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

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For year ended December 31, 2000

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

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

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

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

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

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

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

COMMON STOCK, NO PAR VALUE
Title of class

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. YES X NO

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

As of March 14, 2001, 13,048,717 shares of the Registrant's Common Stock were outstanding, and the aggregate market value of the shares held by nonaffiliates of the Registrant was $166,432,105.

Portions of the Registrant's Proxy Statement for its Annual Meeting of Shareholders to be held on June 21, 2001 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 56 to 59.

PART I

ITEM 1. BUSINESS

A. INTRODUCTION

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

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

Churchill Downs Sports Spectrum ("Louisville Sports Spectrum"), an off-track betting facility ("OTB"). In addition, the management of Churchill Downs oversees Ellis Park Race Course, Inc. ("Ellis Park"), which operates a Thoroughbred track in Henderson, Kentucky.

Churchill Downs Management Company ("CDMC"), a wholly owned subsidiary, manages all of our other racing operations. CDMC oversees Arlington Park, a pari-mutuel horse racing operation in Arlington Heights, Illinois, effective with the merger in September 2000. Arlington Park operates five off-track betting facilities ("OTBs") in Illinois. CDMC also oversees Calder Race Course which holds licenses to conduct Thoroughbred horse racing in Miami, Florida. In addition, CDMC oversees Hollywood Park, a Thoroughbred racetrack in Inglewood, California. Calder Race Course and Hollywood Park were acquired in April 1999 and September 1999, respectively.

Additionally, CDMC manages Hoosier Park at Anderson in Anderson, Indiana ("Hoosier Park"). Hoosier Park conducts Thoroughbred, Quarter Horse and Standardbred horse racing. Hoosier Park is owned by Hoosier Park, L.P. ("HPLP"), an Indiana limited partnership. Anderson Park, Inc. ("Anderson"), a wholly owned subsidiary of CDMC, is the sole general partner of HPLP, and currently owns a 77% interest. The remaining 23% is held by unrelated third parties, Centaur Racing, LLC ("Centaur"), and Conseco HPLP, LLC ("Conseco"). We previously entered into a definitive agreement with Centaur, Inc., which was subsequently assigned to Centaur, to sell an additional 26% interest in HPLP for a purchase price of $8.5 million. On September 12, 2000, we announced that approval for the sale had been denied as a result of action taken by the Indiana Horse Racing Commission ("IHRC") against Centaur, and as a result the ownership structure has not changed. Centaur's performance under the definitive agreement was guaranteed by an irrevocable Letter of Credit in the amount of $2.5 million, which was made available to us during the fourth quarter of 2000. These funds were used to set up Churchill Downs Foundation, Inc., a non-profit private charitable foundation pursuant to section 501(c)(3) of the Internal Revenue Code for the purpose of funding future contributions to qualifying charitable, civic and community causes in locations where we do business. CDMC also manages three OTBs in Indiana owned by Hoosier Park ("Indiana Sports Spectrum"). These OTBs conduct simulcast wagering on horse racing year- round.

We formed Churchill Downs Investment Company ("CDIC"), a wholly owned subsidiary, to oversee other industry related investments. CDIC owns a 60% ownership interest in Charlson Broadcast Technologies, LLC ("CBT"), a privately held company that provides television production and computer graphic software to the racing industry. CBT's proprietary software displays odds statistical data and other racing information on television in real-time for customers at racetracks and OTBs.

Other investments owned by CDIC include a 35% interest in EquiSource, LLC ("EquiSource"), a procurement business that assists in the group purchasing of supplies and services for the equine industry, and a 30% interest in NASRIN Services, LLC ("NASRIN"), a telecommunications service provider for the pari-mutuel and simulcasting industries. CDIC also holds a 24% minority interest investment in Kentucky Downs, LLC ("Kentucky Downs"), a Franklin, Kentucky, racetrack that conducts a limited Thoroughbred race meet with seven live racing days in September, as well as year-round simulcasting. Our investments in CBT, EquiSource, NASRIN and Kentucky Downs are not material to the Company's financial position or results of operations.

B. LIVE RACING OPERATIONS

We conduct live horse racing at Churchill Downs, Hollywood Park, Calder Race Course, Arlington Park, Hoosier Park and Ellis Park, which produces revenues through pari-mutuel wagering at our racetracks and OTBs, simulcast fees, admissions and concessions revenue.

The Kentucky Derby and the Kentucky Oaks, both held at Churchill Downs, continue to be our premier racing events. The Kentucky Derby offers a minimum $1.0 million in purse money, and the Kentucky Oaks offers a minimum $0.5 million in purse money. Calder Race Course is home to The Festival of the Sun, Florida's richest day in Thoroughbred racing, offering approximately $1.5 million in total purse money. Hollywood Park is home to the Hollywood Gold Cup, which offers $1.0 million in purse money. Hollywood Park's Autumn Meet is highlighted by the annual $2.1 million Autumn Turf Festival, comprised of six graded stakes races. The Arlington Million, which is run during the International Festival of Racing at Arlington Park, with a purse of $1.0 million, is one of three North American stops for the Emirates World Series Racing Championship. Other significant racing events are the Indiana Derby for Thoroughbreds and the Dan Patch Invitational for Standardbreds held at Hoosier Park, as well as the Gardenia Stakes for older fillies and mares held at Ellis Park.

Churchill Downs hosted the Breeders' Cup Championship ("Breeders' Cup") in 1988, 1991, 1994, 1998 and 2000. Hollywood Park has also hosted the Breeders' Cup in 1984, 1987 and 1997. Breeders' Cup Limited, a tax-exempt organization chartered to promote Thoroughbred racing and breeding, sponsors Breeders' Cup races, which feature $13.0 million in purses. These races are held annually for the purpose of determining Thoroughbred champions in eight different events. Racetracks across North America compete for the privilege of hosting the prestigious Breeders' Cup races each year.

Churchill Downs

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

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

We continue to make numerous capital improvements to the Churchill facility in order to better serve our horsemen and patrons, including the construction of a $4.8 million expansion of Churchill Downs' main entrance and corporate offices completed during 2000.

Hollywood Park

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

The Hollywood Park Casino is a state-of-the-art facility that is open 24 hours a day, 365 days a year. The casino features more than 150 gaming tables offering a variety of California approved casino games. Under California gaming law, the casino is a card club. Thus, it is not authorized to operate slot machines or video lottery terminals but instead rents tables to casino patrons for a seat fee charged on a per hand basis. The casino also offers facilities for simulcast wagering. We lease the facility to Pinnacle Entertainment, Inc., formerly Hollywood Park, Inc., under a 10-year lease for an annual rent of $3.0 million and, therefore, do not operate the casino. The lease includes a 10-year renewal option and is subject to an adjustment to the rent at the time the option is exercised.

Calder Race Course

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

Arlington Park

Arlington Park was constructed in 1927 and reopened its doors in 1989 after a devastating fire engulfed the clubhouse four years earlier. The updated racecourse sits on 325 acres, has a one and one-eighths (1 1/8) mile oval dirt track, a one-mile turf course and a five-eighths (5/8) mile training track. The facility includes permanent clubhouse, grandstand and suite seating for 6,045 persons, and food and beverage facilities ranging from fast food to full-service restaurants. The backstretch consists of a stable area with 31 barns to accommodate approximately 2,030 horses. In February 2001, Arlington Park announced the construction of three new barns, a $3.0 million project, which will add 164 stalls and is expected to be completed during the second quarter of 2001. The Arlington Park facility also features a saddling paddock, parking areas for the public and office facilities.

Ellis Park

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

Hoosier Park

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

C. SIMULCAST OPERATIONS

We generate a significant portion of our revenues by transmitting signals of races from our racetracks to other facilities ("export"), and receiving signals from other tracks ("import"). Revenues are earned through pari-mutuel wagering on signals that we both import and export.

Churchill Downs, Arlington Park and Calder Race Course conduct simulcast wagering only during live race meets, while Hollywood Park, Hoosier Park and Ellis Park offer year-round simulcast wagering. The Louisville Sports Spectrum primarily conducts simulcast wagering only when Churchill Downs is not operating a live race meet. The Indiana Sports Spectrums, Arlington Park's five OTBs and the Kentucky Off-Track Betting facilities conduct simulcast wagering year-round.

The Churchill Downs Simulcast Network ("CDSN"), the product content provider of the Company, will present 680 racing programs from our six racetracks to wagering outlets worldwide during 2001. The role of CDSN is to drive simulcast growth by marketing a superior simulcast product.

Louisville Sports Spectrum

The Louisville Sports Spectrum is located in Louisville, Kentucky, about seven miles from Churchill Downs. This 100,000-square-foot property, on approximately 88 acres of land, is a Thoroughbred training and stabling annex which has state-of-the-art audio visual capabilities for pari-mutuel wagering. The Louisville Sports Spectrum provides audio and visual technology, seating for approximately 3,000 persons, parking, offices and related facilities for simulcasting races.

Illinois Sports Spectrums

Arlington Park also operates five OTBs that accept wagers on races at Arlington Park as well as on races simulcast from other locations. Arlington Trackside is located on the Arlington Park property, Arlington in Rockford is located in Rockford, Illinois and consists of approximately 8.6 acres, and Quad Cities Betting Parlor is located in Moline, Illinois approximately 232.6 acres. Arlington Park also leases two OTBs. Arlington in Waukegan is located in Waukegan, Illinois and consists of approximately 25,000 square feet and Mud Bug OTB is located in Chicago, Illinois and consists of approximately 19,700 square feet.

Indiana Sports Spectrums

Hoosier Park owns and operates the Indiana Sports Spectrums, consisting of three OTBs providing a statewide distribution system for Hoosier Park's racing signal, and additional simulcast markets for our products. The Indiana Sports Spectrum at Merrillville, located about 30 miles southeast of Chicago, consists of approximately 27,300 square feet of space. The Indiana Sports Spectrum at Fort Wayne consists of approximately 15,750 square feet of space. A third Indiana Sports Spectrum is located in downtown Indianapolis where Hoosier Park leases approximately 24,800 square feet of space for the OTB.

Hoosier Park is continuing to evaluate sites for the location of a fourth Indiana Sports Spectrum facility. The state of Indiana has enacted legislation that requires a county's fiscal body to adopt an ordinance permitting OTBs before such a facility can be located in that county, which may require local voter approval. This legislation may affect Hoosier Park's ability to locate its fourth facility in certain counties.

Kentucky Off-Track Betting, LLC

In 1992, the Company and three other Kentucky Thoroughbred racetracks formed Kentucky Off- Track Betting, Inc., of which we are a 50% owner. In December 2000, Kentucky Off-Track Betting, Inc. converted into a limited liability company, Kentucky Off-Track Betting, LLC ("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. These OTBs may be located no closer than 75 miles from an existing racetrack without the track's consent and in no event closer than 50 miles to an existing track. Each OTB must first be approved by the Kentucky Racing Commission ("KRC") and the local government where the facility is to be located. KOTB currently owns or leases and operates OTBs in Corbin, Maysville, Jamestown and Pineville, Kentucky.

OTBs developed by KOTB provide additional markets for the intrastate simulcasting of and wagering on Churchill Downs' and Ellis Park's live races and interstate simulcasting of and wagering on out-of-state signals. KOTB did not contribute significantly to our operations in 2000 and is not anticipated to have a substantial impact on operations in the future. Our investment in KOTB is not material to the Company's financial position or results of operations.

In-Home Wagering

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

In the past, the U.S. Justice Department has raised concerns whether interstate account wagering conducted through TVG's wagering hub would be legal under existing federal gambling laws. In addition, certain state attorneys general expressed concern over the legality of interstate account wagering. In December 2000, legislation was enacted amending the Interstate Horse Racing Act of 1978 ("IHA"). We believe this legislation clarifies that simulcasting and account wagering conducted by the racing industry is authorized under federal law, but the full scope of the legislation is still unclear. TVG-related revenues are not material to our operations.

D. OTHER SOURCES OF REVENUE

In addition to revenues generated from commissions on pari-mutuel wagering, we also generate revenues from Indiana riverboat admissions subsidy revenue, admissions, concessions revenue, sponsorship revenues, licensing rights and broadcast fees, lease income and other sources.

Financial information about our segments required by this Item is incorporated by reference to the information contained in the Notes to Consolidated Financial Statements, in conformity with accounting principles generally accepted in the United States of America, included in Item 8 of this Report.

Riverboat Admissions Subsidy

To compensate for the adverse impact of riverboat competition, the horse industry in Indiana presently receives $0.65 per $3 admission to riverboats in the state. By IHRC rule we are required to allocate 70% of any revenue received from the subsidy directly for purse expenses, breed development and reimbursement of approved marketing costs. The balance, or 30%, is received by Hoosier Park as the only horse racetrack currently operating in Indiana. In November 1999, the Company and the IHRC agreed to a $6.8 million ceiling on Hoosier Park's share of the subsidy beginning in 2000. The ceiling represents an 8% decrease from the $7.4 million Hoosier Park earned for 1999. A more significant change in Hoosier Park's share of the subsidy, as a result of a possible second track approved in Indiana, would impact funding for operating expenditures, potentially reducing the number of race dates at Hoosier Park

The need for the subsidy may be diminished if pending legislation allowing pari-mutuel pull tabs at Hoosier Park and the Indianapolis Sports Spectrum passes both Indiana chambers. The legislation, which also eliminates the requirement that riverboat casinos cruise while gaming is conducted, was passed by the Indiana House of Representatives in January 2001 and is currently before the Senate. The legislation retains the 65-cents share of riverboat admissions going to the horse racing industry but phases out and caps the portion going to Hoosier Park. While this legislation protects Hoosier

Park from increased riverboat competition, it could have an adverse impact on our Kentucky operations if passed.

E. LICENSES AND LIVE RACING DATES

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

We received approval from the KRC to conduct two live Thoroughbred racing meets at Churchill Downs from April 28 through July 8, 2001 ("Spring Meet"), and from October 28 through November 24, 2001 ("Fall Meet"), for a total of 76 days. Churchill Downs conducted live racing from April 29 through July 9, 2000, and from October 29 through November 25, 2000, for a total of 76 racing days, excluding the Breeders' Cup on November 4, 2000, compared to a total of 71 racing days in 1999. KRC approved a one week increase in Churchill Downs' Spring Meet during 2000, which was a reduction to Ellis Park's customary racing schedule.

The KRC also awarded Ellis Park approval to conduct live Thoroughbred racing from July 11 through September 3, 2001, for a total of 41 live racing days. Ellis Park conducted live racing from July 12 through September 4, 2000, for a total of 41 racing days compared to 61 racing days in 1999. The decrease of 20 live race dates for 2000 compared to 1999 is the result of reducing the live racing week from 6 days of live racing to 5 days of live racing and the movement of one week of live racing to Churchill Downs' Spring Meet to better utilize the operations of both racetracks. This change had a positive effect on our 2000 results.

In California, licenses to conduct live Thoroughbred racing and to participate in simulcasting are approved annually by the California Horse Racing Board based upon applications submitted by California racetracks. Generally, there is no substantial change from year to year in the racing dates awarded to each racetrack. Hollywood Park has been approved to conduct two live Thoroughbred race meets from April 20 through July 16, 2001 ("Spring/Summer Meet"), and from November 7 through December 17, 2001 ("Autumn Meet"), for a total of 97 live racing days. Hollywood Park conducted live racing during two live Thoroughbred race meets from April 28 through July 24, 2000 ("Spring/Summer Meet"), and from November 8 through December 24, 2000 ("Autumn Meet"), for a total of 100 days combined compared to 97 days of racing during 1999.

In Florida, licenses to conduct live Thoroughbred racing and to participate in simulcasting are approved by the Department of Business and Professional Regulation, Division of Pari-Mutuel Wagering ("DPW"). The DPW is responsible for overseeing the network of state offices located at every pari-mutuel wagering facility, as well as issuing the permits necessary to operate a pari- mutuel wagering facility. The DPW also approves annual licenses for Thoroughbred, Standardbred and Quarter Horse races. Calder Race Course received approval from the DPW to conduct two consecutive live Thoroughbred race meets from May 2 through November 3, 2001 ("Calder Meet"), and from November 4, 2001 through January 2, 2002 ("Tropical Meet"), for a total of 174 days of live racing. In 2000, Calder Race Course conducted live racing from May 23 through November 2, 2000, and from November 3, 2000 through January 2, 2001, for a collective total of 174 days of racing compared to 169 days during the 1999 live racing season, which included 2 days of racing in January 2000.

Tax laws in Florida historically discouraged the three Miami-area racetracks in Florida from applying for licenses for race dates outside of their traditional racing season. Effective July 1, 2001, a new tax structure will eliminate this deterrent. Accordingly, Calder Race Course may face direct competition from other Florida racetracks and may have the ability to increase live racing dates or lose live racing dates in the future.

At Arlington Park, an increase in wagering competition from non-horse racing sources such as casinos, riverboats and lotteries had an adverse impact on Arlington Park's operating results, such that in September 1997, Arlington announced the suspension of live racing and withdrew its application for Thoroughbred racing dates. In 1999, the Illinois Legislature amended the Illinois Horse Racing Act and the Illinois Gaming Act (collectively, the "Legislation"). Provisions within the Legislation favorably altered the economics of racing in Illinois. As a result, Arlington Park applied to the Illinois Racing Board, and received, dates to host Thoroughbred racing in 2000. Arlington Park has been approved to conduct live Thoroughbred racing from June 13 through October 28, 2001, for a total of 102 live racing days compared to 103 days of live racing during 2000.

In Indiana, licenses to conduct live Standardbred and Thoroughbred race meets, including Quarter Horse races, and to participate in simulcasting are approved annually by the IHRC based upon applications submitted by Hoosier Park. Currently, Hoosier Park is the only facility in Indiana licensed to conduct pari-mutuel wagering on live Standardbred, Quarter Horse or Thoroughbred racing and to participate in simulcasting. The IHRC has approved Hoosier Park to conduct live Standardbred racing from February 23 through August 22, 2001, and live Thoroughbred racing from September 7 through December 3, 2001, for a total of 193 live racing dates. Hoosier Park conducted live racing from April 7 through August 23, 2000, and from September 8 through December 3, 2000, for a combined total of 166 days of racing during 2000 compared to 167 total days of racing during 1999. Indiana law requires us to conduct live racing for at least 120 days each year in order to simulcast races. The increase in the number of race dates in 2001 is anticipated to alleviate demands for a second track in that state.

In February 2001, the IHRC accepted an application for a Standardbred racetrack near Shelbyville, Indiana, about 50 miles from Hoosier Park. The IHRC is not expected to make a decision until May 2001. The addition of a second racetrack in Indiana could potentially impact Hoosier Park's share of the riverboat admissions revenue, create an increase in competition in the market and reduce the quality of racing. A reduction in Hoosier Park's live racing dates as a result of a second racetrack could also result in an adverse impact on long-term profitability of the facility.

The total number of days on which each racetrack conducts live racing fluctuates annually according to the calendar year. A substantial change in the allocation of live racing days at any of our six racetracks could adversely impact our operations and earnings in future years.

F. COMPETITION

North American bloodstock sales climbed again in 2000, continuing a trend that began in 1995. According to The Blood-Horse magazine, gross revenues for Thoroughbred weanlings, yearlings, juveniles and broodmares topped $1.0 billion in 2000 in North America for the first time in history. The increase in Thoroughbred sales is an indicator of a resurgence of the Thoroughbred breeding industry, reversing a trend of declines from 1986 to 1995. The increase in the number of Thoroughbreds enables racetracks to increase the number of horses participating in live racing.

We generally do not directly compete with other racetracks or OTBs for patrons due to geographic separation of facilities or differences in seasonal timing of meets. However, we compete with other sports, entertainment and gaming options, including riverboat, cruise ship and land-based casinos and lotteries, for patrons for both live racing and simulcasting. We attempt to attract patrons by providing high quality racing products in attractive entertainment facilities with fairly priced, appealing concession services.

We have successfully grown our live racing product and positioned ourselves to compete by strengthening our flagship operations, in anticipation of projected growth for in-home wagering simulcast markets, and geographically expanding our racing operations. We also continue to seek asset utilization strategies for our racetrack facilities as a means to develop those facilities into earning assets year-round.

The development of riverboat gaming facilities began in Indiana pursuant to authorizing legislation passed by the state of Indiana in 1993. Illinois had previously authorized riverboat gaming. There are currently six riverboat casinos operating on the Ohio River along Kentucky's border, including three in the southeastern Indiana cities of Lawrenceburg, Rising Sun, and Florence; one in southwestern Indiana in Evansville and one in Metropolis, Illinois. The sixth riverboat casino, licensed to RDI/Caesars, opened in November 1998 in Harrison County, Indiana, 10 miles from Louisville. We experienced some decreases in attendance and pari-mutuel wagering at the Churchill Downs Sports Spectrum ("Louisville Sports Spectrum") during 2000 as compared to 1998. However, we experienced an increase in pari-mutuel wagering on Churchill Downs races, including export simulcasting, during the same period. It is impossible to accurately determine the extent of the riverboat's impact on our business at these facilities. Other factors, such as unfavorable weather conditions, may also have had an impact.

In addition to those riverboats operating along the Ohio River, five riverboat casinos are located along the Indiana shore of Lake Michigan and four are situated in Illinois near Chicago. These riverboats have adversely impacted pari-mutuel wagering activities at our Merrillville, Indiana, Sports Spectrum.

Arlington Park also faces competition from state lotteries and riverboat casino operations in northeastern Illinois and northwestern Indiana. There are also Indian gaming operations in Wisconsin which have drawn from the Chicago market as well. Two additional gaming operations have been proposed in Wisconsin along the Illinois border. An additional Chicago riverboat operation is pending in Rosemont, Illinois, approximately 12 miles from Arlington Park. The increased competition from these additional gaming operations serving the Chicago market could adversely affect our revenues and profits.

Additionally, several Native American tribes in Florida have expressed interest in opening casinos in southern Florida, which could compete with Calder Race Course. Construction for a casino operated by the Seminole Tribe of Florida, located approximately 10 miles from Calder Race Course, began in January 2001 and is expected to be open during 2002. Also, the state of Michigan has approved a proposal by the Pokagon Band of the Potawatomi Indian Tribe to develop a casino in New Buffalo, Michigan, which is approximately 45 miles from our Merrillville facility. The development of these casinos may negatively impact pari-mutuel activities at our nearby facilities.

The potential integration of alternative gaming products at our racetrack facilities is one of our four core business strategies developed to position us to compete in this changing environment. We have successfully grown our live racing product by implementing our other core business strategies by strengthening our flagship operations, increasing our share of the interstate simulcast market and geographically expanding our racing operations in Kentucky, California, Florida, Illinois and Indiana. Alternative gaming in the form of video lottery terminals may enable us to more effectively compete with riverboat casinos and provide new revenue for purse money and capital investment.

G. LEGISLATIVE CHANGES

In Kentucky, two pieces of legislation significant to our operations were passed in the 2000 session of the Kentucky General Assembly. First, an excise tax credit for racetracks was included in the 2000-2002 Kentucky state budget. The measure results in an ultimate credit of nearly $1.4 million in new revenue, and is earmarked for horsemen's incentives and necessary capital improvements at Churchill Downs racetrack over the next two years.

The Kentucky General Assembly also enacted legislation that eliminates the excise tax on Breeders' Cup Championship Day wagering at any Kentucky track that hosts the event. This legislation is aimed at attracting the Breeders' Cup to Kentucky, and Churchill Downs, on a more frequent basis. On-track wagering for the 2000 Breeders' Cup Day at Churchill Downs totaled $13.6 million and generated excise taxes of approximately $475,000. This tax exemption will became effective January 1, 2001, and therefore did not apply to the 2000 Breeders' Cup at Churchill Downs. The exemption will continue if the Breeders' Cup returns to Kentucky within three years of the previously held event.

In 1999, the state of Illinois enacted legislation that provides for pari-mutuel tax relief and related tax credits for Illinois racetracks, as well as legislation providing for subsidies to Illinois horse racing tracks from revenues generated by the relocation of a license to operate a riverboat casino gaming facility. Arlington's share of subsidies from the proposed Rosemont casino under the 1999 legislation would range from $4.6 million to $8.0 million annually, based on publicly available sources. In the event Arlington Park receives such subsidies, additional shares of common stock would be issued to Duchossois Industries, Inc., to a maximum of 1.25 million shares. In January 2001, the Illinois Gaming Board ("IGB") denied a license application of Emerald Casino, Inc. to operate the Rosemont casino. The group has the option to appeal the decision. The IGB may also award the license to other applicants in the future.

Effective July 1, 2000, the Florida legislature passed a bill that provides the state's Thoroughbred industry approximately $4.5 million in annual pari-mutuel tax relief. Calder Race Course received approximately $1.8 million in additional revenues during 2000, of which two-thirds was allocated to the horsemen. These new monies provide resources for purse increases and enhancement of Florida-bred races. The legislation also allows the DPW to enter into compacts with other states for uniform licensing.

H. ENVIRONMENTAL MATTERS

Hollywood Park received cease and desist orders from the California Regional Water Quality Control Board addressing storm water runoff and dry weather discharge issues. We retained an engineering firm to develop a plan for compliance and to construct certain drainage and waste disposal systems. The construction of the system is complete. As part of the 1999 asset acquisition of Hollywood Park, the seller agreed to indemnify us in the amount of $5.0 million for costs incurred in relation to the waste water runoff issue. Amounts under the indemnification have been expended and the ultimate cost to the Company was $1.7 million, which was incurred during 2000.

The septic system at our Ellis Park facility must be replaced with hook-up to city sewers. The cost of the hook-up is estimated by the City of Henderson, Kentucky to be $1.2 million. Ellis Park will seek partial reimbursement from the state of Kentucky. The project is estimated to be completed by November 2001.

In 1992, we acquired certain assets of Louisville Downs Incorporated for $5.0 million including the site of the Louisville Sports Spectrum. In conjunction with this purchase, we withheld $1.0 million from the amount due to the sellers to offset certain costs related to the remediation of environmental contamination associated with underground storage tanks at the site. All of the $1.0 million hold back had been utilized as of December 31, 2000 and additional costs of remediation have not yet been conclusively determined. The sellers have now received a reimbursement from the Commonwealth of Kentucky of $1.0 million for remediation costs, and that amount is now being held in an escrow account to pay further costs of remediation. Approximately $1.2 million, including interest on the escrow principal, remains in the account. The seller has submitted a Corrective Action Plan to the state and has reported to the state that all wells, with the exception of one, are "below action."Well-testing continues and the Kentucky Natural Resources and Environmental Protection Cabinet will consider the course of action to take. In addition to the hold back, we have obtained an indemnity to cover the full cost of remediation from the prior owner of the property. We do not believe the cost of further investigation and remediation will exceed the amount of funds in the escrow.

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

I. SERVICE MARKS

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

J. EMPLOYEES

As of December 31, 2000, we employed approximately 1,500 full-time employees Company-wide. Due to the seasonal nature of our live racing business, the number of seasonal and part-time persons employed will vary throughout the year. During 2000, average full-time and seasonal employment per pay period was approximately 3,500 individuals Company-wide.

ITEM 2. PROPERTIES

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

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

The Kentucky Derby Museum is located on property which is adjacent to, but not owned by, Churchill Downs. The Museum is owned and operated by the Kentucky Derby Museum Corporation, a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986.

ITEM 3. LEGAL PROCEEDINGS

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

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

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

PART II

ITEM 6. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is traded on the National Association of Securities Dealers, Inc.'s National Market automated quotation system ("Nasdaq") under the symbol CHDN. As of March 14, 2001, there were approximately 3,420 shareholders of record.

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

	2000 - By Quarter				1999 - By Quarter			
	1st	2nd	3rd	4th	1st	2nd	3rd	4th
High Sale	$29.00	$26.44	$26.00	$36.13	$40.88	$37.00	$34.50	$27.50
Low Sale	$21.00	$21.75	$21.50	$24.75	$25.00	$26.50	$21.19	$20.00
Dividend per share:				$.50				$.50

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

In September 2000, we issued 3,150,000 shares of common stock at a price of $16.28 related to the Arlington Park merger.

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

ITEM 6. CONSOLIDATED SELECTED FINANCIAL DATA

(In thousands, expect per share data)

	Years ended December 31,				
	2000	1999	1998	1997	1996
Operations:					
Net revenues	$362,016	$258,427	$147,300	$118,907	$107,859
Operating income	$46,578	$32,513	$17,143	$14,405	$12,315
Net earnings	$19,164	$14,976	$10,518	$9,148	$8,072
Basic net earnings per share	$1.77	$1.74	$1.41	$1.25	$1.08
Diluted net earnings per share	$1.75	$1.72	$1.40	$1.25	$1.08
Dividend paid per share					
Annual	$.50	$.50	$.50	$.25	$.25
Special	-	-	-	$.25	$.08
Balance Sheet Data at Period End:					
Total assets	$470,004	$398,046	$114,651	$85,849	$80,729
Working capital surplus (deficiency)	$(31,507)	$800	$(7,791)	$(8,032)	$(10,789)
Long-term debt	$158,040	$181,450	$13,665	$2,713	$2,953
Other Data:					
Shareholders' equity	$202,485	$138,121	$65,231	$53,393	$47,781
Shareholders' equity per share	$15.55	$14.02	$8.67	$7.30	$6.54
Additions to racing plant and equipment, exclusive of business acquisitions	$22,419	$12,083	$3,524	$4,568	$2,571

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

CHURCHILL DOWNS INCORPORATED

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

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

You should read this discussion together with the financial statements and other financial information included in the report.

General Information About Our Business

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

We own and operate the Churchill Downs racetrack in Louisville, Kentucky, which has conducted Thoroughbred racing since 1875 and is internationally known as the home of the Kentucky Derby. We also own and operate Hollywood Park, a Thoroughbred racetrack in Inglewood, California, Arlington Park, a pari-mutuel horse racing operation in Arlington Heights, Illinois, Calder Race

Course, a Thoroughbred racetrack in Miami, Florida, and Ellis Park, a Thoroughbred racetrack in Henderson, Kentucky. Additionally, we are the majority owner and operator of Hoosier Park in Anderson, Indiana, which conducts Thoroughbred, Quarter Horse and Standardbred horse racing. We conduct simulcast wagering on horse racing at nine simulcast wagering facilities in Kentucky, Indiana and Illinois, as well as at our six racetracks.

Because of the seasonal nature of our business and recent acquisitions and merger activity, revenues and operating results for any interim quarter are likely not indicative of the revenues and operating results for the year and are not necessarily comparable with results for the corresponding period of the previous year. We normally earn a substantial portion of our net earnings in the second and third quarters of each year during which all our operations are open for some or all of this period and the Kentucky Derby and the Kentucky Oaks are run.

Our revenues are generated from commissions on pari-mutuel wagering at our racetracks and off-track betting facilities, plus simulcast fees, Indiana riverboat admissions subsidy revenue, admissions, concessions revenue, sponsorship revenues, licensing rights and broadcast fees, lease income and other sources.

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

Results of Operations

Pari-mutuel wagering information, including intercompany transactions, for our six live racing facilities and nine separate OTBs, which are included in their respective racetracks, during the years ended December 31, 2000 and 1999 is as follows ($ in thousands):

	Churchill Downs Racetrack	Hollywood Park*	Calder Race Course*	Arlington Park*	Hoosier Park	Ellis Park
Live racing						
2000 handle	$129,618	$203,593	$186,439	$ 65,679	$15,505	$16,686
2000 no. of days	76	100	174	103	166	41
1999 handle	$125,258	$198,683	$183,439	-	$15,888	$19,790
1999 no. of days	71	97	169	-	167	61
Export simulcasting						
2000 handle	$537,704	$756,400	$523,140	$267,432	$91,670	$102,512
2000 no. of days	76	100	174	103	166	41
1999 handle	$459,545	$730,479	$489,519	-	$68,994	$159,964
1999 no. of days	71	97	169	-	167	61
Import simulcasting						
2000 handle	$105,419	$234,956	-	$410,751	$136,620	$38,281
2000 no. of days	227	175	-	1,820	1,218	316
1999 handle	$121,160	$228,556	-	$285,893	$139,379	$38,040
1999 no. of days	234	175	-	1,820	1,205	290
Number of OTBs	1	-	-	5	3	-
Totals						
2000 handle	$772,741	$1,194,949	$709,579	$743,862	$243,795	$157,479
1999 handle	$705,963	$1,157,718	$672,958	$285,893	$224,261	$217,794

* Pari-mutuel wagering information is provided for years ended December 31, 2000 and 1999. Although the summary reflects handle for the full year, only revenues generated since the subsidiaries' acquisition and merger dates have been included in the Company's results of operations.

Arlington Park did not open for live racing during 1999, however, off-track betting facilities remained open for import simulcasting.

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

Year Ended December 31, 2000 Compared to Year Ended December 31, 1999

Net Revenues

Net revenues increased $103.6 million (40%) from $258.4 million in 1999 to $362.0 million in 2000. Churchill Downs racetrack revenues increased $7.1 million due primarily to $4.4 million of increased pari-mutuel wagering as a result of having an additional week of live racing, which was transferred from Ellis Park. In addition, Churchill Downs racetrack had increases in corporate sponsor event ticket prices, admissions and seat revenue as a result of record attendance on Kentucky Oaks and Kentucky Derby days. Arlington Park contributed $14.8 million to 2000 net revenues. Hollywood Park revenues increased $75.1 million to $105.6 million in 2000 from $30.5 million in 1999 and Calder Race Course revenues increased $5.1 million to $77.5 million in 2000 from $72.4 million in 1999 due to the timing of the 1999 acquisitions. The Arlington Park merger was completed in the third quarter of 2000, Hollywood Park was acquired in the third quarter of 1999 and Calder Race Course was acquired in the second quarter of 1999. The remaining increase recorded in other investments represents the $5.8 million Arlington Park management contract that was in effect from July 1 through the closing of the Arlington Park merger on September 8, 2000.

Operating Expenses

Operating expenses increased $80.2 million (39%) from $207.4 million in 1999 to $287.6 million in 2000 primarily as a result of $13.1 million of operating expenses of Arlington Park, incurred subsequent to the merger, and increases in Hollywood Park and Calder Race Course operating expenses of $60.2 million and $6.0 million, respectively, due to the timing of the acquisitions.

Gross Profit

Gross profit increased $23.3 million (46%) from $51.1 million in 1999 to $74.4 million in 2000. The increase in gross profit was primarily the result of the acquisition of Hollywood Park, the merger with Arlington Park and the increase in gross profit for Churchill Downs racetrack due to an increase in the number of live race days and record attendance on Kentucky Oaks and Kentucky Derby days. The Arlington Park management fee also contributed to the increased gross profit for 2000.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses increased by $9.3 million (50%) from $18.5 million in 1999 to $27.8 million in 2000. SG&A expenses at Churchill Downs corporate increased $3.3 million due primarily to increased corporate staffing and compensation expenses reflecting the Company's strengthened corporate services to meet the needs of new business units. The 1999 acquisitions of Calder Race Course and Hollywood Park resulted in increases of $1.3 million and $3.1 million, respectively. In addition, Arlington Park had expenses of $2.8 million during 2000.

Other Income and Expense

Interest expense increased $7.0 million from $7.8 million in 1999 to $14.8 million in 2000 primarily as a result of borrowings to finance the acquisitions of Calder Race Course and Hollywood Park during 1999 resulting in a full year of interest expense on the borrowings during 2000. We received $2.5 million as a result of Centaur Racing, LLC's performance under an agreement to sell an additional 26% interest in Hoosier Park. These funds were subsequently expensed to set up Churchill Downs Foundation, Inc., a non-profit private charitable foundation pursuant to section 501(c)(3) of the Internal Revenue Code for the purpose of funding future contributions to qualifying charitable, civic and community causes in locations where we do business.

Income Tax Provision

The Company's effective income tax rate declined from 42.1% in 1999 to 41.2% in 2000 primarily as a result of the reduced impact of non-deductible expenses.

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

Net Revenues

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

Operating Expenses

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

Gross Profit

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

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses increased by $7.4 million (66%) from $11.2 million in 1998 to $18.6 million in 1999. Calder Race Course and Hollywood Park added $2.4 million and $1.5 million, respectively, and the inclusion of Ellis Park during all of 1999 contributed $0.2 million of the increase. SG&A expenses at Churchill Downs racetrack and corporate expenses increased $1.7 million due primarily to increased corporate staffing and compensation expenses reflecting the Company's strengthened corporate services to meet the needs of new business units. Other operations accounted for the remaining $1.6 million of the increase in SG&A expenses.

Other Income and Expense

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

Income Tax Provision

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

Significant Changes in the Balance Sheet December 31, 2000 to December 31, 1999

Restricted cash increased $9.0 million due to the current period separate classification of restricted assets. Restricted cash represents refundable deposits and amounts due to horsemen for purses, stakes and awards.

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

Net plant and equipment increased $67.9 million primarily as a result of the merger with Arlington Park. Additional increases were due to routine capital spending at our operating units offset by current year depreciation expense and the sale of the Kentucky Horse Center assets during the second quarter of 2000.

Accounts payable increased $15.4 million primarily due to the merger with Arlington Park. In addition, there were increases in purses payable and other expenses related to simulcast wagering for Churchill Downs racetrack and Hoosier Park.

Accrued expenses increased $11.5 million primarily due to the merger with Arlngton Park.

Internally generated funds in 2000 enabled us to reduce our long-term debt by $25.2 million, from $180.9 million to $155.7 million.

Common stock increased by $51.6 million primarily due to the issuance of 3.15 million shares of common stock to complete the merger with Arlington Park during the third quarter of 2000.

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

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

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

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

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

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

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

Liquidity and Capital Resources

The change in working capital between December 31, 2000 and 1999 is a result of the Arlington merger as well as the use of internally generated funds to reduce long term debt. Cash flows provided by operations were $27.2 million, $39.7 million and $10.8 million for years ended December 31, 2000, 1999 and 1998, respectively. The net decrease in cash provided by operations as compared to 1999 was primarily a result of current period separate classification of restricted assets which represent refundable deposits and amounts due to horsemen for purses, stakes and awards. The increase in depreciation and amortization is primarily due to the timing of the acquisitions of Calder Race Course and Hollywood Park and the merger of Arlington Park. Management believes cash flows from operations and available borrowings during 2001 will be sufficient to fund our cash requirements for the year.

Cash flows used in investing activities were $17.5 million, $240.4 million and $20.8 million for the years ended December 31, 2000, 1999 and 1998, respectively. We used $22.4 million during 2000 for capital spending at our facilities including $3.0 million for completion of the expansion of Churchill Downs' main entrance and corporate offices. Cash used for 1999 business acquisitions consisted of $142.5 million for the acquisition of Hollywood Park during the third quarter, $82.4 million net of cash acquired for the acquisition of Calder Race Course during the second quarter and $2.9 million net of cash acquired for the acquisition of Charlson Broadcast Technologies, LLC during the first quarter.

Cash flows (used in) provided by financing activities were $(28.0) million, $223.3 million and $7.0 million for the years ended December 31, 2000, 1999 and 1998, respectively. Cash flows from operations were used to reduce borrowings on our line of credit in 2000. Cash provided by financing activities in 1999 and 1998 were used to finance the aforementioned acquisitions.

We have a $250 million line of credit under a revolving loan facility, of which $153.2 million was outstanding at December 31, 2000. This line of credit is secured by substantially all of our assets and matures in 2004. This credit facility is intended to meet working capital and other short-term requirements and to provide funding for future acquisitions.

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

Significant Accounting Pronouncements

In June 1998 the Financial Accounting Standards Board issued SFAS No. 133, Accounting for Derivatives and Hedging Activities (SFAS 133), as amended by SFAS 137 and SFAS 138, which established accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities. The only derivatives typically used by the Company are interest rate swaps. Management anticipates that the adoption of SFAS 133 will not have a material effect on the Company's results of operations or financial position.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

At December 31, 2000, we had $153.2 million of debt outstanding under our revolving loan facility, which bears interest at LIBOR based variable rates. We are exposed to market risk on variable rate debt due to potential adverse changes in the LIBOR rate. Assuming the outstanding balance on the revolving loan facility remains constant, a one percentage point increase in the LIBOR rate would reduce annual pre-tax earnings and cash flows by $1.5 million.

In order to mitigate a portion of the market risk associated with our variable rate debt, we have entered into interest rate swap contracts with major financial institutions. Under terms of these separate contracts we receive a LIBOR based variable interest rate and pay a fixed interest rate of 7.015% and 7.30% on notional amounts of $35.0 million each which mature in March 2003 and May 2002, respectively. We have also entered into a contract in which we pay a fixed interest rate of 6.40% on a notional amount of $30.0 million which matures in November 2002. Assuming the December 31, 2000, notional amounts under the interest rate swap contracts remain constant, a one percentage point increase in the LIBOR rate would increase annual pre-tax earnings and cash flows by $1.0 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Directors
Churchill Downs Incorporated

In our opinion, the consolidated financial statements listed in the index appearing under Item 14 (a) (1), present fairly, in all material respects, the financial position of Churchill Downs Incorporated and its subsidiaries as of December 31, 2000, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 14 (a) (2), presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

\s\ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP

Louisville, Kentucky
February 27, 2001

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

ASSETS	2000	1999	1998
Current assets:			
Cash and cash equivalents	$ 10,807	$ 29,060	$ 6,380
Restricted cash	9,006	-	-
Accounts receivable	32,535	24,279	11,968
Other current assets	2,932	2,751	1,049
Total current assets	55,280	56,090	19,397
Other assets	8,116	4,740	3,796
Plant and equipment, net	342,767	274,882	83,088
Intangible assets, net	63,841	62,334	8,370
	$470,004	$398,046	$114,651
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 38,396	$ 23,012	$ 6,381
Accrued expenses	27,115	15,603	8,248
Dividends payable	6,508	4,927	3,762
Income taxes payable	1,091	336	258
Deferred revenue	11,353	10,860	8,412
Long-term debt, current portion	2,324	552	127
Total current liabilities	86,787	55,290	27,188
Long-term debt	155,716	180,898	13,538
Other liabilities	9,837	8,263	1,756
Deferred income taxes	15,179	15,474	6,938
Commitments and contingencies	-	-	-
Shareholders' equity:			
Preferred stock, no par value; 250 shares authorized; no shares issued	-	-	-
Common stock, no par value; 50,000 shares authorized; issued: 13,019 shares in 2000; 9,854 shares in 1999; and 7,525 shares in 1998	123,227	71,634	8,927
Retained earnings	79,323	66,667	56,599
Note receivable for common stock	(65)	(65)	(65)
Deferred compensation costs	-	(115)	(230)
	202,485	138,121	65,231
	$470,004	$398,046	$114,651

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

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

	2000	1999	1998
Net revenues	$362,016	$258,427	$147,300
Operating expenses:			
Purses	128,982	97,585	50,193
Other direct expenses	158,624	109,783	68,788
	287,606	207,368	118,981
Gross profit	74,410	51,059	28,319
Selling, general and administrative expenses	27,832	18,546	11,176
Operating income	46,578	32,513	17,143
Other income (expense):			
Interest income	1,023	847	680
Interest expense	(14,848)	(7,839)	(896)
Miscellaneous, net	(166)	334	342
	(13,991)	(6,658)	126
Earnings before provision for income taxes	32,587	25,855	17,269
Provision for income taxes	(13,423)	(10,879)	(6,751)
Net earnings	$ 19,164	$ 14,976	$ 10,518
Earnings per common share data:			
Basic	$1.77	$1.74	$1.41
Diluted	$1.75	$1.72	$1.40
Weighted average shares outstanding:			
Basic	10,849	8,598	7,460
Diluted	10,940	8,718	7,539

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

CHURCHILL DOWNS INCORPORATED
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Years ended December 31, 2000, 1999 and 1998
(in thousands, except per share data)

	Common Shares	Stock Amount	Retained Earnings	Note Receivable Common Stock	Deferred Compensation Costs	Total
Balances December 31, 1997	7,317	$ 3,615	$49,843	$ (65)	-	$ 53,393
Net earnings			10,518			10,518
Deferred compensation		344			$ (344)	-
Deferred compensation amortization					114	114
Issuance of common stock at $24.25 per share in conjunction with RCA acquisition	200	4,850				4,850
Issuance of common stock for employee benefit plans	8	118				118
Cash dividends, $.50 per share			(3,762)			(3,762)
Balances December 31, 1998	7,525	8,927	56,599	(65)	(230)	65,231
Net earnings			14,976			14,976
Deferred compensation amortization					115	115
Issuance of common stock at $29.00 per share	2,300	62,122				62,122
Issuance of common stock for employee benefit plans	29	585	19			604
Cash dividends, $.50 per share			(4,927)			(4,927)
Balances December 31, 1999	9,854	71,634	66,667	(65)	(115)	138,121
Net earnings			19,164			19,164
Deferred compensation amortization					115	115
Issuance of common stock at $16.28 per share in conjunction with Arlington merger	3,150	51,290				51,290
Issuance of common stock for employee benefit plans	15	303				303
Cash dividends, $.50 per share			(6,508)			(6,508)
Balances December 31, 2000	13,019	$123,227	$79,323	$ (65)	$ -	$202,485

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

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

	2000	1999	1998
Cash flows from operating activities:			
Net earnings	$ 19,164	$ 14,976	$ 10,518
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization, includes amortization of loan origination costs classified as interest expense of $609 in 2000 and $463 in 1999	17,286	11,306	5,744
Deferred income taxes	(275)	(502)	(121)
Deferred compensation	115	115	114
Increase (decrease) in cash resulting from changes in operating assets and liabilities:			
Restricted cash	(9,006)	-	-
Accounts receivable	9,312	(8,971)	(2,973)
Other current assets	(32)	(1,119)	(293)
Accounts payable	(2,474)	15,837	(2,211)
Accrued expenses	(2,220)	2,932	386
Income taxes payable	755	98	71
Deferred revenue	(4,631)	(231)	758
Other assets and liabilities	(783)	5,291	(1,177)
Net cash provided by operating activities	27,231	39,732	10,816
Cash flows from investing activities:			
Acquisition of businesses, net of cash acquired of $4,200 in 1999 and $517 in 1998	-	(228,303)	(17,232)
Proceeds from the sale of Training Facility assets	4,969	-	-
Additions to plant and equipment, net	(22,419)	(12,083)	(3,524)
Net cash used in investing activities	(17,450)	(240,386)	(20,756)
Cash flows from financing activities:			
Increase (decrease) in long-term debt, net	2,487	(1,295)	(140)
Borrowings on bank line of credit	146,618	269,500	22,000
Repayments of bank line of credit	(172,515)	(102,500)	(11,000)
Payment of loan origination costs	-	(2,867)	(280)
Payment of dividends	(4,927)	(3,762)	(3,658)
Capital contribution by minority interest in subsidiary	-	1,551	-
Common stock issued	303	62,707	118
Net cash (used in) provided by financing activities	(28,034)	223,334	7,040
Net (decrease) increase in cash and cash equivalents	(18,253)	22,680	(2,900)
Cash and cash equivalents, beginning of period	29,060	6,380	9,280
Cash and cash equivalents, end of period	$ 10,807	$ 29,060	$ 6,380
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	$ 13,794	$ 6,858	$ 497
Income taxes	$ 13,117	$ 10,796	$ 7,130
Schedule of Non-cash Activities:			
Issuance of common stock related to merger with Arlington Park	$ 51,291	-	-
Issuance of common stock related to the acquisition of RCA	-	-	$ 4,850
Invoicing for future events	$ 4,706	$ 2,678	$ 678
Plant & equipment additions included in accounts payable	$ 292	$ 502	$ 95
Compensation expense	-	-	$ 344

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

1. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

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

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

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

A Summary of Significant Accounting Policies Followed

Cash Equivalents

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

Restricted Cash

Restricted cash represents refundable deposits and amounts due to horsemen for purses, stakes and awards.

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

Plant and Equipment

Plant and equipment are recorded at cost. Depreciation is calculated using the straight-line and accelerated methods over the estimated useful lives of the related assets as follows: 10 to 40 years for grandstands and buildings, 3 to 18 years for equipment, 5 to 10 years for furniture and fixtures and 10 to 20 years for tracks and other improvements.

Intangible Assets

Amortization of the cost of acquisitions in excess of fair value of assets acquired, the Indiana racing license and the Arlington Park trademarks are provided over 40 years using the straight-line method. Loan origination costs on the Company's line of credit are being amortized under the effective interest method over 60 months, the term of the loan. The intangible asset relating to the Illinois Horse Race Equity fund will not be amortized until revenues relating to the intangible are recongnized.

Long-lived Assets

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

Interest Rate Swaps

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

Deferred Revenue

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

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

Stock-Based Compensation

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

Reclassifications

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

2. Acquisitions and Other Transactions

On September 8, 2000, three of the Company's wholly owned subsidiaries merged with Arlington International Racecourse, Inc., Arlington Management Services, Inc. and Turf Club of Illinois, Inc. (collectively referred to as "Arlington Park"). The Company issued 3.15 million shares of its common stock, with a fair value of $51.3 million, to Duchossois Industries, Inc. ("DII") and could issue up to an additional 1.25 million shares of common stock dependent upon the opening of the riverboat casino at Rosemont, Illinois, and the amount of subsidies received by Arlington as a result thereof. For this purpose, the purchase price was recorded based upon the fair value of shares issued to DII at the announcement of the mergers on June 23, 2000, plus approximately $2.2 million in merger-related costs. The acquired tangible and intangible assets of $87.7 million and assumed liabilities of $34.1 million of Arlington Park were recorded at their estimated fair values on the merger date. The allocation of the purchase price may require adjustment in the Company's future financial statements based on a final determination of the fair value of certain liabilities assumed in the merger. The Company also received $5.8 million in management fees related to the Arlington Park management contract that was in effect from July 1 through the closing of the Arlington Park merger on September 8,2000. The merger was accounted for by the Company as an asset purchase and, accordingly, the financial position and results of operations of Arlington Park have been included in the Company's consolidated financial statements since the date of merger.

On April 21, 2000, Keeneland Association, Inc. purchased the Company's Thoroughbred training and boarding facility known as Kentucky Horse Center for a cash payment of $5.0 million, which approximated its carrying value.

2. Acquisitions and Other Transactions (cont'd)

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

On April 23, 1999, the Company acquired all of the outstanding stock of Calder Race Course, Inc. and Tropical Park, Inc. from KE Acquisition Corp. for a purchase price of $86 million cash plus a closing net working capital adjustment of approximately $2.9 million cash and $0.6 million in transaction costs. The purchase included Calder Race Course in Miami and the licenses held by Calder Race Course, Inc. and Tropical Park, Inc. to conduct horse racing at Calder Race Course. The purchase price, including additional costs, of $89.5 million was allocated to the acquired tangible and intangible assets of $103.9 million and assumed liabilities of $14.4 million based on their fair values on the acquisition date with the excess of $49.4 million being recorded as goodwill, which is being amortized over 40 years. The acquisition was accounted for by the Company under the purchase method of accounting and, accordingly, the financial position and results of operations of Calder Race Course, Inc. and Tropical Park, Inc. have been included in the Company's consolidated financial statements since the date of acquisition.

On April 21, 1998, the Company acquired from TVI Corp. ("TVI") all of the outstanding stock of Racing Corporation of America ("RCA"). As part of the transaction, TVI received 0.2 million shares of the Company's common stock valued at $4.9 million with the remaining balance of $17.1 million paid from cash on hand and a draw on the Company's bank line of credit. The purchase price of $22.6 million, including $0.6 million in transaction costs was allocated to acquired tangible and intangible assets of $23.8 million and assumed liabilities of $7.9 million based on their fair values on the acquisition date with the excess of $6.7 million being recorded as goodwill which is being amortized over 40 years. The acquisition was accounted for by the Company under the purchase method of accounting and, accordingly, the results of operations of RCA subsequent to April 20, 1998, are included in the Company's consolidated results of operations.

(in thousands, except per share data)

2. Acquisitions and Other Transactions (cont'd)

Following are the unaudited pro forma results of operations as if the September 8, 2000 merger with Arlington Park, the September 10, 1999 acquisition of Hollywood Park, the July 20, 1999 stock issuance and the April 23, 1999 acquisition of Calder Race Course all had occurred on January 1,1999:

	December 31, 2000	December 31, 1999
Net revenues	$425,077	$357,284
Net earnings	$18,556	$14,222
Earnings per common share:		
Basic	$1.43	$1.10
Diluted	$1.42	$1.09
Weighted average shares outstanding:		
Basic	13,015	12,983
Diluted	13,106	13,103

This unaudited pro forma financial information is not necessarily indicative of the operating results that would have occurred had the transactions been consummated as of January 1, 1999, nor is it necessarily indicative of future operating results.

3. Plant and Equipment

Plant and equipment is comprised of the following:

	2000	1999	1998
Land	$132,034	$ 98,445	$ 7,632
Grandstands and buildings	191,172	167,648	73,377
Equipment	23,703	15,845	4,979
Furniture and fixtures	20,342	8,057	5,341
Tracks and other improvements	44,927	40,271	37,998
Construction in process	2,439	2,411	249
	414,617	332,677	129,576
Accumulated depreciation	(71,850)	(57,795)	(46,488)
	$342,767	$274,882	$83,088

Depreciation expense was approximately $14,917, $9,506, and $5,490 for the years ended December 31, 2000, 1999 and 1998.

(in thousands, except per share data)

4. Intangibles assets

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

	2000	1999	1998
Cost of acquisitions in excess of fair value of net assets acquired	$59,433	$59,433	$6,449
Illinois Horse Race Equity Fund	3,307	-	-
Arlington Park trademarks	494	-	-
Indiana racing license	2,085	2,085	2,085
Loan origination costs	3,076	3,076	280
	68,395	64,594	8,814
Accumulated amortization	(4,554)	(2,260)	(444)
	$63,841	$62,334	$8,370

Amortization expense related to the loan origination costs of $609 and $463 for the years ended December 31, 2000 and 1999 is classified as interest expense. Amortization expense for other intangibles of approximately $1,760, $1,353 and $253 for the years ended December 31, 2000, 1999 and 1998 is classified in operating expenses.

5. Income Taxes

Components of the provision for income taxes are as follows:

	2000	1999	1998
Currently payable:			
Federal	$11,347	$ 9,528	$5,795
State & local	2,374	1,853	1,077
	13,721	11,381	6,872
Deferred:			
Federal	(246)	(439)	46
State & local	(52)	(63)	6
	(298)	(502)	52
Reversal of valuation allowance	-	-	(173)
	$13,423	$10,879	$6,751

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:

	2000	1999	1998
Federal statutory tax on earnings before income tax	$11,405	$9,049	$5,942
State income taxes, net of federal income tax benefit	1,502	1,154	747
Permanent differences and other	516	676	235
Reversal of valuation allowance	-	-	(173)
	$13,423	$10,879	$6,751

(in thousands, except per share data)

5. Income Taxes (cont'd)

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

	2000	1999	1998
Deferred tax liabilities:			
Property & equipment in excess of tax basis	$15,419	$16,288	$7,805
Racing license in excess of tax basis	650	650	650
Other	189	66	-
Deferred tax liabilities	16,258	17,004	8,455
Deferred tax assets:			
Supplemental benefit plan	372	337	316
State net operating loss carryforwards	-	638	857
Allowance for uncollectible receivables	404	345	87
Other	926	830	437
Deferred tax assets	1,702	2,150	1,697
Net deferred tax liability	$14,556	$14,854	$6,758

Income taxes are classified in the balance sheet as follows:

	2000	1999	1998
Net non-current deferred tax liability	$15,179	$15,474	$6,938
Net current deferred tax asset	(623)	(620)	(180)
	$14,556	$14,854	$6,758

6. Shareholders' Equity

On September 8, 2000, the Company issued 3.15 million shares of the Company's common stock to DII in conjunction with the Arlington Park merger.

On July 20, 1999 the Company issued 2.3 million shares of the Company's common stock at a price of $29 per share. The total proceeds net of offering expenses was $62.1 million, and was used for the repayment of bank borrowings.

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

On March 19,1998, the Company's Board of Directors approved a stockholder rights plan, which grants each shareholder the right to purchase a fraction of a share of Series 1998 preferred stock at the rate of one right for each share of the Company's common stock. This plan expires on March 19, 2008.

7. Employee Benefit Plans

The Company has a profit-sharing plan that covers all employees with one year or more of service and one thousand or more worked hours. The Company will match contributions made by the employee up to 3% of the employee's annual compensation. The Company will also match at 50%, contributions made by the employee up to an additional 2%. The Company may also contribute a discretionary amount determined annually by the Board of Directors as well as a year end discretionary match not to exceed 4%. The Company's contribution to the plan for the years ended December 31, 2000, 1999 and 1998 was approximately $840, $819 and $806 respectively.

The Company is a member of a noncontributory defined benefit multi-employer retirement plan for all members of the Pari-mutuel Clerk's Union of Kentucky and several other collectively-bargained retirement plans which are administered by unions. Contributions are made in accordance with negotiated labor contracts. Retirement plan expense for the years ended December 31, 2000, 1999 and 1998 was approximately $1,706, $665 and $258, respectively. The Company's policy is to fund this expense as accrued.

The estimated present value of future payments under a supplemental benefit plan is charged to expense over the period of active employment of the employees covered under the plan. Supplemental benefit plan expense for the years ended December 31, 2000, 1999 and 1998 was approximately $87, $55 and $55, respectively.

8. Long-Term Debt

The Company has a $250 million line of credit under a revolving loan facility through a syndicate of banks to meet working capital and other short-term requirements and to provide funding for acquisitions. The interest rate on the borrowing is based upon LIBOR plus 75 to 250 additional basis points, which is determined by certain Company financial ratios. The weighted average interest rate was 7.94% on the outstanding balance at December 31, 2000. There was $153.2 million outstanding on the line of credit at December 31, 2000 compared to $178.0 million and $11.0 million outstanding at December 31, 1999 and 1998, respectively. The line of credit is collateralized by substantially all of the assets of the Company and its wholly owned subsidiaries, and matures in 2004.

The Company has entered into interest rate swap contracts with major financial institutions. Under terms of these separate contracts we receive a LIBOR based variable interest rate and pay a fixed interest rate of 7.015% and 7.30% on notional amounts of $35.0 million each which mature in March 2003 and May 2002, respectively. The Company has also entered into a contract which pays a fixed interest rate of 6.40% on a notional amount of $30.0 million and matures in November 2002. The variable interest rate paid on the contracts is determined based on LIBOR on the last day of each month, which is consistent with the variable rate determination on the underlying debt.

(in thousands, except per share data)

8. Long-Term Debt (cont'd)

On May 31, 1996, the Company entered into a Partnership Interest Purchase Agreement with Conseco, LLC ("Conseco") for the sale of 10% of the Company's partnership interest in Hoosier Park to Conseco. The transaction also included assumption by Conseco of a loan to the Company of approximately $2.6 million, of which the balance is $2.4 million at December 31, 2000. The loan requires interest of prime plus 2% (11.5% at December 31, 2000) payable monthly with principal due November 2004. The note is collateralized by 10% of the assets of Hoosier Park.

During 2000 the Company entered into a short-term note payable which expires in April 2001, bears interest at approximately prime, and is secured by a blanket lien on CBT's assets. There was $2.0 million outstanding on the note payable at December 31, 2000.

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

2001	$ 2,324
2002	157
2003	17
2004	155,542
	$158,040

9. Operating Leases

The Company has a long-term operating lease for the land in Anderson, Indiana on which its Hoosier Park facility is located and an operating lease for the Indianapolis off-track betting facility ("OTB"). The Anderson lease expires in 2003, with an option to extend the lease for three additional ten year terms. The Indianapolis lease expires in 2009, with an option to extend the lease for two additional five year terms. The leases include provisions for minimum lease payments as well as contingent lease payments based on handle or revenues.

The Company also has a long term operating lease agreement for land in Arlington Heights, Illinois on which the backside facilities of Arlington Park are located and two operating lease agreements for Arlington Park OTBs. The Arlington lease expires in 2010 with an option to purchase, the Mud Bug OTB lease expires in 2006 with an option to extend the lease for an additional five years and the Waukegan OTB lease expires in 2003, with an option to purchase.

The Company also leases certain totalisator and audio/visual equipment and services as well as land and facilities. The Company's total rent expense for all operating leases was approximately $7,629, $6,832 and $4,022 for the years ended December 31, 2000, 1999 and 1998. Total annual rent expense for contingent lease payments was approximately $6,991, $6,287 and $3,942 for the years ended December 31, 2000, 1999 and 1998.

(in thousands, except per share data)

9. Operating Leases (cont'd)

Future minimum operating lease payments are as follows:

	Minimum Lease Payment
2001	$ 1,856
2002	1,725
2003	1,485
2004	1,270
2005	1,251
Thereafter	4,082
	$11,669

10. Stock-Based Compensation Plans

Employee Stock Options:

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

The Company is authorized to issue up to 600 shares and 400 shares of common stock (as adjusted for the stock split) under the 97 Plan and 93 Plan, respectively, pursuant to "Awards" granted in the form of incentive stock options (intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended) and non-qualified stock options. Awards may be granted to selected employees of the Company or any subsidiary.

Both the 97 Plan and the 93 Plan provide that the exercise price of any incentive stock option may not be less than the fair market value of the common stock on the date of grant. The exercise price of any nonqualified stock option is not so limited by the plans. The Company granted stock options in 2000, 1999 and 1998. The stock options granted in those years have contractual terms of 10 years and varying vesting dates, ranging from one to three years following the date of grant. In accordance with APB 25, the Company has not recognized any compensation cost for these stock options.

(in thousands, except per share data)

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

A summary of the status of the Company's stock options as of December 31, 2000, 1999 and 1998 and the changes during the year ended on those dates is presented below:

	2000		1999		1998	
	Weighted # of Shares Underlying Options	Average Exercise Prices	Weighted # of Shares Underlying Options	Average Exercise Prices	Weighted # of Shares Underlying Options	Average Exercise Prices
Outstanding at beginning of the year	600	$21.62	478	$20.86	426	$19.45
Granted	179	$27.60	154	$23.70	52	$32.50
Exercised	4	$19.56	22	$19.30	-	-
Canceled	-	-	-	-	-	-
Forfeited	2	$30.24	10	$22.53	-	-
Expired	-	-	-	-	-	-
Outstanding at end of year	773	$22.98	600	$21.62	478	$20.86
Exercisable at end of year	393	$19.46	311	$19.09	248	$21.02
Weighted-average fair value per share of options granted during the year		$15.32		$12.01		$10.42

The fair value of each stock option granted is estimated on the date of grant using the Black- Scholes option-pricing model with the following weighted-average assumptions for grants in 2000, 1999 and 1998, respectively: dividend yields ranging from 1.40% to 1.83%; risk- free interest rates are different for each grant and range from 5.05% to 6.76%; and the expected lives of options are different for each grant and range from approximately 6.5 to 9.3 years, and expected volatility rates of 55.23%, 43.74%, and 24.86% for years ending December 31, 2000, 1999 and 1998.

The following table summarizes information about stock options outstanding at December 31, 2000:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at 12/31/00	Weighted Average Remaining Contributing Life	Weighted Average Exercise Price	Number Exercisable at 12/31/00	Weighted Average Exercise Price
$13.40 to $16.75	18	4.5	$15.75	18	$15.75
$16.76 to $20.10	273	5.2	$18.93	273	$18.93
$20.11 to $23.45	238	7.4	$22.17	102	$21.54
$23.46 to $26.80	8	9.1	$24.13	-	-
$26.81 to $30.15	178	9.8	$27.84	-	-
$30.16 to $33.50	58	8.0	$32.67	-	-
TOTAL	773	7.2	$22.98	393	$19.09

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

Employee Stock Purchase Plan:

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

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

Under the Employee Stock Purchase Plan, the Company sold 12 shares of common stock to 173 employees pursuant to options granted on August 1, 1999, and exercised on July 30, 2000. Because the plan year overlaps the Company's fiscal year, the number of shares to be sold pursuant to options granted on August 1, 2000, can only be estimated because the 2000 plan year is not yet complete. The Company's estimate of options granted in 2000 under the Plan is based on the number of shares sold to employees under the Plan for the 1999 plan year, adjusted to reflect the change in the number of employees participating in the Plan in 2000.

(in thousands, except per share data)

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

A summary of the status of the Company's stock options under the Employee Stock Purchase Plan as of December 31, 2000, 1999 and 1998 and the changes during the year ended on those dates is presented below:

	2000		1999		1998	
	# of Shares Underlying Options	Weighted Average Exercise Prices	# of Shares Underlying Options	Weighted Average Exercise Prices	# of Shares Underlying Options	Weighted Average Exercise Prices
Outstanding at beginning of the year	9	$19.00	5	$24.00	8	$14.60
Adjustment to prior year estimated grants	3	$19.00	2	$24.00	0	$14.60
Granted	16	$19.50	9	$23.90	5	$31.45
Exercised	12	$19.00	7	$24.00	8	$14.60
Forfeited	-	-	-	-	-	-
Expired	-	-	-	-	-	-
Outstanding at end of year	16	$19.50	9	$23.90	5	$31.45
Exercisable at end of year	-	-	-	-	-	-
Weighted-average Fair value per share of options granted during the year		$7.79		$8.67		$12.16

Had the compensation cost for the Company's stock-based compensation plans been determined consistent with SFAS 123, the Company's net earnings and earnings per common share for 2000, 1999 and 1998 would approximate the pro forma amounts presented below:

	2000	1999	1998
Net earnings:			
As reported	$19,164	$14,976	$10,518
Pro-forma	$18,286	$14,451	$10,087
Earnings per common share:			
As reported			
Basic	$1.77	$ 1.74	$1.41
Diluted	$1.75	$ 1.72	$1.40
Pro-forma			
Basic	$1.69	$ 1.68	$1.35
Diluted	$1.67	$ 1.66	$1.34

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

11. Fair Values of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

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

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

Interest Rate Swaps - The carrying amounts of the Company's interest rate swaps are a payable of an approximate mark-to-market value of $558 and $77, at December 31, 2000 and 1999, respectively, using current interest rates.

12. Commitments and contingencies

Hollywood Park received cease and desist orders from the California Regional Water Quality Control Board addressing storm water runoff and dry weather discharge issues. We retained an engineering firm to develop a plan for compliance and to construct certain drainage and waste disposal systems. The construction of the system has been completed. As part of the 1999 asset acquisition of Hollywood Park, the seller agreed to indemnify our Company in the amount of $5.0 million for costs incurred in relation to the waste water runoff issue. Amounts under the indemnification have been expended and the ultimate cost to the Company was $1.7 million, incurred during 2000.

The septic system at the Ellis Park facility must be replaced with hook-up to city sewers. The cost of the hook-up is estimated by the city of Henderson, Kentucky to be $1.2 million. Ellis Park will seek partial reimbursement from the state of Kentucky. The project is estimated to be completed by November 2001.

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

(in thousands, except per share data)

13. Earnings Per Common Share Computations

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

	2000	1999	1998
Net earnings (numerator) amounts used for basic and diluted per share	$19,164	$14,976	$10,518
Weighted average shares (denominator) of common stock outstanding per share computations:			
Basic	10,849	8,598	7,460
Plus dilutive effect of stock options	91	120	79
Diluted	10,940	8,718	7,539
Earnings per common share:			
Basic	$1.77	$1.74	$1.41
Diluted	$1.75	$1.72	$1.40

Options to purchase approximately 73, 47 and 41 shares for the years ended December 31, 2000, 1999 and 1998, respectively, were not included in the computation of earnings per common share-assuming dilution because the options' exercise prices were greater than the average market price of the common shares.

14. Segment Information

The Company has adopted SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information." The Company has determined that it currently operates in the following seven segments: (1) Churchill Downs racetrack and the Louisville Sports Spectrum simulcast facility (2) Hollywood Park racetrack and its on-site simulcast facility (3) Calder Race Course (4) Arlington Park and its OTBs (5) Ellis Park racetrack and its on- site simulcast facility, (6) Hoosier Park racetrack and its on-site simulcast facility and the other three Indiana simulcast facilities and (7) Other investments, including CBT and the Company's other various equity interests, which are not material. Eliminations include the elimination of management fees and other intersegment transactions. As a result of a reorganization for internal reporting during 2000, the Company's segment disclosures are presented on a new basis to correspond with internal reporting for corporate revenues and expenses which, for the years ended December 31, 2000 and 1999, are now reported separate of Churchill Downs racetrack revenues and expenses. The Company did not track corporate revenues and expenses during 1998, therefore, corporate revenues and expenses for 1998 are not reported separate of Churchill Downs racetrack reveneus and expenses.

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

The accounting policies of the segments are the same as those described in the "Summary of Significant Accounting Policies" in the Company's annual report to stockholders for the year ended December 31, 2000. Earnings before interest, taxes, depreciation and amortization ("EBITDA") should not be considered as an alternative to, or more meaningful than, net income (as determined in accordance with accounting principles generally accepted in the United States of America) as a measure of our operating results or cash flows (as determined in accordance with accounting principles generally accepted in the United States of America) or as a measure of our liquidity.

(in thousands, except per share data)

14. Segment Information (cont'd)

The table below presents information about reported segments for the years ended December 31, 2000, 1999 and 1998:

	December 31, 2000	1999	1998
Net revenues:			
Churchill Downs	$ 89,547	$ 82,429	$ 80,925
Hollywood Park	105,628	30,494	-
Calder Race Course	77,552	72,418	-
Arlington Park	14,781	-	-
Hoosier Park	51,250	51,280	47,744
Ellis Park	16,119	19,653	17,386
Other investments	13,069	6,151	2,497
	367,946	262,425	148,552
Corporate revenues	778	-	-
Eliminations	(6,708)	(3,998)	(1,252)
	$362,016	$258,427	$147,300
EBITDA:			
Churchill Downs	$21,715	$17,789	$14,416
Hollywood Park	18,898	3,842	-
Calder Race Course	16,718	17,946	-
Arlington Park	(427)	-	-
Hoosier Park	5,920	6,423	5,599
Ellis Park	936	2,071	2,305
Other investments	7,815	1,314	909
	71,575	49,385	23,229
Corporate expenses	(8,486)	(5,679)	-
	$63,089	$43,706	$23,229
Operating income (loss):			
Churchill Downs	$17,857	$14,240	$10,700
Hollywood Park	14,407	2,574	-
Calder Race Course	13,397	15,564	-
Arlington Park	(1,133)	-	-
Hoosier Park	4,538	5,246	4,499
Ellis Park	(481)	721	1,422
Other investments	6,252	(153)	522
	54,837	38,192	17,143
Corporate expenses	(8,259)	(5,679)	-
	$46,578	$32,513	$17,143

(in thousands, except per share data)

14. Segment Information (cont'd)

	As of December 31,		
	2000	1999	1998
Total Assets:			
Churchill Downs	$358,081	$345,909	$ 89,427
Hollywood Park	174,232	153,126	-
Calder Race Course	127,666	114,396	-
Arlington Park	74,554	-	-
Hoosier Park	32,718	32,559	31,732
Ellis Park	21,381	25,015	23,038
Other investments	45,390	312,272	71,109
	834,022	983,277	215,306
Eliminations	(364,018)	(585,231)	(100,655)
	$470,004	$398,046	$114,651

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

	December 31,		
	2000	1999	1998
Total EBITDA	$63,089	$43,706	$23,229
Depreciation and amortization	(16,677)	(10,859)	(5,744)
Interest income (expense), net	(13,825)	(6,992)	(216)
Earnings before provision for income taxes	$32,587	$25,855	$17,269

Supplementary Financial Information(Unaudited)
(In thousands, except per share data)

Common Stock Information
Per Share of Common Stock

	Net Revenues	Operating Income (Loss)	Net Earnings (Loss)	Basic Earnings (Loss)	Diluted Earnings (Loss)	Dividends	Bid Price High	Bid Price Low
2000	$362,016	$46,578	$19,164	$1.77	$1.75			
Fourth Quarter	$100,897	$6,806	$2,286	$0.18	$0.17	$0.50	$35.69	$25.25
Third Quarter	103,536	15,824	7,303	0.69	0.68		25.88	21.69
Second Quarter	131,938	35,488	18,340	1.86	1.85		26.00	21.75
First Quarter	25,645	(11,540)	(8,765)	(0.89)	(0.89)		26.25	21.00
1999	$258,427	$32,513	$14,976	$1.74	$1.72			
Fourth Quarter	$93,548	$8,784	$3,128	$0.32	$0.31	$0.50	$26.00	$20.13
Third Quarter	63,076	3,635	1,192	0.13	0.12		33.63	22.50
Second Quarter	84,140	24,891	13,666	1.82	1.79		35.75	26.00
First Quarter	17,663	(4,797)	(3,010)	(0.40)	(0.40)		38.75	26.25
1998	$147,300	$17,143	$10,518	$1.41	$1.40			
Fourth Quarter	$31,242	$(1,291)	$(780)	$(0.10)	$(0.10)	$0.50	$36.44	$27.25
Third Quarter	33,299	(1,016)	(655)	(0.09)	(0.09)		41.44	27.63
Second Quarter	67,374	22,220	13,522	1.81	1.79		43.25	24.00
First Quarter	15,385	(2,770)	(1,569)	(0.21)	(0.21)		25.31	19.31

The Company's Common Stock is traded on the National Association of Securities Dealers, Inc.'s National Market("Nasdaq") under the symbol CHDN. As of March 14, 2001, there were approximately 3,420 shareholders of record.

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

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

In September 2000, we issued 3.15 million shares of common stock at a price of $16.28 related to the Arlington Park merger.

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

The above table sets forth the high and low bid quotations (as reported by Nasdaq) and dividend payment information for the Company's Common Stock during its last three years.

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

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

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

ITEM 11. EXECUTIVE COMPENSATION.

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

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

PART IV

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

		Pages
(a) (1)	Consolidated Financial Statements	
	The following financial statements of Churchill Downs Incorporated for the years ended December 31, 2000, 1999 and 1998 are included in Part II, Item 8:	
	Report of Independent Accountants	28
	Consolidated Balance Sheets	29
	Consolidated Statements of Earnings	30
	Consolidated Statements of Shareholders' Equity	31
	Consolidated Statements of Cash Flows	32
	Notes to Consolidated Financial Statements	33-50
(2)	Schedule VIII - Valuation and Qualifying Accounts	55
	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.	

(3) For the list of required exhibits, see exhibit index.

(b) Reports on Form 8-K:

(1) Churchill Downs Incorporated filed a Current Report on Form 8-K dated Septmeber 30, 2000, amended by Form 8-K/A filed on November 21, 2000, reporting, under Item 2, the closing of the transactions pursuant to the agreement and plan of merger with Duchossois Industries, Inc., Arlington International Racecourse, Inc., Arlington Management Services, Inc., and Turf Club of Illinois, Inc. Pursuant to the Form 8-K/A, financial statements were filed for Arlington International as of December 31, 1999 and June 30,2000, and for the periods ended June 30, 1999 and 2000 and pro foroma financial statements were filed for the six month period ended June 30, 2000 and for the year ended December 31, 1999.

(2) Churchill Downs Incorporated filed a Current Report on Form 8-K on October 26, 2000, under Item 5, "Other Events", reporting on Churchill Downs Incorporated third quarter results for 2000.

(c) Exhibits

See exhibit index.

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

SIGNATURES

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

CHURCHILL DOWNS INCORPORATED

/s/Thomas H. Meeker

Thomas H. Meeker
President and Chief Executive Officer
March 16, 2001

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

/s/Thomas H. Meeker	/s/Robert L. Decker	/s/Michael E. Miller
Thomas H. Meeker, President and Chief Executive Officer March 16, 2001 (Director and Principal Executive Officer)	Robert L. Decker, Executive Vice President and Chief Financial Officer March 16, 2001 (Principal Financial Officer)	Michael E. Miller, Senior Vice President, Finance March 16, 2001 (Principal Accounting Officer)
	/s/Charles W. Bidwill, Jr.	/s/Craig J. Duchossois
William S. Farish March 16, 2001 (Director)	Charles W. Bidwill, Jr. March 16, 2001 (Director)	Craig J. Duchossois March 16, 2001 (Director)
/s/Richard L. Duchossois	/s/Richard L. Fealy	/s/J. David Grissom
Richard L. Duchossois March 16, 2001 (Director)	Richard L. Fealy March 16, 2001 (Director)	J. David Grissom March 16, 2001 (Director)
/s/Seth W. Hancock	/s/Daniel P. Harrington	/s/Frank B. Hower, Jr.
Seth W. Hancock March 16, 2001 (Director)	Daniel P. Harrington March 16, 2001 (Director)	Frank B. Hower, Jr. March 16, 2001 (Director)
/s/G. Watts Humphrey, Jr.	/s/Brad M. Kelley	/s/Carl F. Pollard
G. Watts Humphrey, Jr. March 16, 2001 (Director)	Brad M. Kelley March 16, 2001 (Director)	Carl F. Pollard March 16, 2001 (Director)
	/s/Darrell R. Wells	
Dennis D. Swanson March 16, 2001 (Director)	Darrell R. Wells March 16, 2001 (Director)	

CHURCHILL DOWNS INCORPORATED

SCHEDULE VIII. - VALUATION AND QUALIFYING ACCOUNTS

(In thousands)

Description	Balance, Beginning of Period	Charged to Expenses	Deductions	Balance, End of Period
Year ended December 31, 2000:				
Allowance for doubtful account and notes receivable	$253	$312	$(25)	$540
Year ended December 31, 1999:				
Allowance for doubtful account and notes receivable	$121	$272	$(140)	$253
Year ended December 31, 1998:				
Allowance for doubtful account and notes receivable	$176	$ 1	$ (56)	$121
Valuation allowance for deferred tax asset *	173	-	(173)	-
	$349	$ 1	$(229)	$121

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

EXHIBIT INDEX

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

(i)	Amended and Restated Agreement and Plan of Merger dated as of June 23, 2000, as amended as of July 14, 2000, by and among Churchill Downs Incorporated, Duchossois Industries, Inc., A. Acquisition Corp., A. Management AcquisitionCorp., T. Club Acquisition Corp., Arlington International Racecourse, Inc., Arlington Management Services, Inc., and Turf Club of Illinois, Inc.	Annex A of the Proxy Statement for a Special Meeting of Shareholders of Churchill Downs Incorporated held September 8, 2000
(3)(a)	Amended and Restated Articles of Incorporation of Churchill Downs Incorporated	Exhibit (3)(a) to Report on Form 10-K for the year ended December 31, 1999
(b)	Restated Bylaws of Churchill Downs Incorporated as amended	Exhibit (3) to Report on Form 10-Q for the fiscal quarter ended September 30, 2000
(4)(a)	Rights Agreement dated as of March 19, 1998 between Churchill Downs, Inc. and Bank of Louisville	Exhibit 4.1 to Current Report on Form 8-K dated March 19, 1998
(b)	Amendment No. 2 to Rights Agreement dated as of June 23, 2000, between Churchill Downs Incorporated and Fifth Third Bank, as Rights Agent	Exhibit 4.1 to the Registrant's Registration Statement on Form 8-A/A dated June 30, 2000
(c)	Amendment No. 3 to Rights Agreement dated as of September 8, 2000, between Churchill Downs Incorporated and Fifth Third Bank, as Rights Agent	Exhibit 4.1 to the Registrant's Registration Statement on Form 8-A/A dated September 13, 2000
(10)(a)	$250,000,000 Revolving Credit Facility Credit Agreement between Churchill Downs Incorporated, and the guarantors party thereto, and the Banks party thereto and PNC Bank, National Association, as Agent, and CIBC Oppenheimer Corp., as Syndication Agent, and Bank One, Kentucky, N.A., as Documentation Agent, dated as of April 23, 1999	Exhibit (10)(a) to Report on Form 10-Q for the fiscal quarter ended March 31, 1999
(b)	First Amendment to $250,000,000 Revolving Credit Facility Credit Agreement dated April 30, 1999	Exhibit (10)(b) to Report on Form 10-Q for the fiscal quarter ended March 31, 1999
(c)	Second Amendment to $250,000,000 Revolving Report on Credit Facility Credit Agreement dated June 14, 1999	Exhibit (10)(c) to Form 10-Q for the fiscal quarter ended June 30, 1999

(d)	Third Amendment, Waiver and Consent to $250,000,000 Revolving Credit Facility Credit Agreement dated February 23, 2000	Exhibit (10)(d) to Report on Form 10-K for the year ended December 31, 1999
(e)	Fourth Amendment to $250,000,000 Revolving Credit Facility Credit Agreement dated May 12, 2000	Exhibit (10)(a) to Report on Form 10-Q for the fiscal quarter ended June 30, 2000
(f)	Fifth Amendment to $250,000,000 Revolving Credit Facility Credit Agreement dated June 19, 2000	Exhibit (10)(b) to Report on Form 10-Q for the fiscal quarter ended June 30, 2000
(g)	Sixth Amendment to $250,000,000 Revolving Credit Facility Credit Agreement dated March 15, 2001	Page 60, Report on Form 10-K for the year ended December 31, 2000
(h)	Underwriting agreement for 2,000,000 shares of Churchill Downs Incorporated common stock between Churchill Downs Incorporated and CIBC World Markets Corporation, Lehman Brothers, Inc.,JC Bradford & Co., J.J.B. Hilliard, W.L. Lyons, Inc.on behalf of several underwriters	Exhibit 1.1 to Registration Statement on Form S-3/A filed July 15, 1999 (No. 333-79031)
(i)	Casino Lease Agreement dated as of September 10, 1999 by and between Churchill Downs California Company and Hollywood Park, Inc.	Exhibit 10.1 to Report on Form 8-K dated September 10, 1999
(j)	Churchill Downs Incorporated Amended and Restated Supplemental Benefit Plan dated December 1, 1998 *	Exhibit (10)(a) to Report on Form 10-K for the year ended December 31, 1998
(k)	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
(l)	Churchill Downs Incorporated Amended and Restated Incentive Compensation Plan (1997) *	Exhibit (10) to Report on Form 10-Q for the fiscal quarter ended September 30, 2000
(m)	Churchill Downs Incorporated 1993 Stock Option Plan *	Exhibit (10)(h) to Report on Form 10-K for the eleven months ended December 31, 1993
(n)	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
(o)	Amendment No. 2 to Churchill Downs Incorporated 1993 Stock Option Plan *	Exhibit (10)(m) to Report on Form 10-K for the year ended December 31, 1997

(p)	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
(q)	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
(r)	Partnership Interest Purchase Agreement dated December 20, 1995 among Anderson Park, Inc., Conseco HPLP, LLC, Pegasus Group, Inc. and Hoosier Park, L.P.	Exhibit (10)(k) to Report on Form 10-K for the year ended December 31, 1995
(s)	Employment Agreement between Churchill Downs Incorporated and Robert L. Decker *	Exhibit (10)(l) to Report on Form 10-Q for the fiscal quarter ended March 31, 1997
(t)	Churchill Downs Incorporated, Amended and Restated Deferred Compensation Plan for Employees and Directors *	Exhibit (10)(n) to Report on Form 10-K for the year ended December 31, 1998
(u)	Amended and Restated Churchill Downs Incorporated 1997 Stock Option Plan *	Exhibit (99) to Registrants' Registration Statement on Form S-8 dated August 10, 2000
(v)	Form of Stockholder's Agreement dated September 8, 2000 among Churchill Downs Incorporated and Duchossois Industries, Inc.	Annex C of the Proxy Statement for a Special Meeting of Shareholders of Churchill Downs Incorporated held September 8, 2000
(21)	Subsidiaries of the registrant	Page 74, Report on Form 10-K for the year ended December 31, 2000
(23)	Consent of PricewaterhouseCoopers, LLP Independent Accountants	Page 75, Report on Form 10-K for the year ended December 31, 2000

*Management contract or compensatory plan or arrangement.

WAIVER AND SIXTH AMENDMENT

to

$250,000,000 REVOLVING CREDIT FACILITY

CREDIT AGREEMENT

by and among

CHURCHILL DOWNS INCORPORATED, as the Borrower,

and

THE GUARANTORS PARTY HERETO

and

THE BANKS PARTY HERETO

and

PNC BANK, NATIONAL ASSOCIATION, As Agent,

and

CIBC OPPENHEIMER CORP., As Syndication Agent.

and

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

Dated as of March 15, 2001

THIS WAIVER AND SIXTH AMENDMENT TO $250,000,000 REVOLVING CREDIT FACILITY CREDIT AGREEMENT (the "Sixth Amendment") dated as of March 15, 2001, by and among CHURCHILL DOWNS INCORPORATED, as the Borrower (the "Borrower"), the GUARANTORS party to the Credit Agreement (as hereinafter defined), the BANKS party to the Credit Agreement (as hereinafter defined) and PNC BANK, NATIONAL ASSOCIATION, as the Agent (the "Agent"), and CIBC OPPENHEIMER CORP., as Syndication Agent and BANK ONE, KENTUCKY, N.A., as Documentation Agent.

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

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

WHEREAS, the Borrower and the other Loan Parties have granted to the Agent for the benefit of the Banks a security interest in all trademarks and other intellectual property owned by them pursuant to Patent, Trademark and Copyright Security Agreements between the Agent as Assignee and the following Assignors and dated as follows (the "Intellectual Property Security Agreements"):

1.	Churchill Downs Incorporated, Churchill Downs Management Company, Churchill Downs Investment Company, Racing Corporation of America and Ellis Park Race Course, Inc.	April 23, 1999
2.	Calder Race Course, Inc. and Tropical Park, Inc.	April 23, 1999
3.	Churchill Downs California Company, Churchill Downs California Fall Operating Company and Churchill Downs California Food Services Company	September 10, 1999
4.	Arlington International Racecourse, Inc. Arlington Management Services, Inc., Turf Club of Illinois, Inc., Arlington Global Services, Inc., Arlington OTB Corp., KFI Corporation and Quad City Downs, Inc.	September 8, 2000

WHEREAS, the Borrower has caused the following new direct and indirect Subsidiaries to be formed (the "New Subsidiaries Formation"):

1. CDIP Holdings, LLC ("CDIP Holdings"), a Kentucky limited liability company owned 99% by Borrower and 1% by Churchill Downs Management Company; and

2. CDIP, LLC ("CDIP"), a Kentucky limited liability company owned 100% by CDIP Holdings;

WHEREAS, for various business reasons, the Borrower and the other Loan Parties desire to abandon the trademarks set forth on Schedule A attached hereto (the "Trademark Abandonment") and to transfer certain of their remaining trademarks set forth on Schedule B attached hereto to CDIP Holdings which will in turn transfer such property to CDIP (the "Intellectual Property Transfer");

WHEREAS, CDIP will own the intellectual property transferred to it (the "Transferred Intellectual Property") and will license its use to those Loan Parties which need to use it (the "Intellectual Property Licensing");

WHEREAS, the Borrower and the other Loan Parties desire that CDIP Holdings and CDIP each join the Credit Agreement and the other Loan Documents to which the Guarantors are parties as a Guarantor pursuant to Sections 7.2.5 and 10.18 and in compliance with all other provisions of the Credit Agreement and the other Loan Documents (the "Joinder") and in connection therewith have requested that: (i) the Banks consent to the New Subsidiaries Formation and the Joinder; (ii) the Agent on behalf of the Banks consent to the Trademark Abandonment, the Intellectual Property Transfer and the Intellectual Property Licensing pursuant to Paragraphs 4, 6, 7 and 11 of the Intellectual Property Security Agreements and waive any prior violations thereof; (iii) the Banks waive the application of Sections 7.2.6 and 7.2.7 of the Credit Agreement, including any prior violations, thereof, and also waive any prior violations of Sections 5.1.14, 5.1.15, 5.1.17, 7.2.4, 7.2.5, 7.2.8 and 10.18 to the extent necessary to permit the New Subsidiaries Formation, the Joinder, the Trademark Abandonment, the Intellectual Property Transfer and the Intellectual Property Licensing, and (iv) Section 7.2.6 of the Credit Agreement be amended; and the Agent and the Banks are willing to do so on the terms and conditions more fully provided herein.

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

1. Waivers and Consents Under Credit Agreement and Intellectual Property Security Agreements

Subject to the conditions contained in this Sixth Amendment:

A. The Banks hereby consent to the New Subsidiaries Formation and the Joinder;

B. The Agent on behalf of the Banks hereby consents to the Trademark Abandonment, the Intellectual Property Transfer and the Intellectual Property Licensing pursuant to Paragraphs 4, 6, 7 and 11 of the Intellectual Property Security Agreements and waives any prior violations thereof; and

C. The Banks hereby waive the application of Sections 7.2.6 and 7.2.7 of the Credit Agreement, including any prior violations thereof, and also waive any prior violations of Sections 5.1.14, 5.1.15, 5.1.17, 7.2.4, 7.2.5, 7.2.8 and 10.18 to the extent necessary to permit the New Subsidiaries

Formation, the Joinder, the Trademark Abandonment, the Intellectual Property Transfer and the Intellectual Property Licensing.

2. Amendment of Section 7.2.6 of Credit Agreement

Section 7.2.6 (Dispositions of Assets or Subsidiaries) is hereby amended and restated to read as follows:

Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries (other than Excluded Subsidiaries) to, sell, convey, assign, lease, abandon or otherwise transfer or dispose of, voluntarily or involuntarily, any of its properties or assets, tangible or intangible (including sale, assignment, discount or other disposition of accounts, contract rights, chattel paper, equipment or general intangibles with or without recourse or of capital stock, shares of beneficial interest, partnership interests or limited liability company interests of a Subsidiary of such Loan Party), except:

(i) any sale, transfer or lease of assets in the ordinary course of business which are no longer necessary or required in the conduct of such Loan Party's or such Subsidiary's business;

(ii) transactions involving the sale or use for a fee of simulcast signals or other assets or rights in the ordinary course of business;

(iii) any sale, transfer or lease of assets, excluding real estate, by any Loan Party or wholly owned Subsidiary of such Loan Party to another Loan Party provided that the Loan Parties comply with the warranties relating to perfection of the Liens of the Agent in the Collateral contained in Sections 5.1.14, 5.1.15 and 5.1.17 and deliver any documentation required to perfect the Liens in such assets at least five (5) Business Days before such sale, transfer or lease; and

(iv) any lease of real estate having an area not in excess of ten thousand (10,000) square feet.

3. Warranties

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

A. Recitals.

The recitals hereto are true and correct in all material respects.

B. Incorporation into Credit Agreement.

The representations and warranties in this Section 3 are incorporated in Section 5 of the Credit Agreement and any breach of such representations or warranties is a breach under Section 5 of the Credit Agreement.

C. Other Warranties Under the Credit Agreement.

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

D. No Event of Default.

No event has occurred and is continuing and no condition exists or will exist after giving effect to this Sixth Amendment and the transactions contemplated herein which constitutes an Event of Default or Potential Default.

4. Conditions to Effectiveness.

This Sixth Amendment shall become effective provided that each of the following conditions is satisfied as of the date set forth in such condition:

A. Representations and Warranties.

Each of the representations and warranties of the Loan Parties under Section 3 hereof shall be true and correct on the Sixth Amendment Effective date, as that term is defined herein.

B. Opinion of Counsel.

On or before the Sixth Amendment Effective Date, there shall be delivered to the Agent for the benefit of each Bank written opinions of Wyatt, Tarrant & Combs, LLP and Rebecca C. Reed, counsel for the Loan Parties, in each case dated the Sixth Amendment Effective Date as to the warranties listed in Exhibit 4(B) hereto as such warranties relate to this Sixth Amendment and the documents executed in connection herewith and the consents required for this Sixth Amendment and such other documents.

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

On or before the Sixth Amendment Effective Date, this Sixth Amendment shall have been executed by the Required Banks, the Agent and the Loan Parties.

D. Delivery of Documents.

On or before the Sixth Amendment Effective Date, there shall have been delivered to the Agent for the benefit of each Bank:

(1) A Guarantor Joinder and Assumption Agreement in substantially the form attached as Exhibit 1.1 (G)(1) to the Credit Agreement executed by CDIP Holdings and CDIP pursuant to which CDIP Holdings and CDIP each join the Credit Agreement and the other Loan Documents to which the Guarantors are parties as a Guarantor;

(2) A Patent, Trademark and Copyright Security Agreement in substantially the form attached as Exhibit 1.1(P(1) to the Credit Agreement executed by CDIP Holdings and CDIP covering the Transferred Intellectual Property and other Collateral described therein;

(3) Executed financing statements and other documents in form and substance satisfactory to the Agent and its counsel necessary to grant and perfect Prior Security Interests to the Agent for the benefit of the Banks in all Collateral held by CDIP Holdings and CDIP and in the ownership interests in CDIP Holdings and CDIP.

(4) A certificate signed by the Secretary or other appropriate officer of CDIP Holdings and CDIP certifying for each entity: (a) as to all limited liability company action taken by such entity in connection with the execution and delivery of the Guarantor Joinder and Assumption Agreement, the Patent, Trademark and Copyright Security Agreement and the other documents required hereunder; (b) the names of the officers authorized to sign the Guarantor Joinder and Assumption Agreement, the Patent, Trademark and Copyright Security Agreement and the other documents required hereunder and the true signatures of such officers, and (c) copies of its organizational documents, including its Articles of Organization and Operating Agreement in effect on the date hereof certified by the appropriate state official where such documents are filed in a state office together with a certificate from the appropriate state official as to its continued existence and good standing in each state where organized or qualified to do business.

(5) Evidence in form and substance satisfactory to the Agent and its counsel that all necessary consents

of regulatory boards or commissions to the transactions contemplated hereunder have been obtained.

(6) Copies of all agreements pertaining to the transactions contemplated hereunder and such other information pertaining thereto as the Agent may reasonably require.

5. References to Credit Agreement, Loan Documents.

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

6. Force and Effect.

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

7. Governing Law.

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

8. Counterparts; Effective Date.

This Sixth Amendment may be signed in any number of counterparts each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Sixth Amendment shall become effective when it has been executed by the Agent, the Loan Parties and the Required Banks and each of the other conditions set forth in Section 4 of this Sixth Amendment has been satisfied (the "Sixth Amendment Effective Date").

[SIGNATURE PAGES TO FOLLOW]

[SIGNATURE PAGE 1 OF 6 TO WAIVER AND SIXTH AMENDMENT]

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

BORROWER:

CHURCHILL DOWNS INCORPORATED

By:

Title:

GUARANTORS:

CHURCHILL DOWNS MANAGEMENT COMPANY

By:

Title:

CHURCHILL DOWNS INVESTMENT COMPANY

By:

Title:

RACING CORPORATION OF AMERICA

By:

Title:

ELLIS PARK RACE COURSE, INC.

By:

Title:

CALDER RACE COURSE, INC.

By:

Title:

TROPICAL PARK, INC.

By:

Title:

CHURCHILL DOWNS CALIFORNIA COMPANY

By:

Title:

CHURCHILL DOWNS CALIFORNIA FALL OPERATING COMPANY

By:

Title:

CHURCHILL DOWNS CALIFORNIA FOOD SERVICES COMPANY

By:

Title:

ARLINGTON INTERNATIONAL
RACECOURSE, INC.

By:

Title:

ARLINGTON MANAGEMENT SERVICES,
INC.

By:

Title:

TURF CLUB OF ILLINOIS, INC.

By:

Title:

ARLINGTON GLOBAL SERVICES, INC.

By:

Title:

ARLINGTON OTB CORP.

By:

Title:

KFI CORPORATION

By:

Title:

QUAD CITY DOWNS, INC.

By:

Title:

BANKS AND AGENT

PNC BANK, NATIONAL ASSOCIATION,
individually and as Agent

By:

Title:

BANK ONE, KENTUCKY, NA

By:

Title:

CIBC INC.

By:

Title:

COMERICA BANK

By:

Title:

FIFTH THIRD BANK

By:

Title:

NATIONAL CITY BANK OF KENTUCKY

By:

Title:

FIRSTAR BANK, N.A.

By:

Title:

BANK OF LOUISVILLE

By:

Title:

FIFTH THIRD BANK INDIANA

By:

Title:

WELLS FARGO BANK

By:

Title:

EXHIBIT 4(B)

OPINION OF COUNSEL

The opinion of Rebecca C. Reed shall confirm that the recitals hereto are true and correct in all material respects and that the other matters contained in the warranties in Section 3(C) hereto are true and the opinion of Wyatt, Tarrant & Combs, LLP shall confirm that the following representations and warranties in the Credit Agreement are true and correct as such warranties relate to this Sixth Amendment and the Credit Agreement as amended by this Sixth Amendment:

Credit Agreement Section	Warranty
5.1.1	Organization and Qualification
5.1.2	Capitalization and Ownership
5.1.4	Power and Authority
5.1.5	Validity and Binding Effect
5.1.6	No Conflict
5.1.12	Consents and Approvals

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

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 33-85012, 333-62013, 33-61111, 333-41376, and 333-43486) of Churchill Downs Incorporated and its subsidiaries of our report dated February 27, 2001 relating to the financial statements and financial statement schedule, which appears in this Form 10-K.

\s\ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP

Louisville, Kentucky
March 16, 2001