adopt FASB No. 123 to compute compensation charges, but does not believe that the statement will have a material effect on the Company's consolidated financial position or the consolidated results of its operations.

8. 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 SHORT-TERM INVESTMENTS

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.

9. ACQUISITION

On January 26, 1994 the Company purchased Anderson Park, Inc. ("API") for approximately \$1,950,000. API owned an Indiana Standardbred racing license and was in the process of constructing a racing facility in Anderson, Indiana. Subsequently, the facility was completed and contemporaneously with the commencement of operations on September 1, 1994, the net assets of API were contributed to a newly formed partnership, Hoosier Park, L.P. in return for an 87% general partnership interest.

CHURCHILL DOWNS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

10. CONTINGENCIES

On January 22, 1992, the company acquired certain assets of Louisville Downs, Incorporated for \$5,000,000. In conjunction with this purchase, the Company withheld \$1,000,000 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. Substantially all of the \$1,000,000 hold back has been utilized as of December 31, 1995. The remediation has also been approved to receive funds up to \$995,000 from the Kentucky Petroleum Storage Tank Environmental Assurance Fund (the "Fund"). In addition, the Company may offset any additional costs against additional amounts payable to the sellers for the acquisition of the property.

It is not anticipated that the Company will have any liability as a result of compliance with environmental laws with respect to the property. Compliance with environmental laws has not otherwise affected development and operation the property and the Company is not otherwise subject to any material compliance costs in connection with federal or state environmental laws.

11. AGREEMENT TO SELL 10% OF HOOSIER PARK

In December 1995, the Company entered into a Partnership Interest Purchase Agreement with Conseco HPLP, L.L.C. ("Conseco") for the sale of 10% of the Company's partnership interest in HPLP to Conseco. The purchase price for the 10% partnership interest will be \$218,000 and the acquisition of a 10% interest in the debt owed by HPLP to CDMC at face value of debt at the date of the closing (approximately \$2,530,000). The purchase is subject to the approval of the Indiana Horse Racing Commission. Following the purchase, Conseco and Pegasus will be limited partners of HPLP and Anderson will continue to be the sole general partner of HPLP. Such a sale is not anticipated to have any material effect on operations in 1996.

From the date of the closing through December 31, 1998, Conseco will have an option to purchase from Anderson an additional 47% partnership interest in HPLP. The purchase price of the additional partnership interest will be \$22,156,000 of which approximately \$6,222,000 will be allocated to the purchase of the partnership interest and approximately \$15,934,000 will be allocated to the acquisition of debt owed by HPLP to CDMC. This purchase is also subject to the approval of the IHRC. Following this purchase, Conseco will be the sole general partner of HPLP, Anderson and Pegasus will be limited partners of HPLP. CDMC will continue to have a long-term management agreement with HPLP pursuant to which CDMC has operational control of the day-to-day affairs of Hoosier Park and its related simulcast operations.

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 "Elections 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 "Elections of Directors - Compensation and Committees of the Board of Directors" 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.

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

(a) 1. Consolidated Financial Statements

PAGES

The following financial statements of Churchill Downs Incorporated for the year ended December 31, 1995, the year ended December 31, 1994 and the eleven months ended December 31, 1993 are included in Part II, Item 8:

Reports of Independent Accountants	27
Consolidated Balance Sheets	28
Consolidated Statements of Earnings	29
Consolidated Statements of Stockholders' Equity	30
Consolidated Statements of Cash Flows	31
Notes to Consolidated Financial Statements	32-40
Schedule VIII - Valuation and Qualifying Accounts	44

All other schedules are omitted because they are not applicable, not significant or not required, or because the required information is included in the financial statement notes thereto.

(b) Reports on Form 8-K:

None

(c) Exhibits

See exhibit index.

(d) All financial statements and schedules except those items listed under items 14(a)1 and (a)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

March 21, 1995

(Principal Executive Officer)

(Director)

/S/ VICKI L. BAUMGARDNER

Vicki L. Baumgardner,

Vice President, Finance, Treasurer

March 21, 1995

(Principal Financial Officer)

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/ CHARLES W. BIDWILL, JR.

Charles W. Bidwill, Jr.

March 21, 1996

(Director)

/S/ CATESBY W. CLAY

Catesby W. Clay

March 21, 1996

(Director)

/S/ WILLIAM S. FARISH

William S. Farish

March 21, 1996

(Director)

J. David Grissom

March 21, 1996

(Director)

/S/ SETH W. HANCOCK

Seth W. Hancock

March 21, 1996

(Director)

/S/ FRANK B. HOWER, JR.

Frank B. Hower, Jr.

March 21, 1996

(Director)

/S/ G. WATTS HUMPHREY, JR.

G. Watts Humphrey, Jr.

March 21, 1996

(Director)

/S/ W. BRUCE LUNSFORD

W. Bruce Lunsford

March 21, 1996

(Director)

Arthur B. Modell

March 21, 1996

(Director)

/S/ CARL F. POLLARD

Carl F. Pollard

March 21, 1996

(Director)

/S/ DARRELL R. WELLS

Darrell R. Wells

March 21, 1996

(Director)

CHURCHILL DOWNS INCORPORATED

SCHEDULE VIII. - VALUATION AND QUALIFYING ACCOUNTS

Description	Balance, Beginning Of Period	Charged to Expenses	Deductions	Balance, End Of Period
Year ended December 31, 1995:				
Allowance for doubtful accounts and notes receivable	\$ 215,000 -----	\$ - -----	\$ 80,000 -----	\$ 135,000 -----
Year ended December 31, 1994:				
Allowance for doubtful accounts and notes receivable	\$ 215,000 -----	\$ - -----	\$ - -----	\$ 215,000 -----
Eleven months ended December 31, 1993:				
Allowance for doubtful accounts and notes receivable	\$ 215,000 -----	\$ - -----	\$ - -----	\$ 215,000 -----

EXHIBIT INDEX

NUMBERS	DESCRIPTION	BY REFERENCE TO
(3)(a)	Restated Articles of Incorporation	Exhibit A to report on Form 8-K filed with the Securities and Exchange Commission on July 11, 1991
(b)	Restated Bylaws as amended	Exhibit 3(b) to report on Form 10-K for year ended December 31, 1994
(10)(a)	Churchill Downs Restated Supplemental Benefit Plan dated March 1, 1995	Exhibit 10 (a) to report on Form 10-K for the year ended December 31, 1994
(b)	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
(c)	Churchill Downs Incorporated Amended Incentive Compensation Plan (1993)	Exhibit 10 (c) to report on Form 10-K for the year ended December 31, 1994
(d)	Churchill Downs Incorporated 1993 Stock Option Plan	Exhibit 10(h) to Report on Form 10-K for the eleven months ended December 31, 1993
(e)	Stock Purchase Agreement naming Dominick Marotta, Frank Marotta, Louis E. Carlo and Edward F. Draugelis	Exhibit 10(i) to Report on Form 8-K filed with the Securities and Exchange Commission on February 10, 1994
(f)	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
(g)	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

- | | | |
|------|---|--|
| (h) | Promissory Note dated May 31, 1994 in the principal amount of \$20,000,000 by Churchill Downs Incorporated to PNC Bank, Kentucky, Inc. | Exhibit 10(1) to report on Form 10-Q for the fiscal quarter ended June 30, 1994 |
| (i) | Amended and Restated Lease Agreement dated January 31, 1996 | Exhibit 10 (i) to report on Form 10-K for the year ended December 31, 1995 |
| (j) | Amendment No. 1 to Promissory Note dated May 31, 1994 | Report on Form 10-K for the year ended December 31, 1994 |
| (k) | Partnership Interest Purchase Agreement dated December 20, 1995 among Anderson Park, Inc., Conseco HPLP, L.L.C., Pegasus Group, Inc. and Hoosier Park, L.P. | Exhibit 10(k) to report on Form 10-K for the year ended December 31, 1995 |
| (21) | Subsidiaries of the registrant | Exhibit 21 to report on Form 10-K for the year ended December 31, 1994 |
| (23) | Consent of Coopers & Lybrand, LLP Independent Accountants | Report on Form 10-K for the year ended December 31, 1995 |
| (27) | Financial Data Schedule | Report on Form 10-K for the year ended December 31, 1995 |
| (99) | Names and addresses of certain shareholders of the Company who are parties to the Third Supplemental Stockholder Agreement | Schedule 13D filed with the Commission on April 25, 1995, as amended on May 31, 1995 |

EXHIBIT 23

We consent to the incorporation by reference in the registration statement of Churchill Downs Incorporated on Form S-8 (File No. 33-85012) of our report, which includes an explanatory paragraph regarding a change in the method of accounting for income taxes, dated March 8, 1996 on our audits of the consolidated financial statements and financial statement schedule of Churchill Downs Incorporated as of December 31, 1995, December 31, 1994, and December 31, 1993 and for the year ended December 31, 1995, December 31, 1994 and for the eleven month period ended December 31, 1993 which report is included in this Annual Report on Form 10-K.

/s/Coopers & Lybrand L.L.P.

Coopers & Lybrand L.L.P.

Louisville, Kentucky
March 29, 1996

AMENDED AND RESTATED LEASE AGREEMENT
FOR HOOSIER PARK AT ANDERSON

This Amended and Restated Lease agreement is entered as of the 31st day of January, 1996, by and between the City of Anderson, Indiana, Park and Recreation Board (the Board) and Hoosier Park L.P., a corporation (the "Tenant").

WHEREAS standardbred horse racing has occurred in Anderson, Indiana since 1900, and

WHEREAS the Board has operated a horsetrack and barns for stabling, training and racing standardbred horses since at least 1913 and,

WHEREAS the Constitution and Laws of the State of Indiana now allow for pari-mutuel horse racing and,

WHEREAS the citizens of Madison County, Indiana have twice given their approval in referendum to measures allowing pari-mutuel wagering and,

WHEREAS the Madison County Council has given unanimous approval after a public hearing to an ordinance permitting pari-mutuel horse racing in Madison County and,

WHEREAS a parcel of land containing approximately 110 acres was given to the Board to construct or to have constructed a standardbred racing and training facility and,

WHEREAS the Board has offered this property for lease in accordance with all applicable Indiana Laws and,

WHEREAS the Tenant holds the license to conduct mixed breed horse racing and to allow pari-mutuel wagering thereon; and Whereas the Tenant has developed a racetrack and related amenities on the 110 acres pursuant to the existing terms of the Lease including \$3.1 million of improvements for the racing of thoroughbreds; and

WHEREAS the Indiana Horse Racing Commission has granted dates for racing thoroughbred horses at the Premises and the Board has approved the racing of thoroughbred horses at the Premises; and

WHEREAS, the parties hereto previously entered into a certain Lease Agreement dated the 17th day October, 1990, setting forth certain obligations pertaining to the construction of certain improvement on the premises; and

WHEREAS, although the parties hereto previously envisioned that the facility as constructed would be utilized solely for the purposes of standardbred racing, but now acknowledge and agree that the premises shall be used for both standardbred and thoroughbred racing; and

WHEREAS, the parties heretofore have now constructed the aforesaid improvements to the satisfaction of each party, and in accordance with the obligations as previously set out in the lease of October 17, 1990, and do desire to now amend and restate the Lease Agreement to reflect the foregoing changes of circumstances which have occurred since the time of the execution of the prior lease.

Now, therefore, for and in consideration of the premises and of the rentals hereinafter recited and the terms, conditions, and covenants of the lease, the Board does hereby lease the ground described in attachment A together with all improvements located from time to time thereon (the "Premises").

January 31, 1996

Beginning at a point being South 00 degrees, 33 minutes and 50 seconds East 1,240 feet and South 88 degrees, 34 minutes and 20 seconds West 950.55 feet from the Northeast corner of Section 29, Township 19 North Range 8 East and running thence South 00 degrees, 25 minutes and 40 seconds East 2,478.95 feet thence South 88 degrees and 30 minutes West 1,594.75 feet, thence North 00 degrees, 15 minutes and 05 seconds West 1,066.88 feet, thence South 88 degrees, 24 minutes and 45 seconds West 132 feet to the center of said Section 29, thence South 88 degrees, 24 minutes and 45 seconds West 141.73 feet, thence North 00 degrees, 25 minutes and 40 seconds West 745.61 feet thence North 12 degrees, 06 minutes and 50 seconds East 690.4 feet, thence North 88 degrees, 34 minutes and 20 seconds East 1,715.25 feet to the point of beginning.

Being a part of Section 29, Township 19 North, Range 8 East and containing 98.338 acres, more or less.

Beginning at the center of Section 29, Township 19 North, Range 8 East and running thence North 88 degrees, 24 minutes and 45 seconds East 132 feet, thence South 00 degrees, 15 minutes and 05 seconds East 1,066.68 feet thence South 88 degrees and 30 minutes West 270.45 feet, thence North 00 degrees, 25 minutes and 40 seconds West 1,066.39 feet, thence North 99 degrees, 24 minutes and 45 seconds East 141.73 feet to the place of beginning.

Being a part of the Southwest Section 29, Township 19 North, Range 8 East and containing 3.43 Acres; and a part of the Southeast quarter of said Section 29 and containing 3.232 Acres and containing in all 6.662 acres, more or less.

A part of Section 29, Township 19 North, Range 8 East, Madison County, Indiana, described as follows: commencing at the Northeast corner of said section; thence South 0 degrees 33 minutes 50 seconds East 1,240.00 feet along the East line of said section; thence South 88 degrees 34 minutes 20 seconds West 2,665.80 feet to the point of beginning of this description: thence South 12 degrees 06 minutes 50 seconds West 690.40 feet; thence South 0 degrees 25 minutes 40 seconds East 1,810.00 feet; thence North 21 degrees 13 minutes 03 seconds West 388.10 feet; thence Northwesterly 423.61 feet along an arc to the left and having a radius of 200.00 feet and subtended by a long chord having a bearing of North 06 degrees 11 minutes 16 seconds West and a length of 348.75 feet; thence North 08 degrees 39 minutes 28 seconds East 294.68 feet; thence Northeasterly 905.91 feet along an arc to the left and having a radius of 5,779.58 feet and subtended by a long chord having a bearing of North 04 degrees 10 minutes 02 seconds East and a length of 904.98 feet; thence North 0 degrees 19 minutes 23 seconds West 577.50 feet; thence North 88 degrees 34 minutes 20 seconds East 202.58 feet to the point of beginning and containing 5.706 acres, more or less.

I. BASIC AGREEMENT

The Board as owner of the Premises does hereby covenant and agree to perform the obligations as herein imposed upon the Board, and to lease the Premises to the Tenant.

The Tenant does hereby covenant and agree to perform the obligations as herein imposed upon Tenant and to lease the Premises from the Board for use in the offering of pari-mutuel race meetings and race horse training.

II. AGREEMENT TO LEASE, DESCRIPTION AND USE OF PREMISES

The Board does hereby lease the Premises to the Tenant and the Tenant hereby leases the Premises from the Board "as is" without any warranty as to fitness for Tenant's purpose or otherwise.

The Premises is leased to Tenant for the sole purpose of conducting pari-mutuel horse racing and race horse training and any other customary related purpose in which a pari-mutuel license holder can lawfully engage. Any other uses of the Premises must have the express written approval of the Board.

As used herein, any reference to "thoroughbred racing" shall include any racing conducted over a flat course.

January 31, 1996

III. TERM OF LEASE

1. The initial term of this Lease shall commence on March 23, 1993, and end at midnight on April 22, 2003.
2. The Tenant shall have options to renew the Lease for three additional 10 year periods upon and subject to same terms and conditions. The Tenant shall exercise such options by delivering notice to the Board in writing at least six months prior to the expiration of the primary term or current extended term, as applicable.

IV. RENT

Rent payments shall be made by the third business day of the week following each week in the amounts specified in No. 1 below.

If the minimum rent has not been paid by December 31 of any year during the term, then tenant shall pay the balance owed by the third business day in the following calendar year, provided, however, that the minimum rate shall be pro-rated, (based upon a 365 day year) for any partial year as a result of the final year of the term of this agreement.

A late penalty of ten (10%) percent above the amount due shall be charged as a late payment for payments not delivered within five (5) days of the due day.

1. The tenant will pay to the Board an annual rent of \$128,520.00, or the aggregate of the following amounts, whichever is greater:
 - a. One-half of one percent (.5%) of the aggregate of all pari-mutuel pools, excluding refundable wagers, generated in the following manners:
 - i. by patrons wagering at the Premises on live races being run at the Premises;
 - ii. by patrons wagering at the Premises on races simulcast from other locations within or without the State of Indiana.
 - iii. by patrons wagering on live races being run at the Premises while at any satellite wagering facility located in Indiana and owned by the Tenant.
 - b. Ten percent (10%) of the Tenant's net receipts generated by wagers made by patrons on live races being run at the Premises while at satellite wagering facilities located in Indiana and owned by third parties. For purposes of calculating this amount, "net receipts" means amounts received from such facilities for use of the Tenant's signal less direct expenses incurred to send the signal, amounts payable to horsemen and any applicable taxes.
 - c. The rent which results from handle wagered at the Tenant's satellite wagering facilities in or out of Indiana will be reduced by the amount of the attendance tax received by the City of Anderson, Indiana, pursuant to I.C. 4- 31-9-5(b)(1)(A) as a result of paid admission to Tenant's satellite facility.
 - d. No other handle (including, without limitation, handle generated by patrons wagering at out-of-state locations on live races emanating from the Premises, and handle generated by patrons wagering at the Tenants satellite wagering facilities on live races simulcast from third parties' locations within or without the included in handle for the purpose of calculating the rent.
2. To assist the Board in determining the annual rent which is payable by the Tenant, the Tenant shall provide to the Board not later than the third day of the week, all reports of attendance and handle for the previous calendar week, which the Tenant is required to provide to the Indiana Racing Commission.

January 31, 1996

V. LICENSE

1. The Tenant currently holds a horse racing permit to conduct pari-mutuel horse racing at the Premises.

The Tenant shall apply for a horse racing permit on or before November 1st, of each succeeding year or as required by the Indiana Horse Racing Commission, so as to continue to hold such permit at all times.

2. The Tenant shall be responsible for all costs associated with obtaining and maintaining a horse racing permit.
3. The Tenant shall conduct live races at least as many days per year as required by statute in order to hold a pari-mutuel license.

VI. IMPROVEMENTS

1. The Tenant has heretofore satisfactorily constructed a grandstand, including an enclosed theater-type seating facility, a clubhouse/restaurant, an additional bench-type seating; the Tenant shall hereinafter maintain the aforesaid improvements in a manner which is substantially similar to the composition, structure capacity, layout and condition of the aforesaid facilities as they existed on September 1, 1994.
2. The Tenant shall maintain a race paddock, blacksmith shop, private kitchen and commissary facilities for track personnel, perimeter fencing, mounding and landscaping.
3. The Tenant shall maintain a paved parking area for 2,000 vehicles which will be fully landscaped. The Tenant shall also maintain auxiliary parking for an additional 2,000 vehicles.
4. Any and all facilities and other improvements to be constructed by the Tenant shall be at the Tenant's expense, subject to no-lien contracts and with performance bonds. Further, the Tenant shall provide to the Board 30 days prior written notice of its intentions to so construct any improvements, and shall seek and shall receive the Board's approval of the design and specifications of said improvements (reasonably exercised to assure first class facilities).
5. The Tenant agrees to operate the barns and the track for boarding and training of horses as follows:
 - a. The Premises will be available for boarding and training only standardbred horses, without charge, during the standardbred horse season established by the Tenant.
 - b. The Premises will be available for boarding and training only thoroughbred horses, without charge, during the thoroughbred horse season established by the Tenant.
 - c. The Tenant, in its discretion, may elect to make the Premises available for boarding and training of standardbred or thoroughbred horses as the Tenant may select when there are no live horse races at the Premises. If the Tenant elects to make the Premises available for boarding and training standardbred horses, then the Tenant shall allocate an appropriate number of stalls to certain of the specific standardbred horses training at Athletic Park on March 15, 1995 up to a maximum of 24 stalls.
 - i. Except as set forth in Paragraph 5.cii below, stall rent for horses boarding and training at the Premises during the off-season shall be the full daily stall rent as determined by the agreement between the Tenant and the horsemen's group representing the majority of the horsemen racing horses at the Premises, subject to periodic review and approval by the Board, and which such approval shall not be unreasonably withheld. Further, the foregoing provision shall in no way be construed to allow the Board to interfere with or in any other way participate in or intervene into the negotiations between the Tenant and the horsemen's group regarding the aforesaid stall rent and agreement.
 - ii. Stall rent for owners of the horses originally stabled at

Athletic Park while such horses are stabled at the Premises shall be fifty percent (50%) of the daily stall rent specified in Paragraph 5.c.i. above.

January 31, 1996

d. The Tenant may establish commercially reasonable rules and regulations for the training and boarding of horses, and impose other commercially reasonable rules and regulations, subject to periodic review and approval by the Board, such approval not to be unreasonably withheld. The current tenants of the Athletic Park facility shall be given first consideration for renting stalls.

6. The Tenant shall be responsible throughout the term of the Lease to keep and maintain the Premises in good, clean, sanitary and safe condition and repair.
7. The Board shall maintain the four lane boulevard road from 53rd Street to the Premises, which serves as the primary public access to the Premises.
8. The Board shall maintain the two lane street from Rangeline Road to the North boundary of the Premises, which serves as a horseman's entrance.
9. The Board shall be responsible for maintaining sanitary sewers, public water, and electricity which abut the boundary of the Premises and at the request of the Board, the Tenant shall allow any and all utility easements at no cost to the Board.

VII. GENERAL CONDITIONS

1. This Lease is transferrable only upon written approval from the Board. This includes assignment of the Lease to another party and any changes, in the aggregate, of twenty (20%) percent or more of the ownership of the Tenant.
2. The Board shall have the right to inspect for the purpose of determining the state of repairs necessary. In the event the Board in its reasonable discretion, determines that certain basic repairs are essential, the cost of such repairs shall be determined by competitive bidding. The Board shall have the further right to compel the Tenant to place in escrow an amount equal to the cost of said repairs or to make such repairs within a reasonable time period.
3. Any substantial changes to the Premises must be approved by the Board, such approval not to be unreasonably withheld, in writing prior to being made.
4. All on-site utilities shall be underground, except those that pre-exist on the site.
5. Any leasehold improvements constructed by the Tenant are the property of the Tenant until the end of the Lease, at which time they become the property of the Board, at no cost to the Board.
6. The Tenant shall allow to the Board the unfettered right of access to and use of the leased property at no cost to the Board for purposes of performing its obligations and enforcing its rights hereunder
7. The Tenant shall not sub-lease or assign this Lease, without the Board's written approval. This written approval may be conditioned or withheld by and at the Board's sole discretions.
8. The Tenant shall not use or permit the use of the Premises or any portion thereof for:
 - a. Sales of alcoholic beverages to be consumed outside the Premises;
 - b. Sale of diesel fuel oil, gasoline, tires or auto parts to be used outside the Premises;
 - c. Commercial hotel/motel or other overnight lodging for the general public.

VIII. TENANT'S DUTY TO PAY COSTS AND EXPENSES

1. The Tenant shall initiate, contract for and obtain, in its name any and all utility services that may be required by the Premises and the Tenant shall pay all charges for these services as they become due.

2. The Tenant shall pay and discharge when due, as additional rental, all state, municipal and local taxes, or special assessments, levies or other charges, of whatever nature, and whether ordinary or extraordinary in nature. Such payments, to the extent required by ordinance or other law, shall be paid in the name of the Board, and Tenant shall pay the same as specified above whether such taxes or other charges become due and payable during the term hereof or during period of renewal, or prior to execution of this Lease. Property owned and/or improvements made by the Board are not subject to taxation. If in the future it is determined that taxes are due on the Board's property and/or improvements made by the Board, such taxes shall be the responsibility of the Board.
3. The Tenant covenants and agrees to maintain, at the Tenant's expense, policies of insurance in forms, amounts, types, and with companies reasonably required from time to time by the Board, including without limitation the following:
 - a. Worker's compensation and employer's liability insurance.
 - b. So called all-risk and extended coverage casualty insurance.
 - c. General comprehensive, public liability and property damage insurance.
 - d. Comprehensive automobile liability insurance.
 - e. Builder's all-risk insurance with fire and extended coverages.
 - f. Rent interruption insurance.
 - g. The Tenant agrees to name the Board as an additional named insured on any of such policies.

IX. PUBLIC USE

1. The expressed purpose for the development of the Premises is to replace the training facility at Athletic Park and to provide facilities available for other public uses. The Board and Tenant acknowledge that the purpose of replacing the training facility at Athletic Park shall be fulfilled by Tenant pursuant to its obligations as set forth within Section VI-5 hereof the Agreement. The Tenant acknowledges that the Premises is a public facility and that the public has the right to use the facility for public purpose not inconsistent with Tenant's rights hereunder, the Indiana Horse Racing Commission's Rules and Regulations, and the Tenant's security and safety rules. The purpose of the improvements made by the Board are for use by the public. The Board shall be entitled to use of the Premises for public purposes at all times, subject to the rights of the Tenant to use the Premises for pari-mutuel horse racing and race horse training as provided herein.
2. The Tenant acknowledges that the Premises is publicly owned by the Board and that the public using any part of said facilities is at all times entitled to proper respect and courteous treatment and service. The Tenant agrees that Tenant's operation of the Premises and supervision of employees, shall reflect and be consistent with this obligation to the public.

X. TENANT SHALL NOT OBLIGATE THE BOARD

1. It is understood and agreed by both parties that the Tenant shall in no way or manner obligate the Board for any purchases, improvements or other expenditures made by the Tenant in the construction of improvements or operation of the Premises pursuant to and/or during the term of this Lease. The Tenant covenants and agrees that it is not and will not hold itself out to be an authorized agent, employee or servant of the Board.

XI. INDEMNIFICATION OF THE BOARD

1. The Tenant agrees to indemnify and hold the Board and the property of the Board, including the leased Premises, free and harmless from any and all claims, liability, loss, damage or expenses resulting from the Tenant's occupation and use of the leased Premises, including (without limitation) any claim, liability, loss or damage arising by reason of the following:

- a. The death or injury of any person or persons, including the Tenant or any person who is an employee or agent of the Tenant, or the damage to or destruction of any property, including property owned by the Tenant or any

January 31, 1996

person who is an employee or agent of the Tenant, and caused or allegedly caused by either the condition of said Premises, or some act or omission of the Tenant or some agent, contractor, employee, or servant of the Tenant on the leased Premises;

- b. Any work performed on said Premises or materials furnished to said Premises at the request of the Tenant or any agent or employee of the Tenant; and
- c. The Tenant's failure to perform any provision of this Lease or to comply with any requirement of law or any requirement imposed on the Tenant or the leased premises by any duly authorized governmental agency or political subdivision.

XII. DEFAULT AND FORFEITURE

- 1. The Board may enforce the performance of this Lease in any manner provided by law, and further, without waiving any claims for damages, this Lease shall be forfeited on a declaration of forfeiture by the Board if the Tenant shall default as follows:
 - a. If the Tenant shall abandon, desert or vacate the Premises after sixty (60) days notice by the Board that such abandonment, desertion or vacation has occurred.
 - b. If default for a period of twenty (20) days after written notice thereof by the Board shall be made by the Tenant in the payment of rent.
 - c. If default shall be made by the Tenant in performance of any of the terms and conditions of this Lease that the Tenant is to perform and said default continues for a period of thirty (30) days or more after the notice of default is given, or such longer period as may be necessary in the Board's reasonable opinion to cure any default that cannot reasonably be remedied within such thirty (30) day period.
 - d. If the Tenant shall make an assignment for the benefit of creditors, or is adjudicated as bankrupt, or takes advantage of an insolvency act, the Board may declare default immediately.
 - e. If the Tenant fails to apply for a permit, in any calendar year, in accordance with rules of the Indiana Horse Racing Commission.

XIII. TERMINATION OF LEASE

Upon termination of this Lease, the Tenant shall quit and surrender the Premises including all leasehold improvements, in a clean and orderly condition to the Board.

January 31, 1996

In witness whereof the Board and the Tenant have entered into this Lease as of the date first written above.

Tenant

Hoosier Park L.P.

/s/Jeff Smith

Jeff Smith, President

Board

City of Anderson, Indiana
Park and Recreation Board By:

/s/Robert Land

Robert Land, President

Attest:

/s/Heather Gillespie

Heather Gillespie, Secretary

Mayor, City of Anderson

/s/J. Mark Lawler

J. Mark Lawler

Attest:

/s/Marie Riggs

Marie Riggs, City Clerk

January 31, 1996

PARTNERSHIP INTEREST PURCHASE AGREEMENT

BY AND AMONG

ANDERSON PARK, INC.,
CONSECO HPLP, L.L.C.
PEGASUS GROUP, INC. AND
HOOSIER PARK, L.P.

DECEMBER 20, 1995

January 31, 1996

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PARTNERSHIP INTEREST PURCHASE AGREEMENT

THIS PARTNERSHIP INTEREST PURCHASE AGREEMENT (this "Agreement") is made and entered into as of this 20th day of December, 1995, by and among Anderson Park, Inc., an Indiana corporation ("API") in its corporate capacity and in its capacity as general partner of Hoosier Park, L.P., Conseco HPLP, L.L.C., an Indiana limited liability company ("Conseco"), Pegasus Group, Inc., an Indiana corporation ("Pegasus") and Hoosier Park, L.P., an Indiana limited partnership ("HPLP").

W I T N E S S E T H :

WHEREAS, API and Pegasus are the only partners in HPLP;

WHEREAS, Conseco desires to purchase a portion of API's partnership interest in HPLP and API desires to sell to Conseco a portion of its partnership interest in HPLP; and

WHEREAS, Pegasus desires to consent to waive and waive certain rights it has in connection with the consummation of the sale of the portion of partnership interest by API to Conseco.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I.

DEFINITION AND CONSTRUCTION

SECTION 1.01. DEFINITIONS. As used in this Agreement, the following terms shall have the meanings indicated below (the definitions to be applicable to both the singular and the plural form of the terms defined, where either such form is used in this Agreement):

"Additional HPLP Debt Interest" has the meaning set forth in SECTION 2.04 of this Agreement.

"Additional Partnership Interest" has the meaning set forth in SECTION 2.04 of this Agreement.

"Amended and Restated HPLP Limited Partnership Agreement" means the Amended and Restated HPLP Agreement of Limited Partnership by and among API, Conseco and Pegasus dated as of the Closing Date substantially in the form of EXHIBIT B.

"Amended and Restated Management Agreement" means the Amended and Restated Management Agreement by and between CDMC and HPLP dated as of the Closing Date substantially in the form of EXHIBIT D.

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"Amended Trademark License Agreement" means the Amended Trademark License Agreement by and between CDI and the Partnership dated as of the Closing Date substantially in the form of Exhibit F.

"API" means Anderson Park, Inc., an Indiana corporation.

"API Pledge Agreement" means the API Pledge Agreement by and between API and CDMC dated August 30, 1994.

"Bill of Sale and Assignment" means the Bill of Sale and Assignment Agreement by and between API and Conesco dated as of the Closing Date substantially in the form of EXHIBIT A.

"Board" means the City of Anderson, Indiana, Park and Recreation Board.

"CDI" means Churchill Downs Incorporated, a Kentucky corporation.

"CDMC" means Churchill Downs Management Company, a Kentucky corporation.

"Claims" has the meaning set forth in SECTION 13.01 of this Agreement.

"Closing" has the meaning set forth in SECTION 11.01 of this Agreement.

"Closing Date" has the meaning set forth in SECTION 11.01 of this Agreement.

"Conesco" shall mean Conesco HPLP, L.L.C., an Indiana limited liability company.

"Conesco, Inc." means Conesco, Inc., an Indiana corporation.

"Conesco Option" has the meaning set forth in SECTION 2.04 of this Agreement.

"Conesco Pledge Agreement" means the Conesco Pledge Agreement by and between Conesco and CDMC dated as of the Closing Date substantially in the form of EXHIBIT G.

"Financial Advisory Agreement" means the Financial Advisory Agreement by and between CDMC and Conesco substantially in the form of Exhibit E.

"Financial Statements" has the meaning set forth in SECTION 3.07 of this Agreement.

"Financing Document" shall mean the Financing Document by and between API and Conesco dated as of the Closing Date substantially in the form of EXHIBIT C.

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"HPLP" means Hoosier Park, L.P., an Indiana limited partnership.

"HPLP Debt" means the total principal amount of the debt outstanding owed from HPLP to CDMC as of the Closing Date and thereafter owed to CDMC and Consec, including accrued but unpaid interest, but excluding working capital debt, and including management fees which are accrued and unpaid as of the Closing Date for the purchase of the Initial Partnership Interest, but excluding management fees which accrue thereafter.

"HPLP Debt Interest" has the meaning set forth in SECTION 2.01 of this Agreement.

"HPLP Limited Partnership Agreement" means the Hoosier Park, L.P. Agreement of Limited Partnership by and between API and Pegasus dated August 30, 1994.

"Income Taxes" shall mean any income, gross receipts, gains, net worth, surplus, franchise or withholding taxes (including interest, penalties or other additions to Tax) imposed by a Tax Authority.

"Indemnified Party" has the meaning set forth in SECTION 13.05 of this Agreement.

"Indemnifying Party" has the meaning set forth in SECTION 13.05 of this Agreement.

"Initial HPLP Debt Interest" has the meaning set forth in SECTION 2.01 of this Agreement.

"Initial Partnership Interest" has the meaning set forth in SECTION 2.01 of this Agreement.

"Material Adverse Effect" when used in reference to a Person or Persons, shall mean a material adverse effect on the business, assets, liabilities, operations, results of operations or financial condition of the Person or Persons.

"Omnibus Agreement" means the Omnibus Agreement by and among CDMC, API, Pegasus and Roderick J. Ratcliff dated August 30, 1994.

"Option Closing" has the meaning set forth in SECTION 2.04 of this Agreement.

"Option Price" has the meaning set forth in SECTION 2.04 of this Agreement.

"Partnership Interest" has the meaning set forth in SECTION 2.01 of this Agreement.

"Pegasus" means Pegasus Group, Inc., an Indiana corporation, and includes Roderick J. Ratcliff, the sole shareholder of Pegasus Group, Inc.

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"Pegasus Pledge Agreement" means the Pegasus Pledge Agreement by and between Pegasus and CDMC dated August 30, 1994.

"Person" means any individual, corporation, partnership, limited liability company, association, trust, organization or other entity.

"Purchase Price" has the meaning set forth in SECTION 2.02 of this Agreement.

"Tax Authority" shall mean a foreign or United States federal, state or local government authority having jurisdiction over the assessment, determination, collection or imposition of any Tax, as the context requires.

"Tax and Taxes" shall mean all taxes, charges, fees, levies or other assessments, including without limitation, all net income, gross income, gross receipts, sales, use, value added, ad valorem, transfer, franchise, profits, license, withholding, payroll, employment, windfall profit, alternative or add on minimum, excise, estimated, severance, stamp, occupation, property or other taxes, customs, duties, fees, assessments, or charges of any kind whatsoever, all pari-mutuel wagering, satellite facility and attendance and similar taxes, together with any interest and any penalties, additions to tax or additional amounts imposed by any Tax Authority with respect thereto.

SECTION 1.02. HEADINGS. The subject headings of the sections and articles of this Agreement are included for purposes of convenience only, and shall not affect the construction or interpretation of any of its provisions.

SECTION 1.03. CONSTRUCTION. The parties have participated jointly in the negotiation and drafting of this Agreement, and, in the event of an ambiguity or a question of intent or a need for interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

ARTICLE II.

TERMS OF PURCHASE OF PARTNERSHIP INTEREST

SECTION 2.01. PURCHASE OF PARTNERSHIP INTEREST. Upon and subject to the terms and conditions set forth in this Agreement, at the Closing Conesco shall purchase from API, and API shall transfer, assign, set over and deliver to Conesco ten percent (10%) of the total outstanding ownership interests in HPLP, including the liabilities associated therewith, (the "Initial Partnership Interest", and together with the Additional Partnership Interest, the "Partnership Interest"), and in connection therewith to also acquire from CDMC a ten percent (10%) interest in the HPLP Debt (the "Initial HPLP Debt Interest").

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SECTION 2.02. PURCHASE PRICE. The purchase price for the Initial Partnership Interest shall be Two Hundred Eighteen Thousand Dollars (\$218,000) and the purchase price for the Initial HPLP Debt Interest shall be an amount equal to ten percent (10%) of the HPLP Debt at the Closing (collectively, the "Purchase Price"). Conseco shall pay the Purchase Price at the Closing to API either by a certified or bank cashier's check or by a wire transfer of immediately available funds. The exact amount of the Purchase Price shall be determined provisionally by the parties at the Closing, subject to such adjustments as are mutually agreed to by the parties within thirty (30) days after the Closing.

SECTION 2.03. TRANSFER TAXES AND COSTS. All Taxes (other than Income Taxes and taxes on, relating to or measured by income or gains), stamp duties, notarial, registration and recording fees and similar Taxes resulting from or relating to the sale and transfer of the Partnership Interest to Conseco shall be borne by Conseco.

SECTION 2.04. CONSECO OPTION. For the period from the Closing Date to and including December 31, 1998, API hereby grants to Conseco and Conseco shall have the non-assignable option (the "Conseco Option") to acquire from API forty-seven percent (47%) of the total outstanding ownership interests in HPLP, including the liabilities associated therewith (the "Additional Partnership Interest"), to become the sole general partner of HPLP in place of API, and in connection therewith, to also acquire from CDMC an additional interest in the HPLP Debt (the "Additional HPLP Debt Interest"). The purchase price for the Additional Partnership Interest and the Additional HPLP Debt Interest (collectively, the "Option Price") shall be Twenty-Two Million One Hundred Fifty-Six Thousand Dollars (\$22,156,000). The Conseco Option may be exercised by written notice from Conseco to API at any time on or before December 31, 1998. Conseco shall pay the Option Price to API and CDMC at the closing of such transaction (the "Option Closing") either by certified or bankers cashier check or by wire transfer of immediately available funds. At the Option Closing, API shall provide to Conseco a certificate executed by the President of API certifying that (i) the representations and warranties of API set forth in this Agreement are true and correct as of the date of such closing, except that the representations and warranties set forth in SECTIONS 3.07 AND 3.09 AND SECTION 3.02 of this Agreement shall be remade with respect to the most recent audited financial statements of HPLP and ownership interests in the Partnership, respectively,, (ii) the Schedules to this Agreement have been updated to the date of such closing and delivered to Conseco and (iii) all of the covenants, conditions and obligations required by this Agreement to be performed by API and HPLP shall have been and will be performed and complied with as of the date of the Option Closing and thereafter, as the case may be. At the Option Closing, API shall execute and deliver to Conseco (i) a duly executed Bill of Sale and Assignment, substantially in the form of Exhibit A hereto, for the Additional Partnership Interest, (ii) appropriate documentation for Conseco to replace API as the sole general partner of the Partnership and otherwise effectuate the transactions, (iii) updated Schedules to this Agreement and (iv) copies of all consents and approvals required to be obtained to effectuate the transactions. At the Option Closing, Conseco shall provide to API a Certificate executed by the managing member of Conseco, certifying that (i) the representations and warranties of Conseco set forth in this Agreement are true and correct as of the

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date of such closing, (ii) all of the covenants, conditions and obligations required by this Agreement to be performed by Consecoco shall have been and will be performed and complied with as of the date of the Option Closing and, thereafter, as the case may be, and (iii) execute and deliver to API a Financing Document, substantially in the form of Exhibit C hereto, for the Additional HPLP Debt Interest.

At the Option Closing the Option Price shall be allocated between the Additional Partnership Interest and the Additional HPLP Debt Interest as follows:

(a) if the principal amount of the HPLP Debt on the date of the Option Closing is equal to or more than Twenty-Eight Million Seven Hundred Thousand Dollars (\$28,700,000), Six Million Two Hundred Twenty-Two Thousand Dollars (\$6,222,000) of the Option Price shall be allocated as the purchase price of the Additional Partnership Interest and Fifteen Million Nine Hundred Thirty-Four Thousand Dollars (\$15,934,000) of the Option Price shall be allocated to the purchase of an equivalent principal amount of the HPLP Debt then owed to CDMC; or

(b) if the principal amount of the HPLP Debt on the date of the Option Closing is less than Twenty-Eight Million Seven Hundred Thousand Dollars (\$28,700,000), an amount of the Option Price equal to Fifty-Five and Fifty-Two One Hundredths Percent (55.52%) of the HPLP Debt shall first be allocated to the purchase of an equivalent principal amount of the HPLP Debt then owed to CDMC, and the balance of the Option Price shall be allocated to the purchase of the Additional Partnership Interest.

The Consecoco Option shall terminate and shall not be exercisable upon the (i) Bankruptcy (as such term is defined in the Amended and Restated HPLP Partnership Agreement) of Consecoco or, (ii) transfer of interest in Consecoco which would cause the ownership of more than 50% of all the ownership interest and voting rights of Consecoco to change to another Person, other than a direct or indirect wholly-owned subsidiary of Consecoco, Inc.

ARTICLE III.

REPRESENTATIONS AND WARRANTIES OF API

As a material inducement to Consecoco and Pegasus to enter into this Agreement and to consummate the transactions contemplated hereby, API, both in its capacity as the General Partner of HPLP and in its corporate capacity, represents and warrants to Consecoco that:

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SECTION 3.01. ORGANIZATION AND POWER OF HPLP. HPLP is a limited partnership duly organized, validly existing, and in existence under the laws of the State of Indiana, for which all reports required to be filed with the Indiana Secretary of State have been filed, and for which no articles of dissolution have been filed with the Indiana Secretary of State. HPLP has all requisite power and authority to carry on its business as it is now being conducted.

SECTION 3.02. OWNERSHIP INTEREST. HPLP is owned eighty-seven percent (87%) by API and thirteen percent (13%) by Pegasus. There are no other holders of any ownership interest in HPLP. There are no outstanding subscriptions, options, warrants, contracts, commitments, convertible securities or other agreements or arrangements of any character or nature whatsoever under which API or HPLP is or may become obligated to issue, assign or transfer any ownership interest in HPLP, except as provided in the API Pledge Agreement and the HPLP Limited Partnership Agreement.

SECTION 3.03. CORPORATE ORGANIZATION. API is a corporation validly existing under the laws of the State of Indiana, for which all reports required to be filed with the Indiana Secretary of State have been filed, and for which no articles of dissolution have been filed with the Indiana Secretary of State, and has all requisite corporate power and authority to own its properties and assets and to conduct its business as now conducted.

SECTION 3.04. AUTHORIZATION. As of the Closing Date, API has all requisite corporate power and authority to enter into this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement and the performance of API's obligations hereunder have been duly authorized by all necessary action on the part of API, subject to obtaining approval of the Board of Directors of CDMC and CDI which will be obtained prior to Closing, and no other corporate proceedings on the part of API are necessary to authorize the execution, delivery and performance. This Agreement has been duly executed and delivered by API and constitutes API's valid and binding obligation, enforceable against API in accordance with its terms.

SECTION 3.05. NO CONFLICT OR VIOLATION. The sale of the Partnership Interest from API to Consec will not (a) conflict or breach any provision of the HPLP Limited Partnership Agreement or the Amended and Restated HPLP Limited Partnership Agreement, except for such conflict or breach as to which requisite waivers or consents have been obtained prior to Closing; (b) conflict or breach with any provision of the articles of incorporation, bylaws or other governing documents of API; (c) conflict, breach or result in a default (or give rise to any right of termination, cancellation or acceleration) under any of the terms, conditions or provisions of any note, lien, bond, mortgage, indenture, license, lease, agreement, consent order, or other instrument or obligation to which HPLP or API is a party, or by which HPLP or API or any of their assets or properties may be bound, which conflict, breach or default would have a Material Adverse Effect on HPLP or API, except for such conflict, breach, or default as to which requisite waivers or consents have been obtained prior to Closing; or (d) violate any judgment, order, writ, injunction, or decree of any court, administrative agency, or governmental or

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regulatory authority applicable to HPLP or API or any of their assets or properties.

SECTION 3.06. APPROVALS AND CONSENTS. Except as set forth in SCHEDULE 3.06, the execution, delivery and performance of this Agreement by HPLP and API does not require HPLP or API to obtain the consent or approval of, or to make any filing with, any governmental or regulatory authority, or other Person except such consents, approvals or filings that have been obtained or made as of the Closing Date or the failure to obtain or file would not have a Material Adverse Effect on HPLP or API. API further represents that, except as set forth in Schedule 3.06, it is not a party to any agreement and it has no knowledge of any fact or circumstance which would prevent the Indiana Horse Racing Commission or the Board from approving the transfer and purchase of the Partnership Interest from API to a duly qualified transferee.

SECTION 3.07. FINANCIAL STATEMENTS. Attached hereto as SCHEDULE 3.07 are true, complete and correct copies of (i) the audited financial statements of HPLP for the period from September 1, 1994 through December 31, 1994 and (ii) the unaudited financial statements of HPLP for the period from January 1, 1995, through September 30, 1995 (the "Financial Statements"). The 1994 Financial Statements were prepared in accordance with generally accepted accounting principles and present fairly the financial position, results of operations and cash flows of HPLP as of and for the period presented.

SECTION 3.08. BROKERS' OR FINDERS' FEES. No agent, investment banker, Person or firm acting on behalf of HPLP or API is or will be entitled to any broker's or finder's fee or any other commission or similar fee in connection with any of the transactions contemplated hereby.

SECTION 3.09. ABSENCE OF UNDISCLOSED LIABILITIES. Except as reflected in the Financial Statements or as set forth in SCHEDULE 3.09, HPLP has no financial obligations, liabilities or accrued obligations of a type which would be disclosed or reserved for in financial statements prepared in accordance with generally accepted accounting principles.

SECTION 3.10. TAX MATTERS. Except as set forth in SCHEDULE 3.10:

(a) all applicable federal, state, local and foreign tax returns and tax reports required to be filed by HPLP have been filed with the appropriate governmental agencies and all jurisdictions in which such returns and reports are required to be filed, and all of such returns and reports are true, correct and complete in all material respects;

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(b) all applicable federal, state, local and foreign income, profits, franchise, sales or use, occupation, property, excise, payroll, and other taxes (including interest and penalties) due from HPLP have been fully paid;

(c) no federal, state, local, or foreign income tax or franchise tax returns of or in respect of HPLP, to the best of HPLP's knowledge, have been examined by the Internal Revenue Service or any state, local, or foreign taxing authority;

(d) no pending issues have been brought to HPLP's attention by the Internal Revenue Service or any state, local, or foreign taxing authority with respect to any tax return, report, election, or filing, or any tax matter of HPLP, and API knows of no unpaid assessment or of any basis or assessment by any of such taxing authorities; and

(e) HPLP has established adequate reserves for all current taxes and all other governmental charges which are not currently due and payable, which reserves are adequately reflected in the Financial Statements.

SECTION 3.11. COMPLIANCE; GOVERNMENTAL AUTHORIZATION. Except as set forth in SCHEDULE 3.11, HPLP

(a) has complied in all material respects with all laws, regulations, ordinances, and orders (including, without limitation, those relating to environmental protection, conservation, occupational safety and health, and equal employment opportunity) which have any material application to its business, assets or properties, and has not received any claims, charges, or investigations, or threats of claims, charges, or investigations of HPLP to comply therewith;

(b) has all federal, state, local and foreign governmental licenses and permits necessary for conducting its business and such licenses and permits are in full force and effect, no material violations have been recorded in respect of any such licenses or permits, and no proceeding is pending or, to the best of API's knowledge, threatened to revoke or limit any such license or permit; and

(c) is in material compliance with all orders, writs, injunctions and decrees applicable to it or any of its operations, assets or properties.

SECTION 3.12. TITLE TO PROPERTY. HPLP has good and marketable title to 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 mortgages, liens, pledges, charges, security interests, or encumbrances except:

(a) as set forth in SCHEDULE 3.12; and

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(b) liens for real and personal property taxes not yet due and payable.

SECTION 3.13. CONTRACTS, AGREEMENTS, AND COMMITMENTS. Except for the contracts, agreements and commitments set forth in SCHEDULE 3.13, (true and complete copies of which have been provided to or made available to Conseco) HPLP 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 HPLP of more than \$50,000 individually or \$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 HPLP. Each contract disclosed or required to be disclosed in SCHEDULE 3.13 is in full force and effect and constitutes a valid and binding obligation of HPLP in accordance with its terms and neither API nor, to the knowledge of API, any other 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.

ARTICLE IV.

REPRESENTATIONS AND WARRANTIES OF PEGASUS

As a material inducement to API and Conseco to enter into this Agreement and to consummate the transactions contemplated hereby, Pegasus represents and warrants to API and Conseco that:

SECTION 4.01. OWNERSHIP INTEREST. Pegasus owns a thirteen percent (13%) interest in HPLP and is a limited partner of HPLP. There are no outstanding subscriptions, options, warrants, contracts, commitments, convertible securities or other agreements or arrangements of any character or nature whatsoever under which Pegasus is or may become obligated to issue, assign or transfer any ownership interest in HPLP, except the Pegasus Pledge Agreement, the HPLP Limited Partnership Agreement and the Omnibus Agreement.

SECTION 4.02. CORPORATE ORGANIZATION. Pegasus is a corporation duly organized, validly existing, and in existence under the laws of the State of Indiana, for which all reports required to be filed with the Indiana Secretary of State have been filed, and for which no articles of dissolution have been filed with the Indiana Secretary of State, and has all requisite corporate power and authority to own its properties and assets and to conduct its business as now conducted. Roderick J. Ratcliff owns all of the outstanding shares of Pegasus. There are no outstanding, asserted or unasserted claims of any former shareholder of Pegasus against Pegasus, API, CDMC or CDI.

SECTION 4.03. AUTHORIZATION. Pegasus has all requisite corporate power and authority to enter into this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement and performance of Pegasus' obligations hereunder have

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been duly authorized by all necessary action on the part of Pegasus, and no other corporate proceedings on the part of Pegasus are necessary to authorize the execution, delivery and performance. This Agreement has been duly executed and delivered by Pegasus and constitutes Pegasus' valid and binding obligation enforceable against Pegasus in accordance with its terms.

SECTION 4.04. NO CONFLICT OR VIOLATION. The performance of Pegasus' obligations hereunder will not (a) conflict or breach any provision of the articles of incorporation, bylaws or other governing documents of Pegasus; (b) conflict, breach or result in default (or give rise to any right of termination, cancellation or acceleration) under any of the terms, conditions or provisions of any note, lien, bond, mortgage, indenture, license, lease, agreement, consent order, or other instrument or obligation to which Pegasus is a party, or by which Pegasus or its assets or properties may be bound; or (c) violate any judgment, order, writ, injunction, or decree of any court, administrative agency, or governmental or regulatory authority applicable to Pegasus or any of its assets or properties.

SECTION 4.05. APPROVALS AND CONSENTS. The execution, delivery and performance of this Agreement does not require Pegasus to obtain the approval or consent of, or to make any filing with, any government, governmental body or agency, or other Person.

SECTION 4.06. BROKERS' OR FINDERS' FEES. No agent, investment banker, Person or firm acting on behalf of Pegasus is or will be entitled to any broker's or finder's fee or any other commission or service fee in connection with any of the transactions contemplated hereby.

ARTICLE V.

REPRESENTATIONS AND WARRANTIES OF CONSECO

As a material inducement to API and Pegasus to enter into this Agreement and to consummate the transactions contemplated hereby, Consecoco represents and warrants to API and Pegasus that:

SECTION 5.01. CORPORATE ORGANIZATION. Consecoco is a limited liability company duly organized, validly existing, and in existence under the laws of the State of Indiana, for which all reports required to be filed with the Indiana Secretary of State have been filed, and for which no articles of dissolution have been filed with the Indiana Secretary of State, and has all requisite corporate power and authority to own its properties and assets and to conduct its business as now conducted.

SECTION 5.02. AUTHORIZATION. Consecoco has all requisite corporate power and authority to enter into this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement and the performance of Consecoco's obligations hereunder have been duly authorized by all necessary action on the part of

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Conseco, and no other corporate proceedings on the part of Conseco are necessary to authorize the execution, delivery and performance. This Agreement has been duly executed and delivered by Conseco and constitutes Conseco's valid and binding obligation, enforceable against Conseco in accordance with its terms.

SECTION 5.03. NO CONFLICT OR VIOLATION. The purchase of the Partnership Interest from API by Conseco will not (a) conflict or breach with any provision of the articles of incorporation, bylaws or other governing documents of Conseco; (b) conflict, breach or result in a default (or give rise to any right of termination, cancellation or acceleration) under any of the terms, conditions or provisions of any note, lien, bond, mortgage, indenture, license, lease, agreement, consent order, or other instrument or obligation to which Conseco is a party, or by which Conseco or any of its assets or properties may be found, except for such conflict, breach of default as to which requisite waivers or consents have been obtained prior to Closing; or (c) violate any judgment, order, writ, injunction, or decree of any court, administrative agency, or governmental or regulatory authority applicable to Conseco or any of its assets or properties.

SECTION 5.04. APPROVALS AND CONSENTS. The execution, delivery and performance of this Agreement by Conseco does not require Conseco to obtain the consent or approval of, or to make any filing with, any governmental regulatory authority or other person except (a) as set forth in SCHEDULE 5.04. Conseco further represents that it has no knowledge of any fact or circumstance which would permit the Indiana Horse Racing Commission or the Board to disapprove the transfer and purchase of the Partnership Interest from API to Conseco.

SECTION 5.05. BROKERS' OR FINDERS' FEES. No agent, investment banker, Person or firm acting on behalf of Conseco is or will be entitled to any broker's or finder's fee or any other commission or similar fee in connection with any of the transactions contemplated hereby.

SECTION 5.06. INVESTMENT INTENT. The Partnership Interest is being purchased for investment purposes only and not with a view to distribution thereof, and will not be sold except after compliance with all applicable terms of the Amended and Restated HPLP Limited Partnership Agreement. Conseco accepts in full all risks of investment in HPLP, recognizing that an investment in HPLP is speculative and may result in a loss of its entire investment. Conseco acknowledges that the transferability of the Partnership Interest is severely limited and that Conseco must continue to bear the economic risk of this investment for an indefinite period as the Partnership Interest has not been registered under the Securities Act of 1933, as amended, or any state securities laws and therefore cannot be offered or sold unless it is subsequently so registered or an exemption from such registration is available. Conseco has had a full and complete opportunity to investigate all material facts, inspect documents and question personnel in all matters relating to the Partnership and its business.

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ARTICLE VI.

COVENANTS OF HPLP

SECTION 6.01. ACTIONS BEFORE THE CLOSING DATE. From the date hereof until the Closing Date:

(a) HPLP shall conduct its business in the ordinary course consistent with past practice and shall not do any other act that would cause any representation or warranty of API, either as General Partner or in its corporate capacity, or Pegasus in this Agreement to be or become untrue in any material respect.

(b) HPLP shall afford to Conseco, and to the accountants, counsel and representatives of Conseco, full and complete access, upon reasonable notice and during normal business hours prior to the Closing Date (or earlier termination of this Agreement pursuant to Article XI) to (i) all books and records relating to HPLP's business and (ii) HPLP's business and operations thereof. HPLP shall also, during that period and upon the preceding terms, make its personnel, counsel, and independent accountants available to discuss with Conseco and its accountants, counsel, and representatives those aspects of the HPLP's business that Conseco, its accountants, or counsel may deem necessary or desirable.

(c) Upon the terms and subject to the conditions of this Agreement, HPLP shall use its best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper, or advisable, consistent with applicable law, to consummate and make effective the transactions contemplated hereby.

SECTION 6.02. ACTIONS AT THE CLOSING. At the Closing, HPLP shall record the transfer of the Partnership Interest to Conseco from API in its partnership books.

ARTICLE VII.

COVENANTS OF API

SECTION 7.01. ACTIONS BEFORE THE CLOSING. From the date hereof until and including the Closing Date:

(a) API shall not do any act that would (i) cause any of its representations or warranties in this Agreement to be or become untrue in any material respect, or (ii) cause any of HPLP's covenants in this Agreement to be violated.

(b) Upon the terms and subject to the conditions of this Agreement, API shall use its best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper, or advisable, consistent with applicable law,

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to consummate and make effective the transactions contemplated hereby, including action necessary to obtain all consents, waivers, authorizations, and approvals of all governmental and regulatory authorities, and of all other Persons required to be obtained or made by API or HPLP in connection with its execution, delivery, and performance of this Agreement. The expenses, including attorneys' fees, required in connection with approvals required of the Indiana Horse Racing Commission and the Board for the sale of API's Partnership Interest to Consecoco, shall be borne by HPLP. The fees for the background investigation of Consecoco required to be paid to the Indiana Horse Racing Commission in connection with such approvals shall be paid by Consecoco. The expenses, including filing fees and attorneys' fees, for the requisite approvals of the Indiana Alcoholic Beverage Commission for the changes in ownership of permits held by HPLP for the sale of alcoholic beverages at the horse racetrack and satellite wagering facilities, shall be borne by HPLP.

(c) API shall promptly deliver to Consecoco and Pegasus any information concerning events subsequent to the date of this Agreement, up and through the Closing Date, which is necessary to supplement the representations and warranties of API contained herein in order that the information contained in this Agreement is true and correct in all material respects.

SECTION 7.02. ACTIONS AT THE CLOSING. At the Closing, API shall deliver all of the documents listed in SECTION 11.02 of this Agreement.

SECTION 7.03. CONFIDENTIALITY. API (a) shall not directly or indirectly use, for its own benefit or otherwise, or disclose to any other Person any of the information acquired from Consecoco or its representatives pursuant to this Agreement or in connection with the transactions contemplated hereby, except to the extent that such information (i) is or becomes generally available to the trade or the public other than as a result of a disclosure by API or its representatives, (ii) was available to API prior to disclosure to API by Consecoco, or its representatives, (iii) becomes available to API from a source other than Consecoco or its representatives, which source was not itself bound by a confidentiality agreement with Consecoco or its representatives, or (iv) is required to be disclosed by law or order of a court or governmental body, and (b) if the Closing hereunder shall not occur, shall return to Consecoco all documents and copies thereof delivered to API by Consecoco or its representatives hereunder or in connection herewith.

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ARTICLE VIII.

COVENANTS OF PEGASUS

SECTION 8.01. ACTIONS BEFORE THE CLOSING. From the date hereof until and including the Closing Date:

(a) Pegasus shall not do any act that would cause any of its representations or warranties in this Agreement to be or become untrue in any material respect.

(b) Upon the terms and subject to the conditions of this Agreement, Pegasus shall use its best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper, or advisable, consistent with applicable law, to consummate and make effective the transactions contemplated hereby.

(c) Pegasus shall promptly deliver to Consecoco and API any information concerning events subsequent to the date of this Agreement which is necessary to supplement the representations and warranties of Pegasus contained herein in order that the information contained in this Agreement is true and correct in all material respects.

SECTION 8.02. WAIVER AND CONSENT. Effective as of the date hereof, Pegasus releases permanently and waives its co-sale right contained in ARTICLE IX of the HPLP Limited Partnership Agreement with respect to the sale by API to Consecoco of the Partnership Interest to be sold to Consecoco at the Closing and the sale, if any, by API of the Additional Partnership Interest to Consecoco pursuant to the Consecoco Option. Effective as of the Closing, Pegasus (a) releases and permanently waives the restrictions contained in Section 11(b) of the Omnibus Agreement on transfers of ownership interest in the Partnership by CDMC; (b) terminates Section 19 of the Omnibus Agreement; and (c) consents to the execution of the Amended and Restated Management Agreement, the Amended Trademark License Agreement, the Financial Advisory Agreement, and the Financing Document, to the change of the General Partner upon the exercise of the Consecoco Option and continuation of the Partnership pursuant to Article VIII of the HPLP Limited Partnership Agreement, and to all other actions required to consummate the transactions contemplated by this Agreement which require consent pursuant to the HPLP Limited Partnership Agreement.

SECTION 8.03. ACTIONS AT THE CLOSING. At the Closing:

(a) Pegasus shall deliver all of the documents listed in SECTION 11.04 of this Agreement; and

(b) Roderick J. Ratcliff shall resign from the Board of Directors of API and thereafter Pegasus shall not be entitled to any seat on the Board of Directors of API, or its successors, notwithstanding SECTION 10 of the Omnibus Agreement, and releases and waives any claims, whether asserted or not, and waives any rights it may have in the future to representation on the Board of Directors of API.

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SECTION 8.04. CONFIDENTIALITY. Pegasus (a) shall not directly or indirectly use, for its own benefit or otherwise, or disclose to any other Person any of the information acquired from HPLP, API, Conseco or any of their representatives pursuant to this Agreement or in connection with the transactions contemplated hereby, except to the extent that such information (i) is or becomes generally available to the trade or the public other than as a result of a disclosure by Pegasus or its representatives, (ii) was available to Pegasus prior to disclosure to Pegasus by HPLP, API, Conseco or any of their representatives, (iii) becomes available to Pegasus from a source other than HPLP, API, Conseco or any of their representatives, which source was not itself bound by a confidentiality agreement with HPLP, API, Conseco or any of their representatives, or (iv) is required to be disclosed by law or order of a court or governmental body, and (b) if the Closing hereunder shall not occur, shall return to HPLP all documents and copies thereof delivered to Pegasus by HPLP, API or either of their representatives hereunder or in connection herewith and return to Conseco all documents and copies thereof delivered to Pegasus by Conseco or its representatives hereunder or in connection therewith.

ARTICLE IX.

COVENANTS OF CONSECO

SECTION 9.01. ACTIONS BEFORE THE CLOSING. From the date hereof until and including the Closing Date:

(a) Conseco shall not do any act that would cause any of its representations or warranties in this Agreement to be or become untrue in any material respect.

(b) Upon the terms and subject to the conditions of this Agreement, Conseco shall use its best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper, or advisable, consistent with applicable law, to consummate and make effective the transactions contemplated hereby, including action necessary to obtain all consents, waivers, authorizations, and approvals of all governmental and regulatory authorities, and of all other Persons required to be obtained or made by Conseco in connection with its execution, delivery, and performance of this Agreement, and Conseco shall provide to the Indiana Horse Racing Commission or, if the Conseco Option has been exercised, to the Board or, if appropriate, to API or CDMC, or their representatives, all information required by the Indiana Horse Racing Commission or the Board for the approval of the sale of API's Partnership Interest to Conseco.

(c) Conseco shall promptly deliver to API and Pegasus any information concerning events subsequent to the date of this Agreement which is necessary to supplement the representations and warranties of Conseco contained herein in order that the information contained in this Agreement is true and correct in all material respects.

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SECTION 9.02. ACTIONS AT THE CLOSING. At the Closing,

(a) Conseco shall deliver all of the documents listed in SECTION 11.03 of this Agreement;

(b) Conseco shall execute and deliver to CDMC the Conseco Pledge Agreement.

SECTION 9.03. CONSENTS. Conseco consents to the execution of the Amended and Restated Management Agreement and the Amended Trademark License Agreement.

SECTION 9.04. CONFIDENTIALITY. Conseco (a) shall not directly or indirectly use, for its own benefit or otherwise, or disclose to any other Person any of the information acquired from HPLP, API or either of their representatives pursuant to this Agreement or in connection with the transactions contemplated hereby, except to the extent that such information (i) is or becomes generally available to the trade or the public other than as a result of a disclosure by Conseco or its representatives, (ii) was available to Conseco prior to disclosure to Conseco by HPLP, API or either of their representatives, (iii) becomes available to Conseco from a source other than HPLP, API or either of their representatives, which source was not itself bound by a confidentiality agreement with HPLP, API or either of their representatives, or (iv) is required to be disclosed by law or order of a court or governmental body, and (b) if the Closing hereunder shall not occur, shall return to HPLP all documents and copies thereof delivered to Conseco by HPLP, API or either of their representatives hereunder or in connection herewith.

ARTICLE X.

CONDITIONS TO OBLIGATIONS

SECTION 10.01. CONSECO. Conseco's obligation to consummate the transactions at the Closing as contemplated by ARTICLE XI of this Agreement is subject to the satisfaction or waiver by Conseco of each of the following conditions:

(a) The representations and warranties of API and Pegasus set forth above shall be true and correct on the Closing Date;

(b) API, HPLP and Pegasus shall have performed and complied with all covenants, conditions and obligations required by this Agreement;

(c) Conseco shall have received the documents listed in SECTIONS 11.02 and 11.04 of this Agreement;

(d) CDMC shall have released the Initial Partnership Interest from the API Pledge Agreement; and

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(e) the Board of Directors of each of API, CDMC and CDI shall have approved this Agreement and the transactions contemplated hereby on or before December 21, 1995 and API shall have obtained all other consents and approvals required to be obtained pursuant to SECTION 7.01 of this Agreement.

SECTION 10.02. API. API's obligation to consummate the transactions at the Closing as contemplated by ARTICLE XI of this Agreement is subject to the satisfaction or waiver by API of each of the following conditions:

(a) The representations and warranties of Conseco and Pegasus set forth above shall be true and correct on the Closing Date;

(b) Conseco and Pegasus shall have performed and complied with all covenants, conditions and obligations required by this Agreement;

(c) API shall have received the documents listed in SECTIONS 11.03 and 11.04 of this Agreement; and

(e) The Board of Directors of each of API, CDMC and CDI shall have approved this Agreement and the transactions contemplated hereby and API shall have obtained all other consents and approvals required to be obtained pursuant to SECTION 7.01 of this Agreement.

ARTICLE XI.

CLOSING

SECTION 11.01. CLOSING. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Ice Miller Donadio & Ryan, One American Square, Indianapolis, Indiana 46282-0002, or at such other place as may be mutually agreed upon in writing by API and Conseco, within five (5) days after fulfillment of (a) all the conditions set forth in SECTION 10.01 of this Agreement that have not been waived in writing by Conseco, and (b) all the conditions set forth in SECTION 10.02 of this Agreement that have not been waived in writing by API, or at such other time as may be mutually agreed upon in writing by API and Conseco (the "Closing Date"). All proceedings to be taken and all documents to be executed and delivered at the Closing shall be deemed to have been taken and executed simultaneously, and no proceedings shall be deemed taken nor any documents executed or delivered until all have been taken, executed or delivered.

SECTION 11.02. DOCUMENTS TO BE DELIVERED BY API. At the Closing, API shall deliver, or shall cause to be delivered, to Conseco the following:

(a) A duly executed Bill of Sale and Assignment substantially in the form of EXHIBIT A;

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(b) Certificates of the Secretary or an Assistant Secretary of each of API, CDMC and CDI, dated the Closing Date, setting forth the resolutions of the Boards of Directors of each of API, CDMC and CDI, respectively, which authorize the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, and certifying that such resolutions have not been amended or rescinded and are in full force and effect;

(c) Copies of all consents and approvals required to be obtained pursuant to SECTION 7.01(B) of this Agreement, including the consent of the Indiana Horse Racing Commission and, if the Conseco Option has been exercised, of the Board.

(d) A duly executed Amended and Restated HPLP Limited Partnership Agreement substantially in the form of EXHIBIT B;

(e) A duly executed Financing Document substantially in the form of EXHIBIT C;

(f) The Amended and Restated Management Agreement duly executed by CDMC substantially in the form of EXHIBIT D;

(g) The Financial Advisory Agreement duly executed by CDMC substantially in the form of Exhibit E.

(h) A duly executed Amended Trademark License Agreement substantially in the form of Exhibit F.

(i) Such other documents, instruments or agreements as may be reasonably requested by Conseco to effectuate the transactions contemplated by this Agreement.

SECTION 11.03. DOCUMENTS TO BE DELIVERED BY CONSECO. At the Closing, Conseco shall deliver, or shall cause to be delivered, to API the following:

(a) A certified or bank cashier's check made payable to API in the amount of the Purchase Price or evidence reasonably satisfactory to API of a wire transfer of funds to the account designated by API in an amount equal to the Purchase Price;

(b) A certificate of the Secretary or an Assistant Secretary of Conseco, Inc. and Conseco, dated the Closing Date, setting forth a copy of the resolutions of the Investment Committee of the Board of Directors of Conseco, Inc. and of Conseco, respectively, which authorize the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, and certifying that such resolutions have not been amended or rescinded and are in full force and effect;

(c) Copies of all consents and approvals required to be obtained pursuant to SECTION 9.01(B) of this Agreement;

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(d) A duly executed Amended and Restated HPLP Limited Partnership Agreement substantially in the form of EXHIBIT B;

(e) A duly executed Financing Document substantially in the form of EXHIBIT C;

(f) A duly executed Financial Advisory Agreement substantially in the form of EXHIBIT E;

(g) A duly executed Conseco Pledge Agreement substantially in the form of EXHIBIT G;

(h) Such other documents, instruments or agreements as may be reasonably requested by API to effectuate the transactions contemplated by this Agreement.

SECTION 11.04. DOCUMENTS TO BE DELIVERED BY PEGASUS. At the Closing, Pegasus shall deliver or cause to be delivered, to both Conseco and API the following:

(a) A certificate of the Secretary or an Assistant Secretary of Pegasus, dated the Closing Date, setting forth a copy of the resolutions of the Board of Directors of Pegasus which authorize the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, and certifying that such resolutions have not been amended or rescinded and are in full force and effect;

(b) A duly executed resignation of Roderick J. Ratcliff from the Board of Directors of API;

(c) A duly executed Amended and Restated Limited HPLP Partnership Agreement substantially in the form of EXHIBIT B;

(d) Such other documents, instruments or agreements as may be reasonably requested by either API or Conseco to effectuate the transactions contemplated by this Agreement.

ARTICLE XII.

TERMINATION

SECTION 12.01. CONDITIONS OF TERMINATION.

(a) Notwithstanding anything to the contrary contained herein, this Agreement may be terminated, and the transactions contemplated hereby may be abandoned, at any time before the Closing, by mutual consent of API and Conseco.

(b) API, Conseco and Pegasus have agreed, pursuant to SECTIONS 7.01(B), 8.01(B) AND 9.01(B) of this Agreement, to use their best efforts to take, or to cause to be taken, all actions necessary to effectuate the Closing. This Agreement shall terminate if the Closing in Section 11.01 has not occurred on or before April 1, 1996; provided, that, if the parties are

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diligently proceeding with fulfilling all of the conditions for Closing and the inability to deliver the consents and approvals required by SECTION 11.02(C) and SECTION 11.03(C) are beyond the control of either API or Conseco, then this Agreement shall be extended until May 31, 1996; and, provided further that, after the execution of this Agreement, API, Conseco and Pegasus each agree to provide to either API or Conseco, as the case may be, within ten (10) days after a request, all information necessary to file for, and complete, the applications for the consents and approvals required for the Closing, and a failure to do so shall be good cause for not extending this Agreement after April 1, 1996.

SECTION 12.02. EFFECT OF TERMINATION. In the event of termination pursuant to SECTION 12.01 of this Agreement, this Agreement shall terminate and have no further effect, with no liability on the part of any party hereto, other than liability arising out of a breach by that party of any covenant or agreement contained herein.

ARTICLE XIII.

INDEMNIFICATION

SECTION 13.01. INDEMNIFICATION BY API. After the Closing and subject to the provisions of SECTION 13.06 of this Agreement, API and CDMC shall indemnify and hold harmless Conseco and its successors and their respective shareholders, officers, directors and agents from and against any and all damages, losses, obligations, liabilities, claims, encumbrances, penalties, costs and expenses, including reasonable attorneys' fees, (each a "Claim") arising from or relating to any misrepresentation, breach of warranty or nonfulfillment of any of the covenants and agreements of API in this Agreement.

SECTION 13.02. INDEMNIFICATION BY CONSECO. After the Closing, and subject to the provisions of SECTION 13.06 of this Agreement, Conseco shall indemnify and hold harmless API, CDMC and HPLP and its successors and their respective shareholders, officers, directors and agents from and against any and all Claims arising from or relating to any misrepresentation, breach of warranty or nonfulfillment of any of the covenants and agreements of Conseco in this Agreement.

SECTION 13.03. INDEMNIFICATION BY PEGASUS. After the Closing, Pegasus shall indemnify and hold harmless API, CDMC, CDI and Conseco and their successors and their respective shareholders, officers, directors and agents from and against any and all Claims arising from or relating to any misrepresentation, breach of warranty or nonfulfillment of any of the covenants and agreements of Pegasus in this Agreement.

SECTION 13.04. INDEMNIFICATION BY HPLP. After the Closing, HPLP shall indemnify and hold harmless API, Conseco and Pegasus and their successors and their respective shareholders, officers, directors and agents from and against any and all Claims arising from or relating to any nonfulfillment of any of the covenants and agreements of HPLP in this Agreement.

January 31, 1996

SECTION 13.05. PROCEDURE.

(a) Promptly (and in any event within 15 days after the service of any citation or summons) after acquiring knowledge of any Claim for which one of the parties hereto (the "Indemnified Party") may seek indemnification against another party (the "Indemnifying Party") pursuant to this ARTICLE XIII, the Indemnified Party shall give written notice thereof to the Indemnifying Party. Failure to provide notice shall not relieve the Indemnifying Party of its obligations under this ARTICLE XIII, except to the extent that the Indemnifying Party demonstrates actual damage caused by that failure. The Indemnifying Party shall have the right to assume the defense of any Claim with counsel reasonably acceptable to the Indemnified Party upon delivery of notice to that effect to the Indemnified Party. If the Indemnifying Party, after written notice from the Indemnified Party, fails to take timely action to defend the action resulting from the Claim, the Indemnified Party shall have the right to defend the action resulting from the Claim by counsel of its own choosing, but at the cost and expense of the Indemnifying Party. The Indemnified Party shall have the right to settle or compromise any Claim against it, and, as the case may be, recover from the Indemnifying Party any amount paid in settlement or compromise thereof, if it has given written notice thereof to the Indemnifying Party and the Indemnifying Party has failed to take timely action to defend the same. The Indemnifying Party shall have the right to settle or compromise any claim against the Indemnified Party without the consent of the Indemnified Party provided that the terms of the settlement or compromise provide for the unconditional release of the Indemnified Party and require the payment of monetary damages only.

(b) Upon its receipt of any amount paid by the Indemnifying Party pursuant to this Article XIII, the Indemnified Party shall deliver to the Indemnifying Party such documents as it may reasonably request assigning to the Indemnifying Party any and all rights, to the extent indemnified, that the Indemnified Party may have against third parties with respect to the Claim for which indemnification is being received.

SECTION 13.06. LIMITATIONS ON INDEMNIFICATION. Notwithstanding any other provision of this Agreement, no party hereto shall be required to pay an indemnification payment to the Indemnified Party with respect to any Claim or Claims if the payment of such indemnification amount would cause the aggregate amount paid by such Indemnifying Party pursuant to this Article XIII to exceed the purchase price for the Initial Partnership Interest with respect to claims asserted within one year after the Closing and if the Conseco Option is exercised, the purchase price of the Additional Partnership Interest with respect to Claims asserted within one year after the Option Closing.

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If to API, to: Anderson Park, Inc.
700 Central Avenue
Louisville, KY 40208
Attention: Jeffrey M. Smith

Tel. No. (502) 636-4419
Fax No. (502) 633-4439

With a copy to: Churchill Downs, Inc.
700 Central Avenue
Louisville, Kentucky 40208
Attention: Alexander M. Waldrop

Tel. No.: (502) 636-4419
Fax No.: (502) 636-4439

which copy shall not constitute notice for the purposes of this Agreement.

If to Pegasus, to: Pegasus Group, Inc.
134 West State Street
West Lafayette, Indiana 47906
Attention: Roderick J. Ratcliff

Tel. No. (317) 743-5988
Fax No. (317) 743-6073

With a copy to: Sommer & Barnard
4000 Bank One Tower
111 Monument Circle
Indianapolis, Indiana 46244-0363
Attention: Robert J. Hicks

Tel. No. (317) 630-4000
Fax No. (317) 236-9802

which copy shall not constitute notice for the purposes of this Agreement.

If to HPLP, to: Hoosier Park, L.P.
700 Central Avenue
Louisville, Kentucky 40208
Attention: Jeffrey M. Smith

Tel. No. (502) 636-4421
Fax No. (502) 636-4577

With a copy to: Hoosier Park, L.P.
702 Central Avenue
Louisville, Kentucky 40208
Attention: Alexander M. Waldrop

Tel. No. (502) 636-4419
Fax No. (502) 636-4439

which copy shall not constitute notice for the purposes of this Agreement.

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Any party may change its address for the purpose of this SECTION 14.04 by giving the other parties written notice of its new address in the manner set forth above.

SECTION 14.05. SEVERABILITY. If any provision of this Agreement is declared by any court or other governmental body to be null, void, or unenforceable, this Agreement shall be construed so that the provision at issue shall survive to the extent it is not so declared and that all of the other provisions of this Agreement shall remain in full force and effect.

SECTION 14.06. ENTIRE AGREEMENT. This Agreement contains the entire understanding among the parties hereto with respect to the transactions contemplated hereby and supersedes and replaces all prior and contemporaneous agreements and understandings, oral or written, with regard to those transactions. All exhibits and schedules hereto are expressly made a part of this Agreement as fully as though completely set forth herein.

SECTION 14.07. AMENDMENTS; WAIVERS. This Agreement may be amended or modified, and any of the terms, covenants, representations, warranties, or conditions hereof may be waived, only by a written instrument executed by the parties hereto, or in the case of a waiver, by the party waiving compliance. Any waiver by any party of any condition, or of the breach of any provision, term, covenant, representation, or warranty contained in this Agreement, in any one or more instances, shall not be deemed to be or construed as a further or continuing waiver of any condition or of the breach of any other provision, term, covenant, representation, or warranty of this Agreement.

SECTION 14.08. PARTIES IN INTEREST. Nothing in this Agreement is intended to confer any rights or remedies, under or by reason of this Agreement on any Person other than Conseco, API, Pegasus, HPLP, CDMC and CDI and their respective successors and permitted assigns.

SECTION 14.09. SUCCESSORS AND ASSIGNS. No party hereto shall assign or delegate this Agreement or any rights or obligations hereunder without the prior written consent of the other parties hereto, and any attempted assignment or delegation without prior written consent shall be void and of no force or effect, except that Conseco has the right to assign all or a portion of the Partnership Interest to another direct or indirect wholly-owned subsidiary of Conseco, Inc. and API has the right to assign all or a portion of its interests in the Partnership to another direct or indirect wholly-owned subsidiary of CDI.

SECTION 14.10. GOVERNING LAW; JURISDICTION. This Agreement shall be construed and enforced in accordance with, and governed by, the laws of the State of Indiana (without giving effect to the principles of conflicts of laws thereof). The parties hereto irrevocably agree and consent to the exclusive jurisdiction of the courts of the State of Indiana and the federal courts of the United States, sitting in Indianapolis, Indiana, for the adjudication of any matters arising under or in connection with this Agreement.

SECTION 14.11. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall together constitute the same instrument.

SECTION 14.12. SCHEDULE UPDATE. From the date hereof to the Closing Date, API shall have the right to revise and update any of the schedules hereto and such updates shall be deemed accepted by Conseco, unless within fifteen (15) days of notice of any such revision and update (including a copy of the revised schedule marked to show changes) Conseco objects in writing to such revised and updated schedule.

IN WITNESS WHEREOF, the parties hereto have executed, or caused to be executed by their duly authorized representatives, this Agreement as of the date first above written.

ANDERSON PARK, INC.

By: -----

Jeffrey M. Smith, President

CONSECO HPLP, L.L.C.

By: CONSECO, INC., its
Managing Member

By: /s/Lawrence W. Inlow

Lawrence W. Inlow, Executive
Vice President

PEGASUS GROUP, INC.

By: /s/Roderick J. Ratcliff

Roderick J. Ratcliff, President

HOOSIER PARK, L.P.,

By: ANDERSON PARK, INC.,
its General Partner

By: /s/Jeffrey M. Smith

Jeffrey M. Smith, President