

8

CONSECUTIVE YEARS OF RECORD EARNINGS

We have kept our focus on the horizon,
responded to the changing environment,
and now are ready to go the distance.



CHURCHILL DOWNS
INCORPORATED



Financial Highlights

Story in Brief	2000	1999	1998	1997	1996
(In thousands, except per share data)					
Operations:					
Pari-mutuel wagering *	\$3,244,160	\$2,171,023	\$1,062,763	\$875,644	\$817,060
Net revenues	362,016	258,427	147,300	118,907	107,859
Operating income	46,578	32,513	17,143	14,405	12,315
Other income (expense)	(13,991)	(6,658)	126	568	727
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 declared	6,508	4,927	3,762	3,658	2,375
Annual dividend per share	0.50	0.50	0.50	0.25	0.25
Special dividend per share	-	-	-	0.25	0.08
Additions to plant and equipment, exclusive of business acquisitions	22,419	12,083	3,524	4,568	2,571
Depreciation and amortization	17,286	11,306	5,744	4,559	4,814
At period end:					
Working capital (deficiency) surplus	(\$31,507)	\$800	(\$7,791)	(\$8,032)	(\$10,789)
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
Number of shareholders	3,420	3,350	3,100	3,100	3,100

* Pari-mutuel wagering provided for each year represents amounts wagered since acquisition/merger dates for Ellis Park, Calder Race Course, Hollywood Park and Arlington Park.

NET EARNINGS RACED TO

Supplementary Financial Information

(In thousands, except per share data)

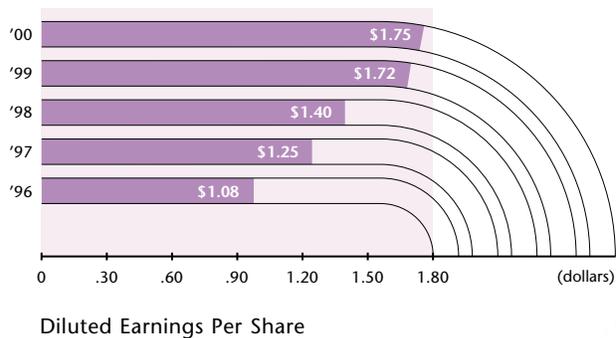
Common Stock Information

Per Share of Common Stock

	Net Revenues	Operating Income (Loss)	Net Earnings (Loss)	Basic Net Earnings (Loss)	Diluted Net Earnings (Loss)	Dividends Paid	Bid Price	
							High	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

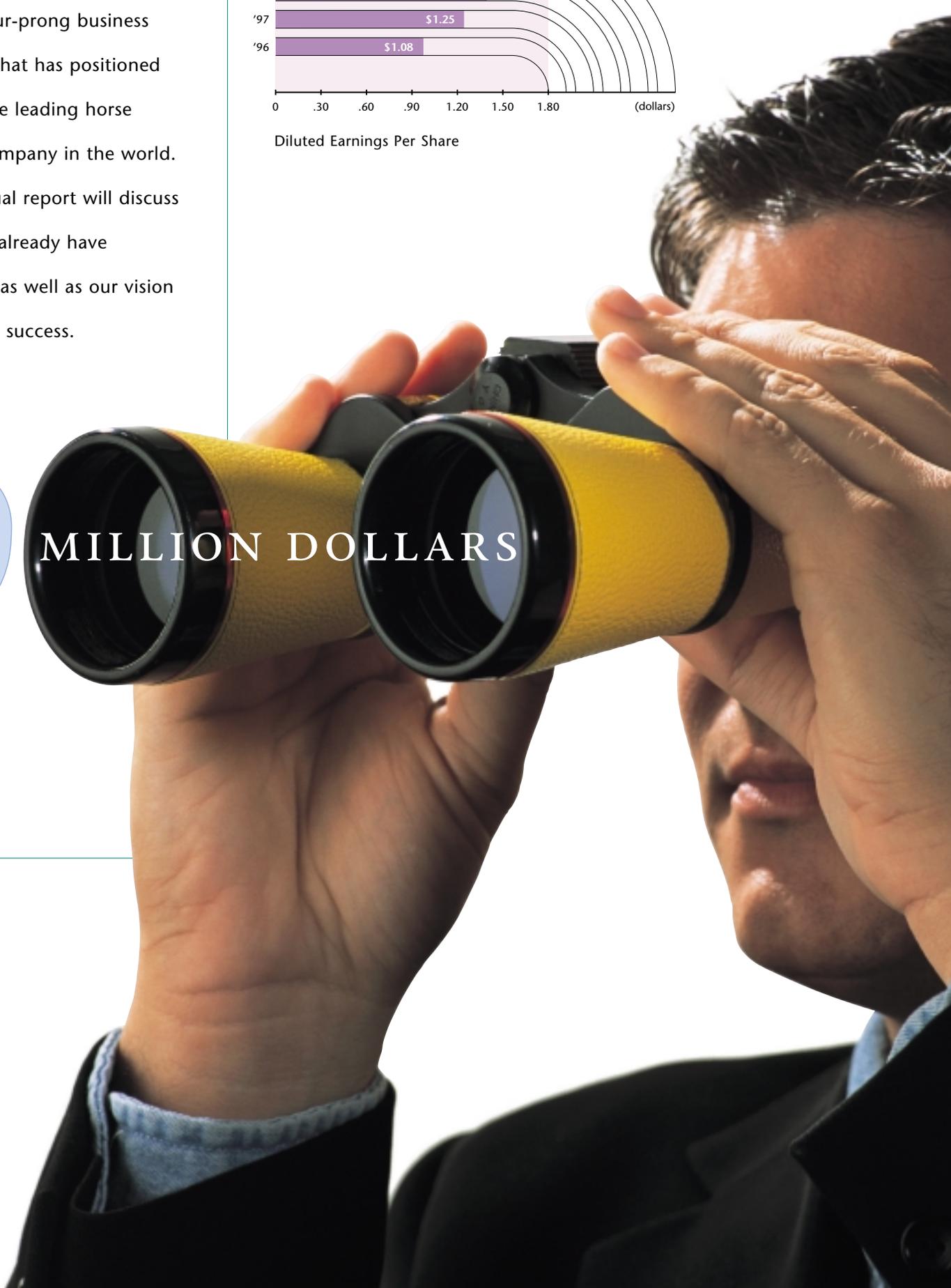
The Company's common stock is traded on the Nasdaq National Market under the symbol CHDN. As of March 14, 2001, there were approximately 3,420 shareholders of record. The above table sets forth the high and low bid quotations, as reported by Nasdaq, and dividend payment information for the Company's common stock during its last three years. 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. In July 1999, we issued 2.3 million shares of common stock at a public offering price of \$29 a 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.

During 2000, we remained committed to the fulfillment of our four-prong business strategy that has positioned CDI as the leading horse racing company in the world. This annual report will discuss what we already have achieved as well as our vision for future success.



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MILLION DOLLARS



A corporation's results may be measured in many ways. By financial standards, the record earnings that Churchill Downs Incorporated (CDI) has achieved for eight consecutive years certainly are indicative of positive performance. This bottom-line picture, however, gives no recognition to the underlying strategic and tactical accomplishments that have contributed to our successful record. We have been – and remain – the leading catalyst for change in our industry. We now have six racetracks and 13 off-track betting facilities in five states. In just the past six years, our content for the simulcast market has increased by more than 900 percent to 680 racing programs. During 2000, we remained committed to an innovative fulfillment of the four-prong business strategy that has produced these impressive results and positioned CDI to be the leading horse racing company in the world:

- *Promote and enhance live racing, in particular, the Kentucky Derby;*
- *Increase our share of the simulcast market;*
- *Remain the leader in the consolidation and development of the Thoroughbred industry;*
- *Promote the integration of alternative forms of gaming and entertainment into our operations.*

OUR NET REVENUES WERE UP

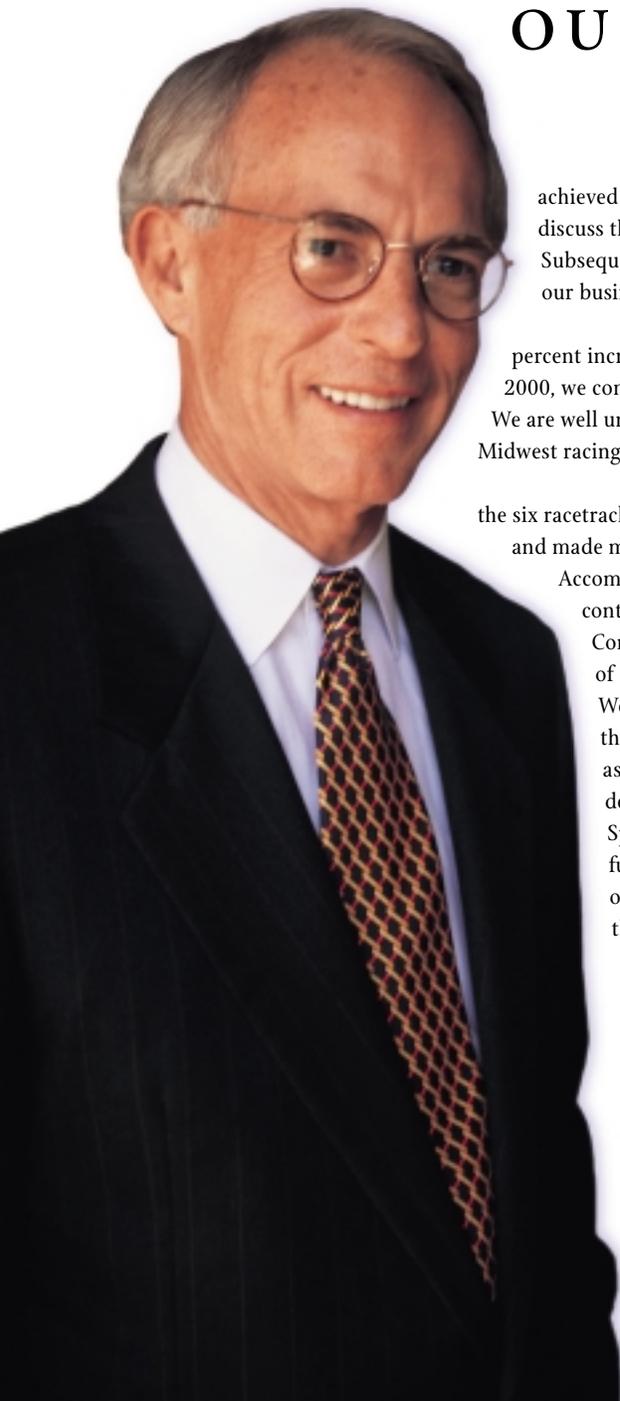
This annual report provides us an opportunity to discuss what we already have achieved as well as our vision for future success. Our letter will touch on our key accomplishments during 2000, discuss the health of the Thoroughbred industry and comment on our prospects for the coming year. Subsequent sections will provide more detailed information about the strides we have made in implementing our business strategy and the exciting opportunities that are before us.

Looking specifically at 2000, our net earnings rose to a record \$19.2 million, a 28 percent increase from 1999. Our net revenues reached \$362 million, up 40 percent over the prior year. During 2000, we completed one of our largest transactions to date, merging with the world-class racetrack Arlington Park. We are well underway in our plan to increase this racetrack's presence in the simulcast market and to strengthen the Midwest racing circuit by capitalizing on Arlington Park's key position in that market.

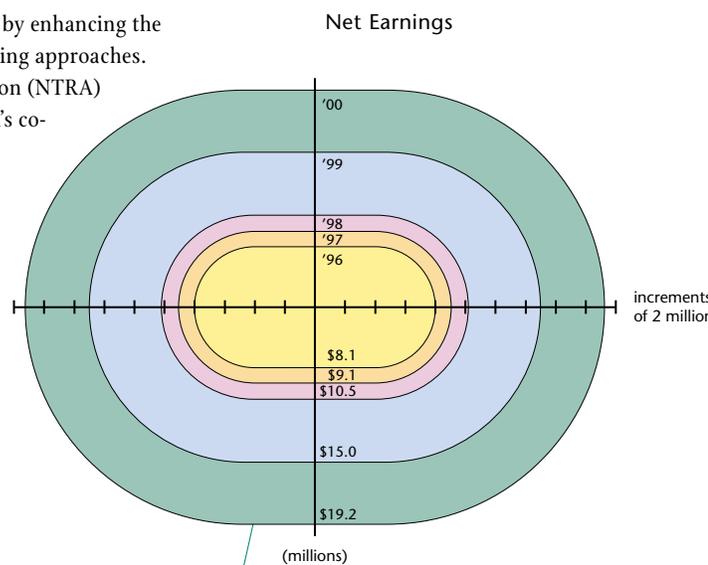
Additionally, we realized financial and operational synergies as we integrated the six racetracks we manage under a common brand, launched the Churchill Downs Simulcast Network (CDSN) and made meaningful progress in implementing our best practices through our "Winning Colors" program. Accomplishments of this magnitude demand dedication and hard work, and we are grateful for the many contributions of our employees, who were supported by the guidance of our proven management team. Consistent with the live racing and simulcast growth objectives of our strategy, we have unified all of our racetracks under a common brand, and in doing so, established a first for our industry. We introduced the stylized Twin Spires mark in February 2000, but our branding efforts go far beyond the new logo. We have created a comprehensive set of programs and services to build our brand and associate it with excellence in the consumer's mind. The manifestation of this effort can be seen in the development of CDSN and its companion Internet site, CDSN.net. We are also expanding the Twin Spires Club, our player-affinity program. Like CDSN and CDSN.net, the Twin Spires Club generates further awareness in our brand while providing us with integral marketing capabilities. The essence of any brand is the impression created for customers, and we are pleased with the positive impact that our initiatives are having on our patrons' experience.



Thomas H. Meeker
President and Chief Executive Officer



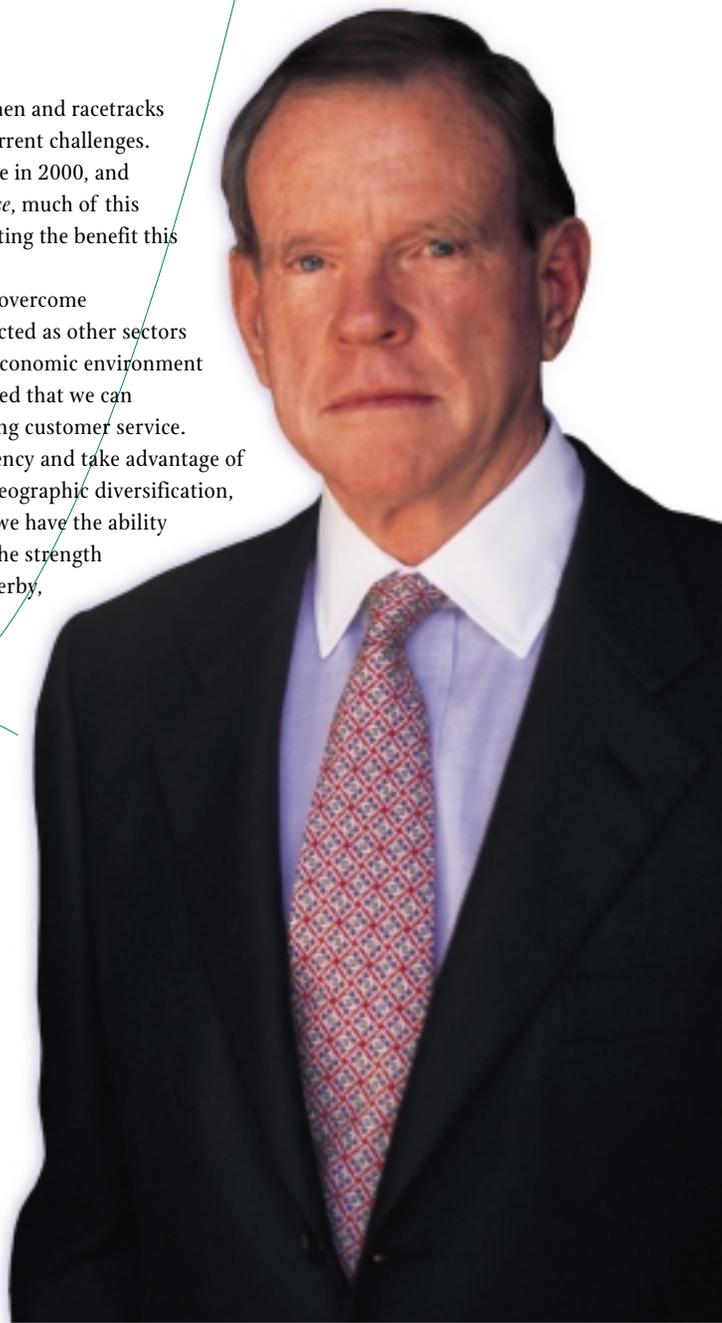
To further promote live racing and fuel simulcast growth by enhancing the entertainment value of horse racing, our industry is embracing technology and new marketing approaches. In what proved to be a pivotal year of change, the National Thoroughbred Racing Association (NTRA) continued to promote our sport and create new opportunities for future growth. The NTRA's co-op advertising program, which reached \$30 million in 2000, is building awareness of horse racing and promoting a unified brand for our sport, much like the National Football League, National Basketball Association and Professional Golfers' Association. The NTRA has also been successful in gathering essential marketing research, negotiating significant sponsorships and developing such popular promotions as the "\$1 Million Mutuel Mystery Voucher" and the "\$200,000 NTRA/Daily Racing Form National Handicapping Contest." Recognizing the value of broadcast exposure to any sport, the NTRA has helped to increase the number of television hours devoted to Thoroughbred racing by 37 percent since 1997. These achievements have affirmed the value of the NTRA to Thoroughbred racing's future, a role that will be enhanced when its merger with Breeders' Cup Limited takes effect in 2001.



40% OVER 1999

Our industry is strong and healthy, but breeders, horsemen and racetracks must continue to build upon the recent resurgence in Thoroughbred racing and face our current challenges. Gross revenues for Thoroughbred sales topped \$1 billion in North America for the first time in 2000, and purses also reached the \$1 billion mark. According to research conducted by *The Blood-Horse*, much of this growth resulted from racetracks that have been able to offer alternative gaming, demonstrating the benefit this activity can have on the business.

As we look ahead to 2001, we are confident that we can overcome the challenge of a slowing economy. Historically, the gaming industry has not been as affected as other sectors during economic slowdowns. Like most other businesses, we recognize that an uncertain economic environment demands a continued, disciplined approach to expense management. We have demonstrated that we can effectively manage our cost structure and improve our operating margins without sacrificing customer service. Through the "Winning Colors" program, we are identifying methods to increase our efficiency and take advantage of the synergistic opportunities that all of our units now have. We believe that through our geographic diversification, our positioning as a leading content provider and the skills we have developed internally, we have the ability to rise to any challenge. With our rich heritage of 127 years, we will continue to leverage the strength of each of our racetracks, most notably our flagship Churchill Downs and the Kentucky Derby, and focus our endeavors on the business strategy that has guided us so successfully.



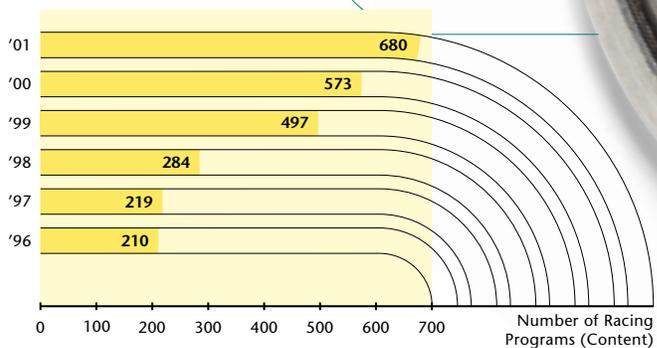
William S. Farish
Chairman

“Potential racing operations must complement core operations at Churchill Downs and create synergies between the flagship facility in Louisville and Company-operated facilities outside the state.”

— CDI 1994 Annual Report

A 9000%

CDI Racing Programs

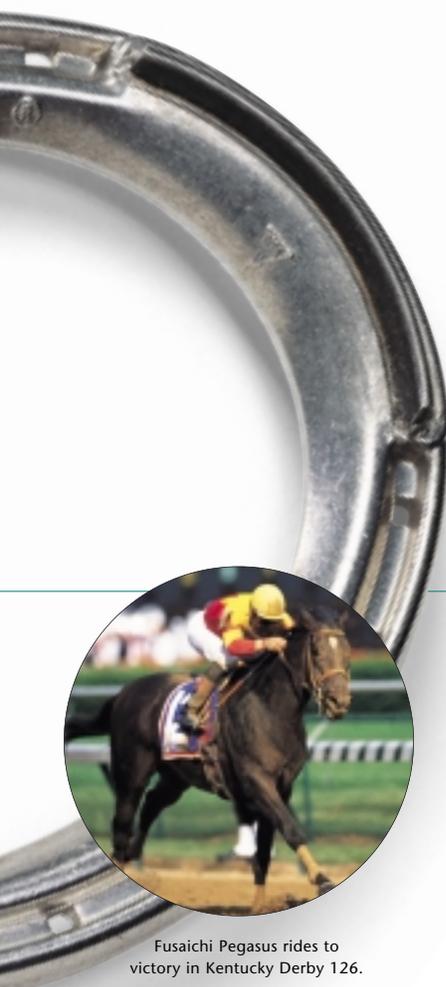
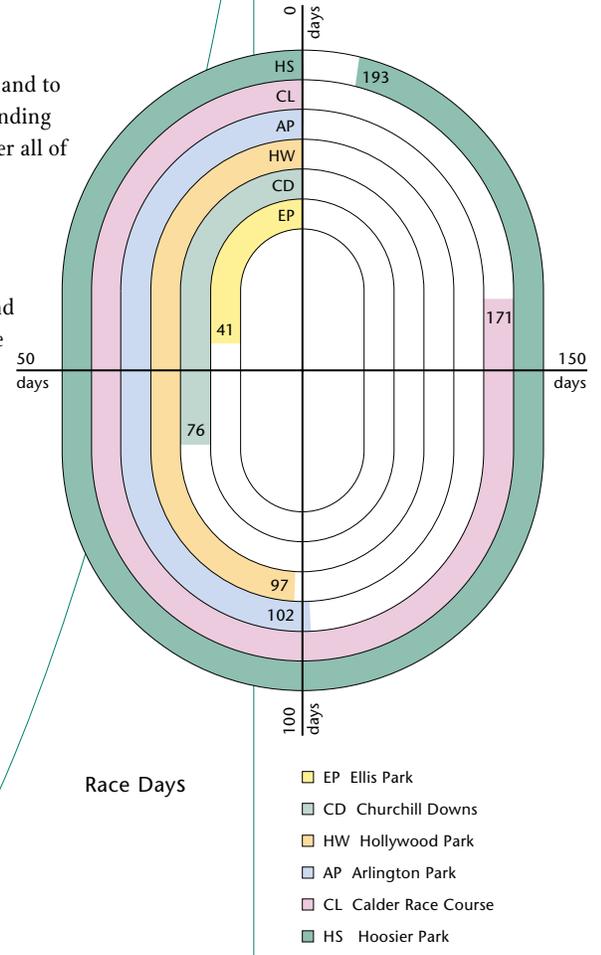


Since 1998, we have led a consolidation movement within the Thoroughbred industry by adding Arlington Park, Hollywood Park, Calder Race Course and Ellis Park to our network. Through this growth, we have positioned our Company in new racing markets coast to coast, aggregated content for our simulcast product and enhanced the operating ability of our racetracks. We have demonstrated the ability to integrate new operations while effectively managing all of our racetracks and off-track betting facilities. At the same time, we have shown that consolidation works for our industry when it is done in a prudent and strategic way.

INCREASE IN SIMULCAST CONTENT

In 2000, we began to capitalize more on our expanded resources and to develop the products and programs that will be the foundation for our future growth. Our new branding program was the springboard for these endeavors. Not only has our new brand visually tied together all of our racetracks, but it also is serving as the tangible expression of our quest to deliver consistently superior service wherever the Twin Spires are found.

Two initiatives launched with the branding program were the Churchill Downs Simulcast Network (CDSN) and CDSN.net. Marketing all of our simulcast signals under CDSN offers unique capabilities for us, while CDSN.net gives us a strong Internet presence and complements our simulcast product. Together, these products are central to our business and will be important catalysts driving our future growth.



Fusaichi Pegasus rides to victory in Kentucky Derby 126.



A crowd gathers outside of Hollywood Park's paddock. © Breeders' Cup Photo.



Horses race on Calder Race Course's turf course.

Flying Our "Winning Colors"

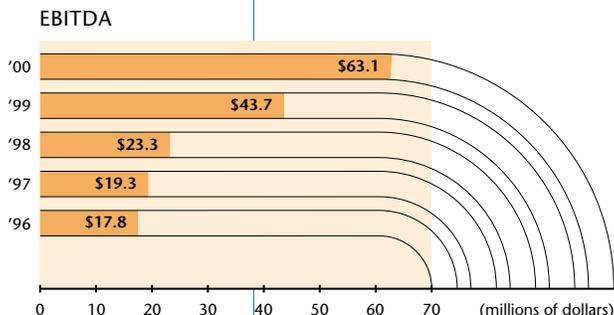
Another essential element of our branding program is the goal of delivering a consistent and superior experience at all of our racetracks. We want our customers to experience the same level of quality and service when they visit any of our facilities. To help with that endeavor, we have brought together some of the most innovative and experienced front-line managers within our Company to construct and implement our best practices program, "Winning Colors." We have formed several teams that have focused on key areas that will improve efficiency and enhance the customer experience.

In addition to fulfilling our branding initiative, "Winning Colors" serves as an agent to increase efficiencies, manage costs and provide professional development opportunities for team members. This project is an ongoing effort. Many of the changes will be readily noticeable to our patrons in new programs and amenities, while others will be subtle changes that are just as effective.

While "Winning Colors" has been important to our integration efforts, we have employed additional approaches to assimilate our new properties. We already have expanded our player-affinity program, the Twin Spires Club, to Arlington Park and its off-track betting facilities. Originally launched at Churchill Downs and the Louisville Sports Spectrum in 1996, the Twin Spires Club will also be offered at Calder Race Course, Hoosier Park at Anderson and the Indiana Sports Spectrums by the end of 2001. Through the Twin Spires Club, we have established a mechanism to build lasting and more in-depth relationships with our customers. The program provides them incentives to increase their patronage while also establishing a consistent and reliable communication link with the Company.

Additionally, we have realized meaningful synergies by eliminating redundant services and re-evaluating our priorities. We are also continually re-evaluating our internal organization to ensure that we have the right people in the right places to effectively manage our operations and provide the services that will most benefit our Company. Operationally, we have seized the opportunity to realign our racing calendar and have requested dates to maximize the potential of those racing programs and better coordinate with the other simulcast signals offered under CDSN.

We have successfully integrated new racetracks and off-track betting facilities in an industry that consisted almost entirely of autonomous units just a few years ago. CDI operations now share a common brand and purpose, and they embody a cooperative spirit that encourages our employees to effectively solve problems and share resources.



The Winning Colors Teams

The Guest Services Team

We are establishing a hospitality initiative to raise the level of customer service at all of our facilities.

The Clean Team

We are reviewing practices and procedures Company-wide to ensure that we have the best methods in place for consistently clean and well-maintained facilities that our patrons enjoy visiting.

The Turf Club Team

We are establishing VIP hospitality areas at all of our racetracks to provide a special atmosphere and service level for these guests.

The Horsemen Team

We are devoting resources to meet the special needs of horse owners, trainers, jockeys and serious handicappers, who are all vital to our business.

Corporate Efficient Operations Team

We are initiating policies and practices that will save time, reduce costs and improve the level of service to both our internal and external customers.



Clean Team members Clen Bounds of Hollywood Park and Bob Jackson of Ellis Park



Customer Service Team Member Liza Markle of Hoosier Park



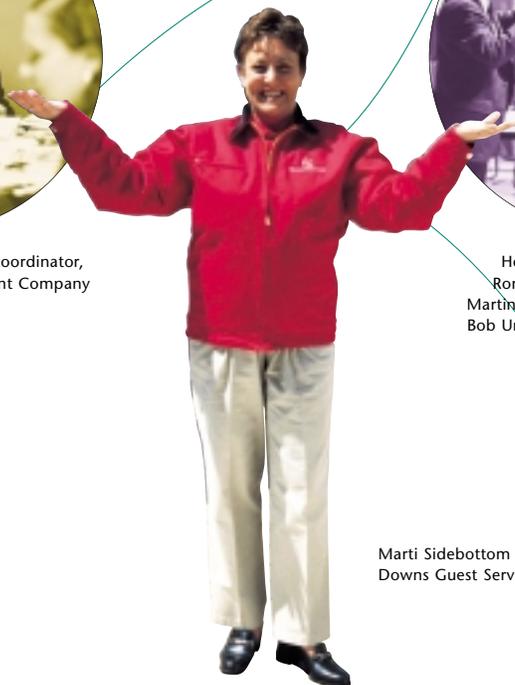
Turf Club Team member Carol Daniel of Arlington Park



Alison Durst, Winning Colors coordinator, of Churchill Downs Management Company

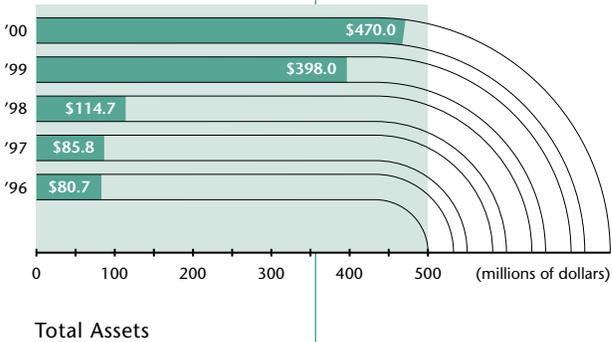


Horsemen's Team members Ron Fairholm of Hoosier Park, Martin Panza of Hollywood Park and Bob Umphrey of Calder Race Course



Marti Sidebottom of Churchill Downs Guest Services

THE FIRST 1 MILLION DOLLAR RACE



In the early morning hours of July 31, 1985, a small fire in the clubhouse of Arlington Park raged out of control and devastated the structure. In the aftermath of the disaster, questions emerged about the future of the historic racetrack and whether Thoroughbred racing would ever return to Arlington Heights, Ill.

AND A MATCH MADE IN RACING HEAVEN

The remainder of the race meet was moved to Hawthorne Race Course, another Chicago-area racetrack, but with the fifth running of the Arlington Million, the sport's first million-dollar race, scheduled less than a month away, Arlington Park's staff was determined that the event would happen as planned. Crews installed temporary bleachers and worked night and day to prepare Arlington Park for the event. On August 25, 1985, more than 35,000 people gathered to watch the "Miracle Million," a feat for which Arlington Park won an Eclipse Award that year.

Nearly four years later, the racetrack triumphed once again when it re-opened as Arlington International Racecourse in 1989. The beauty and grandeur of the new clubhouse, along with a new emphasis on family entertainment and customer service, quickly made Arlington one of the world's premier racing facilities.

A key player in the Midwest racing circuit, Arlington was the site of Cigar's record-tying 16th consecutive win as the victor in the 1996 Citation Challenge. In 2000, after a two-year hiatus during which the racetrack temporarily closed, the Million emerged as the third leg of the Emirates World Series Racing Championship.

Arlington's merger with Churchill Downs Incorporated in September 2000 formed a strategic relationship between two companies that have a shared vision of excellent customer service, commitment to the live racing experience and growth of simulcast sales. Returning to its original name of Arlington Park, the 74-year-old racetrack is the newest component of the Churchill Downs Simulcast Network (CDSN). In 2001, Arlington Park will feature a new racing schedule, which positions the racetrack as a possible future host site for the Breeders' Cup Championship and better coordinates with the other racing programs offered through CDSN.



The main clubhouse entrance at Arlington Park impresses fans from all over the world.



Scenes from Arlington Park.

Although we annually revisit our mission statement and our four-prong strategy to evaluate their effectiveness relative to the changing business environment, the core of our business strategy essentially has remained unchanged. During 2000, we simplified our mission statement to read, "To be the leading racing company in the world." And we continued to progress toward this goal.

PROMOTE AND ENHANCE LIVE RACING, IN PARTICULAR, THE KENTUCKY DERBY

Live racing is the heart of our business, and all of our efforts depend on the quality of our product, the entertainment value that we offer, and the appeal of our facilities, both frontside and in the barn areas. We have placed great emphasis on safety for the horses that compete at our racetracks, the horsemen who ride and care for them, and our patrons who come to enjoy the races.

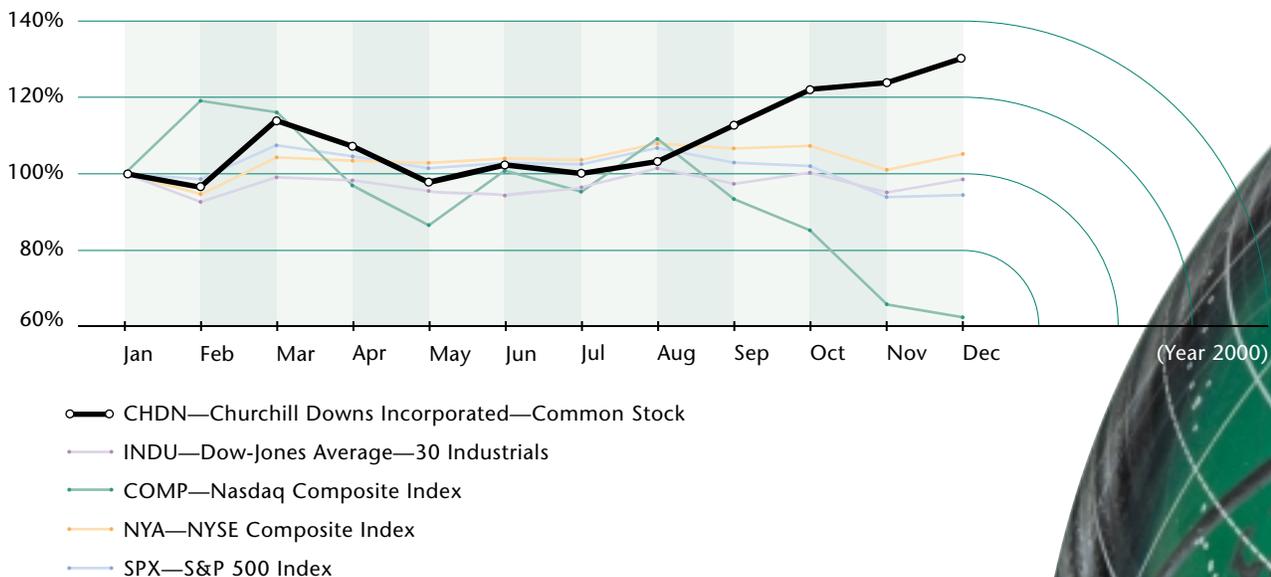
TO BE THE NUMBER 1 RACING

All of our racing products benefit from the Kentucky Derby, and the event continues to be our greatest asset. The Derby has given our Company international prominence and created much of our brand value. We continue to seek innovative ways to strengthen and grow this event – along with the Kentucky Oaks. The Kentucky Derby Future Wager offers North American handicappers the opportunity to wager on Derby contenders during the prep season when the odds may be more attractive. For Churchill Downs, this wager provides a mechanism to build excitement for the Derby and establishes top-of-the-mind awareness with our customers during a traditionally quiet period. During the three years Churchill Downs has offered this wager, it has been highly successful. Another unique promotional tool is the EDS "Road to the Roses" Fantasy Challenge, an online rotisserie-style game of skill that interactively engaged some 19,000 racing fans in the months and weeks leading up to the 2001 running of the Kentucky Derby.

In addition to such efforts, we have also worked to build the Kentucky Oaks, which is run at Churchill Downs on the day before the Derby. The Oaks is now the second biggest day in North American racing. In 2000, racing fans wagered a record \$24.7 million on the Oaks, and a record 110,000 people were in attendance at Churchill Downs. The following day, 153,000 people—including President George W. Bush, then a candidate for that office, and his father, former President George Bush—were at Churchill Downs to watch Fusaichi Pegasus' brilliant victory in the Derby. Total wagering on the race reached an impressive \$101.4 million.

While the Derby is the pinnacle of Churchill Downs' Spring Meet, our flagship racetrack continues to offer some of the best racing programs in North America. For Churchill Downs' 2001 Spring Meet, the racetrack will offer a record number of graded stakes and will feature one day with three incredible races: the Stephen Foster Handicap (Grade II), the Fleur de Lis (Grade III) and the Regret (Grade III).

Price Performance



"Churchill Downs must develop a branded line of simulcast products and services that extend over more calendar days... We will seek to package other racing products under the Churchill Downs brand, with the goal to provide a year-round product for the interstate simulcast market."

— CDI 1997 Annual Report

This same dedication to quality racing is evident at all of our racetracks, where we are also striving to identify new ways to serve our horsemen, offer competitive purses and strengthen the racing programs. When we merged with Arlington Park, we aligned our Company with the racetrack that was the first to offer a million-dollar race, the Arlington Million. As the third leg of the Emirates World Series Racing Championship, the Million is the feature race for Arlington Park's International Festival of Racing. In 2001, Arlington Park will increase its stall space and add some exciting new events to its stakes schedule, including three new stakes races, a new international exchange race and "Million Preview Day."

Such racing events give us exciting promotional opportunities. In 2000, Calder Race Course inaugurated the "Summit of Speed," which features five sprint races worth a total of \$1 million. The event established the first national Pick 4 wager and contributed to record total handle for the Calder meet. Both Calder

COMPANY IN THE WORLD

and Hollywood Park will offer record amounts of purse money in 2001. Hollywood Park has doubled the purse for The Californian, a Grade II event. The racetrack's signature race, the Grade I Hollywood Gold Cup, will be televised nationally on CBS as part of the "NTRA Champions" series.

The 2001 racing calendar also brings changes to Hoosier Park at Anderson, where both the Standardbred and Thoroughbred race meets have been expanded to meet the needs of horsemen in Indiana. We have also been pleased with improvements in Ellis Park's racing program that resulted from changes in the racetrack's customary schedule. By reducing the number of days, we were able to increase purses at Ellis Park and attract larger fields of horses.

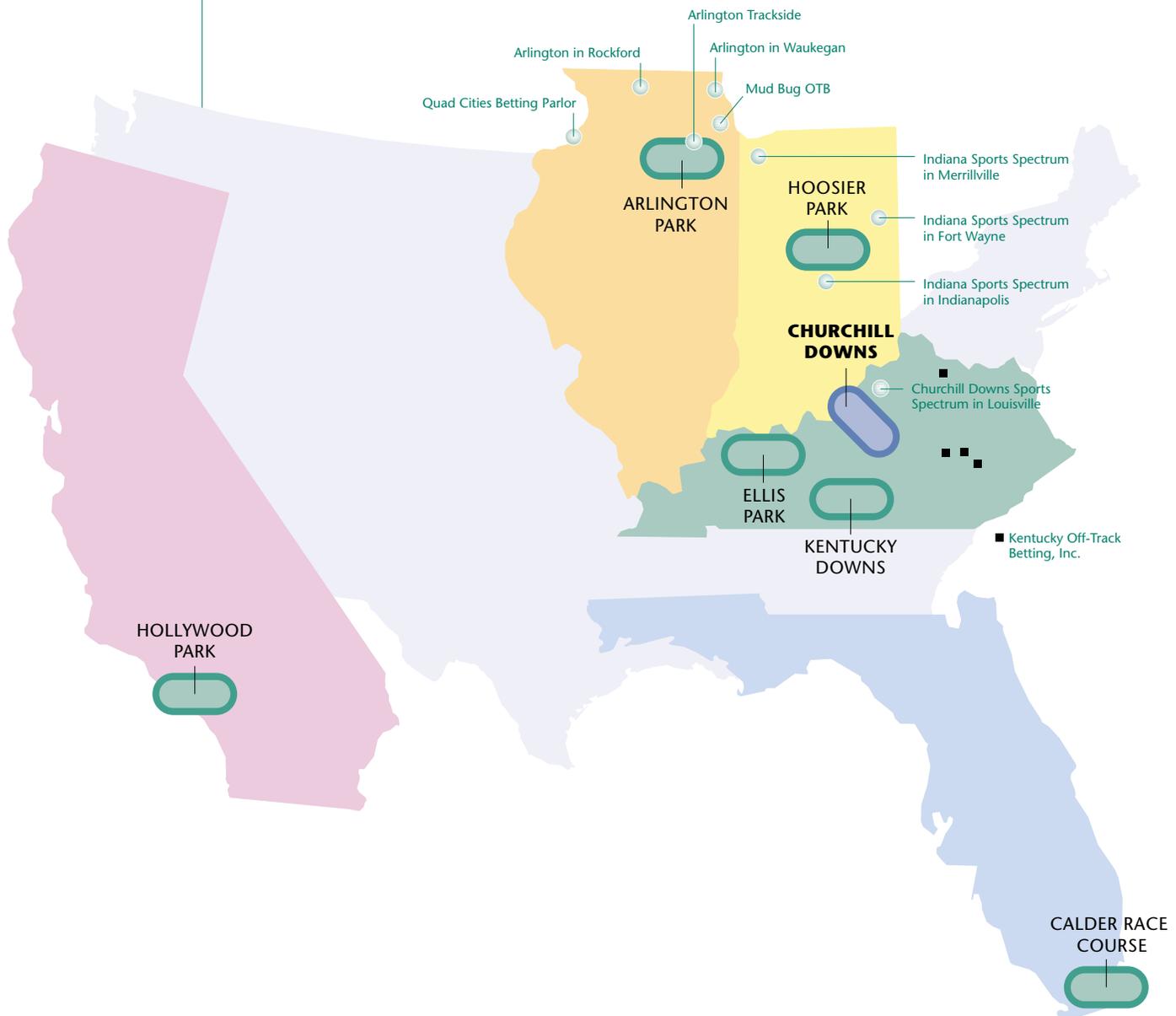


Increase Share of the Simulcast Market

This component of our business strategy complements our acquisition efforts. As we *aggregate* content, or amass quality simulcast signals, we *brand* them under our Company and the Churchill Downs Simulcast Network (CDSN) and develop products and programs that focus on the *customer* and drive wagering revenues. We call this approach the “ABC” strategy – and it is working.

In the development of CDSN, we focused on providing a superior and more competitive simulcast product for the crowded gaming market – a product designed to meet the needs of our customers. Using graphics software developed by our subsidiary, Charlson Broadcast Technologies LLC, CDSN provides racing information that promotes successful wagering. Additionally, we are using CDSN as an agent to promote unique wagering opportunities and our major event days, such as the Turf Pick 4 on July 4, 2001. During 2000, we tested similar promotional opportunities with exciting results. We also developed CDSN to appeal to operators of simulcast outlets by consolidating simulcast operations for all CDSN tracks, offering customer service and marketing support through a single point of contact and providing advanced and convenient Internet information access through CDSN.net. No other company in our industry has developed an integrated product support network like CDSN and CDSN.net, and we believe they are giving us a significant edge as we enter the international and in-home markets.

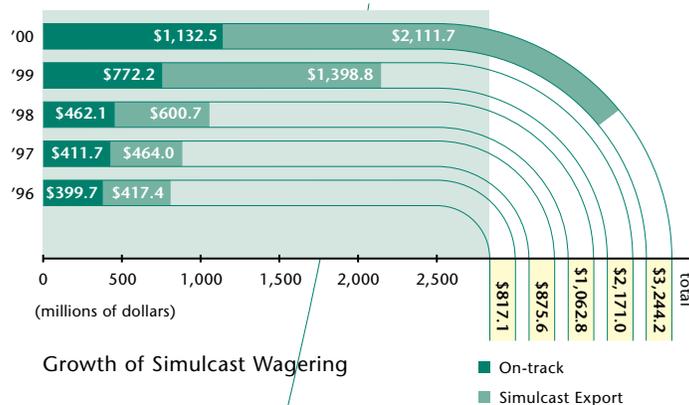
TOTAL WAGERING REACHED MORE



REMAIN THE LEADER IN THE CONSOLIDATION AND DEVELOPMENT OF THE THOROUGHBRED INDUSTRY

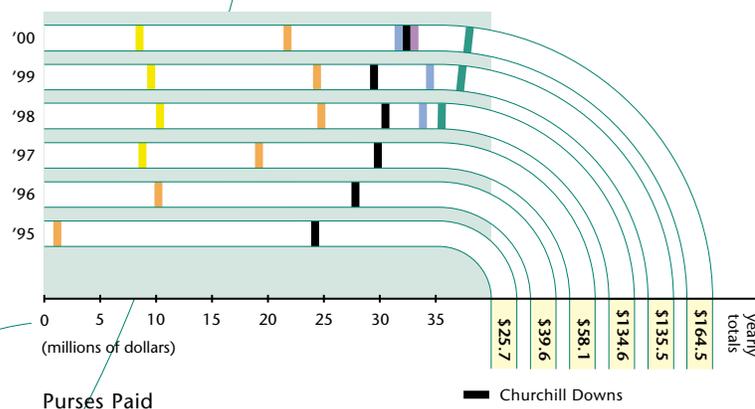
We have aggressively pursued this part of our strategy during the last three years. We have geographically expanded our operations into five states and have significantly increased our earnings base. With six racetracks under the CDSN brand, we are able to compete more effectively in the domestic simulcast market, create a higher level of awareness, stimulate customer demand, and realize marketing and operating cost synergies.

Our most recent transaction was our industry-acclaimed merger with Arlington Park. The Arlington Heights, Ill., racetrack has been a cornerstone for Thoroughbred racing in the Midwest, and combined with Ellis Park, Hoosier Park and Churchill Downs, we are in a better position to create opportunities that will benefit this important circuit. Additionally, Arlington Park gives CDI access to the important Chicago market and a third track that has the ability and appeal to host a Breeders' Cup Championship. The facility itself is one of the newest and most patron-friendly in the industry, and the racetrack's management is recognized for innovations that have generated new fan interest and emphasized family entertainment and customer service.



MORE THAN 3 BILLION DOLLARS

We believe there may be other such opportunities in our industry, and we will continue to pursue those that make financial and strategic sense for our business. We recognize that acquiring a racing signal during the first three months of the year would complete our racing calendar and further smooth our seasonality. However, only a limited number of signals exist during this period, and we do not consider the acquisition of a first-quarter signal to be essential for the successful implementation of our plans. We will continue to look for opportunities to add quality signals to CDSN to achieve our goal of having content available during the entire simulcast day throughout the year. To that end, we will look for opportunities to acquire quality simulcast programming to add to CDSN.



PROMOTE THE INTEGRATION OF ALTERNATIVE FORMS OF GAMING AND ENTERTAINMENT INTO OUR OPERATIONS

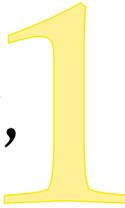
While the fourth component of our strategy depends largely on state lawmakers, we are continuing efforts to increase our asset utilization, which will enable our tracks to recognize revenues when they are not racing.

We continue to believe that alternative gaming is a sound mechanism to generate revenues that can be channeled into purses and further strengthen our racing programs. In states such as Delaware, Iowa and West Virginia, alternative gaming has dramatically benefited the racing industry and fueled purse increases in those areas. In West Virginia, Charles Town Races and Mountaineer Park are offering average daily purses that are more than two and five times, respectively, what they were prior to the passage of that state's video lottery legislation in 1994. Revenues from alternative gaming can also provide the means for capital improvements that further enhance the live racing experience.

Given this evidence, we are continuing our work to establish an industry and legislative consensus that favors alternative gaming in appropriate jurisdictions. We are also actively exploring other options at all of our racetracks that would benefit our racing programs and make our facilities year-round earning assets.

With a 127-year history, we have the stability of an Old Economy company. At the same time, our business strategy is leading us in the direction of becoming a media company that owns and manages racing content. We are poised to take advantage of developing technology to create new distribution channels for our content and capitalize on the successes we have had in the traditional domestic simulcast market.

A 127-YEAR HISTORY, 1 EXCITING FUTURE



We believe the in-home wagering market holds much promise for our Company and for the industry. Platforms now exist through the Internet and cable television services. By creating these new distribution methods, the companies that have established these existing services are also expanding the fan base for our sport.

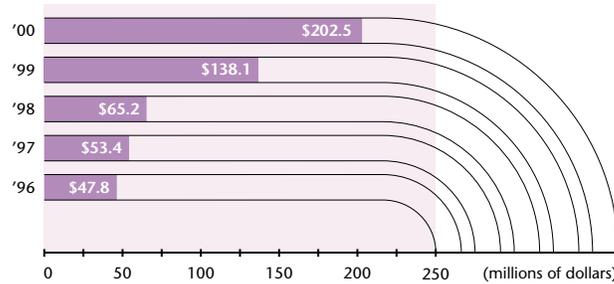
Our global wagering initiative is aligned with the possibilities offered by the current in-home wagering platforms. Using broadband technology, the potential exists to provide wagering opportunities through cellular phones, electronic handheld devices and personal computers.

We continue to work with national lawmakers to help illustrate the importance of this technology to expand into new markets and broaden our distribution. In late 2000, we were encouraged by the support our industry received when Congress passed an appropriations bill that clarified the Interstate Horse Racing Act and the permissibility of interstate simulcast wagering. We will continue to monitor Congress' actions on Internet wagering. In the meantime, we are putting people in place and positioning our resources to take full advantage of this opportunity should it become a reality.

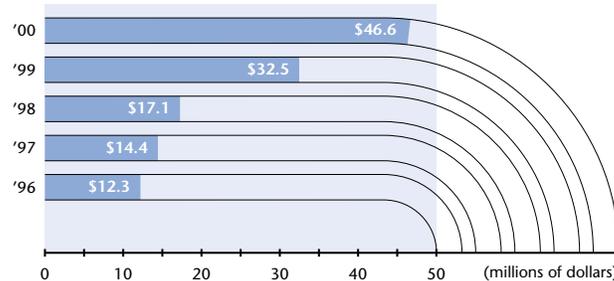
“One of the challenges for not only your Company, but the racing industry as a whole, is the deployment of technology in such a way that we can make a more efficient simulcast system available to markets throughout the country and the world. Racing must capitalize on developing technology to deliver its product to new markets, to simplify the gaming experience and to identify the needs of its customers.”

— CDI 1997 Annual Report

Shareholders' Equity



Operating Income



Directors for Churchill Downs Incorporated and Subsidiaries**Nominated for Term Expiring in 2004:**

Richard L. Duchossois*
Chairman, Duchossois Industries, Inc. (private holding company with diversified business interests); Vice Chairman, Thrall Car Manufacturing Company (railroad car manufacturing company)

J. David Grissom*
Chairman, Mayfair Capital, Inc. (private investment firm); Chairman, The Glenview Trust Company (trust and investment management company)

Seth W. Hancock
Partner and Manager, Claiborne Farm; President, Hancock Farms, Inc. (Thoroughbred breeding and farming); Vice President and Director, Clay Ward Agency, Inc. (equine insurance)

Frank B. Hower, Jr.
Retired. Former Chairman and Chief Executive Officer, Liberty National Bancorp, Inc. (bank holding company) and Liberty National Bank & Trust Company of Louisville

Thomas H. Meeker
President and Chief Executive Officer, Churchill Downs Incorporated

Nominated for Term Expiring in 2003:

Craig J. Duchossois
President and Chief Executive Officer, Duchossois Industries, Inc. (private holding company with diversified business interests); Chairman and Chief Executive Officer, Thrall Car Manufacturing Company (railroad car manufacturing company); Chairman, The Chamberlain Group, Inc. (garage door opener manufacturer)

Nominated for Term Expiring in 2002:

Robert L. Fealy
Chief Financial Officer, Duchossois Industries, Inc. (private holding company with diversified business interests); Chief Operating Officer, Duchossois TECnology Partners, LLC (private investment company); Vice President, Chief Financial Officer and Director, The Chamberlain Group, Inc. (garage door opener manufacturer); Vice President, Chief Financial Officer and Director, Thrall Car Manufacturing Company (railroad car manufacturing company)

Term expiring in 2003:

William S. Farish* Chairman, Churchill Downs Incorporated; President, W. S. Farish & Company (trust management company); Owner and Chief Executive Officer, Lane's End Farm (Thoroughbred breeding and racing)

G. Watts Humphrey, Jr.
President, G. W. H. Holdings, Inc. (private investment company); Chief Executive Officer, The Conair Group, Inc. (plastics machinery equipment company); Chief Executive Officer, The Techs (metals manufacturing and distribution companies); Chief Executive Officer, Centria (manufacturer and erector of metal building systems)

Brad M. Kelley
Chairman and Chief Executive Officer, Commonwealth Brands, Inc. (cigarette manufacturer); Member, Kentucky Downs, LLC (Thoroughbred racing association and pari-mutuel off-track betting facility)

Dennis D. Swanson
President and General Manager, WNBC-TV (television station)

Term expiring in 2002:

Charles W. Bidwill, Jr.*
Chairman, National Jockey Club (operator of Sportsman's Park Racetrack)

Daniel P. Harrington
President and Chief Executive Officer, HTV Industries, Inc. (private holding company with diversified business interests)

Carl F. Pollard*
Owner, Hermitage Farm (Thoroughbred breeding)

Darrell R. Wells
General Partner, Security Management Company (investments)

Directors Emeriti:

Catesby W. Clay
Chairman, Kentucky River Coal Corporation (coal land lessor); President, Runnymede Farm, Inc. (Thoroughbred breeding)

Louis J. Herrmann, Jr.
Owner, Louis Herrmann Auto Consultant Incorporated (automobile sales)

Stanley F. Hugenberg, Jr.
President, Jackantom Sales Company (manufacturers' representative)

Arthur B. Modell
Owner and Chief Executive Officer, Baltimore Ravens Football Company, Inc. (professional football team)

William T. Young
Chairman, W.T. Young, LLC (warehousing); Owner, Overbrook Farm (Thoroughbred racing and breeding)

* Executive Committee

Churchill Downs Management Company

Thomas H. Meeker, Chairman
Charles W. Bidwill, Jr.
Robert L. Decker
Robert L. Fealy
Daniel P. Harrington
John R. Long
Scott A. Mordell
Carl F. Pollard
Darrell R. Wells

Arlington International Racecourse, Inc.

Richard L. Duchossois, Chairman
Robert L. Decker
John R. Long
Thomas H. Meeker
Scott A. Mordell
Rebecca C. Reed

Arlington Management Services, Inc.

Richard L. Duchossois, Chairman
Robert L. Decker
John R. Long
Thomas H. Meeker
Scott A. Mordell
Rebecca C. Reed

Turf Club Of Illinois, Inc.

Richard L. Duchossois, Chairman
Robert L. Decker
John R. Long
Thomas H. Meeker
Scott A. Mordell
Rebecca C. Reed

Arlington Global Services, Inc.

Richard L. Duchossois, Chairman
Robert L. Decker
John R. Long
Thomas H. Meeker
Scott A. Mordell
Rebecca C. Reed

Arlington OTB Corp. D/B/A Mudbug F/K/A Washington Park Thoroughbred Race Track Corp.:

Richard L. Duchossois, Chairman

KFI Corporation

Richard L. Duchossois, Chairman
Robert L. Decker
John R. Long
Thomas H. Meeker
Scott A. Mordell
Rebecca C. Reed

Quad City Downs, Inc.

Richard L. Duchossois, Chairman
Robert L. Decker
John R. Long
Thomas H. Meeker
Scott A. Mordell
Rebecca C. Reed

Churchill Downs California Company

Thomas H. Meeker, Chairman
Frederick M. Baedeker, Jr.
Robert L. Decker
John R. Long
Rebecca C. Reed

Churchill Downs California Fall Operating Company

Thomas H. Meeker, Chairman
Frederick M. Baedeker, Jr.
Robert L. Decker
John R. Long
Rebecca C. Reed

Churchill Downs California Food Services Company

Thomas H. Meeker, Chairman
Frederick M. Baedeker, Jr.
Robert L. Decker
John R. Long
Rebecca C. Reed

Calder Race Course, Inc.

Thomas H. Meeker, Chairman
Robert L. Decker
C. Kenneth Dunn
John R. Long
Rebecca C. Reed

Tropical Park, Inc.

Thomas H. Meeker, Chairman
Robert L. Decker
C. Kenneth Dunn
John R. Long
Rebecca C. Reed

Anderson Park, Inc.

Thomas H. Meeker, Chairman
Michael F. Bonnet
John R. Long
Roderick J. Ratcliff

Ellis Park Race Course, Inc.

Thomas H. Meeker, Chairman
Robert L. Decker
John R. Long
Rebecca C. Reed
Alexander M. Waldrop

Churchill Downs Investment Company

Thomas H. Meeker, Chairman
Robert L. Decker
John R. Long
Michael E. Miller
Rebecca C. Reed
Andrew G. Skehan

Officers for Churchill Downs Incorporated and Subsidiaries

Churchill Downs Incorporated

William S. Farish, *Chairman*

Thomas H. Meeker, *President and Chief Executive Officer*

Robert L. Decker, *Executive Vice President and Chief Financial Officer*

John R. Long, *Executive Vice President and Chief Operating Officer*

Michael E. Miller, *Senior Vice President, Finance*

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

Karl F. Schmitt, Jr., *Senior Vice President, Communications*

Andrew G. Skehan, *Senior Vice President, Sales and Marketing*

Vicki L. Baumgardner, *Vice President, Finance, and Treasurer*

Eric W. Bibb, *Vice President, Information Technology*

Frederick E. Doyle, *Vice President, Procurement and Capital Planning*

Stephen L. Fugitte, *Vice President, New Media*

James D. Gates, Jr., *Vice President, Development*

Jeanne A. Keats, *Vice President, Human Resources*

Churchill Downs Management Company

Thomas H. Meeker, *Chairman*

John R. Long, *President*

Frederick M. Baedeker, Jr., *Senior Vice President, California Operations*

C. Kenneth Dunn, *Senior Vice President, Florida Operations*

Richard B. Moore, *Senior Vice President, Indiana Operations*

Scott A. Mordell, *Senior Vice President, Illinois Operations*

Alexander M. Waldrop, *Senior Vice President, Kentucky Operations*

Donald R. Richardson, *Senior Vice President, Racing*

Frank Jemley III, *Vice President, Public Affairs*

Cathy Z. Rutter, *Vice President, Community Relations*

Michael E. Miller, *Vice President, Finance, and Treasurer*

Vicki L. Baumgardner, *Assistant Treasurer*

Rebecca C. Reed, *Secretary*

Mary Ann Guenther, *Assistant Secretary*

Churchill Downs Racetrack

Alexander M. Waldrop, *President and General Manager*

John S. Asher, *Vice President, Racing Communications*

Jerry S. Botts, *Vice President, Racing Secretary*

Frank Jemley III, *Vice President, Public Affairs*

Raymond V. Lehr, Jr., *Vice President, Track Superintendent*

Kevin Marie Nuss, *Vice President, Marketing*

David P. Sweazy, *Vice President, Operations*

Gregory A. Bush, *General Manager, Louisville Sports Spectrum*

Arlington International Racecourse, Inc.

Richard L. Duchossois, *Chairman*

Scott A. Mordell, *President*

Steven P. Sexton, *Executive Vice President*

William A. Thayer, Jr., *Senior Vice President, Racing*

Frank G. Gabriel, Jr., *Vice President, Racing and Operations*

Kristine M. Stabler, *Vice President, Community Relations*

James H. Stumpf, *Vice President, Off-Track Operations*

John R. Long, *Vice President*

Vicki L. Baumgardner, *Treasurer*

Rebecca C. Reed, *Secretary*

Arlington Management Services, Inc.

Richard L. Duchossois, *Chairman*

Scott A. Mordell, *President*

James H. Stumpf, *Vice President, Off-Track Operations*

Michael D. Cody, *Vice President, Finance, and Treasurer*

John R. Long, *Vice President*

Rebecca C. Reed, *Secretary*

Turf Club Of Illinois, Inc.

Richard L. Duchossois, *Chairman*

Scott A. Mordell, *President*

William A. Thayer, Jr., *Senior Vice President, Racing*

Michael D. Cody, *Vice President, Finance, and Treasurer*

Frank G. Gabriel, Jr., *Vice President, Racing and Operations*

John R. Long, *Vice President*

Rebecca C. Reed, *Secretary*

Arlington Global Services, Inc.

Richard L. Duchossois, *Chairman*

Scott A. Mordell, *President*

Michael D. Cody, *Vice President, Finance, and Treasurer*

Frank G. Gabriel, Jr., *Vice President, Racing and Operations*

John R. Long, *Vice President*

Rebecca C. Reed, *Secretary*

Arlington OTB Corp. D/B/A Mudbug F/K/A Washington Park Thoroughbred Race Track Corp.

Richard L. Duchossois, *Chairman*

Scott A. Mordell, *President*

James H. Stumpf, *Vice President, Off Track Operations and Secretary*

KFI Corporation

Richard L. Duchossois, *Chairman*

Scott A. Mordell, *President*

Michael D. Cody, *Vice President, Finance, and Treasurer*

Frank G. Gabriel, Jr., *Vice President, Racing and Operations*

John R. Long, *Vice President*

Rebecca C. Reed, *Secretary*

Quad City Downs, Inc.

Richard L. Duchossois, *Chairman*

Scott A. Mordell, *President*

Michael D. Cody, *Vice President, Finance, and Treasurer*

Frank G. Gabriel, Jr., *Vice President, Racing and Operations*

James H. Stumpf, *Vice President, Off-Track Operations*

John R. Long, *Vice President*

Rebecca C. Reed, *Secretary*

Churchill Downs California Company

Thomas H. Meeker, *Chairman*

Frederick M. Baedeker, Jr., *President*

Stephen T. Arnold, *Vice President, Finance, and Treasurer*

Allen N. Gutterman, *Vice President, Marketing*

John R. Long, *Vice President*

Rebecca C. Reed, *Secretary*

Mary Ann Guenther, *Assistant Secretary*

Vicki L. Baumgardner, *Assistant Treasurer*

Churchill Downs California Fall Operating Company

Thomas H. Meeker, *Chairman*

Frederick M. Baedeker, Jr., *President*

Stephen T. Arnold, *Vice President, Finance, and Treasurer*

Allen N. Gutterman, *Vice President, Marketing*

John R. Long, *Vice President*

Rebecca C. Reed, *Secretary*

Mary Ann Guenther, *Assistant Secretary*

Vicki L. Baumgardner, *Assistant Treasurer*

Churchill Downs California Food Services Company

Thomas H. Meeker, *Chairman*

Frederick M. Baedeker, Jr., *President*

Stephen T. Arnold, *Vice President, Finance, and Treasurer*

Allen N. Gutterman, *Vice President, Marketing*

John R. Long, *Vice President*

Rebecca C. Reed, *Secretary*

Mary Ann Guenther, *Assistant Secretary*

Vicki L. Baumgardner, *Assistant Treasurer*

Calder Race Course, Inc.

Thomas H. Meeker, *Chairman*

C. Kenneth Dunn, *President*

Michael D. Abes, *Vice President, Finance, and Treasurer*

Michael P. Cronin, *Vice President, Marketing*

Randall E. Soth, *Vice President and General Manager*

Rebecca C. Reed, *Secretary*

Mary Ann Guenther, *Assistant Secretary*

Vicki L. Baumgardner, *Assistant Treasurer*

Tropical Park, Inc.

Thomas H. Meeker, *Chairman*

C. Kenneth Dunn, *President*

Michael D. Abes, *Vice President, Finance, and Treasurer*

Michael P. Cronin, *Vice President, Marketing*

Randall E. Soth, *Vice President and General Manager*

Rebecca C. Reed, *Secretary*

Mary Ann Guenther, *Assistant Secretary*

Vicki L. Baumgardner, *Assistant Treasurer*

Anderson Park, Inc. (General Partner Of Hoosier Park, L.P.)

Thomas H. Meeker, *Chairman*

Richard B. Moore, *President and General Manager*

Thomas F. Bannon, *Vice President, Communications*

Kristina M. Thompson, *Vice President, Marketing*

Steven L. Wilkening, *Vice President, Finance, and Treasurer*

Rebecca C. Reed, *Secretary*

Mary Ann Guenther, *Assistant Secretary*

Vicki L. Baumgardner, *Assistant Treasurer*

Robert L. Decker, *Assistant Treasurer*

Ellis Park Race Course, Inc.

Thomas H. Meeker, *Chairman*

Alexander M. Waldrop, *President*

Paul D. Kuerzi, *Vice President and General Manager*

B. Todd Mosby, *Vice President, Marketing*

Rebecca C. Reed, *Secretary*

Mary Ann Guenther, *Assistant Secretary*

Vicki L. Baumgardner, *Assistant Treasurer*

Churchill Downs Investment Company

Thomas H. Meeker, *Chairman*

Robert L. Decker, *President*

Frederick E. Doyle, *Vice President*

Matt F. Iuliano, *Vice President*

Michael E. Miller, *Treasurer*

Vicki L. Baumgardner, *Assistant Treasurer*

Rebecca C. Reed, *Secretary*

Mary Ann Guenther, *Assistant Secretary*

Shareholder Relations**Form 10-K**

A copy of the Company's annual report on Form 10-K filed with the Securities and Exchange Commission will be provided without charge to any stockholder upon written request to:

*Chantelle Kammerdiener
Director of Investor Relations
Churchill Downs Incorporated
700 Central Avenue
Louisville, KY 40208
chantellek@kyderby.com*

Transfer Agent and Registrar

For inquiries regarding change of name, address, or ownership; shareholder records; lost or stolen certificates; or dividends, please contact:

*Fifth Third Bank
Corporate Trust Services
38 Fountain Square Plaza
Mail Drop #10AT66
Cincinnati, OH 45263
(800) 837-2755 or
(513) 579-5320*

Annual Meeting Date

Churchill Downs Incorporated will conduct its annual meeting of stockholders on June 21, 2001, at 10 a.m. (EDT) at:

*Churchill Downs Sports Spectrum
4520 Poplar Level Road
Louisville, KY 40213*

Corporate Address

*Churchill Downs Incorporated
700 Central Avenue
Louisville, KY 40208
(502) 636-4400*

Internet Site

Information about Churchill Downs Incorporated is available on the Internet at www.kentuckyderby.com. or www.churchilldownsincorporated.com

Stock Exchange

The common stock of Churchill Downs is listed for trading on Nasdaq National Market under the symbol "CHDN."

Independent Accountants

*PricewaterhouseCoopers, LLP
500 West Main Street
Suite 1800
Louisville, KY 40202-4264*



Churchill Downs Incorporated

700 Central Avenue
Louisville, Kentucky 40208

www.kentuckyderby.com