CHURCHILL DOWNS

INCORPORATED

Notice of Annual Meeting of Shareholders
2016 Proxy Statement
2015 Annual Report on Form 10-K

Dear Fellow Shareholders,

2015 was a transformative year for Churchill Downs.

With the closing in December 2014 of the acquisition of Big Fish Games, we solidified our position as an industry-leading racing, gaming, and online entertainment company anchored by our iconic flagship event—The Kentucky Derby. We remain a leader in brick-and-mortar casino gaming with approximately 8,500 gaming positions[1] in six states, and we are the largest, legal online account wagering platform for horseracing in the U.S. With the acquisition of Big Fish Games, we are also one of the world's largest producers and distributors of mobile games.

Our Results

Our performance in 2015 was outstanding:

- We delivered $1.2 billion of revenue, up 49% over the prior year.
- Our Adjusted EBITDA grew to $336 million, up 66% over the prior year.
- Our businesses delivered $233 million of free cash flow[2], nearly double the prior year.
- In December 2015, Churchill Downs declared an annual dividend for the 23rd consecutive year.
- We returned $156 million to our shareholders through stock repurchases and dividends.
- All of which resulted in a 50% Total Shareholder Return (TSR).

We continued to take steps to position the company for sustainable value creation over the long term:

- We remained committed to protecting and growing the Kentucky Derby brand by announcing $19 million of additional capital improvements to add new seating and to enhance the customer experience.
- Our casinos are focused on growing organically and driving cost efficiencies across the properties and we are focused on improving our racing economics outside of Kentucky Derby Week.
- We have invested in marketing and technology to position TwinSpires.com as the leader in the legal online horseracing account wagering market.
- We successfully completed the integration of Big Fish Games, which positions us at the forefront of a rapidly growing mobile games industry.
- And, we announced a new $150 million stock repurchase plan.

Maintaining our Financial Strength

Our strong free cash flow and disciplined approach to leverage provides financial strength that we can utilize to capitalize on opportunities in the future. Our cash from operations is used for accretive acquisitions, stock repurchases, dividends, and debt repayment. In December 2015, we completed a $300 million aggregate principal high yield unsecured tack-on bond offering and in February 2016, we extended the term of our credit facilities and negotiated improved pricing at all leverage levels.

Looking Forward

As we look to 2016 and beyond, we remain focused on positioning the company for long-term sustainable growth while continuing to deliver strong financial results. Our free cash flow and strong balance sheet support organic growth in all of our business segments and we have the flexibility to make strategic acquisitions and investments, which will create value for our shareholders over the long term.

Our leadership team and our dedicated employees are the cornerstone of our future. Our team is disciplined and has a proven record of effectively driving results in the short term and making investments to build capabilities and advantage for the long term. We are confident that we have the portfolio of assets, capabilities, and people to grow our industry-leading racing, gaming, and online entertainment company for our customers, employees, and shareholders well into the future.

Robert L. Evans
Chairman of the Board

William C. Carstanjen
Chief Executive Officer

[1] Includes Miami Valley Gaming, 50% owned Ohio joint venture and Saratoga Casino and Raceway, 25% owned New York equity investment.

[2] Free cash flow is defined as net cash provided by operating activities less maintenance-related capital expenditures.

Financial Highlights

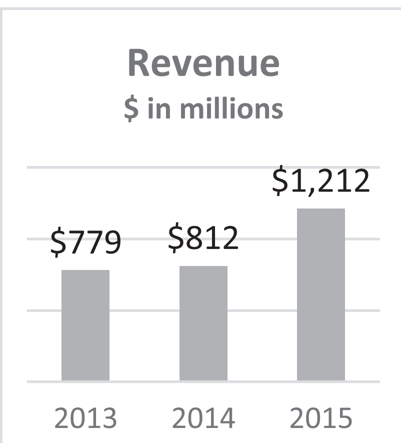
$ in millions, except per share data	Year Ended December 31, 2013	2014	2015
Consolidated Financial Results			
Net Revenue	$ 779	$ 812	$ 1,212
Adjusted EBITDA	176	202	336
Operating Income	90	90	124
Net Income from Continuing Operations	55	46	65
Consolidated Balance Sheet			
Total Assets	$1,352	$2,356	$ 2,277
Total Debt	369	764	782
Total Liabilities	647	1,656	1,660
Total Shareholders' Equity	705	700	617
Liquidity and Capital Resources			
Normalized Cash Flows from Operating Activities[1]	$ 145	$ 142	$ 247
Dividends Paid[2]	-	15	17
Free Cash Flow[3]	128	119	233
Net Leverage Ratio[4]	2.1	3.8	2.4
Shareholder and Other Data:			
EPS - Diluted	$ 3.06	$ 2.64	$ 3.71
Common Stock Outstanding	17.9	17.5	16.6
Dividends Paid Per Share[2]	-	$ 0.87	$ 1.00
Year-End Closing Stock Prices	$89.65	$95.30	$141.49
Equity Market Capitalization	1,609	1,665	2,348
Total Capitalization	1,978	2,429	3,131

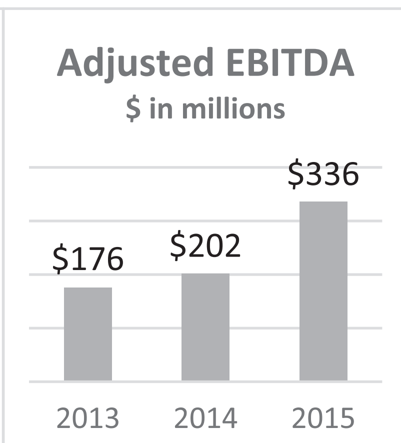
1 Normalized cash flow excludes a nonrecurring tax refund of $18 million in 2015.

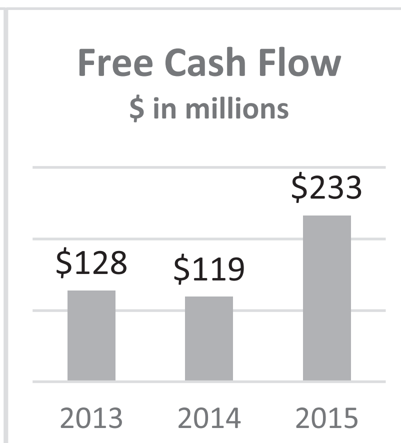
2 The 2013 annual dividend of $0.72 per share ($12.4 million) was accelerated and paid in December 2012.

3 Free cash flow is defined as net cash provided by operating activities less maintenance-related capital expenditures.

4 Net leverage ratio is the ratio of total debt (less cash) to Adjusted EBITDA.







CHURCHILL DOWNS INCORPORATED
600 N. HURSTBOURNE PARKWAY, STE. 400
LOUISVILLE, KENTUCKY 40222

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 27, 2016

To the Shareholders of
Churchill Downs Incorporated:

Notice is hereby given that the Annual Meeting of Shareholders (the "Annual Meeting") of Churchill Downs Incorporated (the "Company"), a Kentucky corporation, will be held at the Gideon Putnam Hotel, located at 24 Gideon Putnam Road, Saratoga Springs, New York 12866, on Wednesday, April 27, 2016, at 9:00 a.m. Eastern Daylight Saving Time, for the following purposes:

I. To elect the four (4) Class II Directors identified in this Proxy Statement for a term of three (3) years (Proposal No. 1);

II. To ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for fiscal year 2016 (Proposal No. 2);

III. To approve the Churchill Downs Incorporated 2016 Omnibus Stock Incentive Plan (Proposal No. 3);

IV. To approve an amendment to the Churchill Downs Incorporated 2000 Employee Stock Purchase Plan to increase the number of shares available for issuance thereunder by 200,000 shares (Proposal No. 4);

V. To conduct an advisory vote on executive compensation (Proposal No. 5); and

VI. To transact such other business as may properly come before the meeting or any adjournment thereof, including matters incident to its conduct.

The close of business on February 26, 2016, has been fixed as the record date for determining the shareholders entitled to notice of, and to vote at, the Annual Meeting. Only shareholders of record at that time will be entitled to notice of and to vote at the Annual Meeting and at any adjournments thereof.

Shareholders who do not expect to attend the meeting in person are urged to sign, date and promptly return the Proxy that is enclosed herewith or vote by telephone or over the Internet.

By Order of the Board of Directors.

ALAN K. TSE
Executive Vice President,
General Counsel and Secretary

March 29, 2016

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 27, 2016

The Company's Proxy Statement for the 2016 Annual Meeting of Shareholders and the Annual Report to Shareholders for the fiscal year ended December 31, 2015 are available at http://www.churchilldownsincorporated.com/proxy

CHURCHILL DOWNS INCORPORATED

600 N. HURSTBOURNE PARKWAY, STE. 400
LOUISVILLE, KENTUCKY 40222

PROXY STATEMENT

Annual Meeting of Shareholders to be held on April 27, 2016

The enclosed Proxy is being solicited by the Board of Directors (the "Board of Directors" or "Board") of Churchill Downs Incorporated ("Company," "CDI," or "CHDN") to be voted at the 2016 Annual Meeting of Shareholders to be held on Wednesday, April 27, 2016, at 9:00 a.m. Eastern Daylight Saving Time (the "Annual Meeting"), at **the Gideon Putnam Hotel, located at 24 Gideon Putnam Road, Saratoga Springs, New York 12866**, and any adjournments thereof. This solicitation is being made primarily by mail and at the expense of the Company. Certain officers and directors of the Company and persons acting under their instruction may also solicit proxies on behalf of the Board of Directors by means of telephone calls, personal interviews and mail at no additional expense to the Company. The Proxy Card and this Proxy Statement are being sent to shareholders on or about March 29, 2016.

Voting Rights

Only holders of record of the Company's Common Stock, no par value ("Common Stock"), on February 26, 2016, are entitled to notice of and to vote at the Annual Meeting. On that date, **16,594,404** shares of Common Stock were outstanding and entitled to vote. Each shareholder has one vote per share on all matters coming before the Annual Meeting. The shareholders of the Company do not have cumulative voting rights in the election of directors. Abstentions and broker non-votes are not counted in determining the number of votes required for the election of a director or passage of any matter submitted to the shareholders. Abstentions and broker non-votes are counted for purposes of determining whether a quorum exists.

If the enclosed Proxy Card is properly executed and returned prior to the Annual Meeting, the shares represented thereby will be voted as specified therein. If a shareholder executes and returns the Proxy Card, but does not specify otherwise, the shares represented by the shareholder's proxy will be voted: (i) for the election of each of the four director nominees listed below under "Election of Directors"; (ii) for the ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for fiscal year 2016; (iii) for approval of the Churchill Downs Incorporated 2016 Omnibus Stock Incentive Plan; (iv) for approval of the amendment to the Churchill Downs Incorporated 2000 Employee Stock Purchase Plan to increase the number of shares available for issuance thereunder by 200,000 shares; (v) for the advisory approval of the compensation of the Company's named executive officers as disclosed in this Proxy Statement pursuant to the compensation disclosure rules of the SEC; and (vi) in the discretion of the person or persons voting the proxies, on such other business as may properly come before the Annual Meeting or any adjournments thereof.

Voting Instructions and Information

When and where is our Annual Meeting?

We will hold our Annual Meeting on Wednesday, April 27, 2016 at 9:00 a.m., Eastern Daylight Saving Time, at the Gideon Putnam Hotel, located at 24 Gideon Putnam Road, Saratoga Springs, New York 12866.

How are we distributing our proxy materials?

We are using the rule of the United States Securities and Exchange Commission (the "SEC") that allows companies to furnish proxy materials to their shareholders using the "full set delivery" option; however, the Company may elect to use the "notice only" option in the future. A company may use either option, "notice only" or "full set delivery," for all of its shareholders or may use one method for some shareholders and the other method for others. Pursuant to the rules governing the "full set delivery" option, a company may provide proxy materials in paper form and send them via standard United States mail or, if a shareholder has previously elected, may provide the proxy materials in electronic form and send them via e-mail. In addition to delivering materials to shareholders, the Company is obligated to post all proxy materials on a publicly available website and provide information to shareholders about how to access that website.

Accordingly, each shareholder will receive the Company's proxy materials by mail or, if previously agreed to by a shareholder, by e-mail. These proxy materials include the Notice of Annual Meeting of Shareholders, proxy statement, proxy card and Annual Report. These materials are also available at http://www.churchilldownsincorporated.com/proxy.

Who can vote at the Annual Meeting?

You are entitled to vote or direct the voting of your shares of CHDN's Common Stock, if you were a shareholder of record or if you held CHDN Common Stock in "street name" at the close of business on Friday, February 26, 2016 (the "Record Date"). On that date, 16,594,404 shares of CHDN Common Stock were outstanding. Each share of CHDN Common Stock held by you on the Record Date is entitled to one vote.

How many votes must be present to hold the Annual Meeting?

We must have a "quorum" to conduct the Annual Meeting. A majority of the outstanding shares entitled to vote, represented in person or by proxy, shall constitute a quorum. Once a share is represented for any purpose at the Annual Meeting, it will be deemed present for quorum purposes for the remainder of the Annual Meeting and for any adjournment of the Annual Meeting, unless a new record date must be set for the adjourned meeting.

What do I need to attend, and vote at, the Annual Meeting?

If you plan on attending the Annual Meeting, please remember to bring photo identification with you, such as a driver's license. In addition, if you hold shares in "street name" and would like to attend the Annual Meeting, you must bring an account statement or other acceptable evidence of ownership of CHDN Common Stock as of the close of business on the Record Date. Only CHDN shareholders of record as of the close of business on the Record Date will be permitted to attend the Annual Meeting. In order to vote at the Annual Meeting if you hold shares in "street name," you will also need a valid "legal proxy," which you can obtain by contacting your account representative at the broker, bank or similar institution through which you hold your shares.

What proposals will be voted on at the Annual Meeting?

The following proposals from the Company will be considered and voted on at the Annual Meeting:

1. To elect the four (4) Class II Directors identified in this Proxy Statement for a term of three (3) years (Proposal No. 1);

2. To ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for fiscal year 2016 (Proposal No. 2);
3. To approve the Churchill Downs Incorporated 2016 Omnibus Stock Incentive Plan (Proposal No. 3);
4. To approve the amendment to the Churchill Downs Incorporated 2000 Employee Stock Purchase Plan to increase the number of shares available for issuance thereunder by 200,000 shares (Proposal No. 4); and
5. To conduct an advisory vote to approve the executive compensation of the Company's named executive officers as disclosed in this Proxy Statement (Proposal No. 5).

You may also vote on any other business as may properly come before the meeting or any adjournment thereof, including matters incident to the meeting's conduct.

How does the Board of Directors recommend I vote?

CDI's Board of Directors unanimously recommends that you vote:

1. "**FOR**" each of the four director nominees identified in this Proxy Statement under "Election of Directors" to the Board of Directors.
2. "**FOR**" the proposal to ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for fiscal year 2016.
3. "**FOR**" the proposal to approve the Churchill Downs Incorporated 2016 Omnibus Stock Incentive Plan.
4. "**FOR**" the proposal to approve the amendment to the Churchill Downs Incorporated 2000 Employee Stock Purchase Plan to increase the number of shares available for issuance thereunder by 200,000 shares.
5. "**FOR**" the proposal to approve, on a non-binding advisory basis, executive compensation.

How do I vote?

You may cast your vote in one of four ways:

- **By Submitting a Proxy by Internet.** Go to the following website: *www.proxyvote.com*. You may submit a proxy by Internet 24 hours a day. To be valid, your proxy by Internet must be received by 11:59 p.m., Eastern Daylight Saving Time, on April 26, 2016. Please have your proxy card available when you access the website and follow the instructions to create an electronic voting instruction form.
- **By Submitting a Proxy by Telephone.** To submit a proxy using the telephone, call 1-800-690-6903 any time on a touch-tone telephone. There is NO CHARGE to you for the call in the United States or Canada. International calling charges apply outside the United States and Canada. You may submit a proxy by telephone 24 hours a day, 7 days a week. Follow the simple prompts and instructions provided by the recorded message. To be valid, your proxy by telephone must be received by 11:59 p.m. Eastern Daylight Saving Time, on April 26, 2016.
- **By Submitting a Proxy by Mail.** Mark your proxy card, sign and date it, and return it in the prepaid envelope that has been provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717. To be valid, your proxy by mail must be received by 7:00 a.m., Eastern Daylight Saving Time, on April 27, 2016.
- **At the Annual Meeting.** You can vote your shares in person at the Annual Meeting (see "What do I need to attend, and vote at, the Annual Meeting?"). If you are a shareholder of record, in order to vote at the Annual Meeting, you must present an acceptable form of photo identification, such as a driver's license. If you hold your shares in street name, you must obtain a legal proxy, as described above under "What do I need to attend, and vote at, the Annual Meeting?", and bring that proxy to the Annual Meeting.

How can I revoke my proxy or substitute a new proxy or change my vote?

You can revoke your proxy or substitute a new proxy by use of any of the following means:

For a Proxy Submitted by Internet or Telephone

- By submitting in a timely manner a new proxy through the Internet or by telephone that is received by 11:59 p.m., Eastern Daylight Saving Time, on April 26, 2016;
- Executing and mailing a later-dated proxy card that is received prior to 7:00 a.m., Eastern Daylight Saving Time, on April 27, 2016; or
- By voting in person at the Annual Meeting.

For a Proxy Submitted by Mail

- Executing and mailing another proxy card bearing a later date that is received prior to 7:00 a.m., Eastern Daylight Saving Time, on April 27, 2016;
- Giving written notice of revocation to CDI's Secretary at 600 N. Hurstbourne Parkway, Ste. 400, Louisville, Kentucky 40222 that is received by CDI prior to 7:00 a.m., Eastern Daylight Saving Time, on April 27, 2016; or
- By voting in person at the Annual Meeting.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information as of February 26, 2016 (except as otherwise indicated below) regarding the beneficial ownership of the Common Stock by the only persons known by the Company to beneficially own more than five percent (5%) of the Common Stock, each director and director nominee of the Company, each named executive officer (as defined in "Executive Compensation—Summary Compensation Table" herein), and the Company's directors and executive officers as a group. Except as otherwise indicated, the persons named in the table have sole voting and investment power with respect to all of the shares of Common Stock shown as beneficially owned by them. The percentage of beneficial ownership is calculated based on **16,594,404** shares of Common Stock outstanding as of February 26, 2016. We are not aware of any pledge of our Common Stock or any other arrangements the operation of which may at a subsequent date result in a change in control of our Company.

Name of Beneficial Owner	Amount and Nature Of Beneficial Ownership	Percent of Class
The Duchossois Group, Inc. (f/k/a Duchossois Industries, Inc.) 845 Larch Avenue Elmhurst, IL 60126	2,003,373	12.07
Three Bays Capital LP and affiliates 222 Berkeley Street, 19th Floor Boston, MA 02116	1,372,186[1]	8.27
PAR Capital Management, Inc. 1 International Place, #2401 Boston, MA 02110	1,287,144	7.76
Balyasny Asset Management and affiliates 181 West Madison Street, 36th Floor Chicago, IL 60602	1,095,003[2]	6.60
GAMCO Investors, Inc. and affiliates One Corporate Center Rye, NY 10580-1435	950,078[3]	5.73
The Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, PA 19355	947,094[4]	5.71
Ulysses L. Bridgeman, Jr.	-0-[5]	*
Craig J. Duchossois	2,158,160[6]	13.01
Richard L. Duchossois	2,306,561[7]	13.90
Robert L. Fealy	-0-[8]	*
Aditi J. Gokhale	-0-	*
Daniel P. Harrington	233,300[9]	1.41
G. Watts Humphrey, Jr.	51,000[10]	0.31
James F. McDonald	2,000[11]	*
R. Alex Rankin	4,800[12]	*
William C. Carstanjen	122,993[13]	0.74
Robert L. Evans	180,628[14]	1.09
William E. Mudd	84,914[15]	0.51
Marcia A. Dall	-0-[16]	*
Paul J. Thelen	157,115[17]	0.95
14 Directors and Executive Officers as a Group	3,161,011[18]	19.05

* Less than 0.1%

(1) Three Bays Capital LP and its affiliates own beneficial interest of 8.17%. The 8.17% interest is held by the following: (a) Three Bays Capital LP, (b) TBC GP LLC, (c) TBC Master LP, (d) TBC Partners GP LLC, and (e) Matthew Sidman. All are related entities.

(2) Balyasny Asset Management L.P. and its affiliates own beneficial interest of 6.52%. The 6.52% is held by the following: (a) Atlas Master Fund, Ltd., (b) Atlas Global, LLC, (c) Atlas Global Investments, Ltd., (d) Atlas Institutional Fund, LLC, (e) Atlas Institutional Fund, Ltd., (f) Atlas Institutional Fund II, LLC, (g) Atlas Institutional Fund II, Ltd., (h) Atlas Global Japan Unit Trust, (i) Atlas Enhanced Master Fund, Ltd., (j) Atlas Enhanced Fund, L.P., (k) Atlas Enhanced Fund, Ltd., (l) Atlas Fundamental Trading Master Fund Ltd., (m) Atlas Fundamental Trading Fund, L.P., (n) Atlas Fundamental Trading Fund Ltd., (o) Lyxor/Balyasny Atlas Enhanced Fund Limited, (p) BAM Zie Master Fund, Ltd., (q) BAM Zie Fund, LLC, (r) BAM Zie Fund, Ltd., (s) Atlas Quantitative Trading Fund, Ltd., (t) Balyasny Asset Management L.P., and (u) Dmitry Balyasny. All are related entities.

(3) GAMCO and its subsidiaries and affiliates own beneficial interest of 5.73%. The 5.73% interest is held by the following: (a) Gabelli Funds, LLC, and (b) Teton Advisors, Inc. All are related entities.

(4) The Vanguard Group, Inc. and its subsidiaries and affiliates own beneficial interest of 5.64%. The 5.64% interest is held by the following: (a) The Vanguard Group, Inc., (b) Vanguard Fiduciary Trust Company, and (c) Vanguard Investments Australia, Ltd. All are related entities.

(5) Excludes 869 deferred stock units, which Mr. Bridgeman has elected to defer pursuant to the Company's deferred compensation plan. Also excludes 1,974 restricted shares, over which Mr. Bridgeman has neither voting nor dispositive power until his resignation or retirement from the Board, awarded by the Company for his board service.

(6) Mr. Craig J. Duchossois is the son of Mr. Richard L. Duchossois, who is also a director of the Company. Craig J. Duchossois shares voting and investment power with respect to 2,000,000 shares owned by The Duchossois Group, Inc. (formerly known as Duchossois Industries, Inc.), 3,373 shares owned by The Chamberlain Group, Inc., and 137,141 shares owned by Spring Creek Investors II, LLC, an affiliate of The Duchossois Group, Inc. Mr. Craig J. Duchossois also shares voting and investment power with respect to 17,646 shares owned by three trusts. He specifically disclaims beneficial ownership of these shares. Of the shares listed as beneficially owned by Mr. Craig J. Duchossois, 2,140,514 shares are also listed as beneficially owned by Mr. Richard L. Duchossois. Figure illustrated excludes 10,159 deferred stock units, which Mr. Craig J. Duchossois has elected to defer pursuant to the Company's deferred compensation plan. Also excludes 3,734 restricted shares, over which Mr. Craig J. Duchossois has neither voting nor dispositive power until his resignation or retirement from the Board, awarded by the Company for his board service. On February 29, 2016, The Duchossois Group, Inc. transferred its 2,000,000 shares to a wholly owned subsidiary, CDI Holdings LLC, as more fully explained in its Form SC 13D/A filed with the Securities and Exchange Commission on March 3, 2016.

(7) Mr. Richard L. Duchossois is the father of Mr. Craig J. Duchossois, who is also a director of the Company. Mr. Richard L. Duchossois shares voting and investment power with respect to 2,000,000 shares owned by The Duchossois Group, Inc. (formerly known as Duchossois Industries, Inc.), 3,373 shares owned by The Chamberlain Group, Inc., and 137,141 shares owned by Spring Creek Investors II, LLC, an affiliate of The Duchossois Group, Inc. Mr. Richard L. Duchossois also shares voting and investment power with respect to 166,047 shares owned by the RLD Revocable Trust. He specifically disclaims beneficial ownership of these shares. Of the shares listed as beneficially owned by Mr. Richard L. Duchossois, 2,140,514 shares are also listed as beneficially owned by Mr. Craig J. Duchossois. Figure illustrated excludes 2,553 deferred stock units, which Mr. Duchossois has elected to defer pursuant to the Company's deferred compensation plan. Also excludes 3,734 restricted shares, over which Mr. Duchossois has neither voting nor dispositive power until his resignation or retirement from the Board, awarded by the Company for his board service. On February 29, 2016, The Duchossois Group, Inc. transferred its 2,000,000 shares to a wholly owned

subsidiary, CDI Holdings LLC, as more fully explained in its Form SC 13D/A filed with the Securities and Exchange Commission on March 3, 2016.

(8) Excludes 9,478 deferred stock units, which Mr. Fealy has elected to defer pursuant to the Company's deferred compensation plan. Also excludes 3,737 restricted shares, over which Mr. Fealy has neither voting nor dispositive power until his resignation or retirement from the Board, awarded by the Company for his board service.

(9) Mr. Harrington shares voting and investment power with respect to 233,299 shares held by TVI Corp. He specifically disclaims beneficial ownership of these shares. Figure illustrated excludes 8,285 deferred stock units, which Mr. Harrington has elected to defer pursuant to the Company's deferred compensation plan. Also excludes 3,734 restricted shares, over which Mr. Harrington has neither voting nor dispositive power until his resignation or retirement from the Board, awarded by the Company for his board service.

(10) Excludes 3,734 restricted shares, over which Mr. Humphrey has neither voting nor dispositive power until his resignation or retirement from the Board, awarded by the Company for his board service.

(11) Excludes 6,364 deferred stock units, which Mr. McDonald has elected to defer pursuant to the Company's deferred compensation plan. Also excludes 3,734 restricted shares, awarded by the Company for his board service, over which Mr. McDonald has neither voting nor dispositive power until his retirement from the Board in 2016.

(12) Excludes 3,734 restricted shares, over which Mr. Rankin has neither voting nor dispositive power until his resignation or retirement from the Board, awarded by the Company for his board service.

(13) Excludes 27,500 restricted shares, tied to Mr. Carstanjen's continued service to the Company, awarded under the Company's 2007 Omnibus Stock Incentive Plan over which Mr. Carstanjen has neither voting nor dispositive power until December 31, 2016, at which time 7,500 shares shall vest without restriction, and December 31, 2017, at which time the remaining 20,000 shares shall vest without restriction. Also excludes 11,862 restricted stock units, tied to Mr. Carstanjen's continued service to the Company, awarded under the Company's 2007 Omnibus Stock Incentive Plan over which Mr. Carstanjen has neither voting nor dispositive power until December 31, 2016, at which time 5,931 units shall vest without restriction, and December 31, 2017, at which time the remaining 5,931 units shall vest without restriction. Excludes 12,500 restricted shares awarded under the Company's equity compensation program over which Mr. Carstanjen has neither voting nor dispositive power until December 31, 2016 at which time the 12,500 shall vest without restriction. Excludes 11,862 performance stock units awarded under the Company's executive long term incentive compensation plan over which Mr. Carstanjen has neither voting nor dispositive power until December 31, 2017, when the performance period ends.

(14) Excludes 65,000 restricted shares over which Mr. Evans has neither voting nor dispositive power until March 31, 2016, at which time the entire 65,000 shall vest without restriction.

(15) Excludes 17,500 restricted shares, tied to Mr. Mudd's continued service, awarded under the Company's 2007 Omnibus Stock Incentive Plan over which Mr. Mudd has neither voting nor dispositive power until December 31, 2016, at which time 2,500 shares shall vest without restriction, and December 31, 2017, at which time the remaining 15,000 shares shall vest without restriction. Also excludes 5,140 restricted stock units, tied to Mr. Mudd's continued service, awarded under the Company's 2007 Omnibus Stock Incentive Plan over which Mr. Mudd has neither voting nor dispositive power until December 31, 2016, at which time 2,570 units shall vest without restriction, and December 31, 2017, at which time the remaining 2,570 units shall vest without restriction. Also excludes 4,500 shares issuable under currently exercisable options. Excludes 10,000 restricted shares awarded under the Company's equity compensation program over which Mr. Mudd has neither voting nor dispositive power until December 31, 2016 at which time the 10,000 shall vest without restriction. Excludes 5,140 performance stock units awarded under the Company's executive long term incentive compensation plan over which Mr. Mudd has neither voting nor dispositive power until December 31, 2017, when the performance period ends.

(16) Excludes 5,500 restricted shares, tied to Ms. Dall's continued service to the Company, awarded under the Company's 2007 Omnibus Stock Incentive Plan over which Ms. Dall has neither voting nor dispositive power until October 12, 2016, at which time 1,833 shares shall vest without restriction, October 12, 2017, at which time 1,833 shares shall vest without restriction, and October 12, 2018, at which time 1,834 shares shall vest without restriction.

(17) Excludes 5,140 restricted stock units, tied to Mr. Thelen's continued service, awarded under the Company's 2007 Omnibus Stock Incentive Plan over which Mr. Thelen has neither voting nor dispositive power until December 31, 2016, at which time the 2,570 shares shall vest without restriction, and December 31, 2017, at which time the remaining 2,570 shares shall vest without restriction. Excludes 10,280 performance shares awarded under the Company's executive long term incentive compensation plan over which Mr. Thelen has neither voting nor dispositive power until December 31, 2017, when the performance period ends.

(18) See table on page 16 and "Executive Officers of the Company".

Executive Officers of the Company

The Company's executive officers, as listed below, are elected annually to their executive offices and serve at the pleasure of the Board of Directors.

Name and Age	Position(s) With Company and Term of Office
William C. Carstanjen[(1)] 48	Chief Executive Officer since August 2014; President and Chief Operating Officer from March 2011 to August 2014; Chief Operating Officer from January 2009 to March 2011; Executive Vice President and Chief Development Officer from June 2005 to January 2009; General Counsel from June 2005 to December 2006
William E. Mudd[(2)] 44	President and Chief Operating Officer since October 2015; President and Chief Financial Officer from August 2014 to October 2015; Executive Vice President and Chief Financial Officer from October 2007 to August 2014
Marcia A. Dall[(3)] 52	Executive Vice President and Chief Financial Officer since October 2015
Paul J. Thelen[(4)] 48	President, Big Fish Games since December 2014

(1) Prior to joining the Company, Mr. Carstanjen was employed at General Electric Company. From 2004 through June 2005, he served as the Managing Director and General Counsel of GE Commercial Finance, Energy Financial Services. From 2002 to 2004, he served as General Counsel of GE Specialty Materials and, from 2000 to 2002, he served as Transactions and Finance Counsel of GE Worldwide Headquarters. Carstanjen began his career as an attorney with Cravath, Swaine & Moore LLP in New York City, specializing in mergers and acquisitions and other corporate transactions.

(2) Prior to joining the Company, Mr. Mudd was employed at General Electric Company. From 2006 through October 2007, he served as Chief Financial Officer, Global Commercial & Americas P&L of GE Infrastructure, Water & Process Technologies. From 2004 to 2006, he served as Chief Financial Officer, Supply Chain, Information Technology and Technology Finance, GE Consumer & Industrial Europe, Middle East, & Africa, Budapest and Hungary and, from 2002 to 2004, he served as Manager, Global Financial Planning & Analysis and Business Development.

(3) Prior to joining the Company, Ms. Dall was employed at Erie Indemnity Company, a company providing sales, underwriting and administrative services to Erie Insurance Exchange, where from March 2009 through October 2015, she served as Executive Vice President and Chief Financial Officer. From 2008 until March 2009, she served as Chief Financial Officer of the Healthcare division at CIGNA Corporation. Prior to CIGNA, Ms. Dall was a corporate officer and the Chief Financial Officer for the International and U.S. Mortgage Insurance Segments of Genworth Financial, a former subsidiary of General Electric ("GE"). Ms. Dall began her career in 1985 in the Financial Management Program at GE and held various leadership roles both in finance and operations over her twenty-plus year tenure with GE.

(4) Mr. Thelen founded Big Fish Games ("Big Fish") in 2002, a producer of premium paid, casual free-to-play and casino-style games for PCs and mobile devices, which was acquired by the Company in December 2014. Prior to the acquisition, Mr. Thelen served as Chief Executive Officer at Big Fish from 2002 through 2008, and then again from 2012 until the acquisition in 2014. From 2008 through 2012, Mr. Thelen served as Chief Strategy Officer at Big Fish. From 2002 through 2008, Mr. Thelen held various strategy and product leadership positions at RealNetworks. Mr. Thelen began his career with IBM and Mercer Management Consulting.

Election of Directors
(Proposal No. 1)

At the Annual Meeting, shareholders will vote to elect the four (4) persons identified below to serve in Class II of the Board of Directors and to hold office for a term of three (3) years expiring at the 2019 Annual Meeting of Shareholders and thereafter until their respective successors shall be duly elected and qualified or until the earlier of their resignation, death or removal.

The Amended and Restated Bylaws of the Company provide that the Board of Directors shall be composed of not fewer than three (3) nor more than fifteen (15) members, the exact number to be established by the Board of Directors, and further provide for the division of the Board of Directors into three (3) approximately equal classes, of which one (1) class is elected annually to a three year term. Currently the Board of Directors is comprised of eleven (11) directors, with three (3) directors in Class I, five (5) directors in Class II and three (3) directors in Class III. The Company has a mandatory retirement age policy with regard to directors, which provides that a person is not qualified to serve as a director unless he or she is less than seventy (70) years of age on the date of election. The Board believes that it is important to monitor overall Board performance and suitability, and pursuant to the policy, upon the recommendation of the Nominating and Governance Committee, the Board may waive the effective date of mandatory retirement. There are two directors in Class II that will have met the mandatory retirement age at the Annual Meeting, Mr. Richard L. Duchossois and Mr. James F. McDonald. On February 17, 2016, the Nominating and Governance Committee voted to recommend waiving the mandatory retirement age policy in favor of Mr. Richard L. Duchossois' continued service to the Board. In reaching its decision to waive the policy for Mr. Richard L. Duchossois, the Nominating and Governance Committee considered the fact that Mr. R. Duchossois is a highly experienced director of the Company with regard to executive compensation, strategy, and governance. Upon the recommendation of the Nominating and Governance Committee, the Board of Directors concluded that Mr. R. Duchossois' experience and skill set advance the strategic goals of the Company and the Company would benefit from Mr. R. Duchossois' continued service as a director, and on February 24, 2016, the Board of Directors waived the effective date of the mandatory retirement age for Mr. R. Duchossois.

The Nominating and Governance Committee has recommended, and the Board has approved, the nomination of the four (4) persons named in the following table for election as directors in Class II. The nominees currently serve as members of Class II and have agreed to serve if re-elected. Directors are elected by a plurality of votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present. With each shareholder having one vote per share to cast for each director position, the nominees receiving the greatest number of votes will be elected. The biographical information for our directors below includes information regarding certain of the experiences, qualifications, attributes and skills that led to the determination that such individuals are qualified to serve on the Board of Directors.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION OF THE FOLLOWING DIRECTORS IN CLASS II.

UNLESS OTHERWISE INSTRUCTED, IT IS THE INTENTION OF THE PERSONS NAMED IN THE PROXY TO VOTE THE SHARES REPRESENTED THEREBY "FOR" THE ELECTION OF THE CLASS II DIRECTORS NAMED BELOW.

Election of Directors

The following table sets forth information relating to the Class II directors of the Company who are proposed to the shareholders for election to serve as directors for terms of three (3) years, expiring at the 2019 Annual Meeting of Shareholders, and thereafter until their respective successors shall be duly elected and qualified or until the earlier of their resignation, death or removal.

Name, Age and Positions with Company	Principal Occupation[1] and Certain Directorships[2]
	Class II—Nominated for Terms Expiring in 2019
William C. Carstanjen 48 Director since 2015	Mr. Carstanjen was named the Company's twelfth Chief Executive Officer in August 2014 and appointed to the Board of Directors in July 2015. Carstanjen served as CDI's President and Chief Operating Officer (2011–2014), CDI's Chief Operating Officer (2009-2011) and as Executive Vice President, General Counsel and Chief Development Officer for the Company (2005-2008). Carstanjen joined CDI in July 2005 after serving as an executive with General Electric Company. Carstanjen began his career as an attorney with Cravath, Swaine & Moore LLP in New York City, specializing in mergers and acquisitions and other corporate transactions. Carstanjen brings a wealth of experience and knowledge to his leadership role at CDI. Throughout his tenure, Carstanjen has led CDI's diversification strategy into online wagering, into regional casino gaming and into mobile and online social games through Big Fish Games, as well as led the growth of the Kentucky Oaks and Kentucky Derby events. Mr. Carstanjen is a member of the Board of Directors of the West End School and participates in numerous other charitable and civic ventures.
Ulysses L. Bridgeman, Jr. 62 Director since 2012	Mr. Bridgeman is the owner and President of Manna, Inc. and ERJ Inc. which currently oversee the administration and operation of 124 Chili's Restaurants in ten states, and 235 Wendy's Old Fashioned Hamburger Restaurants in seven states. The restaurants presently employ approximately 20,000 employees. According to the Restaurant Finance Monitor, Mr. Bridgeman is the second largest restaurant franchisee in the United States. His educational background includes a Bachelor of Arts in Psychology from the University of Louisville in 1975. From 1975-1983 and from 1986-1987, Mr. Bridgeman played professional basketball with the Milwaukee Bucks. During the interim of 1983-1986, he played for the Los Angeles Clippers. During his professional basketball career, Mr. Bridgeman worked as a Sales and Public Relations Representative for Howard Johnson in Milwaukee. His experience also includes holding a position as an analyst with Towers, Perrin, Foster & Crosby Insurance Consultants in Milwaukee. Mr. Bridgeman's leadership skills have been further developed through his eleven years with the NBA Players Association. As a Player Representative, he acted as a liaison between the players and management. He was directly involved in arbitration proceedings and also assisted with the implementation of special programs such as Career Alternatives, Fitness and Wellness and Financial Planning. During his time with the Players Association, he held the title of Treasurer for three years and President for four years. Mr. Bridgeman's experience in leading a large and diverse workforce, along with his entrepreneurial vision and director experience make him an excellent member of the Company's Board. Mr. Bridgeman is also actively involved in the Louisville community. He currently serves on the Board of Directors of Fifth Third Bank; the West End School; the PGA Foundation Board; the Naismith Basketball Hall of Fame; and most recently joined the Meijer Board. He served as Past Chairman of the Board of Trustees University of Louisville and is a past member of the Board of the Louisville Free Public Library.

Name, Age and Positions with Company	Principal Occupation[1] and Certain Directorships[2]
Richard L. Duchossois 94 Director since 2000	Mr. Duchossois is the founder and serves as the Chairman of The Duchossois Group, Inc. (a family-owned company with diversified business interests in companies with leading brands in the residential and commercial access control markets). Mr. Duchossois also serves as the Chairman of Arlington Park Racecourse, LLC, a subsidiary of the Company. While Mr. Duchossois was originally nominated to serve as a director of the Company pursuant to the stockholder's agreement between the Company and Duchossois Industries, Inc., the Company has been and will continue to be well served by Mr. Duchossois' entrepreneurial experience and abilities, his proven leadership capabilities in successfully developing and managing a diverse group of companies that have over 5,000 employees worldwide, as well as his horse racing industry experience in which he led the resurrection of Arlington Park Racecourse as a world renowned racetrack. Mr. Duchossois is currently a Director of The Chamberlain Group, Inc.
R. Alex Rankin 60 Director since 2008	Mr. Rankin is the Chairman of the Board of Sterling G. Thompson Co. (a private insurance agency and broker), the President of Upson Downs Farm, Inc. (a thoroughbred breeding and racing operation), and the Chairman of the James Graham Brown Foundation (a private, non-profit foundation that fosters the well-being, quality of life, and image of Louisville and Kentucky by actively supporting and funding projects in the fields of civic affairs, economic development, education, and health and general welfare, which since 1954 has awarded over 2,680 grants totaling over $450 million). Among other exceptional personal and professional attributes, Mr. Rankin's expertise in the areas of finance and risk management, as well as his experience in the business of thoroughbred horseracing, qualify Mr. Rankin as a member of the Board of Directors and the Audit Committee.

(1) Except as noted with respect to Mr. Carstanjen, there has been no change in principal occupation or employment during the past five years.

(2) Directorships at any time within the last 5 years in companies with a class of securities registered pursuant to Section 12 of the Exchange Act, subject to the requirements of Section 15(d) of the Exchange Act or companies registered under the Investment Company Act of 1940 and, in the case of certain nominees, other directorships or positions considered significant by them.

The Board of Directors has no reason to believe that the nominees will be unavailable to serve as a director. If any nominee should become unavailable before the Annual Meeting, the persons named in the enclosed Proxy, or their substitutes, reserve the right to vote for substitute nominees selected by the Board of Directors.

Continuing Directors

The following tables set forth information relating to the Class I and Class III directors of the Company who will continue to serve as directors until the expiration of their respective terms of office.

Name, Age and Positions with Company	Principal Occupation(1) and Certain Directorships(2)
	Class I—Terms Expiring in 2018
Craig J. Duchossois 71 Director since 2000	Mr. Duchossois serves as the Chief Executive Officer and a Director of The Duchossois Group, Inc. (a family-owned company with diversified business interests in companies with leading brands in the residential and commercial access control markets). While Mr. Duchossois was originally nominated to serve as a Director of the Company pursuant to the stockholder's agreement between the Company and Duchossois Industries, Inc., the Company has been and will continue to be well served by Mr. Duchossois' experience and proven capabilities in the international marketplace and technology industries in overseeing a diverse group of companies that have over 5,000 employees worldwide, as well as his financial and business acumen. Mr. Duchossois currently holds the following leadership positions with other entities: Chairman, The Chamberlain Group, Inc.; Director, Amsted Industries, Inc.; not-for-profit board memberships include Culver Education Foundation; Illinois Institute of Technology; University of Chicago; Kellogg Graduate School of Management; World Business Chicago; the University of Chicago Hospitals; Economic Club; Chicago Council on Global Affairs; and the Marine Corps Scholarship Foundation. He is a member of the Chief Executive Officer's Organization; World Presidents Organization; and the Civic Committee of the Commercial Club of Chicago. Mr. Duchossois also serves as a board member for The Edgewater Funds. He is past-Chairman of the Board of Visitors for the United States Naval Academy.
Robert L. Evans 63 Director since 2006	Mr. Evans has served as the non-executive Chairman of the Board of the Company since September 2015. Mr. Evans served as Executive Chairman from August 2014 to September 2015; Chairman and Chief Executive Officer from June 2011 to August 2014; Chief Executive Officer from March 2011 to June 2011; and President and Chief Executive Officer from August 2006 to March 2011. Mr. Evans' role as the Chairman of the Company as well as his proven entrepreneurial experience and abilities, his experience in senior executive positions at some of North America's leading manufacturing (Mr. Evans served in a variety of management positions for Caterpillar Inc.), business consulting (former Managing Partner of the Americas Supply Chain Practice for Accenture Ltd., formerly Andersen Consulting), technology (former President and Chief Operating Officer of Aspect Development Inc.) and private equity companies (Co-Founder and former Managing Director of Symphony Technology Group, a private equity firm that provides investment capital and strategic direction to software, services, and analytics companies), and his experience in the thoroughbred horse racing industry, qualify Mr. Evans to serve as a Director of the Company. Mr. Evans is the President of Tenlane Farm, LLC (a thoroughbred breeding and racing operation). Mr. Evans is a former director of Aspect Development, IronPlanet, ATC Technology Corp., Symphony Services, Qiva, and Trigo Technologies Inc.

Name, Age and Positions with Company	Principal Occupation[(1)] and Certain Directorships[(2)]
G. Watts Humphrey, Jr. 71 Director since 1995	Mr. Humphrey is the President, GWH Holdings, Inc. (a private investment company); Chairman, IPEG (international plastics machinery equipment company); and Owner, Shawnee Farm (thoroughbred breeding and racing operation). Among other exceptional personal and professional attributes, Mr. Humphrey has extensive experience in overseeing a diverse group of companies as well as in significant leadership roles throughout the thoroughbred horseracing industry that qualify Mr. Humphrey to serve as a member of the Board of Directors. Mr. Humphrey currently holds the following leadership positions with other entities: Member of The Jockey Club; Director and member of Executive Committee, Keeneland Association, Inc.; Vice-Chairman, Shaker Village of Pleasant Hill; Director, Smithfield Trust Company; and a Member of the Board of Trustees, Centre College. Previously, Mr. Humphrey served as Chairman of the Federal Reserve Bank—Fourth District.

(1) There has been no change in principal occupation or employment during the past five years except with respect to Mr. Evans.

(2) Directorships at any time within the last 5 years in companies with a class of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), subject to the requirements of Section 15(d) of the Exchange Act or companies registered under the Investment Company Act of 1940 and, in the case of certain directors, other directorships or positions considered significant by them.

Name, Age and Positions with Company	Principal Occupation[(1)] and Certain Directorships[(2)]
	Class III—Terms Expiring in 2017
Robert L. Fealy 64 Director since 2000	Mr. Fealy currently serves as Managing Director of Limerick Investments, LLC. He retired effective June 30, 2014 as President, Chief Operating Officer and Director of The Duchossois Group, Inc. (a family owned company which held diversified business interests in companies with leading brands in the residential security, lighting and convenience products markets and the commercial control, automation and digital media markets). While Mr. Fealy was originally nominated to serve as a Director of the Company pursuant to the stockholder's agreement between the Company and Duchossois Industries, Inc., the Company has been and will continue to be well served by Mr. Fealy's experience as a certified public accountant and senior executive with oversight of a diverse group of companies that had over 5,000 employees worldwide with operations located in over 30 countries as well as proven capabilities in strategic business planning in a variety of industries. Mr. Fealy currently holds the following leadership positions with other entities: Lead Director, Pella Corporation; Chairman and Founding Board Member, Illinois Venture Capital Association; Director, Illinois Venture Capital Association PAC; Senior Advisor, Chicago Ventures and member of the Investment Committee of the Illinois Innovation Accelerator Fund; Chairman of the Board of Trustees, University of Cincinnati Foundation; Member, University of Cincinnati Business Advisory Council; Member, Advisory Board of the Polsky Center for Entrepreneurship and Innovation at the University of Chicago Booth School; Chairman, Chicago Children's Choir; and Trustee, The Morton Arboretum.

Name, Age and Positions with Company	Principal Occupation(1) and Certain Directorships(2)
Aditi J. Gokhale 42 Director since 2015	Ms. Gokhale served as Chief Marketing Officer of Shutterstock, Inc. until November 2015. Prior to Shutterstock, Ms. Gokhale served as Senior Vice President, GM of Digital for Nutrisystem, Inc., a company specializing in weight loss and nutritional programs, from May 2012 to March 2015. From 2009 to 2012, Ms. Gokhale served as general manager of the wholly-owned subsidiary of Travelocity, IGOUGO.com, a travel-planning company, where she led the daily business operations. Prior to Travelocity, she was the co-founder and Chief Marketing Officer for iQuanti, a company offering digital marketing services to Fortune 100 companies. Before iQuanti, Ms. Gokhale spent over 6 years at American Express from 2001-2007. Ms. Gokhale began her career at Booz Allen & Hamilton in the Media and Entertainment practice. Ms. Gokhale's extensive experience in digital product and marketing, management consulting and business development qualifies Ms. Gokhale as a member of the Company's Board.
Daniel P. Harrington 60 Director since 1998	Mr. Harrington serves as the President and Chief Executive Officer of HTV Industries, Inc. (private holding company with diversified business interests that include telecommunications, manufacturing distribution and banking). Among other exceptional personal and professional attributes, Mr. Harrington has extensive financial, accounting and chief executive experience within a variety of industries that qualifies Mr. Harrington as a member of the Board of Directors. In addition, Mr. Harrington qualifies as an Audit Committee Financial Expert, which makes him well suited for his current role as the Chairman of the Company's Audit Committee. Mr. Harrington also serves as a Trustee of The Veale Foundation. In addition, Mr. Harrington has served as a Director of First Guaranty Bank, First State Financial Corporation, Portec Rail Products, Inc. (serving on its Audit and Compensation Committees) and Biopure Corporation (serving on its Audit Committee).

(1) There has been no change in principal occupation or employment during the past five years except with respect to Mr. Fealy and Ms. Gokhale.

(2) Directorships at any time within the last 5 years in companies with a class of securities registered pursuant to Section 12 of the Exchange Act, subject to the requirements of Section 15(d) of the Exchange Act or companies registered under the Investment Company Act of 1940 and, in the case of certain directors, other directorships or positions considered significant by them.

Emeritus Directors

Emeritus Directors are available for counsel, but do not attend meetings of the Board of Directors and do not vote on matters presented to the Board. The Company's Amended and Restated Bylaws provide that a person shall not be qualified for election as a director due to age pursuant to any mandatory retirement age requirement adopted by the Company. The Company's Corporate Governance Guidelines provide that the Board will establish and maintain a policy with regard to a mandatory retirement age for non-employee directors. The current policy provides that a person is not qualified to serve as a director unless he or she is less than seventy (70) years of age on the date of election. However, the Board believes that it is important to monitor overall Board performance and suitability and, upon the recommendation of the Nominating and Governance Committee, the Board may waive the effective date of mandatory retirement. Each director shall become a Director Emeritus upon the expiration of his or her current term following the date on which he or she is no longer qualified for election due to age, provided the effective date of such mandatory retirement has not been waived. The Emeriti Directors are Charles W. Bidwill, Jr., Catesby W. Clay, J. David Grissom, Thomas H. Meeker, Carl F. Pollard, Darrell R. Wells, and following the election of the Class II directors in 2016, Mr. James F. McDonald.

Director Compensation for Fiscal Year Ended December 31, 2015

During 2015, directors received an annual retainer fee of $50,000; directors who served as committee chairmen of the Compensation Committee and the Nominating and Governance Committee received an additional $10,000 and $7,500 for a total annual retainer fee of $60,000 and $57,500, respectively; the director who served as committee chairman of the Audit Committee received an additional retainer fee of $15,000 for a total annual retainer fee of $65,000; and the director who served as the lead independent director received an additional retainer fee of $25,000 for a total annual retainer fee of $75,000. Directors were paid $2,000 for each meeting of the Board of Directors and $1,500 for each committee meeting they attended, either in person or by teleconference, and for each special ad hoc meeting in which they participated. Finally, each director received a grant of restricted share units, with an aggregate grant date fair value of $75,000. Directors who did not reside in Louisville may request reimbursement for their travel expenses. Only non-employee directors receive this compensation.

In 2015, we provided the following annual compensation to our non-employee directors:

Name	Fees earned or paid in cash ($)	Stock Awards ($)[2]	Total ($)
Ulysses L. Bridgeman, Jr.	65,000[1]	75,000	140,000
Craig J. Duchossois	71,000[1]	75,000	146,000
Richard L. Duchossois	65,000[1]	75,000	140,000
Robert L. Fealy	62,000[1]	75,000	137,000
Aditi J. Gokhale	62,000[1]	75,000	137,000
Daniel P. Harrington	93,500[1]	75,000	168,500
G. Watts Humphrey, Jr.	87,000	75,000	162,000
James F. McDonald	78,500[1]	75,000	153,500
R. Alex Rankin	99,000	75,000	174,000

(1) The Churchill Downs Incorporated 2005 Deferred Compensation Plan allows directors to defer receipt of all or part of their retainer and meeting fees in a deferred share account until after their service on the Board has ended. This account allows the director, in effect, to invest his or her deferred cash compensation in Company Common Stock. Funds in this account are credited as hypothetical shares of Common Stock based on the market price of the stock at the time the compensation would otherwise have been earned. Hypothetical dividends are reinvested in additional shares based on the market price of the stock on the date dividends are paid. All shares in the deferred share accounts are hypothetical and are not issued or transferred until the director ends his or her service on the Board. Upon the end of Board service, the shares are issued or transferred to the director. In 2015, Mr. Craig J. Duchossois, Mr. Fealy, Mr. Harrington, and Mr. McDonald deferred all of their 2015 directors' fees into a deferred share account under the plan. Ms. Gokhale deferred all of her 2015 directors' fees into a mutual fund account. Mr. Bridgeman deferred 50% of his 2015 directors' fees into a deferred share account under the plan. As of December 31, 2015, Mr. Fealy had 9,478 deferred shares, Mr. Craig Duchossois had 10,159 deferred shares, Mr. Richard Duchossois had 2,553 deferred shares, Mr. Harrington had 8,285 deferred shares, Mr. McDonald had 6,364 deferred shares and Mr. Bridgeman had 869 deferred shares under the plan.

(2) On April 27, 2015, each director, with the exception of Mr. Carstanjen and Mr. Evans, received a grant of restricted stock units, valued in the amount of $75,000, calculated based upon the closing price of a share of Common Stock on the date of grant. The restricted stock units vest one year from the date of grant. At the time a director ceases being a director of the Company, the Company will issue one share of Common Stock for each vested restricted stock unit held by such director. Mr. Carstanjen and Mr. Evans did not receive grants of restricted stock units in 2015 for their board service due to their positions in 2015 as executive officers of the Company.

(3) On September 30, 2015, Mr. Evans resigned as Executive Chairman and became non-executive Chairman of the Board of Directors.

Corporate Governance

The Board of Directors is responsible for providing effective governance over the Company's affairs. The Company's corporate governance practices are designed to align the interests of the Board and management with those of our shareholders and to promote honesty and integrity throughout the Company.

During the past year, we continued to review our corporate governance policies and practices and compare them to those suggested by various authorities in corporate governance and the practices of other public companies. We have also reviewed guidance and interpretations provided by the SEC and NASDAQ.

Copies of the current charter, as approved by our Board, for each of our Audit, Compensation and Nominating and Governance Committees and a copy of our Corporate Governance Guidelines, Code of Conduct for Employees and Code of Ethics for Principal Financial Officers (along with any amendments or waivers related to the Code of Conduct or Code of Ethics) are available on our corporate website, http://www.churchilldownsincorporated.com, under the "Investors" heading.

Shareholders may send communications to the Company's Board of Directors addressed to the Board of Directors or to any individual director c/o Churchill Downs Incorporated, 600 N. Hurstbourne Parkway, Ste. 400, Louisville, Kentucky 40222. Any correspondence addressed to the Board of Directors in care of the Company is forwarded to the Board of Directors without review by management.

Board Leadership Structure

Robert L. Evans is the non-executive Chairman of the Board of Directors. The Board continues to deem it advisable to maintain certain aspects of its governance structure to assure effective independent oversight. These governance practices included maintaining: (1) a lead independent director (see below for a description of the lead independent director role), and (2) executive sessions of the independent directors after each Board meeting and annual performance evaluations of the Chief Executive Officer by the independent directors.

No less frequently than once every two years the Board will continue to appoint a lead director from among its independent directors. On February 24, 2015, G. Watts Humphrey, Jr. was re-appointed as the lead independent director. The lead independent director's authority and responsibilities include: (i) presiding over all meetings of the Board at which the Chairman is not present, including the executive sessions of the independent directors, (ii) serving as liaison between the Chairman and the independent directors, (iii) approving meeting agendas, schedules and information sent to the Board, (iv) the ability to call meetings of the independent directors, and (v) ex-officio status on each committee of the Board that the lead independent director is not already a voting member.

Oversight of Company Risk

As part of its responsibility to oversee the management, business and strategy of the Company, the Board of Directors has overall responsibility for risk oversight. While the Board of Directors as a whole performs certain risk oversight functions directly, such as its ongoing review, approval and monitoring of the Company's fundamental business and financial strategies and major corporate actions, the majority of the Board of Directors' risk oversight functions are carried out through the operation of its committees. Each committee oversees risk management within its assigned areas of responsibility, as described below in the discussion of committee responsibilities. The Audit Committee is primarily responsible for overseeing the Company's risk assessment and risk management practices, as well as its compliance programs. The Compensation Committee's responsibilities include oversight of the risks associated with the Company's compensation policies and practices, as well as its managerial development and succession plans. The Nominating and Governance Committee oversees the risks related to the Company's corporate governance structure and processes.

Share Ownership Guidelines

The Board expects all directors to display confidence in the Company by ownership and retention of a meaningful amount of the Company's stock. As a result, each director is expected to own shares of the Company's stock with a fair market value equal to five (5) times the director's annual retainer. Each director appointed or elected to the Board has five (5) years from the date of appointment or election to the Board to meet this requirement. Compliance is measured at the five (5) year anniversary date of the director's appointment or election. Each director's continuing compliance with the ownership guidelines will be measured in the year he or she stands for re-election and will be considered as one of the criteria for nomination by the Nominating and Governance Committee. As illustrated by the chart below, all directors proposed for re-election during the 2016 Annual Meeting of Shareholders are compliant with the ownership guidelines. Mr. Carstanjen is excluded from the chart below, as he is subject to maintaining holdings of Company stock equal to at least six (6) times his base annual salary, pursuant to the Key Executive Stock Ownership and Retention Guidelines, as further described in the "Executive Stock Ownership Guidelines" section below. Furthermore, deferred shares acquired by directors under the Churchill Downs Incorporated 2005 Deferred Compensation Plan and restricted stock units granted as director compensation are included for purposes of measuring compliance with the Company's share ownership guidelines.

Director	Ownership Guidelines(1)	Shares Owned(2)	Value of Shares(3)	Met Guidelines(4)
Ulysses L. Bridgeman, Jr.	5x	2,843	$ 402,256	✓
Craig J. Duchossois	5x	2,154,787	$304,880,813	✓
Richard L. Duchossois	5x	2,303,188	$325,878,070	✓
Robert L. Evans	5x	151,464	$ 21,430,641	✓
Robert L. Fealy	5x	13,215	$ 1,869,790	✓
Aditi J. Gokhale	5x	657	$ 92,959	*
Daniel P. Harrington	5x	245,319	$ 34,710,185	✓
G. Watts Humphrey, Jr.	5x	54,734	$ 7,744,314	✓
James F. McDonald	5x	12,098	$ 1,711,746	✓
R. Alex Rankin	5x	8,534	$ 1,207,476	✓

✓ = Met guidelines.

* = Has not yet met guidelines.

(1) Guidelines adopted per the Company Board of Directors.

(2) Calculated as of December 31, 2015 and represents shares of Common Stock owned outright, amounts deferred per the Company's Deferred Compensation Plan, and restricted stock units ("RSUs") issued for board service.

(3) FMV based on CHDN closing stock price of $141.49 as of December 31, 2015.

(4) Ms. Gokhale joined the Board of Directors in 2015 and thus has until 2020 to meet the Ownership Guidelines associated with her board service.

Board Meetings and Committees

Six (6) meetings of the Board of Directors were held during the last fiscal year. All directors attended each of the six (6) meetings of the Board of Directors and the meetings of the committee(s) on which they served in 2015. The Company encourages its directors to attend the Annual Meeting each year. All of the directors then serving on the Board attended the Company's Annual Meeting on April 23, 2015.

The Board has determined that all of the directors of the Company are "independent directors," as defined under NASDAQ Rule 5605(a)(2), except Robert L. Evans and William C. Carstanjen.

As required by the Company's Corporate Governance Guidelines, the Board of Directors currently has four (4) standing committees: the Executive, Audit, Compensation and the Nominating and Governance Committees. No Director Emeritus serves on any Board committee. The structure of the committees is illustrated in the table below, with the number of meetings held in 2015.

Director Name	Board of Directors	Executive Committee	Audit Committee	Compensation Committee	Nominating and Governance Committee
Ulysses L. Bridgeman	✓				✓
William C. Carstanjen(1)	✓				
Craig J. Duchossois	✓			✓	
Richard L. Duchossois	✓				✓
Robert L. Evans©	Chairman				
Robert L. Fealy	✓	✓			
Aditi J. Gokhale	✓				
Daniel P. Harrington	✓		Chairman	✓	
G. Watts Humphrey, Jr.(2)	Lead Director	Chairman	★	★	★
James F. McDonald	✓		✓	✓	
R. Alex Rankin	✓	✓	✓	Chairman	Chairman
Number of meetings in 2015	**6**	**0**	**5**	**6**	**2**

✓ = Member

© = Non-executive Chairman of the Board

★ = Ex-officio Member

(1) The Board appointed Mr. William C. Carstanjen as a Class II director of the Company, effective July 28, 2015.

(2) Mr. G. Watts Humphrey, Jr. serves as lead independent director, and therefore is the Chairman of the Executive Committee and an ex-officio, non-voting member of the Audit, Compensation, and Nominating and Governance Committees.

Executive Committee

The Executive Committee is authorized, subject to certain limitations set forth in the Company's Amended and Restated Bylaws, to exercise the authority of the Board of Directors between Board meetings. The members of the Executive Committee are G. Watts Humphrey, Jr., who serves as Chairman, Robert L. Fealy, and R. Alex Rankin. The Executive Committee does not meet on a regular basis, but instead meets as and when needed.

The Executive Committee did not meet during the last fiscal year.

Audit Committee

The primary purposes of the Audit Committee are to assist the Board of Directors in fulfilling its responsibility in monitoring management's conduct of the Company's financial reporting process and overseeing the Company's risk assessment and risk management practices. Under its charter, the Audit Committee is generally responsible for monitoring the integrity of the financial reporting process, systems of internal controls and financial statements and other financial reports provided by the Company to any governmental or regulatory body, the public or other users thereof, as well as overseeing the processes by which management assesses the Company's exposure to risk and evaluating the guidelines and policies governing the Company's monitoring, control and minimization of such exposures.

The Audit Committee's responsibilities are as follows:

- To monitor the performance of the Company's internal audit function;
- To appoint, compensate, retain and oversee the Company's independent registered public accounting firm employed by the Company for the purpose of preparing or issuing audit opinions on the Company's financial statements and its internal control over financial reporting;
- To monitor the Company's compliance with legal and regulatory requirements as well as the Company's Code of Conduct and compliance policies;
- To inquire of management, including its internal auditor, and the Company's independent auditors regarding significant risks or exposures, including those related to fraudulent activities, facing the Company; to assess the steps management has taken or proposes to take to minimize such risks to the Company; and to periodically review compliance with such steps;
- In discharging its oversight role, to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company and to retain outside counsel, auditors or other experts for this purpose; and
- To conduct an annual performance evaluation of the Committee.

We have a formal enterprise risk management program that falls under the leadership of our executive team. The purpose of this program is to promote risk-intelligent decision making and, in turn, increase the likelihood of achieving our operational objectives. Our board of directors is regularly advised of potential organizational risks and supporting mitigating policies.

The members of the Audit Committee are Daniel P. Harrington, who serves as Chairman, James F. McDonald, and R. Alex Rankin. The Company's Board of Directors has determined that all members of the Company's Audit Committee are independent as defined under NASDAQ Rule 5605(a)(2) and Rule 10A-3(b)(1) of the Securities and Exchange Commission.

Five (5) meetings of the Audit Committee were held during the last fiscal year. The Audit Committee reviews the adequacy of its charter on an annual basis.

The Board of Directors has determined that Daniel P. Harrington is an "audit committee financial expert" as defined by regulations promulgated by the SEC.

Compensation Committee

Responsibilities of the Compensation Committee

The Compensation Committee of the Board of Directors operates under a written charter and is comprised entirely of directors meeting the independence requirements of NASDAQ and Rule 10C-1 of the Securities and Exchange Commission. The Board established the Compensation Committee to assist it in discharging the Board's responsibilities relating to compensation of the Company's chief executive officer ("CEO") and each of the Company's other executive officers. The Compensation Committee has overall responsibility for decisions relating to all compensation plans, policies and perquisites as they affect the CEO and other executive officers. Furthermore, the Committee has a special Subcommittee comprised of three non-employee directors for the purposes of approving any stock grants or other stock related transactions to officers or directors of the Company, as required under SEC Rule 16b-3. This Subcommittee is comprised only of "outside directors" as defined by Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), and is responsible for approving all performance standards for officers for any pay program intended to qualify as "performance based compensation" under this section of the Code. The members of this special Subcommittee are R. Alex Rankin, James F. McDonald, and Daniel P. Harrington.

During 2015, the Compensation Committee was composed of four (4) independent directors: R. Alex Rankin, who serves as Chairman, Craig J. Duchossois, Daniel P. Harrington, and James F. McDonald.

Six (6) meetings of the Compensation Committee were held during the last fiscal year. Members of management attended each meeting. The agenda for each meeting was determined by the Chairman of the Compensation Committee with management's input prior to each meeting.

The Compensation Committee's responsibilities are as follows:

- Oversee the development and implementation of the Company's compensation policies and programs for executive officers, including the CEO.
- Establish the annual goals and objectives relevant to the compensation of the CEO and the executive officers and to present such to the Board annually.
- Evaluate the performance of the CEO and the executive officers in light of the agreed-upon goals and objectives and to determine and approve the compensation level of the CEO, including the balance of the components of total compensation, based on such evaluation and to present its report to the Board annually.
- To develop guidelines for the compensation and performance of the Company's executive officers and to determine and approve the compensation of the Company's executive officers, including the balance of the components of total compensation.
- To establish appropriate performance targets, participations and levels of awards with respect to the Company's incentive compensation plans.
- To administer the Company's equity-based compensation plans, including the establishment of criteria for the granting of stock-based awards and the review and approval of such grants in accordance with the criteria.
- To establish and periodically review company policies relating to senior management perquisites and other non-cash benefits.
- To review periodically the operation of the Company's overall compensation program for key employees and evaluate its effectiveness in promoting shareholder value and company objectives.
- To review the results of any advisory shareholder votes on executive compensation and consider whether to recommend adjustments to the Company's compensation policies and programs as a result of such results.
- To consider, at least annually, whether risks arising from the Company's compensation policies and practices for all employees, including non-executive officers, are reasonably likely to have a material adverse effect on the Company, including whether the Company's incentive compensation arrangements encourage excessive or inappropriate risk-taking.
- To review, assess and recommend to the Board any changes to the Company's compensation "clawback" policy required by law or otherwise adopted by the Company.
- To oversee regulatory compliance with respect to matters relating to executive officer compensation.
- To approve plans for managerial development and succession within the Company and to present such plans to the Board annually.
- To review, assess and recommend to the Board appropriate compensation for outside directors.
- To produce the report on executive compensation to be included in the Company's proxy statement for the annual meeting of shareholders.

- To review and discuss with management the compensation discussion and analysis, and based on such discussion, make a recommendation to the Board as to whether or not the compensation discussion and analysis should be included in the proxy statement.
- To review and reassess the adequacy of its charter annually and recommend any proposed changes to the Board for approval.
- To conduct an annual performance evaluation of the Committee.

The Compensation Committee's charter reflects these responsibilities, and the Compensation Committee and the Board periodically review and revise the charter.

Compensation Committee Interlocks and Insider Participation

None of the directors who served on the Compensation Committee at any time during the last fiscal year were officers of the Company or were former officers of the Company. None of the members who served on the Committee at any time during fiscal 2015 had any relationship with the Company requiring disclosure under Item 404 of Regulation S-K. Finally, no executive officer of the Company serves, or in the past fiscal year has served, as a member of the compensation committee (or other board committee performing equivalent functions) of any entity that has one or more of its executive officers serving on the Committee.

Compensation Risk Assessment

The Compensation Committee performed an assessment of whether risks arising from the Company's compensation policies and practices for all employees during 2015, including non-executive officers, are reasonably likely to have a material adverse effect on the Company. Each policy and plan was evaluated based on certain elements of risk, including, but not limited to, (i) the mix of fixed and variable pay, (ii) types of performance metrics, (iii) performance goals and payout curves, (iv) payment timing and adjustments, (v) equity incentives, and (vi) stock ownership requirements and trading policies. Based on this evaluation, an assessment of each plan was created, along with an overall assessment of compensation risk to the Company. After evaluation and discussion, the Committee determined that the Company's compensation policies and practices are not reasonably likely to have a material adverse effect on the Company.

Nominating and Governance Committee

The Company's Nominating and Governance Committee operates under a written charter and is responsible for establishing the criteria for and reviewing the effectiveness of the Company's Board of Directors. In addition, the Nominating and Governance Committee provides oversight with regard to the Company's programs for dealing with business ethics and other governance issues.

Pursuant to the Company's Corporate Governance Guidelines and its Policy on Board Composition, the Nominating and Governance Committee determines criteria regarding personal qualifications needed for Board membership and the Committee considers, reviews qualifications and recommends qualified candidates for Board membership. In doing so, the Nominating and Governance Committee reviews the composition of the Board to identify skill sets and qualifications which are represented in order to determine which ones are needed. In addition, the Nominating and Governance Committee reviews the Company's strategic plan to determine its needs with regard to Board composition. While the Company does not have a formal policy on diversity for members of the Board of Directors, the Company's Corporate Governance Guidelines and its Policy on Board Composition specifically provide that diversity of race and gender, as well as general diversity of backgrounds and experience represented on the Board of Directors are factors to consider in evaluating potential directors. The Nominating and Governance Committee sometimes employs an outside consultant to identify nominees with the skill sets, experience and backgrounds that suit the Company's needs.

A candidate for the Company's Board of Directors should possess the highest personal and professional ethics, integrity and values and be committed to representing the long-term interests of the Company's various constituencies. In considering a candidate for nomination as a member of the Board, the Nominating and Governance Committee will consider criteria such as independence; occupational background, including principal occupation (i.e., chief executive officer, attorney, accountant, investment banker, or other pertinent occupation); level and type of business experience (i.e., financial, lending, investment, media, racing industry, technology, etc.); diversity in race and gender; number of boards on which the individual serves; and the general diversity of backgrounds and experience represented on the Board. The Nominating and Governance Committee periodically reviews the Company's Corporate Governance Guidelines and its Policy on Board Composition and recommends changes to the Board. It also evaluates the performance of the Board as a whole and provides feedback to the Board on how the directors, the committees and the Board are functioning. Finally, it evaluates Board of Director practices at the Company and other well-managed companies on an annual basis and recommends appropriate changes to the Board and/or its practices.

The Nominating and Governance Committee receives and considers issues raised by shareholders or other stakeholders in the Company and recommends appropriate responses to the Board. The Nominating and Governance Committee will consider recommendations for director candidates submitted by shareholders. Such questions, comments or recommendations should be submitted in writing to the Nominating and Governance Committee in care of the Office of the Secretary at 600 N. Hurstbourne Parkway, Ste. 400, Louisville, Kentucky 40222. The Nominating and Governance Committee, in having adopted criteria to be considered for membership on its Board, considers such candidates applying such criteria and follows the recommendation process noted above. Recommendations by shareholders that are made in accordance with these procedures will receive the same consideration as recommendations from other sources.

The members of the Nominating and Governance Committee, each of whom is independent as defined by the NASDAQ listing standards, are R. Alex Rankin, who serves as Chairman, Ulysses L. Bridgeman, and Richard L. Duchossois.

Two (2) meetings of the Nominating and Governance Committee were held during the last fiscal year.

Proposal to Ratify the Appointment of PricewaterhouseCoopers LLP as the Company's Independent Registered Public Accounting Firm for 2016 (Proposal No. 2)

On February 24, 2016, the Board of Directors, on recommendation from the Audit Committee, selected PricewaterhouseCoopers LLP ("PwC") to serve as the Company's independent registered public accounting firm for the year ending December 31, 2016. PwC has served as the Company's independent registered public accounting firm since the Company's 1990 fiscal year.

Although the Company's Amended and Restated Bylaws do not require that the Company's shareholders ratify the appointment of PwC as the Company's independent registered public accounting firm, the Board of Directors is submitting the appointment of PwC to the Company's shareholders for ratification as a matter of good corporate governance. This proposal will be approved if the votes cast favoring the action exceed the votes cast opposing the action. If the appointment is not ratified, the Company's Audit Committee will consider whether it is appropriate to select another independent registered public accounting firm. Even if the appointment is ratified, the Company's Audit Committee, in its sole discretion, may select a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and its shareholders.

Representatives of PwC are expected to be present at the Annual Meeting and will be available to respond to appropriate questions and will have the opportunity to make a statement if they desire to do so.

THE BOARD OF DIRECTORS AND THE AUDIT COMMITTEE RECOMMEND THAT THE SHAREHOLDERS VOTE "FOR" THE RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2016.

UNLESS OTHERWISE INSTRUCTED, IT IS THE INTENTION OF THE PERSONS NAMED IN THE PROXY TO VOTE THE SHARES REPRESENTED THEREBY IN FAVOR OF THE PROPOSAL TO RATIFY THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2016.

Independent Public Accountants

Audit Fees

The audit fees incurred by the Company for services provided by PwC (i) for the year ended December 31, 2014, were $1,429,100 and (ii) for the year ended December 31, 2015, were $1,735,000. Audit fees include services related to the audit of the Company's consolidated financial statements, the audit of the effectiveness of internal control over financial reporting, involvement with registration statement filings, statutory audits and consultations related to miscellaneous SEC and financial reporting matters.

Audit-Related Fees

During each of 2014 and 2015, the Company incurred $0 in fees for assurance and related services performed by PwC that were reasonably related to the performance of the audit or review of the Company's financial statements that are not reported in the preceding section.

Tax Fees

Tax fees incurred by the Company for services provided by PwC (i) in 2014, were $90,100, and (ii) in 2015, were $40,850. Tax fees include services related to tax return preparation for a related entity, tax consultation and tax advice.

All Other Fees

All other fees incurred by the Company for services provided by PwC relate to the use of Comperio, PwC's accounting research software, which amounted to $1,800 in 2014 and $3,750 in 2015. The Audit Committee has considered whether the provision of non-audit services to the Company is compatible with maintaining PwC's independence.

The Audit Committee has adopted a policy of evaluating and pre-approving of services provided by the independent auditors on a case-by-case basis. The Audit Committee pre-approved all audit and permissible non-audit services provided by the independent auditors in 2015.

Proposal to Approve the Churchill Downs Incorporated
2016 Omnibus Stock Incentive Plan
(Proposal No. 3)

The Board of Directors adopted the Churchill Downs Incorporated 2016 Omnibus Stock Incentive Plan (the "2016 Plan") on February 24, 2016, subject to approval by the shareholders of the Company. The 2016 Plan is intended to replace the Churchill Downs Incorporated 2007 Omnibus Stock Incentive Plan (the "2007 Plan").

As in the 2007 Plan, the Board of Directors believes that the 2016 Plan will advance the long-term success of the Company by encouraging stock ownership among key employees and members of the Board who are not employees ("Nonemployee Directors"). The 2016 Plan is also intended to provide compensation that will be tax deductible by the Company without regard to the limitations of Section 162(m) of the Internal Revenue Code, assuming applicable requirements under Section 162(m) of the Code are satisfied.

The 2016 Plan will be administered by the Compensation Committee of the Board of Directors. The 2016 Plan provides the Compensation Committee flexibility to design compensatory awards responsive to the Company's needs. Subject to the terms of the 2016 Plan, the Compensation Committee has the discretion to determine the terms of each award. The Committee may delegate to one or more officers of the Company the authority to grant awards to participants who are not directors or executive officers of the Company, and for calendar year 2016 the Committee has delegated this authority to the Company's Chief Executive Officer. The Committee must fix the total number of shares that may be subject to grants made under this delegation.

Awards under the 2016 Plan may be in the form of stock options, stock appreciation rights, restricted stock, restricted share units, performance shares, performance units or performance cash.

Employees of the Company and its subsidiaries and Nonemployee Directors may be selected by the Compensation Committee to receive awards under the 2016 Plan. Approximately 3,900 persons will be eligible to receive awards under the 2016 Plan, and based on historical participation rates, approximately 125 to 150 persons will participate in the 2016 Plan. The benefits or amounts that may be received by or allocated to participants under the 2016 Plan will be determined by the Compensation Committee or, pursuant to the delegated authority for 2016, the Company's Chief Executive Officer, and are not presently determinable.

The maximum number of shares that may be issued, transferred or awarded under the 2016 Plan is 800,000 shares of Common Stock, less one share for every share granted under the Company's 2007 Plan after December 31, 2015. All shares subject to awards under the 2016 Plan will be counted against the 2016 Plan maximum in a 1-to-1 ratio. The number of shares reserved under the 2016 Plan is subject to adjustments by the Compensation Committee as provided in the 2016 Plan for stock splits, stock dividends, recapitalizations and other similar transactions or events. If any shares subject to an award under the 2016 Plan or the 2007 Plan are forfeited, an award under the 2016 Plan or 2007 Plan expires or an award under the 2016 Plan or 2007 Plan is settled for cash (in whole or in part), then in each such case the shares subject to such awards will, to the extent of such forfeiture, expiration or cash settlement, be added to the shares available for awards under the 2016 Plan. In the event that withholding tax liabilities arising from an award granted under the 2016 Plan or 2007 Plan, other than a stock option or stock appreciation right, are satisfied by the tendering of shares (either actually or by attestation) or by the withholding of shares by the Company, the shares so tendered or withheld will be added to the shares available for awards under the 2016 Plan. The following shares will not be added to the shares authorized for grant under the 2016 Plan: (i) shares tendered by the participant or withheld by the Company in payment of any purchase price or to satisfy any withholding obligations with respect to a stock option or stock appreciation right under the 2016 Plan or the 2007 Plan, (ii) shares subject to a stock appreciation right granted under the 2016 Plan or 2007 Plan that are not issued in connection with its stock settlement on exercise, and (iii) shares reacquired by the Company on the open market or otherwise using cash proceeds from the exercise of stock options under the 2016 Plan or 2007 Plan. Shares of Common Stock issued under the 2016 Plan may consist of authorized and unissued shares, treasury shares, or shares purchased in the open market. The fair market value of a share of the Company's Common Stock on March 16, 2016 was $141.40 based on the closing price as reported on the NASDAQ Global Market.

How is the 2016 Plan different from the 2007 Plan?

The 2016 Plan is very similar to the 2007 Plan, however the primary differences are: (i) the number of shares remaining for awards under the 2007 Plan is 984,538, whereas initially the maximum number of shares under the 2016 Plan will be 800,000, (ii) all stock awards under the 2007 Plan (other than stock options) are counted against the 2007 Plan in a 2-to-1 ratio, whereas all stock awards under the 2016 Plan (including stock options) will be counted against the 2016 Plan in a 1-to-1 ratio; (iii) except in certain circumstances, shares forfeited, expired or settled in cash may be added back to the shares available under the 2016 Plan (including shares from the 2007 Plan); and (iv) as described below, the 2016 Plan contains limits on certain types of grants for any one participant in any single calendar year.

Are there limits on grants to individual participants or other grant limits?

Yes. During any single calendar year, a participant may not receive: (i) stock options and stock appreciation rights representing more than 200,000 shares; (ii) restricted stock awards, restricted share unit awards, performance share awards and/or performance unit awards that are intended to comply with Section 162(m) of the Code and are denominated in shares representing more than 150,000 shares; and (iii) performance awards that are intended to comply with Section 162(m) of the Code and are denominated in cash in excess of $10 million; provided, that each of these limits can be doubled for a participant in the year the participant's employment commences. In no event will the number of shares of Common Stock issued under the plan upon the exercise of incentive stock options exceed 800,000 shares. The number of shares that may be granted to any Nonemployee Director during any calendar year, taken together with any cash fees paid to such Nonemployee Director during the calendar year, shall not exceed $350,000 in total value (calculating the value of any such awards based on the grant date fair value of such awards for financial reporting purposes), with certain exceptions in extraordinary circumstances, so long as the aggregate limit does not exceed $500,000 in total value for such participant in such calendar year and the Nonemployee Director receiving such additional compensation does not participate in the decision to award such compensation or in other contemporaneous compensation decisions involving Nonemployee Directors. These limits are subject to adjustments by the Compensation Committee as provided in the 2016 Plan for stock splits, stock dividends, recapitalizations and other similar transactions or events.

Upon what terms may options be awarded?

Stock options entitle the optionee to purchase shares of Common Stock. Other than with respect to a substitute award, the exercise price of an option will be equal to or greater than the fair market value of a share of Common Stock on the date of grant. Options may be incentive stock options, nonqualified stock options, or a combination of the two, provided that only employees may be granted incentive stock options. The option may specify that the option price is payable (i) in cash, (ii) by the transfer to the Company of unrestricted stock, (iii) with any other legal consideration the Compensation Committee may deem appropriate, (iv) through a cashless exercise, or (v) any combination of the foregoing. No stock option may be exercised more than ten (10) years from the date of grant. Each grant may specify a period of continuous employment or service with the Company or any subsidiary that is necessary before the stock option or any portion thereof will become exercisable. Additional terms relating to the exercise, cancellation or other disposition of an option upon a termination of employment with or service to the Company, whether by reason of disability, retirement, death or any other reason, will be determined by the Compensation Committee.

Upon what terms may stock appreciation rights be granted?

Stock appreciation rights represent the right to receive an amount, determined by the Compensation Committee and expressed as a percentage not exceeding 100%, of the difference between the "base price" established for such rights and the fair market value of the Company's Common Stock on the date the rights are exercised. Other than with respect to substitute awards, the base price must not be less than the fair market value of the Common Stock on the date the right is granted. The grant may specify that the amount payable upon exercise of the stock appreciation right may be paid by the Company (i) in cash, (ii) in shares of the Company's Common Stock or (iii) any combination of the foregoing. Any grant may specify a waiting period or periods before the stock appreciation rights may become exercisable and permissible dates or periods on or during which the stock appreciation rights shall be exercisable. The Committee may grant "tandem" stock appreciation awards in connection with an option or "free-standing" stock appreciation awards unrelated to an option. No stock appreciation right may be exercised more than ten (10) years from the date of grant and each grant of a free-standing stock appreciation right must specify the period of continuous employment or service that is necessary before the free-standing stock appreciation right or installments thereof may be exercisable. Additional terms relating to the exercise, cancellation or other disposition of a stock appreciation right upon a termination of employment with or service to the Company, whether by reason of disability, retirement, death or any other reason, will be determined by the Compensation Committee.

Does the 2016 Plan include a minimum vesting period?

Yes. The 2016 Plan, includes a minimum vesting period of one year for awards of options and stock appreciation rights, other than in the case of death, disability or a change in control. In addition, the Compensation Committee may provide that up to 5% of the available shares authorized for issuance under the Plan may provide for vesting of stock options and stock appreciation rights in less than one-year.

Is repricing of options or stock appreciation rights permitted under the 2016 Plan?

No. The 2016 Plan expressly prohibits the Company's ability to reprice stock options or stock appreciation rights without stockholder approval.

Upon what terms may restricted stock be awarded?

An award of restricted stock involves the immediate transfer by the Company to a participant of ownership of a specific number of shares of Common Stock in consideration for the performance of services. The participant is entitled immediately to voting, dividend and other ownership rights in such shares, subject to the discretion of the Compensation Committee to not include any of such rights during the restriction period; provided, that any dividends paid on restricted stock subject to performance-based vesting conditions will not be paid unless and to the extent the underlying shares of restricted stock are earned. The transfer may be made without additional consideration from the participant. The Committee may specify performance objectives that must be achieved for the restrictions to lapse. Restricted stock must be subject to a "substantial risk of forfeiture" within the meaning of Code Section 83 for a period to be determined by the Committee on the grant date and any grant or sale may provide for the earlier termination of such risk of forfeiture. Additional terms relating to the vesting or cancellation of a restricted stock award upon a termination of employment with or service to the Company, whether by reason of disability, retirement, death or any other reason, will be determined by the Compensation Committee.

Upon what terms may restricted share units be granted?

An award of restricted share units granted under the 2016 Plan represents the right to receive a specific number of shares at the end of a specified deferral period. Any grant of restricted share units may be further conditioned upon the attainment of performance objectives. The grant may provide for the early termination of the deferral period. During the deferral period, the participant is not entitled to vote or receive dividends on the shares subject to the award, but the Compensation Committee may provide for the payment of dividend equivalents on a current or deferred basis; provided, that any dividend equivalents paid on restricted share units subject to performance-based vesting conditions will not be paid unless and to the extent the underlying restricted share units are earned. The grant of restricted share units may be made without any consideration from the participant other than the performance of future services. Additional terms relating to the vesting or cancellation of a restricted share unit award upon a termination of employment with or service to the Company, whether by reason of disability, retirement, death or any other reason, will be determined by the Compensation Committee.

Upon what terms may performance awards be granted?

A performance award may be granted in the form of performance shares, performance share units or performance cash. A performance share is the equivalent of one share of Common Stock. Each grant will specify one or more performance objectives to be met within a specified period (the "performance period"), which may be subject to earlier termination. If by the end of the performance period the participant has achieved the specified performance objectives, the participant will be deemed to have fully earned the performance award. If the participant has not achieved the level of acceptable achievement, the participant may be deemed to have partly earned the performance award in accordance with a predetermined formula. To the extent earned, the performance award will be paid to the participant at the time and in the manner determined by the Compensation Committee in cash, shares of the Company's Common Stock or any combination thereof. The Compensation Committee may provide for the payment of dividend equivalents on a current or deferred basis; provided, that any dividend equivalents paid on a performance award subject to performance-based vesting conditions will not be paid unless and to the extent the underlying performance award is earned. Additional terms relating to the vesting or cancellation of a performance award upon a termination of employment with or service to the Company, whether by reason of disability, retirement, death or any other reason, will be determined by the Compensation Committee.

What impact does a change in control have on outstanding awards?

Unless otherwise provided in an award agreement, the Compensation Committee will have the right to provide in the event of a change in control of the Company: (i) stock options and stock appreciation rights outstanding as of the date of the change in control will be cancelled and terminated without payment if the fair market value of a share as of the date of the change in control is less than the per share option exercise price or stock appreciation right grant price, and (ii) all performance awards will be (x) considered to be earned and payable based on achievement of performance goals or based on target performance (either in full or pro rata based on the portion of performance period completed as of the date of the change in control), and any limitations or other restrictions will lapse and such performance awards will be immediately settled or distributed or (y) converted into restricted stock or restricted share unit awards based on achievement of performance goals or based on target performance (either in full or pro rata based on the portion of performance period completed as of the date of the change in control). Unless otherwise provided in an award agreement, in the event of a change in control in which the successor company assumes or substitutes for a stock option, stock appreciation right, restricted stock award or restricted share unit award (or in which the Company is the ultimate parent corporation and continues the award), if a participant's employment with such successor company (or the Company) or a subsidiary thereof terminates within 24 months following such change in control (or such other period set forth in the award agreement, including prior thereto if applicable) and under the circumstances specified in the award agreement: (i) stock options and stock appreciation rights outstanding as of the date of such termination of employment will immediately vest, become fully exercisable and will remain exercisable for a two-year period (or if earlier, until the original expiration date set forth in the award agreement), (ii) the restrictions, limitations and other conditions applicable to restricted stock and restricted share units outstanding as of the date of such termination of employment will lapse and the restricted stock and restricted share units will become free of all restrictions, limitations and conditions and become fully vested, and (iii) the restrictions, limitations and other conditions applicable to any other awards will lapse, and such other awards will become free of all restrictions, limitations and conditions and become fully vested and transferable. Unless otherwise provided in an award agreement, in the event of a change in control, to the extent the successor company does not assume or substitute for a stock option, stock appreciation right, restricted stock award, or restricted share unit award (or in which the Company is the ultimate parent corporation and does not continue the award), then immediately prior to the change in control: (i) those stock options and stock appreciation rights outstanding as of the date of the change in control that are not assumed or substituted for (or continued) will immediately vest and become fully exercisable, (ii) restrictions, limitations and other conditions applicable to restricted stock and restricted share units that are not assumed or substituted for (or continued) will lapse and the restricted stock and restricted share units will become free of all restrictions, limitations and conditions and become fully vested, and (iii) the restrictions, other limitations and other conditions applicable to any other awards that are not assumed or substituted for (or continued) will lapse, and such other awards will become free of all restrictions, limitations and conditions and become fully vested and transferable. In addition, upon a change in control, the Committee may provide for the cash settlement of stock options and stock appreciation rights immediately prior to the occurrence of such change in control.

What impact will the 2016 plan have on the Company's equity compensation run rate?

Run rate, a means of measuring annual stock dilution, shows how rapidly a Company is deploying its shares reserved for issuance under its equity compensation plans. Run rate is calculated as the number of shares of Common Stock subject to awards granted in a given year divided by the number of shares of Common Stock outstanding. The higher the run rate, the greater the dilution. In the last three fiscal years, the Company's average annual run rate has been 1.6%.

What impact will the 2016 plan have on the Company's dilution or overhang from equity compensation plans?

Overhang is an analysis of potential dilution to shareholders from the equity being transferred to employees via equity compensation plans. Overhang is calculated by dividing (a) the number of shares of Common Stock subject to issued and outstanding awards under the Company's equity compensation plans plus the number of shares of Common Stock available for future grant under the Company's equity compensation plans by (b) the number of shares described in clause (a) plus the total number of shares of Common Stock outstanding. As of December 31, 2015, the Company's overhang was approximately 7.3%. On approval of the 2016 Plan, the Company's overhang will be approximately 6.3%.

What is the section 162(m) exemption?

Code Section 162(m) prevents a publicly held corporation from claiming income tax deductions for compensation in excess of $1,000,000 paid to certain senior executives. Compensation is exempt from this limitation if it is "qualified performance-based compensation." Stock options and stock appreciation rights are two examples of performance-based compensation, so long as certain requirements are met, including the prior approval by shareholders of the per person limits set forth in the 2016 Plan. Other types of awards, such as restricted stock, restricted share units and performance shares, that are granted pursuant to pre-established objective performance formulas, may also qualify as performance-based compensation, so long as certain requirements are met, including the prior approval by shareholders of the per person limits set forth in the 2016 Plan and the list of performance formulas or measures included in the 2016 Plan.

What are the performance objectives?

The 2016 Plan provides that grants of performance shares, performance units or, when determined by the Compensation Committee, options, restricted share units, restricted stock or other stock-based awards may be made based upon "performance objectives." Performance objectives applicable to awards that are intended to be exempt from the limitations of Code Section 162(m) shall be limited to specified levels of or increases in the Company's or subsidiary's return on equity, earnings before or after deduction for all or any portion of interest, taxes, depreciation, or amortization, whether or not on a continuing operations or an aggregate or per share basis, net earnings per share, diluted earnings per share, total earnings, earnings growth, return on capital, cost of capital, return on assets, return on investment, return on equity, net customer sales, volume, sales growth, gross profit, gross margin return on investment, share price (including but not limited to, growth measures and total shareholder return), operating profit, operating margin, net operating profit after taxes, net earnings, cash flow (including, but not limited to, operating cash flow and free cash flow), cash flow return on investment (which equals net cash flow divided by total capital), financial return ratios, total return to shareholders, market share, earnings measures/ratios, economic value added (EVA), balance sheet measurements, asset growth, internal rate of return, increase in net present value or expense targets, “Employer of Choice” or similar survey results, customer satisfaction surveys and productivity. Performance criteria may be measured on an absolute or relative basis. Relative performance may be measured by a group of peer companies or by a financial market index. Any performance objectives that are financial metrics, may be determined in accordance with United States Generally Accepted Accounting Principles or may be adjusted when established to include or exclude any items otherwise includable or excludable under GAAP. Potential adjustments include, but are not limited to: (a) restructurings, discontinued operations, extraordinary items, and other unusual, infrequently occurring or non-recurring charges or events, (b) asset write-downs, (c) significant litigation or claim judgments or settlements, (d) acquisitions or divestitures, (e) any reorganization or change in the corporate structure or capital structure of the Company, (f) an event either not directly related to the operations of the Company, subsidiary, division, business segment or business unit or not within the reasonable control of management, (g) foreign exchange gains and losses, (h) a change in the fiscal year of the Company, (i) the cumulative effects of tax or accounting changes in accordance with U.S. generally accepted accounting principles, or (j) the effect of changes in other laws or regulatory rules affecting reporting results. Subject to Section 162(m) of the Code, if the Compensation Committee determines that a change in the business, operations, corporate structure or capital structure of the Company, or the manner in which it conducts its business, or other events or circumstances render the performance objectives unsuitable, the Committee may modify the performance objectives or the related minimum acceptable level of achievement, in whole or in part, as the Committee deems appropriate and equitable.

Are awards made under the plan transferable?

Except as provided below, no award granted under the 2016 Plan may be transferred by a participant other than by will or the laws of descent and distribution, and stock options and stock appreciation rights may be exercised during the participant’s lifetime only by the participant or, in the event of the participant’s legal incapacity, the guardian or legal representative acting on behalf of the participant. The Committee may expressly provide in an award agreement (other than an incentive stock option) that the participant may transfer the award to a spouse or lineal descendant, a trust for the exclusive benefit of such family members, a partnership or other entity in which all the beneficial owners are such family members, or any other entity affiliated with the participant that the Committee may approve.

When does the plan terminate?

The 2016 Plan will terminate on the tenth anniversary of the date it is approved by shareholders, and no award will be granted under the 2016 Plan after that date (or, in the case of incentive stock options, after the 10^{th} anniversary of Board approval of the 2016 Plan).

How can the plan be amended?

The 2016 Plan may be amended by the Board of Directors, but no such amendment may (a) impair the rights of a participant with respect to a previously granted award without the participant’s consent, except with respect to an amendment that is necessary to be made in order to comply with applicable law, stock exchanges rules or accounting rules, or (b) increase any of the limitations set forth in the 2016 Plan, other than to reflect an adjustment made in accordance with the terms of the 2016 Plan, without the further approval of the stockholders of the Company. The Board may condition any amendment on the approval of the shareholders if such approval is necessary or deemed advisable with respect to the applicable listing or other requirements of a national securities exchange or other applicable laws, policies or regulations.

What are the tax consequences of the 2016 plan?

The following is a brief summary of certain of the federal income tax consequences of certain transactions under the 2016 Plan. This summary is not intended to be exhaustive and does not describe state or local tax consequences.

In general, an optionee will not recognize income at the time a nonqualified stock option is granted. At the time of exercise, the optionee will recognize ordinary income in an amount equal to the difference between the option price paid for the shares and the fair market value of the shares on the date of exercise. At the time of sale of shares acquired pursuant to the exercise of a nonqualified stock option, any appreciation (or depreciation) in the value of the shares after the date of exercise generally will be treated as capital gain (or loss).

An optionee generally will not recognize income upon the grant or exercise of an incentive stock option, except that the exercise of an incentive stock option will result in alternative minimum taxable income subject to the alternative minimum tax. If shares issued to an optionee upon the exercise of an incentive stock option are not disposed of within two years after the date of grant or within one year after the transfer of the shares to the optionee, then upon the sale of the shares any amount realized in excess of the option price generally will be taxed to the optionee as long-term capital gain and any loss sustained will be a long-term capital loss. If shares acquired upon the exercise of an incentive stock option are disposed of prior to the expiration of either holding period described above, the optionee generally will recognize ordinary income in the year of disposition in an amount equal to any excess of the fair market value of the shares at the time of exercise (or, if less, the amount realized on the disposition of the shares) over the option price paid for the shares. Any further gain (or loss) realized by the optionee generally will be taxed as short-term or long-term capital gain (or loss) depending on the holding period.

A recipient of restricted stock generally will be subject to tax at ordinary income rates on the fair market value of the restricted stock (reduced by any amount paid by the recipient) at such time as the shares are no longer subject to a substantial risk of forfeiture or restrictions on transfer for purposes of Code Section 83. However, a recipient may elect within thirty days of the date of transfer of the restricted stock to recognize ordinary income on the date of transfer of the shares equal to the fair market value of the restricted stock (reduced by any amount paid by the recipient). If a Section 83(b) election has not been made, any dividends received with respect to restricted stock that are subject at that time to a substantial risk of forfeiture or restrictions on transfer generally will be treated as compensation that is taxable as ordinary income to the recipient rather than dividend income.

A recipient of restricted share units generally will not recognize income until shares are transferred to the recipient. At that time, the participant will recognize ordinary income equal to the fair market value of the shares received, reduced by any amount paid by the recipient.

A participant generally will not recognize income upon the grant of performance shares or performance units. Upon payment, with respect to performance shares or performance units, the participant generally will recognize as ordinary income an amount equal to the amount of cash received and the fair market value of any unrestricted stock received.

To the extent that a participant recognizes ordinary income in the circumstances described above, the Company or subsidiary for which the participant performs services will be entitled to a corresponding deduction, provided that, among other things, the income meets the test of reasonableness, is an ordinary and necessary business expense, is not an "excess parachute payment" within the meaning of Code Section 280G and is not disallowed by the $1,000,000 limitation on certain executive compensation under Code Section 162(m).

Where can I get a copy of the plan?

This summary is not a complete description of all provisions of the 2016 Plan and is qualified in its entirety by reference to the copy of the 2016 Plan, which is attached as Exhibit A to this Proxy Statement.

What if this proposal is not approved?

If this proposal is not approved, the Company will continue to make grants under the 2007 Plan in accordance with the terms of that plan until its expiration.

This proposal will be approved if the votes cast favoring the action exceed the votes case opposing the action.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE “FOR” THE ADOPTION OF THE 2016 OMNIBUS STOCK INCENTIVE PLAN.

UNLESS OTHERWISE INSTRUCTED, IT IS THE INTENTION OF THE PERSONS NAMED IN THE PROXY TO VOTE THE SHARES REPRESENTED THEREBY IN FAVOR OF THE PROPOSAL TO APPROVE THE 2016 OMNIBUS STOCK INCENTIVE PLAN.

Proposal to Approve the Amendment to the Churchill Downs Incorporated 2000 Employee Stock Purchase Plan (Proposal No. 4)

On March 16, 2000, the Board of Directors adopted the Churchill Downs Incorporated 2000 Employee Stock Purchase Plan (the “ESPP”) and submitted the Plan to the shareholders at the Annual Meeting on June 22, 2000, where it was approved, so that the ESPP became effective on August 1, 2000. On March 11, 2004, the Board of Directors adopted an amendment to the ESPP to increase the aggregate number of shares of Common Stock available for issuance thereunder from 68,581 to 168,581 shares, which was subsequently approved by the shareholders. On March 8, 2012, the Board of Directors adopted an amendment to the ESPP to increase the aggregate number of shares of Common Stock available for issuance thereunder from 168,581 to 268,581 shares, which was subsequently approved by the shareholders. The ESPP provides employees of the Company with the opportunity to acquire a proprietary interest in the Company through the purchase of Common Stock on a payroll or other compensation deduction basis. The purpose of the ESPP is to give the Company’s employees a strong incentive to work for its continued success by providing them with a convenient means for regular and systematic purchases of Common Stock. The ESPP is intended to be an “employee stock purchase plan” as defined in Section 423 of the Internal Revenue Code of 1986, as amended (the “Code”) and the regulations promulgated thereunder.

On February 24, 2016, the Board of Directors adopted a proposal to amend the ESPP to increase the aggregate number of shares of Common Stock available for issuance thereunder from 268,581 to 468,581 shares, subject to shareholder approval at the Annual Meeting. In 2015, an aggregate number of 14,875 shares were purchased by employees participating in the ESPP. As of January 1, 2016, there were 49,968 shares of Common Stock remaining available for issuance under the ESPP. The proposed amendment is expected to provide a sufficient number of additional shares for purchase under the ESPP until 2023, assuming a slight increase in level of participation through that time period. The fair market value of a share of the Company’s Common Stock on March 16, 2016 was $141.40 based on the closing price as reported on the NASDAQ Global Market.

The following constitutes a brief description of the material features of the ESPP and is qualified in its entirety by reference to the copy of the ESPP, as proposed to be amended, which is attached as Exhibit B to this Proxy Statement.

All employees of the Company and participating employers will be eligible to participate in the ESPP upon satisfying certain eligibility requirements set forth in the ESPP, including being employed by the Company for at least three (3) months. Participating employers under the ESPP means any parent or subsidiary of the Company which the Board has authorized to participate in the ESPP. The Company and the participating employers employed approximately 3,900 persons as of March 16, 2016 who would be eligible to participate in the ESPP.

On each annual purchase date under the ESPP, each participant will be deemed to have purchased, without any further action, the number of whole shares of Common Stock determined by dividing the funds in the participant’s stock purchase account by the applicable purchase price. The purchase price for shares of Common Stock on any purchase date will be equal to 85% of the lower of the fair market value per share of the Common Stock on the first or last business day of the applicable purchase period. In order to participate in the ESPP, a participant must voluntarily file with the Company a form authorizing regular payroll deductions to be held in the participant's stock purchase account. A participant may withdraw at any time from the ESPP in accordance with applicable procedures and thereafter no further payroll deductions will be made. A participant who withdraws from the ESPP may elect to participate in a subsequent purchase period, if then eligible, in accordance with applicable procedures.

No employee may elect more than 5% of base pay or more than $25,000 in fair market value of the stock for purchase in any year under the ESPP and all other stock purchase plans of the Company. No employee may purchase Common Stock under the ESPP if such employee, immediately after a right to purchase is granted to such employee, would own, directly or indirectly, within the meaning of Section 423(b)(3) of the Code, five percent (5%) or more of the total combined voting power or value of all classes of capital stock of the Company.

The Common Stock to be issued and sold under the ESPP may be authorized but previously unissued shares. If the proposed amendment is approved the aggregate number of shares of Common Stock to be sold under the ESPP will not exceed 468,581 shares, subject to adjustment in the event of stock dividends, stock splits or other changes in the Company's capitalization.

The ESPP is administered by the Compensation Committee of the Board of Directors. The Compensation Committee has the authority to adopt such rules and regulations for carrying out the ESPP as it may deem proper and in the best interests of the Company. The Compensation Committee may amend the ESPP from time to time, except no amendment may be made without shareholder approval if its effect would be to cause the ESPP to (i) increase the number of shares reserved for issuance under the ESPP or (ii) alter the eligibility criteria for participation in the ESPP. The ESPP shall automatically terminate at the date on which the maximum number of shares of Common Stock have been sold.

The ESPP, and the right of employees to make purchases thereunder, is intended to qualify under the provisions of Section 423 of the Code. Under those provisions, no income will be taxable to any employee at the time of his or her election to participate in the ESPP or when shares are purchased. Upon disposition of the shares, the employee will be subject to tax and the amount of tax will depend upon the holding period of the shares. If shares are disposed of by the employee more than two (2) years after the date on which the option to purchase the shares was granted (the first day of the applicable purchase period) and one (1) year after the date on which the shares were purchased, or the employee dies while owning the shares, the lesser of (a) the excess of the fair market value of the shares on the first day of the applicable purchase period over the employee's purchase price or (b) the excess of the fair market value of the shares at the time of such shares' disposition over the employee's purchase price, will be treated as ordinary income, and any further gain will be treated as long-term capital gain. If the shares are disposed of before the expiration of this holding period, the excess of the fair market value of the shares measured as of the purchase date over the employee's purchase price will be treated as ordinary income, and any further gain will be treated as a capital gain. The amount taxable as ordinary income to the employee is subject to federal income tax withholding. The Company is not entitled to deductions for amounts taxed as ordinary income to the employees except to the extent of ordinary income reported by employees upon disposition of shares within two (2) years from the date the option to purchase the shares was granted and one (1) year from the date of purchase.

The foregoing is only a summary of the effects of the federal income taxation upon the employee and the Company with respect to the shares purchased under the ESPP and does not purport to be complete. The foregoing does not discuss income tax laws of any municipality, state, or foreign country in which an employee may reside.

At the Annual Meeting, the shareholders will be asked to approve this amendment of the ESPP. Approval of the amendment by the Company's shareholders is required under the terms of the ESPP.

In order for this proposal to be adopted by the shareholders, the votes cast favoring the action at the Annual Meeting in person or by proxy by the shareholders entitled to vote on the matter must exceed the votes cast opposing the action.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE APPROVAL OF THE AMENDMENT TO THE CHURCHILL DOWNS INCORPORATED 2000 EMPLOYEE STOCK PURCHASE PLAN TO INCREASE THE SHARES AVAILABLE FOR ISSUANCE UNDER THE PLAN BY 200,000 SHARES.

UNLESS OTHERWISE INSTRUCTED, IT IS THE INTENTION OF THE PERSONS NAMED IN THE PROXY TO VOTE THE SHARES REPRESENTED THEREBY IN FAVOR OF THE PROPOSAL TO APPROVE THE AMENDMENT TO THE CHURCHILL DOWNS INCORPORATED 2000 EMPLOYEE STOCK PURCHASE PLAN TO INCREASE THE SHARES AVAILABLE FOR ISSUANCE UNDER THE PLAN BY 200,000 SHARES.

Advisory Vote on Executive Compensation (Proposal No. 5)

Pursuant to Section 14A of the Securities Exchange Act of 1934, the Company's shareholders are entitled to a vote to approve, on an advisory and non-binding basis, the compensation of the Company's named executive officers ("NEOs") as disclosed in this Proxy Statement in accordance with SEC rules. In accordance with the preference expressed by shareholders in the 2011 advisory vote regarding the frequency of voting on the Company's executive compensation program, the Company is holding such advisory votes on an annual basis.

The Company has a "pay-for-performance" philosophy that forms the foundation of all decisions regarding compensation of the Company's NEOs. This compensation philosophy, and the program structure approved by the Compensation Committee, is central to the Company's ability to attract, motivate and retain individuals who can achieve superior financial results while also aligning the interests of the executives with the interests of shareholders over the long-term. This approach has resulted in the Company's ability to attract and retain the executive talent necessary to guide the Company successfully during a period of growth and transformation. Please refer to "Compensation Discussion and Analysis—Executive Summary" for an overview of the compensation of the Company's NEOs.

This vote is not intended to address any specific item of compensation, but rather the overall compensation of our NEOs and the policies and practices described in this Proxy Statement. At the Annual Meeting, shareholders will be asked to approve the compensation of the Company's NEOs by voting FOR the following resolution:

> "RESOLVED, that the Company's shareholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in this Proxy Statement pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the Summary Compensation Table and the other related tables and disclosure in this Proxy Statement."

This vote is advisory and therefore not binding on the Company. The Board of Directors and Compensation Committee value the opinions of the Company's shareholders. Should there be a significant vote against the named executive officer compensation as disclosed in this Proxy Statement, the Board will consider those shareholders' concerns and will evaluate whether any actions are necessary to address those concerns.

This proposal will be approved if the votes cast favoring the action exceed the votes cast opposing the action.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE APPROVAL OF THE ADVISORY RESOLUTION RELATING TO THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT.

UNLESS OTHERWISE INSTRUCTED, IT IS THE INTENTION OF THE PERSONS NAMED IN THE PROXY TO VOTE THE SHARES REPRESENTED THEREBY IN FAVOR OF THE PROPOSAL TO APPROVE THE ADVISORY RESOLUTION RELATING TO THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT.

Compensation Discussion and Analysis

Executive Summary

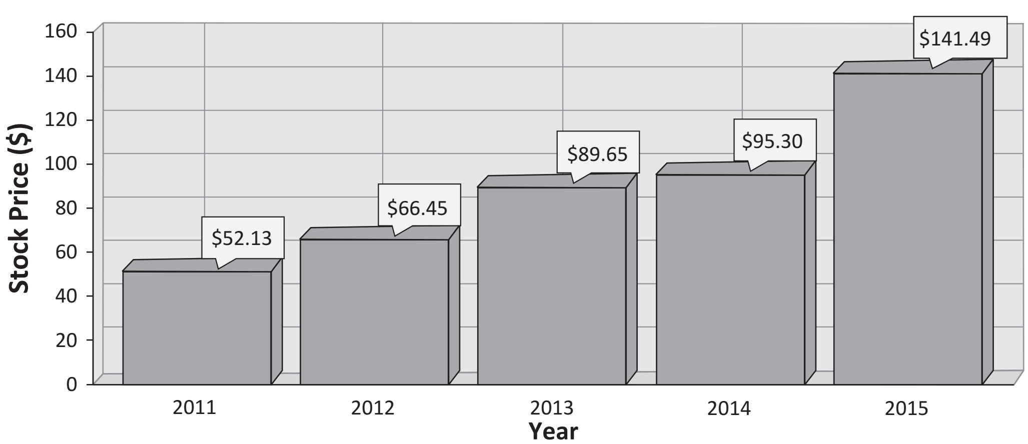
Churchill Downs Incorporated is an industry-leading provider of horseracing, casino gaming, online account wagering on horseracing and pari-mutuel horseracing, and is one of the world's largest producers and distributors of online and mobile games. As such, our long-term success depends on our ability to attract, engage, motivate and retain highly talented executives and key employees to achieve our strategic plans and deliver financial returns to shareholders over both the short-term and long-term. One of the key objectives of our executive compensation program is to link executives' pay to their performance and their advancement of the Company's long-term performance and business strategies. Other objectives include aligning the executives' interests with those of shareholders and encouraging high-performing executives to remain with the Company over the course of their careers. We believe that the amount of compensation for each Named Executive Officer (NEO) reflects each individual's extensive management experience, high performance and exceptional service to Churchill Downs Incorporated and our shareholders. We also believe that the Company's compensation strategies have been effective in attracting executive talent and promoting performance and retention.

This Compensation Discussion and Analysis describes the Company's executive compensation policies and programs and how they apply to our NEOs (the senior executives included in the 2015 Summary Compensation Table on page 47). It also describes the actions and decisions of the Compensation Committee of the Board of Directors (the "Compensation Committee" or "Committee") and the Committee's special Subcommittee (the "Subcommittee"), both of which oversee the executive compensation program and determine the compensation of the NEOs. A detailed discussion of the Committee's structure (including the Subcommittee), roles and responsibilities, and related matters can be found under "Compensation Committee" on pages 20-22.

Our long-term incentive goals are based on operational results that the Committee believes drive Company and shareholder success over a rolling three year period. Certain metrics the Company uses to determine this success are as follows (see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in the 10-K for Fiscal Year 2015 for reconciliation of these metrics to GAAP):

- **Adjusted EBITDA**—Adjusted EBITDA in fiscal year 2015 was $335,618,000, a 65.7% increase over fiscal year 2014 Adjusted EBITDA of $202,491,000;
- **Free Cash Flow**—Free Cash Flow in fiscal year 2015 was $233,467,000, a 96.4% increase over fiscal year 2014 Free Cash Flow of $118,886,000; and
- **Total Shareholder Return**—Total Shareholder Return was an increase of 49.5% from December 31, 2014 to December 31, 2015, whereas the total shareholder return for the Russell 2000 was -4.41% over the same period.

As illustrated in the following chart, the Company's stock price has increased to $141.19 per share as of December 31, 2015 from $52.13 per share as of December 31, 2011.



2015 Compensation Highlights

NEO pay opportunity for fiscal 2015 was initially set in February 2015 with some adjustments throughout the year, in each case considering relevant factors, including fiscal 2014 performance. We have highlighted several key executive compensation decisions below:

- Increased the base salaries of Mr. Carstanjen and Mr. Mudd in recognition of the change in the size and scope of our business as it continues to grow and diversify and to bring them more in-line with our competitors;
- Approved a new executive long term incentive plan designed to improve our pay for performance incentives, and providing initial grants of both time-based and performance-based awards to Mr. Carstanjen, Mr. Mudd and Mr. Thelen with the performance-based awards vesting based in part on Adjusted EBITDA, Free Cash Flow and Total Shareholder Return; and
- Approved a "clawback" policy permitting the Company to recover performance-based incentive compensation from NEOs if the Company is required to file a material restatement of its financial statements.

Executive Compensation Philosophy and Core Principles

We Do	We Don't Do
✓ Executive Stock Ownership Guidelines	✗ Employment Agreements
✓ Clawback Policy on Performance-based Incentives	✗ Re-pricing of SARs or Stock Options
✓ Performance-based Awards Vesting over Multi-year Periods	✗ Excise Tax Gross-ups upon Change in Control
✓ Capped Bonus Payments under Annual Incentive Plan	✗ Excessive Perquisites
✓ Payouts Tied to Individual and Company Performance	

The fundamental philosophy of the Compensation Committee is to provide an executive compensation program that links pay to business strategy and performance in a manner that is effective in attracting, motivating and retaining key executives while also aligning the interests of the executives with the interests of shareholders over the long-term. In order to continue to support the Company's high-performance culture, the Company's key principles underlying the executive compensation program are to:

- Attract and retain executives with the skills and experience needed to successfully grow the Company and create value for shareholders;
- Create an entrepreneurial culture and mindset by de-emphasizing fixed pay (primarily salary) and focusing a significant percentage of compensation on at-risk pay elements (annual and long-term incentives); and
- Motivate and reward executives for achieving exceptional performance supportive of creating value for shareholders over the long-term.

The Company will continue to adjust its pay practices to support these principles over time.

2015 "Say-on-Pay" Advisory Vote on Executive Compensation

The Compensation Committee monitors closely the results of the annual advisory "say-on-pay" vote, and considers such results as one of the many factors considered in connection with the discharge of its responsibilities. In 2015, the Company provided shareholders a "say-on-pay" advisory vote on its executive compensation program, as disclosed in the Company's 2015 proxy statement. At the 2015 Annual Meeting, approximately 99% of our shareholders expressed support for the compensation of our NEOs as disclosed in the proxy statement. The Compensation Committee considered the results of the 2015 advisory vote and also considered other factors in evaluating the Company's executive compensation programs as discussed in this Compensation Discussion and Analysis, including the advice of the Committee's independent compensation consultant, and did not make any changes to the executive compensation program in response to the 2015 "say-on-pay" vote.

2015 Changes in Executive Officers

Two key changes to executive officers occurred during fiscal year 2015. First, the Executive Chairman, Robert L. Evans, retired and resigned as an executive officer of the Company, effective September 30, 2015. Effective upon his retirement, Mr. Evans received a lump sum payment of $649,000, which constituted Mr. Evans' 2015 Annual Incentive Plan bonus, full vesting of 14,218 restricted shares previously awarded by the Company to Mr. Evans on September 27, 2010, full vesting of 15,000 restricted shares previously awarded by the Company to Mr. Evans on February 9, 2015, and cash in lieu of COBRA payments equal to three (3) months of the total premiums attributable to medical, dental and vision benefits for Mr. Evans.

Second, the Company appointed Marcia A. Dall as Executive Vice President and Chief Financial Officer of the Company, effective October 12, 2015. Upon the commencement of her employment and execution of the Company's form Executive Change in Control, Severance and Indemnity Agreement, Ms. Dall received an annual base salary of $525,000, became eligible for a cash incentive award under the Company's Executive Annual Incentive Plan with a target incentive opportunity at 75% of her base salary, to be paid in the normal course of the Company's routine award cycle, received a cash sign-on bonus of $250,000, paid January 8, 2016, and received an equity grant (with a grant date of October 12, 2015) under the Company's 2007 Omnibus Stock Incentive Plan of 5,500 restricted shares, to vest ratably on an annual basis in equal installments over a three-year period.

Role of Management and Independent Advisors

The Compensation Committee meetings are regularly attended by the CEO, the Senior Vice President of Human Resources, who is responsible for leading some of the discussions regarding the Company's compensation programs as well as being responsible for recording the minutes of the meeting, and in-house corporate counsel. The Committee may request the participation of management or outside consultants as it deems necessary or appropriate. The Committee regularly reports to the Board on compensation matters and annually reviews the CEO's compensation with the Board.

The Committee and the Subcommittee may also meet in executive session without any members of management, for the purpose of discussing and approving compensation for the CEO, as well as other topics. The CEO reviews the performance of, and makes recommendations to, the Committee regarding total compensation to be paid to the Company's executive officers other than himself, including salary, annual bonus, and long-term incentive awards, as appropriate. Management also develops and presents to the Committee recommendations for the performance measures and targets to be used to evaluate annual performance incentives.

After the end of each fiscal year, the Committee conducts a review of the CEO's performance. As part of this process, the CEO provides a written self-assessment report. The Committee sets the compensation of the CEO in executive session after considering its assessment of the CEO's performance, including due consideration of the CEO's self-assessment reports. Neither the CEO nor any other members of management are present during this session.

The Committee has sole discretion, at the Company's expense, to retain and terminate independent advisors, including sole authority to approve the fees and retention terms for such advisors, if it shall determine the services of such advisors to be necessary or appropriate. Such advisors are engaged by, and report directly to, the Committee. The Committee's engagement with Semler Brossy Consulting Group, LLC ("Semler") expired following the February 9, 2015 Committee meeting and the Committee entered into an agreement on March 27, 2015 with Frederic W. Cook & Co., Inc. ("FW Cook"), who assisted the Committee in fulfilling its responsibilities for the remainder of 2015. The scope of the engagement of Semler at the beginning of 2015 included assisting in the preparation of the 2015 Proxy Statement and the preparation of materials for two Committee meetings. The scope of the engagement of FW Cook for the remainder of 2015 included:

- Assisting the Chairman of the Committee in establishing appropriate agendas for the Committee meetings;
- Reviewing management reports and recommendations to the Committee as related to executive compensation matters;
- Attending all Committee meetings and providing the Committee with input and advice based on the advisor's broad experience with market practices, including a perspective with regard to the competitive market;
- Assisting with the review of pay and performance and the evaluation of payouts under the Company's long-term incentive program;
- Assisting in the review and evaluation of non-employee director compensation;
- Providing the Committee and management with data on market practices for executive pay;
- On behalf of the Committee, assisting management with disclosures, including this compensation discussion and analysis;
- Providing updates to the Committee with regard to regulatory and market developments;
- Assisting the Committee in evaluating future equity grants for the NEOs, including the CEO.

Neither Semler nor FW Cook provided any services to the Company other than advising the Committee as provided above. All of the decisions with respect to the Company's executive compensation programs are made by the Committee alone and may reflect factors and considerations other than, or that may differ from, the information and recommendations provided by management or its outside advisor. The Compensation Committee assessed each of Semler's and FW Cook's independence in light of the SEC requirements and NASDAQ listing standards and determined that neither Semler nor FW Cook's work raised any conflict of interest or independence concerns.

Factors Used to Evaluate Pay Decisions

The Company does not currently manage compensation for individual executives to a specific total compensation value or based on a strategy of positioning pay to a specific "percentile" of market practices. Rather, the Company seeks to obtain and retain the services of executives who bring the skills, experience, and motivation deemed necessary to significantly expand the scope and scale of the Company's operations. Therefore, compensation decisions for individual executives are made based on a balance of many subjective factors as evaluated by the CEO in the case of his direct reports (with Committee review and approval) and the Committee in the case of the CEO. These factors include:

- The scope and responsibility of the NEO's position and the perceived level of contribution;
- Internal comparisons among the executive's peers at the Company;
- The recruitment and development of talent in a competitive market;
- Target annual incentive opportunities based on Company's annual goals with regards to NEO's position, as approved by the Committee; and
- Long-term incentive opportunities driven by the perceived level of contribution expected of the executive toward achieving the Company's growth objectives.

Each element of compensation is evaluated independently based on the role of that component in achieving the Company's overall compensation objectives, with an emphasis on long-term incentives and retention.

In making executive pay decisions, the Committee relies substantially on the advice and experience of its independent advisor and the CEO to evaluate the reasonableness of executive pay. As there are few direct peers to the Company, the Committee does not rely directly on peer practices to establish pay levels or programs for its executives. Rather, the Committee determines pay levels and practices based on the talent needs of the organization as defined by our strategy of growing and diversifying revenues and with the guidance of the Committee's independent advisor.

Nevertheless, the Committee believes that it is important for the Company to stay competitive on compensation and the Committee, with the assistance of the Committee's independent advisor, conducts periodic reviews of compensation relative to similarly situated businesses, which can directly lead to adjustments in compensation and program offerings. It is the opinion of the Committee that the pay decisions made by the Committee are reasonable relative to pay provided to executives at other similar public companies, based on the Committee's experience, the performance expectations established for each element of pay, and consultation with the Committee's independent advisor.

Components of Compensation

During 2015, the Company used multiple components to provide an overall compensation and benefits package designed to attract and retain the needed level of executive talent for the Company.

Base Salary

The Committee's philosophy is that base salaries should meet the objectives of attracting and retaining the executive talent needed to grow the business and create shareholder value. Therefore, the Committee establishes base salaries for new hires based on the advice of management and its independent advisor regarding reasonable market pay practices, and comparisons with the executive's peers at the Company. Upon promotion or other adjustment of responsibilities, executives receive base pay increases that are commensurate with their new role or responsibilities and the pay levels for colleagues at similar levels in the organization and market pay practices, with more modest rates of increase thereafter. For example, the table below illustrates the salary adjustments in 2015 for Mr. Carstanjen and Mr. Mudd to reflect the increasing responsibilities of these executives in integrating and expanding our social and casual gaming segment, as well as the overall growth and diversification of the Company. These adjustments were considered and approved following compensation analysis conducted by our independent compensation consultant, given the growth and changes in the Company.

In 2015, the following adjustments were made to the base salaries for the Company's NEOs:

Name	Position	2014 Base Salary ($)(1)	Percentage Change	Salary Change ($)	2015 Base Salary ($)(2)
Robert L. Evans	Executive Chairman	550,000	0.0%	-0-	550,000
William C. Carstanjen	Chief Executive Officer	550,000	81.8%	450,000	1,000,000
William E. Mudd	President & COO	500,000	20.0%	100,000	600,000
Marcia A. Dall(3)	EVP & CFO	-	-	-	525,000
Paul J. Thelen	President, Big Fish Games	489,038	0.0%	-0-	489,038

(1) Annual rate of base compensation shown as of December 31, 2014.

(2) Annual rate of base compensation shown as of December 31, 2015, except in the case of Mr. Evans, whose base salary reflects his base salary, as an annual rate, on the date of his retirement as Executive Chairman on September 30, 2015. Actual salaries paid in 2015 are shown in the Summary Compensation Table on page 47.

(3) Ms. Dall's employment became effective October 12, 2015.

The salary adjustments above reflect the promotions of Mr. Carstanjen as Chief Executive Officer, and Mr. Mudd as President and Chief Operating Officer, as well as the Committee's overall philosophy toward compensation. Mr. Carstanjen's base salary was increased due to the greater responsibilities noted above and to make it commensurate with Mr. Carstanjen's new position and the Committee's expected level of contribution from Mr. Carstanjen. Similarly, Mr. Mudd also received an increase in base salary commensurate with Mr. Mudd's new position and the expected level of contribution from Mr. Mudd. Ms. Dall was appointed to her role in October 2015 at a salary level based on her role as Chief Financial Officer of a public company in a competitive hiring market.

Executive Annual Incentive Plan

Bonus awards or incentive compensation paid with respect to 2015 were determined by the Committee per the terms of the Executive Annual Incentive Plan (2013) ("EAIP"), a shareholder approved incentive plan. Pursuant to the EAIP, the Committee established performance goals for the Company and bonus opportunities for the 2015 performance year. In analyzing proposed awards against target and maximum payouts, the Committee used the goals as its roadmap to determine whether to issue awards above, at, or below each NEO's target award. As it has done historically, for 2015, the Committee sets performance goals based upon a comprehensive assessment of the Company against its long-term strategic goals and its ability to achieve said goals with its current leadership team and key employees. Therefore, individual performance by the Company's NEOs (as measured by various factors, including, but not limited to, continued growth and diversification of the Company's asset portfolio through acquisitions, customer and employee satisfaction, and the completion of certain specified legislative and regulatory outcomes), and unit performance (as measured by among other things increases in sales and revenues) led by some of the Company's key employees also played a significant role in setting and evaluating the Company's performance goals, and determining the proper level of compensation deemed necessary to incent the NEOs and key employees to continue to drive growth.

2015 Performance Goals. For 2015, the Committee set the following goals (per segment) for the Company. These goals were used to assess the NEOs' performance and determine EAIP payouts as disclosed in the 2015 Summary Compensation Table on page 47. The Committee, in setting the goals, considered the challenges to the Company; however, each goal was deemed achievable, but requiring a superior level of performance. The goals are expressed generally as follows:

<u>Racing</u>

- Manage overall budgets to reduce cost (without impacting the customer experience);
- Increase the financial performance of big events (i.e., Kentucky Derby, Kentucky Oaks, Arlington Million, etc.);
- Continue to work on innovative approaches to combat the long-term decline in racing;

<u>Gaming</u>

- Achieve adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") goals at our gaming properties;
- Successfully re-develop, construct and open current projects and properties;
- Assess and pursue opportunities to acquire accretive gaming properties;

<u>Online</u>

- Continue to invest in and grow our advanced deposit wagering businesses;
- Assess and pursue opportunities to expand our online gaming profile;

Other

- Increase Adjusted EBITDA;
- Develop technology-driven cost out opportunities for all subsidiaries; and
- Execute through acquisition and/or development projects that take the Company into new business segments.

Incentive Opportunities. Under the EAIP, the NEOs have target award opportunities, which the Committee reserves the right to exercise negative discretion against if it so chooses. For NEOs, these targets are determined by the Committee based on internal pay equity considerations, impact on total short-term compensation and the expected level of contribution of each NEO to the Company's performance goals and growth objectives.

The Compensation Committee approves the target and maximum incentive levels proposed by the CEO for each NEO (except the CEO) at the beginning of each year. The Committee independently evaluates and approves the target and maximum incentive levels for the CEO at the beginning of each year. During 2015, the target and maximum awards assigned to the CEO and the other NEOs were as follows:

Name	Position	Target Incentive Award as a Percentage of Salary	Target Incentive Award in ($)(1)	Maximum Target Incentive Award as a Percentage of Salary	Maximum Target Incentive Award in ($)
Robert L. Evans	Executive Chairman	100%	550,000	200%	1,100,000
William C. Carstanjen	Chief Executive Officer	133%	1,143,800	266%	2,287,600
William E. Mudd	President & COO	100%	600,000	200%	1,200,000
Marcia A. Dall	EVP & CFO	N/A	200,000	N/A	200,000
Paul J. Thelen	President, Big Fish Games	80%	391,230	160%	782,460

(1) Ms. Dall received $200,000 guaranteed EAIP award for 2015 pursuant to the terms of her offer letter.

2015 Performance Results. In determining the payouts, the Compensation Committee exercises its discretion to determine whether to payout at, above, or below the target opportunities based upon its review of the outcomes evaluated against Company and individual performance. The Compensation Committee established a minimum corporate Adjusted EBITDA performance threshold for 2015 of $185 million required before any incentives were eligible to be paid under the EAIP for 2015. The Compensation Committee certified that actual Adjusted EBITDA for 2015 exceeded this threshold and that executives were eligible for payouts under the EAIP for 2015.

In evaluating 2015 performance, the Compensation Committee considered (i) the strong performance of Big Fish Games, including 2015 Adjusted EBITDA of $108.0 million, (ii) the Company's continued expansion in 2015 including the acquisition of twenty five percent (25%) of Saratoga Casino Holdings LLC, which owns the Saratoga Casino and Raceway in Saratoga Springs, New York, (iii) strong total attendance at the 141st Kentucky Derby and Oaks, hosting 294,276 fans, and (iv) wagering from all-sources on the Kentucky Derby totaling $194.3 million. The Compensation Committee determined that these achievements contributed to benefits being realized by the Company's shareholders.

The results for amounts earned by the NEOs for 2015 under the EAIP are reflected in the 2015 Summary Compensation Table on page 47 in the column labeled "Non-Equity Incentive Plan Compensation". As noted above, the Company exhibited strong financial performance in 2015, which exceeded the performance goals. The NEOs were viewed by the Committee to be the primary parties responsible for meeting and exceeding the performance goals in 2015. The Compensation Committee, after considering overall Company performance awarded the NEOs EAIP awards above the target, as shown in the table on page 47, to reward them for the

Company's outstanding performance. As such, the NEOs were awarded an EAIP award at the following percentage of their target incentive award: Mr. Carstanjen 114%, Mr. Mudd 117%, and Mr. Thelen 100%. Ms. Dall received a guaranteed EAIP award of $200,000 for 2015 per her offer letter. These awards were made pursuant to the EAIP and as a reward for the NEOs respective roles in driving performance during the period ending December 31, 2015. Also, as noted above, effective upon his retirement, Mr. Evans receive a lump sum payment of $649,000, which constituted Mr. Evans' 2015 Annual Incentive Plan bonus.

Long-Term Incentives

Corporate Long-Term Incentive Plan. The objective of the Company's long-term incentive compensation program is to support the entrepreneurial mindset desired by management and the Board of Directors by providing an opportunity to earn significant equity in the Company for achieving significant performance improvements.

Prior LTIP Awards. On February 9, 2015, the Compensation Committee of the Company approved restricted common stock awards under the Churchill Downs Incorporated 2007 Omnibus Stock Incentive Plan (the "Prior LTIP") to Robert L. Evans, William C. Carstanjen, and William E. Mudd, as follows:

Name and Title	# of Shares(1)	Grant Date Fair Value(2)
Robert L. Evans	30,000	$2,882,100
William C. Carstanjen	32,500	$3,122,275
William E. Mudd	20,000	$1,921,400

(1) The award for Robert L. Evans originally vested in two installments of 15,000 shares, on August 14, 2015 and August 14, 2016, respectively, however, the second installment of 15,000 shares originally scheduled to vest on August 14, 2016, became fully vested on September 30, 2015, the date of Mr. Evans' retirement. The award for William C. Carstanjen vests in three installments, with 5,000 shares having vested on December 31, 2015, 7,500 shares vesting on December 31, 2016, and the remaining 20,000 shares vesting on December 31, 2017. The award for William E. Mudd vests in three installments, with 2,500 shares having vested on December 31, 2015, 2,500 shares vesting on December 31, 2016, and the remaining 15,000 shares vesting on December 31, 2017. Except as noted for Mr. Evans, all of the aforementioned awards are subject to the participant's continued employment with the Company and subject to continued vesting upon the death or disability of the participant, for 18 months, or accelerated vesting of the entire award upon a change in control of the Company leading to the participant's subsequent termination, other than for cause, within two (2) years following said change in control.

(2) The fair value of the stock award was based on $96.07, the closing market price of the common stock on the grant date, February 9, 2015.

2015 New Executive LTIP. The Compensation Committee approved the adoption of the Executive Long-Term Incentive Compensation Plan (the "ELTI Plan"), pursuant to which the NEOs may earn variable equity payouts based upon the Company achieving certain key performance metrics. Initial grants measured performance over a 30-month period from July 1, 2015 through December 31, 2017 and subsequent grants will measure performance over 36-month periods. The ELTI Plan was adopted pursuant to the 2007 Omnibus Stock Incentive Plan. A summary of terms and applicable award opportunities, granted by the Committee to certain NEOs, is provided below.

The ELTI Plan provides for an initial grant and final payout to certain NEOs based upon certain key metrics of the Company over a 30-month period from July 1, 2015 through December 31, 2017, as well as such NEOs continuing service to the Company. The purpose of the ELTI Plan is to provide certain NEOs with a long-term incentive program that is market-competitive and provides long-term incentives on a regular, predictable, and annual basis. Eligible participants (as determined by the Committee) may be members of the Company's senior executive team and/or such other executives and key contributors as the Committee may designate from time to time. No individual will have an automatic right to participate in the ELTI Plan.

Commencing in 2016, prior to March 31 of each year, the Company's CEO will recommend employees to the Committee for participation in the ELTI Plan and their respective specific levels of proposed participation. Awards granted to eligible employees under the ELTI Plan may be in the form of Restricted Stock Units ("RSU") or a Performance Share Units ("PSU"), or both. As and to the extent determined by the Committee as part of the annual compensation planning process for participants, the CEO will participate in the ELTI Plan at a rate determined by the Committee. To pursue the key objective of linking executive compensation with Company performance, the Committee provided under its initial award, and expects to award in the future, at least 50% of each award as PSUs (Mr. Thelen was awarded two-thirds (2/3) of his initial award as PSUs).

The Committee approved initial awards for Mr. Carstanjen, Mr. Mudd and Mr. Thelen on September 22, 2015, and an additional award of 5,140 PSUs for Mr. Thelen on October 23, 2015 as consideration for terminating Mr. Thelen's cash bonus provided for under his shareholder agreement dated November 12, 2014. The initial awards (including Mr. Thelen's October 23, 2015 award) are as follows:

	RSUs		PSUs		Total	
Executive Officer	**#**	**$[1]**	**#**	**$[2]**	**#**	**$**
William C. Carstanjen	11,862	$1,610,029	11,862	$1,815,005	23,724	$3,425,034
William E. Mudd	5,140	$ 697,652	5,140	$ 786,471	10,280	$1,484,123
Paul J. Thelen	5,140	$ 697,652	10,280	$1,624,394	15,420	$2,322,046

(1) The market value of the time-vesting RSUs, in the above table, was calculated utilizing the closing price of CHDN as of September 22, 2015 ($135.73) multiplied by the total number of time-vesting RSUs granted.

(2) The grant date fair value for the PSUs ($153.01/unit as of September 22, 2015 and $163.02/unit as of October 23, 2015) in the above table was calculated using a Monte-Carlo simulation model, which factors in the value of the relative TSR modifier (defined below) that is applied to the award before the share-based payment vests. The PSUs, in the above table, represent the target opportunity, and corresponding fair value, available to the grantees should the Company achieve the pre-determined performance metrics. Actual shares that vest pursuant to the PSUs may be more or less given the performance on the selected metrics discussed below.

With respect to the initial PSU awards in the table above, performance will be based on the following three Performance Measures as of the end of the 30-month period from July 1, 2015 through December 31, 2017 (the "Performance Period"):

1) Adjusted Earnings before Interest, Tax, Depreciation and Amortization ("Adjusted EBITDA") (50% weight). Adjusted EBITDA during the Performance Period relative to the goals set for such measurement period, will be derived from the Company's consolidated financial statements prepared in accordance with generally accepted accounting principles ("GAAP") reported in the Company's annual and quarterly reports;

2) Free Cash Flow ("FCF") (50% weight). Cumulative FCF (i.e. the sum of the free cash flows from the 6-month period ending December 31, 2015 and the annual periods ending December 31 of each of 2016 and 2017, respectively, where the FCF goals are set at the beginning of each of those three periods) will also be derived from the Company's consolidated financial statements prepared in accordance with GAAP reported in the Company's annual and quarterly reports;

3) Relative Total Shareholder Return Modifier ("TSR"). The Company's TSR modifier will be determined by ranking the return on the Company's shares against those of the companies in the Russell 2000 index (the "Index"), in each case over the Performance Period. The Company's TSR will be calculated based upon the Company's relative placement against the Index over the Performance Period. The PSU awards determined by the Adjusted EBITDA and FCF performance goals described above will then be adjusted based on the Company's TSR, by increasing the PSU awards by 25% if the Company's TSR is in the top quartile, decreasing the PSU awards by 25% if the Company's TSR is in the bottom quartile, and providing no change to the PSU awards if the Company's TSR is in the middle two quartiles.

The maximum number of PSUs that can be earned for the Performance Period is 250% of target. At the end of the Performance Period, the Committee will review performance achieved on each Performance Measure that was established at the beginning of the Performance Period. The goals are intended to be challenging, but achievable with strong management performance. The payout for each Performance Measure will be determined by a payout curve, as achievement that lies in between two goals will be interpolated.

With respect to the initial RSU awards, the vesting schedule shall be: one half (1/2) will vest on each of December 31, 2016 and December 31, 2017, respectively, generally subject to the executive's continued employment through the applicable vesting date. The Company intends to settle the vested RSUs in shares of Company common stock. Following these initial awards, subsequent grants will vest serially over three years, one third (1/3) each on each successive December 31 following the applicable grant.

Pursuant to the terms of her offer letter, Ms. Dall received a grant in February 2016, valued at $873,000, in an amount of RSUs with a market value at the grant date of $436,500, to vest serially over three year, one third (1/3) each on December 31, 2016, 2017 and 2018, respectively, and PSUs with a grant date fair value of $436,500, where performance will be measured over the three year period ending December 31, 2018, using the same metrics and Performance Period described above.

Executive Stock Ownership Guidelines

Our Board of Directors has adopted minimum stock ownership guidelines for our executive officers. The principal objective of the guidelines is to enhance the linkage between the interests of shareholders and our executive officers by requiring a meaningful, minimum level of stock ownership. The current guidelines provide that, within five (5) years of becoming subject to the stock ownership guidelines, our CEO should own shares valued at an amount equal to six times (6x) his base salary, our COO should own shares valued at an amount equal to four times (4x) his base salary, our CFO should own shares valued at an amount equal to three times (3x) her base salary, and that all other executive officers should own shares valued at an amount equal to three times (3x) the executive's base salary.

In 2015, each NEO met or exceeded the guidelines or, in the case of Ms. Dall, is expected to achieve the guidelines within the required five-year period:

Executive Officer	Ownership Guidelines	Shares Owned(1)	Value of Shares(2)	Multiple of Salary(3)
William C. Carstanjen	6x	122,993	$17,402,280	17
William E. Mudd	4x	84,914	$12,014,482	20
Marcia A. Dall	3x	-0-	$ 0	-0-
Paul J. Thelen	3x	157,115	$22,230,201	45

(1) Calculated as of December 31, 2015 and represents shares of Common Stock owned outright.

(2) Based on CHDN closing stock price of $141.49 as of December 31, 2015.

(3) Calculated using the base salary information illustrated on page 39. Ms. Dall joined the Company in October 2015 and therefore has until October 2020 to meet the (3x) multiple pursuant to the guidelines.

Deferred Compensation Benefits

The Company's philosophy is to provide retirement and savings benefits to executives which are commonly provided by other public companies. These benefits include:

401(k). The Company maintains a 401(k) Retirement Plan, which is a profit sharing plan that is intended to be a qualified retirement plan under Section 401(a) of the Code. The 401(k) Retirement Plan allows all employees who meet the eligibility requirements to become participants. Participants may make salary deferral contributions pursuant to Section 401(k) of the Code up to limits prescribed by the plan and the Code. The Company makes matching contributions with respect to such salary deferrals at a rate of 100% on the first 3% of compensation deferred and 50% on deferrals in excess of 3% of compensation deferred but no more than 5% of compensation deferred. Salary deferral contributions and matching contributions are fully vested at all times. Participants are allowed to direct investment of their accounts under the 401(k) Retirement Plan into as many as 37 investment options. All assets of the 401(k) Retirement Plan are held in a trust that is intended to be qualified under Section 501 of the Code.

Deferred Compensation Plan. The Company also maintains a Deferred Compensation Plan for select executives. The purpose of the plan is to provide eligible executives of the Company an opportunity to defer to a future date the receipt of base salary and bonus compensation for services and to receive matching contributions in similar fashion as provided by the Company's 401(k) Retirement Plan for any base salary and bonus deferred beyond the limits imposed by the IRS for that plan. The Committee believes that a Deferred Compensation Plan is a typical benefit for executives at companies similar to the Company and is necessary to attract and retain executive talent.

For purposes of determining earnings under the Deferred Compensation Plan, various hypothetical investment alternatives are selected by the Committee in its discretion. The Deferred Compensation Plan allows, but does not require, the Committee to receive input from participants regarding such investment alternatives. The current hypothetical investments selected by the Committee include 37 investment return options for determining the rate of return to be credited on participant deferrals. Participants are allowed to choose among these investment return options in order to direct the hypothetical investments used to determine earnings under the Plan.

Life insurance contracts have been purchased by the Company to provide some or all of the benefits under the Deferred Compensation Plan. Other details regarding the Deferred Compensation Plan can be found in the Nonqualified Deferred Compensation Table, on page 51, and the accompanying narrative below.

Allowances and Other Benefits

The Company's standard, non-cash executive benefits are Company-paid premiums on executive term life insurance and an optional supplemental long-term disability income plan for Mr. Carstanjen, Mr. Mudd, and Ms. Dall. These plans provide benefits which are similar to those provided to all employees, but extend the benefit levels to be appropriate to the income of the executive officers.

For Company executives, the Company may reimburse spouse's travel expenses for travel with the executive on Company business on a case-by-case basis.

Severance Benefits

The Committee believes that arrangements which provide benefits upon termination or a change in control of the Company support the goals of attracting and retaining qualified executives. Such benefits include clarifying the terms of employment and reducing the risks to the executive where the executive believes that either the Company may undergo a merger or be acquired or where the Company has tasked the executive to develop new markets or lines of business for the Company. In addition, the Committee believes that such agreements align the interests of executives with the interests of shareholders if a qualified offer to acquire the Company is made, in that each of the executives would likely be aware of or involved in any such negotiation and it is to the benefit of shareholders to have the executives negotiating in the best interests of the Company without regard to their personal financial interests. In 2014, the Committee, in lieu of negotiating individual severance agreements with each executive, adopted a form Executive Change in Control, Severance and Indemnity Agreement (the "Change in Control Agreement"). William C. Carstanjen, William E. Mudd, and Marcia A. Dall have each executed a Change in Control Agreement. The Change in Control Agreements, at the time of their execution, became immediately effective and each of Mr. Carstanjen's and Mr. Mudd's previously executed employment agreement terminated.

Each Change in Control Agreement provides that, subject to the Company receiving a general release of claims from the executive, in the event the executive's employment is terminated (i) by the Company, other than for "Cause" (as defined in the Change in Control Agreement), "Disability" (as defined in the Change in Control Agreement), or death, or (ii) by the executive for "Good Reason" (as defined in the Change in Control Agreement), the executive will be entitled to receive an amount in cash equal to 1.5 times the sum of (a) the executive's annual base salary and (b) the amount of the executive's annual target bonus for the year in which the executive was terminated. In the event the termination occurs within the 2-year period following a "Change in Control" (as defined in the Change in Control Agreement), the amount shall be 2.0 times the sum of (a) and (b) above. All equity-based awards in effect at the time of termination for the aforementioned reasons shall remain governed by the applicable plan or award agreement.

The Change in Control Agreements eliminated any tax gross-ups for excise taxes payable following a Change in Control.

Additional information regarding severance benefits may be found under "Potential Payments Upon Termination or Change in Control" on page 52.

Section 162(m) of the Code

As a publicly-traded company, we are subject to Section 162(m) of the Internal Revenue Code which limits our ability to deduct for U.S. income tax purposes compensation in excess of $1 million paid to the NEOs unless the compensation is performance-based under Section 162(m). The Compensation Committee considers tax deductibility to be an important, but not the sole or primary, consideration in setting executive compensation. Because the Compensation Committee also recognizes the need to retain flexibility to make compensation decisions that may not meet the standards of Section 162(m) when necessary to enable us to continue to attract, retain, and motivate highly-qualified executives, it reserves the authority to approve potentially non-deductible compensation.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the information appearing above under the heading "Compensation Discussion and Analysis" with management and, based on that review and discussion, has recommended to the Board of Directors that the "Compensation Discussion and Analysis" section be included in this Proxy Statement and the Company's Annual Report on Form 10-K for the year ending December 31, 2015.

Compensation Committee of the Board of Directors:
R. Alex Rankin, Chairman
Craig J. Duchossois
Daniel P. Harrington
James F. McDonald

2015 Summary Compensation Table

The following table provides information regarding compensation earned by each individual who served as our Chief Executive Officer, President & Chief Operating Officer and Former Chief Financial Officer, Executive Vice President & Chief Financial Officer, one officer employed at the end of 2015 who was the most highly compensated for 2015 and Mr. Evans, our former Executive Chairman (sometimes referred to in this proxy statement as the "Named Executive Officers" or "NEOs").

Name and Principal Position	Year	Base Salary ($)	Bonus ($)	Stock Awards ($)(1)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)(2)	All Other Compensation ($)(3)	Total ($)
Robert L. Evans	**2015**	**432,047**	**-0-**	**6,495,782**	**-0-**	**649,000**	**55,874**	**7,632,703**
Former Executive Chairman	**2014**	**584,615**	**-0-**	**-0-**	**-0-**	**725,000**	**80,488**	**1,390,103**
	2013	**588,462**	**-0-**	**-0-**	**-0-**	**825,000**	**75,433**	**1,488,895**
William C. Carstanjen	**2015**	**726,000**	**-0-**	**6,547,309**	**-0-**	**1,300,000**	**14,012**	**8,587,321**
Chief Executive Officer	**2014**	**511,539**	**-0-**	**-0-**	**-0-**	**750,000**	**19,435**	**1,280,974**
	2013	**476,539**	**-0-**	**8,843,525**	**-0-**	**530,000**	**22,150**	**9,872,213**
William E. Mudd	**2015**	**553,846**	**-0-**	**3,405,523**	**-0-**	**700,000**	**33,186**	**4,692,555**
President and Chief	**2014**	**462,500**	**-0-**	**-0-**	**-0-**	**500,000**	**35,385**	**997,885**
Operating Officer	**2013**	**431,539**	**-0-**	**7,417,000**	**-0-**	**450,000**	**36,803**	**8,335,342**
Marcia A. Dall(4)	**2015**	**100,962**	**200,000**	**770,000**	**-0-**	**-0-**	**528**	**1,071,490**
Executive Vice President and Chief Financial Officer								
Paul J. Thelen	**2015**	**489,038**	**-0-**	**2,322,046**	**-0-**	**391,230**	**8,867**	**3,211,181**
President, Big Fish Games								

(1) In accordance with the SEC executive compensation disclosure rules, the amounts shown for stock awards represent the grant date fair value of such awards determined in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation—Stock Compensation ("FASB ASC Topic 718"), but disregarding the estimate of forfeitures related to service-based vesting conditions, in connection with (i) service-based restricted stock granted to Mr. Carstanjen, Mr. Mudd, and Mr. Evans in February 2015, (ii) service-based RSUs and PSUs granted pursuant to the ELTI Plan for Mr. Carstanjen, Mr. Mudd, and Mr. Thelen, (iii) service-based restricted stock issued to Ms. Dall pursuant to the terms of her offer letter, and (iv) the modification charge incurred with respect to the accelerated vesting of Mr. Evans' 2010 and 2015 restricted share awards in connection with his departure as Executive Chairman of the Board. The grant date fair value for the PSUs ($153.01/unit as of September 22, 2015 and $163.02/unit as of October 23, 2015) was calculated using a Monte-Carlo simulation model, which factors in the value of the relative TSR modifier that is applied to the award before the share-based payment vests. Mr. Evans' stock awards include $2,882,100 related to the 30,000 shares (15,000 vesting on August 14, 2015 and 15,000 vesting on August 14, 2016) which were granted on February 22, 2015. In accordance with SEC disclosure rules, Mr. Evans' stock awards also includes $1,855,200 related to the acceleration of the vesting of 15,000 shares from this February 22, 2015 grant and $1,758,482 related to the acceleration of the vesting of 14,218 shares that were previously awarded on September 27, 2010, in each case based on the July 8, 2015 closing price of $123.68 on the NASDAQ Global Market. Assuming the highest level of performance is achieved for the PSUs, the maximum value of the PSUs at the grant date would be as follows: Mr. Carstanjen—$4,537,513; Mr. Mudd—$1,966,178; and Mr. Thelen—$4,060,985.

(2) Amounts in this column represent payments for performance under the Executive Annual Incentive Plan ("EAIP"). Mr. Evans received his 2015 EAIP award of $649,000 upon his retirement in September 2015. Mr. Carstanjen, Mr. Mudd and Mr. Thelen received their 2015 EAIP awards in February 2016. Typically, payments for each year shown are made by March 31 of the following year.

(3) The table below shows the components of this column for 2015, which include the Company match for each individual's defined contribution plan contributions, life insurance premiums, supplemental long-term disability insurance premiums and allowances. Allowances for Mr. Evans for 2015 include $24,419 for Mr. Evans' ground transportation. Allowances for Mr. Carstanjen and Mr. Mudd include $894 and $675, respectively, for family to attend the Arlington Million in August 2015.

(4) Ms. Dall received a guaranteed award of $200,000 under the EAIP pursuant to the terms of Ms. Dall's September 18, 2015 offer letter. In addition, Ms. Dall received a sign-on bonus of $250,000, not reflected above, paid on the first pay period of 2016 pursuant to the terms of the same offer letter.

All Other Compensation
For Fiscal Year Ended December 31, 2015

Name	Company Contributions Under Defined Contribution Plans (a)	Life Insurance Premiums (b)	Supplemental Long-Term Disability Insurance Premiums (c)	Allowances (d)	Total All Other Compensation
Robert L. Evans	**25,422**	**3,814**	**2,219**	**24,419**	**55,874**
William C. Carstanjen	**10,200**	**1,568**	**1,350**	**894**	**14,012**
William E. Mudd	**30,162**	**1,223**	**1,126**	**675**	**33,186**
Marcia A. Dall	**-0-**	**528**	**-0-**	**-0-**	**528**
Paul J. Thelen	**7,950**	**412**	**505**	**-0-**	**8,867**

(a) This amount includes Company contributions to both 401(k) and deferred compensation accounts.

(b) Mr. Evans (during his time as Executive Chairman), Mr. Carstanjen, Mr. Mudd and Ms. Dall receive group life coverage equal to two times base salary with a $1 million maximum, whereas other non-executive employees receive coverage of two times base salary with a $300,000 maximum. The amounts in this column are the premiums for the NEOs' coverage. Mr. Thelen receives group life coverage equal to his base salary, or two times base salary in the event of an accidental death.

(c) Mr. Evans (during his time as Executive Chairman), Mr. Carstanjen, Mr. Mudd and Ms. Dall receive long-term disability coverage equal to sixty percent (60%) of their base salary with a $10,000 per month maximum in the event of a long-term disability, which benefit is taxable to the NEO. The Company offers supplemental long-term disability income insurance to help fill the gap between the executive's regular monthly net income and the amount that would be paid under the Company's standard long-term disability insurance policy that is available to other salaried employees. The amounts in this column are the premiums for the NEOs' supplemental coverage paid by the Company. Mr. Thelen receives long-term disability coverage equal to his base salary with a $10,000 per month maximum in the event of a long-term disability, which is a tax-free benefit to Mr. Thelen as the tax is paid by the Company, pursuant to Big Fish policy.

(d) See Note 3 to the 2015 Summary Compensation Table on page 48.

Grants of Plan-Based Awards
For Fiscal Year Ended December 31, 2015

The grants in the following table are generally described in the Compensation Discussion and Analysis, beginning on page 35.

		Estimated Future Payout under Non-Equity Incentive Plan Awards(1)			Estimated Future Payout under Equity Incentive Plan Awards(2)			All Other Stock Awards: Number of Shares of Stock or Units (#)	Grant Date Fair Value of Stock Awards ($)
Name	**Grant Date**	**Threshold ($)**	**Target ($)**	**Max ($)**	**Threshold (#)**	**Target (#)**	**Max (#)**		
Robert L. Evans		275,000	550,000	1,100,000					
	2/09/2015							30,000(2)	2,882,100
	7/08/2015							29,218(3)	3,613,682
William C. Carstanjen		571,900	1,143,800	2,287,600					
	09/22/2015				5,931	11,862	23,724		1,815,005
	02/09/2015							32,500(2)	3,122,275
	09/22/2015							11,862(2)	1,610,029
William E. Mudd		300,000	600,000	1,200,000					
					2,570	5,140	10,280		786,471
	02/09/2015							20,000(2)	1,921,400
	09/22/2015							5,140(2)	697,652
Marcia A. Dall	10/12/2015							5,500(2)	770,000
Paul J. Thelen		195,615	391,230	782,460					
	09/22/2015				2,570	5,140	10,280		786,471
	10/23/2015				2,570	5,140	10,280		837,923
	09/22/2015							5,140(2)	697,652

(1) Represents annual incentive bonus opportunities under the EAIP for each of the NEOs. See "Executive Annual Incentive Plan" beginning on page 40. Actual bonus payments for 2015 are listed under Non-Equity Incentive Plan Compensation in the Summary Compensation Table on page 47.

(2) Represents the performance share units under the ELTI Plan for each of the NEOs. See "2015 New Executive LTIP" beginning on page 42. The vesting of these awards is also subject to a TSR modifier which could increase or decrease the number of shares under an award by 25%, as more fully explained on page 43.

(3) As noted in the Compensation Discussion and Analysis, the vesting terms of Mr. Evans' equity awards were modified on July 8, 2015 in connection with the announcement of Mr. Evans' retirement and resignation as an executive officer of the Company, effective September 30, 2015. This amount represents the number of previously awarded restricted shares that vested due to acceleration in connection with Mr. Evans' retirement and resignation and does not reflect a new equity grant.

Outstanding Equity Awards at Fiscal Year-End
For Fiscal Year Ended December 31, 2015

Name	Option Awards				Stock Awards			
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)[1]	Equity Incentive Plan Awards; Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards; Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)[1]
Robert L. Evans	-0-	-0-	N/A	N/A	65,000[2]	9,196,850	-0-	-0-
William C. Carstanjen ..	-0-	-0-	N/A	N/A	12,500[3]	1,768,625	-0-	-0-
					11,862[4]	1,678,354	11,862[4]	1,678,354
					27,500[5]	3,890,975	-0-	-0-
William E. Mudd	4,500	-0-	52.58	10/15/2017	10,000[3]	1,414,900	-0-	-0-
					5,140[4]	727,259	5,140[4]	727,259
					17,500[5]	2,476,075	-0-	-0-
Marcia A. Dall	-0-	-0-	N/A	N/A	5,500[6]	778,195	-0-	-0-
Paul J. Thelen	-0-	-0-	N/A	N/A	5,140[4]	727,259	10,280[4]	1,454,517

(1) Based on the closing price of our Common Stock on the NASDAQ Global Market at December 31, 2015 of $141.49 per share.

(2) Represents restricted stock awards under the Prior LTIP that were granted in 2006, which will vest on March 31, 2016.

(3) Represents restricted stock awards under the Prior LTIP that were granted in 2013 but have not yet vested.

(4) Represent initial awards under the ELTI Plan consisting of PSU's for performance-based measures and RSU's for service-based awards over the period from July 1, 2015 through December 31, 2017.

(5) Represents restricted stock awards in connection with Mr. Carstanjen's and Mr. Mudd's employment that will become vested after the restriction periods expire.

(6) Represents restricted stock awarded in connection with Ms. Dall's employment that will become vested after the restriction periods expire. One-third of the stock award will vest annually on October 12 in each of the years 2016, 2017 and 2018.

Option Exercises and Stock Vested
For Fiscal Year Ended December 31, 2015

	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)(1)
Robert L. Evans	**-0-**	**-0-**	**56,406**	**7,465,557**
William C. Carstanjen	**-0-**	**-0-**	**40,000**	**5,043,550**
William E. Mudd	**-0-**	**-0-**	**47,500**	**5,775,375**
Marcia A. Dall	**-0-**	**-0-**	**-0-**	**-0-**
Paul J. Thelen	**-0-**	**-0-**	**-0-**	**-0-**

(1) Amounts reflect the market value of the stock on the day the stock vested or day the stock options were exercised.

Nonqualified Deferred Compensation
For Fiscal Year Ended December 31, 2015

Name	Executive Contributions in Last Fiscal Year ($)(1)	Registrant Contributions in Last Fiscal Year ($)(2)	Aggregate Earnings (Losses) in Last Fiscal Year ($)	Aggregate Withdrawals Distributions ($)	Aggregate Balance at Last Fiscal Year End ($)(3)
Robert L. Evans	**504,210**	**15,222**	**(139,552)**	**-0-**	**4,782,032**
William C. Carstanjen	**-0-**	**-0-**	**-0-**	**-0-**	**-0-**
William E. Mudd	**27,692**	**19,962**	**(5,629)**	**-0-**	**319,922**
Marcia A. Dall	**-0-**	**-0-**	**-0-**	**-0-**	**-0-**
Paul J. Thelen	**-0-**	**-0-**	**-0-**	**-0-**	**-0-**

(1) The amounts in this column are also included in the 2015 Summary Compensation Table on page 47 in the salary column or the non-equity incentive plan compensation column.

(2) The amounts in this column are also included in the 2015 Summary Compensation Table on page 47 in the all other compensation column as a part of the Company contributions under defined contribution plans.

(3) Of the totals in this column, the following totals have previously been reported in the Summary Compensation Table for this year and for previous years:

Name	2015 ($)	Previous Years ($)	Total
Robert L. Evans	**519,432**	**3,899,296**	**4,418,728**
William C. Carstanjen	**-0-**	**-0-**	**-0-**
William E. Mudd	**47,654**	**191,947**	**239,601**
Marcia A. Dall	**-0-**	**-0-**	**-0-**
Paul J. Thelen	**-0-**	**-0-**	**-0-**

The Nonqualified Deferred Compensation table above shows information about the Company's nonqualified deferred compensation plan. Executive officers and other executives may defer receipt of all or part of their cash compensation under this plan. The plan operates in a similar manner as the Company's 401(k) plan, whereby participants can manage their self-directed accounts to allocate balances among various investment alternatives, which determine gains or losses under the plan. A company match is provided for amounts deferred above the qualified plan limits. The plan is unfunded for ERISA purposes and subject to forfeiture in the event of insolvency or bankruptcy by the Company. Participants can elect to receive their deferred compensation balance (i) upon termination of employment through a lump sum payment or (ii) while employed by the Company provided that the initial distribution date is at least five (5) years from the initial participation date, in which case distributions may be made on a monthly basis or in a lump sum.

Potential Payments Upon Termination or Change of Control

The Company has entered into certain agreements and maintains certain plans that will require the Company to provide compensation to the NEOs in the event of a termination of employment or a change in control ("CIC") of the Company. The amount of compensation payable to each NEO in each situation as of December 31, 2015 is listed in the table below.

Name[(1)]	Cash Severance Payment	Acceleration & Continuation of Equity Awards[(2)]	Total Benefits
William C. Carstanjen			
Involuntary or good reason termination	**$3,220,252**	**$3,356,709**	**$ 6,576,961**
Change in control without termination	**-0-**	**4,241,021**	**4,241,021**
Death or Disability	**1,143,800**[(3)]	**4,417,884**	**5,561,684**
Involuntary or good reason termination within 2 years CIC	**4,292,152**	**9,723,759**[(4)]	**14,015,911**
William E. Mudd			
Involuntary or good reason termination	**$1,804,921**	**$1,454,517**	**$ 3,259,438**
Change in control without termination	**-0-**	**2,161,967**	**2,161,967**
Death or Disability	**600,000**[(3)]	**1,808,242**	**2,408,242**
Involuntary or good reason termination within 2 years CIC	**2,404,921**	**5,699,217**[(4)]	**8,104,139**
Marcia A. Dall			
Involuntary or good reason termination	**$1,092,165**	**$ -0-**	**$ 1,092,165**
Change in control without termination	**-0-**	**-0-**	**-0-**
Death or Disability	**200,000(3)**	**259,398**	**459,398**
Involuntary or good reason termination within 2 years CIC	**1,454,665**	**778,195**[(4)]	**2,232,860**
Paul J. Thelen			
Involuntary or good reason termination	**$ 805,215**	**$2,181,776**	**$ 2,986,991**
Change in control without termination	**-0-**	**2,181,776**	**2,181,776**
Death or Disability	**-0-**	**2,181,776**	**2,181,776**
Involuntary or good reason termination within 2 years CIC	**805,215**	**2,181,776**[(4)]	**2,986,991**

(1) Mr. Evans is no longer subject to any severance or similar agreements given his retirement in September 2015.

(2) Represents the market value as of December 31, 2015 of restricted stock awards. For purposes of this disclosure, market value is the closing price of our Common Stock on the NASDAQ Global Market at December 31, 2015, of $141.49 per share.

(3) Represents the pro rata bonus for the year of death or disability based on the target bonus the executive was eligible to receive for that year.

(4) Represents one hundred percent (100%) of all unvested restricted stock awards, RSU and PSU awards granted under the Prior LTIP and the ELTI Plan.

Non-Solicit Provisions

Mr. Carstanjen, Mr. Mudd and Ms. Dall (the "Key Executives") each entered into an Executive Change in Control, Severance and Indemnity Agreement (the "Change in Control Agreement") with the Company, replacing all previously executed employment agreements, if any, which were mutually terminated by the Company and each Key Executive. Pursuant to each of these agreements, each Key Executive is subject to a two-year non-solicitation period after the termination of his employment with the Company for any reason, during which he may not solicit any employee of the Company to leave employment with the Company or solicit any customer of the Company for the purpose of engaging in business with them that competes with the business engaged in by the Company.

Severance Benefits

The Change in Control Agreement, executed by the Key Executives, provides for the following principal severance provisions upon termination by the Company without cause or by the executive upon constructive termination or for good reason (as defined in each agreement):

Mr. Carstanjen, Mr. Mudd and Ms. Dall. Cash payments equal to the product of 1.5 times the sum of (a) base salary plus (b) target bonus for the year of termination of employment, payable in equal installments over 18 months; treatment of all equity-based awards per the terms of the applicable plan, award or agreement; and a lump sum cash payment equal to the total premiums for medical, dental and vision benefits for a three month period.

Mr. Thelen. If terminated Mr. Thelen is entitled to: continuation of pay for twelve (12) months; COBRA for up to twelve (12) months (subject to earlier termination if Mr. Thelen is no longer entitled to COBRA); earned but unpaid incentive plan bonuses; and any accrued but unpaid salary and accrued but unused personal time off.

Change in Control Benefits. The new agreements for the Key Executives also provide for the following change in control provisions: if the executive is terminated within two years following a change in control, he will receive severance as provided above, except that the salary and bonus severance shall instead equal the product of 2.0 times the sum of (a) base salary plus (b) target bonus for the year of termination of employment, payable in one lump sum on the sixtieth (60^{th}) day following such termination.

In the event that any or all payments to any of the Key Executives are subject to the excise tax imposed by Section 4999 of the Code, such payments shall be reduced to one dollar ($1) below the maximum amount of payments that will not be subject to such tax; provided, however, that the foregoing limitation shall not apply in the event the total payments to a Key Executive, on an after-tax basis, would exceed the after-tax benefits to the Key Executive if such limitation applied. The Key Executive shall bear the expense of any and all excise taxes due on any payments that are deemed to be "excess parachute payments" under Section 280G of the Code.

Equity Compensation Plan Information[1]

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by security holders[2]	8,596[3][4]	$48.37	1,034,506[6]
Equity compensation plans not approved by security holders[5]	65,000	$36.16	-0-
Total	73,596	$37.59	1,034,506

(1) This table includes (i) aggregate data, including pricing, for shares presently committed under all equity compensation plans of the Company as of the end of the most recently completed fiscal year and (ii) aggregate data for shares still available to be issued under those plans.

(2) The equity compensation plans of the Company which have been approved by the shareholders of the Company are the Churchill Downs Incorporated 2000 Employee Stock Purchase Plan ("Stock Purchase Plan"), the Churchill Downs Incorporated 1993 Stock Option Plan ("1993 Plan"), the Churchill Downs Incorporated 1997 Stock Option Plan ("1997 Plan"), the Churchill Downs Incorporated 2003 Stock Option Plan ("2003 Plan"), the Churchill Downs Incorporated 2004 Restricted Stock Plan ("Restricted Stock Plan") and the Churchill Downs Incorporated 2007 Omnibus Stock Incentive Plan ("2007 Plan") and certain stock options and restricted stock awards granted to the CEO as a part of his employment agreement. The 1993 Plan, the 1997 Plan and the 2003 Plan each allow one- to three-year option vesting periods and require that options expire ten (10) years after the date of grant, if not earlier under certain circumstances. The Restricted Stock Plan allows for the award of stock subject to certain conditions and restrictions as determined by the Compensation Committee at the time of the award. The 2007 Plan allows the Compensation Committee the flexibility to design compensatory awards that are responsive to the Company's needs. Awards under the 2007 Plan may be in the form of stock options, stock appreciation rights, restricted stock, restricted share units, performance shares or performance units.

(3) Of this total, zero (0) shares of Common Stock of the Company are issuable upon the exercise of outstanding options granted under the 1997 Plan, 8,596 shares of Common Stock of the Company are issuable upon the exercise of outstanding options granted under the 2007 Plan and zero (0) shares of Common Stock of the Company are issuable upon the exercise of outstanding options granted to the CEO of the Company as a part of his employment agreement. The total does not include 229,943 (which excludes the Prior LTIP awards and the 2015 RSU and PSU awards provided under the ELTI Plan) outstanding shares of Common Stock which have been awarded under the Restricted Stock Plan and the 2007 Plan, as of December 31, 2015, which are unvested and over which the participants have neither voting nor dispositive power until the lapse of the restriction period.

(4) Because each participant in the Stock Purchase Plan has one option each plan year and that option consists of the number of shares which can be purchased, through exercise, at the end of the plan year using compensation deductions made throughout the plan year, no outstanding options, warrants or rights for a specific number of the Company's securities to be issued upon exercise existed at fiscal year's end and, therefore, none are included in this total for the Stock Purchase Plan.

(5) As a part of his employment agreement, the Chairman of the Company was granted 65,000 restricted stock units representing shares of Common Stock of the Company, which vest quarterly over a 5 year period beginning with the end of the third calendar quarter of 2006. The Chairman of the Company is entitled to receive the shares underlying the restricted stock units (along with a cash payment equal to accumulated dividend equivalents beginning with the lapse of forfeiture, plus interest at a 3% annual rate) six months

after termination of employment, such that the Chairman will be entitled to receive the shares on March 31, 2016. The restricted stock units were granted to the Chairman of the Company as a material inducement to enter into the employment agreement.

(6) Of this total, as of December 31, 2015, 49,968 shares of Common Stock of the Company remained available for future issuance under the Stock Purchase Plan and 984,538 shares of Common Stock of the Company remained available for future issuance under the 2007 Plan. In 2014, a shareholder approved amendment to the 2007 Plan increased the shares available for issuance under the 2007 Plan by 1,800,000 shares of Common Stock. Stock awards under the 2007 Plan, other than stock options, will be counted against the maximum number of shares as to which stock awards may be granted on a ratio of 2-to-1.

Certain Relationships and Related Transactions

The Company has adopted written policies and procedures for identifying and approving or ratifying related person transactions. The policies and procedures cover all related person transactions required to be disclosed under Item 404 (a) of Regulation S-K. The Audit Committee is responsible for applying the policies and procedures. In evaluating related person transactions, the Audit Committee considers all factors it deems appropriate, including without limitation, whether the related person transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances, the extent of the related person's interest in the transaction, and whether products or services of a similar nature, quantity, or quality are readily available from alternative sources.

Since January 1, 2015, the Company entered into one related party transaction. On November 19, 2015, the Company entered into an agreement with The Duchossois Group, Inc. ("TDG") to repurchase 944,756 shares of the Company's Common Stock from TDG in a private transaction at a price per share equal to $146.13, based on the 20-day trailing average of the price of the Common Stock as reported on NASDAQ, for an aggregate purchase price of approximately $138.1 million (the "Stock Repurchase Agreement"). In connection with the Stock Repurchase Agreement, TDG and the Company amended TDG's stockholder's agreement, providing that the term of the stockholder's agreement ends for most purposes when TDG no longer holds at least 5% of the then outstanding Voting Securities (as defined in the stockholder's agreement) and that, for so long as TDG holds at least 5% of the then outstanding Voting Securities, it shall have the right to nominate at least one individual to serve on the Board of Directors of the Company.

In addition, directors of the Company may from time to time own or have interests in horses racing at the Company's tracks. All such races are conducted, as applicable, under the regulations of the Kentucky Horse Racing Commission, the Illinois Racing Board, the Florida Department of Business and Professional Regulation Division of Pari-Mutuel Wagering, the Louisiana State Racing Commission, or the Ohio State Racing Commission, and no director receives any extra or special benefit with regard to having his or her horses selected to run in races or in connection with the actual running of races.

In its ordinary course of business, the Company may enter into transactions with certain of its officers and directors for the sale of personal seat licenses and suite accommodations at its racetracks, and tickets for its live racing events. The Company believes that each such transaction has been on terms no less favorable for the Company than could have been obtained in a transaction with a third party and no such person received any extra or special benefit in connection with such transactions.

Churchill Downs Incorporated
Audit Committee Report

The following is the report of the Company's Audit Committee (the "Committee"), which currently consists of three directors, each of whom has been determined by the Board of Directors (the "Board") to meet the current standards of the Securities and Exchange Commission and the NASDAQ exchange to be considered an "independent director." The Board has also determined that one member, Daniel P. Harrington, is an "audit committee financial expert" as defined by the Securities and Exchange Commission.

The Committee has an Audit Committee Charter (the "Charter"), which was amended, restated and approved by the Board on February 24, 2016. The Charter sets forth certain responsibilities of the Committee, which include oversight of the integrity of the financial statements of the Company, the systems of internal controls over financial reporting which management has established, the independence and performance of the Company's internal and independent auditors, the Company's compliance with financial, accounting, legal and regulatory requirements, and the effectiveness of the Enterprise Risk Management ("ERM") function. The Committee reviews the work of the Company's management, the internal audit staff and the independent auditors on behalf of the Board.

Specifically, the Committee:

- Met five (5) times during the year, during which the Committee reviewed and discussed with management and the independent auditors the Company's interim and annual financial statements for 2015; at each of such meetings, the Committee met in executive session with the Company's Chief Compliance Officer and the Vice President of Internal Audit.
- Discussed with the independent auditors all matters required to be discussed under Auditing Standard No. 16, as amended (Communication with Audit Committees), as adopted by the Public Company Accounting Oversight Board, which sets forth required communication between independent auditors and audit committees.
- Received the written disclosures and letters from the independent auditors required by applicable requirements of the Public Company Accounting Oversight Board, regarding the independent auditors' communications with the Audit Committee concerning independence, and discussed with the independent auditors the independent auditors' independence.
- Based on the review and discussions referred to in the first three bullets above, the Committee recommended to the Board that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.
- Reviewed and discussed reports from the Company's internal audit department and reports from the Company's legal department.
- Discussed with management and the independent auditors the quality of the Company's internal controls.
- Reviewed and approved all related person transactions.
- Self-evaluated the effectiveness of the Committee.
- Evaluated the effectiveness of the Company's internal audit function.
- Inquired of management, including its internal auditor, and the Company's independent auditors regarding significant risks or exposures, including those related to fraudulent activities, facing the Company; assessed the steps management has taken or proposes to take to minimize such risks to the Company and reviewed compliance with such steps.

- Reviewed and approved the 2015 audit and non-audit services and related fees provided by the independent auditors, PricewaterhouseCoopers LLP ("PwC"). The non-audit services approved by the Audit Committee were also reviewed to ensure compatibility with maintaining the auditor's independence.
- In February 2015, the Committee selected PwC to be reappointed as independent auditors for the calendar year 2015. The Committee also reviewed and pre-approved the 2015 audit fees for services related to the first quarter Form 10-Q review.

No portion of this Audit Committee Report shall be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended (the "Securities Act"), or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), through any general statement incorporating by reference in its entirety the Proxy Statement in which this report appears, except to the extent that the Company specifically incorporates this report or a portion of it by reference. In addition, this report shall not be deemed to be filed under either the Securities Act or the Exchange Act.

Members of the Audit Committee
Daniel P. Harrington, Chairman
James F. McDonald
R. Alex Rankin

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires that the Company's directors, executive officers and persons who beneficially own more than ten percent (10%) of the Company's Common Stock file certain reports with the SEC with regard to their beneficial ownership of the Common Stock. The Company is required to disclose in this Proxy Statement any failure to file or late filings of such reports. Based solely on our review of the forms filed with the Securities and Exchange Commission or written representations from certain reporting persons received by us, we believe that our directors, officers and persons who own more than ten percent (10%) of the Company's Common Stock have complied with all applicable filing requirements, except in the following instances: the Company filed late three (3) Form 4s on behalf of Ulysses L. Bridgeman reporting one instance of a phantom stock award for board service and two instances of dividends in the form of stock; the Company filed late three (3) Form 4s on behalf of Craig J. Duchossois reporting one instance of a phantom stock award for board service and two instances of dividends in the form of stock; the Company filed late three (3) Form 4s on behalf of Robert L. Fealy reporting one instance of a phantom stock award for board service and two instances of dividends in the form of stock; the Company filed late three (3) Form 4s on behalf of James F. McDonald reporting one instance of a phantom stock award for board service and two instances of dividends in the form of stock; the Company filed late two (2) Form 4s on behalf of Richard L. Duchossois reporting two instances of dividends in the form of stock; the Company filed late one (1) Form 4 on behalf of G. Watts Humphrey, Jr. reporting one instance of a dividend in the form of stock; the Company filed late one (1) Form 4 on behalf of William C. Carstanjen reporting one instance of a phantom stock award; the Company filed late one (1) Form 4 on behalf of William E. Mudd reporting one instance of a phantom stock award; the Company filed late one (1) Form 4 on behalf of Marcia A. Dall reporting one instance of a restricted stock award.

Multiple Shareholders Sharing the Same Address

The SEC has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for proxy statements with respect to two or more shareholders sharing the same address by delivering a single proxy statement addressed to those shareholders. This process, which is commonly referred to as "house-holding," potentially means extra convenience for shareholders and cost savings for companies.

At this time, one or more brokers with accountholders who are Company shareholders will be "house-holding" our proxy materials. A single Proxy Statement will be delivered to multiple shareholders sharing an address unless contrary instructions have been received from the affected shareholder. Once you have received notice from your broker that they will be "house-holding" communications to your address, "house-holding" will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in "house-holding" and would prefer to receive a separate Proxy Statement, please notify your broker. You may direct your written request for a copy of the Proxy Statement to Churchill Downs Incorporated, Attn: Bridgett Gatewood, 600 N. Hurstbourne Parkway, Ste. 400, Louisville, Kentucky 40222, or at (502) 636-4400. If your broker is not currently "house-holding" (i.e., you received multiple copies of the Company's Proxy Statement), and you would like to request delivery of a single copy, you should contact your broker.

Proposals by Shareholders

Any shareholder proposal that may be included in the Board of Directors' Proxy Statement and Proxy for presentation at the annual meeting of shareholders to be held in 2017 must be received by the Company at the principal executive office at 600 N. Hurstbourne Parkway, Ste. 400, Louisville, Kentucky 40222, Attention of the Secretary, no later than November 29, 2016. Pursuant to the Company's Amended and Restated Bylaws, proposals of shareholders intended to be presented at the Company's 2017 annual meeting of shareholders, but not included in the Proxy Statement, must be received by the Company at the principal executive offices of the Company not less than 90 nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of shareholders. Accordingly, any shareholder proposals intended to be presented at the 2017 annual meeting of shareholders of the Company must be received in writing by the Company at its principal executive offices no later than January 27, 2017, and no sooner than December 28, 2016. Any proposal submitted before or after those dates will be considered untimely, and the Chairman shall declare that the business is not properly brought before the meeting and such business shall not be transacted at the annual meeting.

BY ORDER OF THE BOARD OF DIRECTORS

Robert L. Evans
Chairman
Alan K. Tse
Executive Vice President and General Counsel

Louisville, Kentucky
March 29, 2016

PLEASE SIGN AND RETURN THE ENCLOSED PROXY
OR VOTE BY TELEPHONE OR OVER THE INTERNET
IF YOU CANNOT BE PRESENT IN PERSON

EXHIBIT A

CHURCHILL DOWNS INCORPORATED

2016 OMNIBUS STOCK INCENTIVE PLAN

CHURCHILL DOWNS INCORPORATED
2016 OMNIBUS STOCK INCENTIVE PLAN

1. *Purpose.* The purpose of the Churchill Downs Incorporated 2016 Omnibus Stock Incentive Plan (the "Plan") is to attract and retain employees and non-employee directors for Churchill Downs Incorporated and its Subsidiaries and to provide such persons with incentives and rewards for superior performance.

2. *Definitions.* As used in this Plan, the following terms shall be defined as set forth below:

2.1 "*Award*" means any Option, Stock Appreciation Right, Restricted Shares, Restricted Share Units, Performance Shares, Performance Units or Performance Cash granted under the Plan.

2.2 "*Award Agreement*" means an agreement, certificate, resolution or other form of writing or other evidence approved by the Committee which sets forth the terms and conditions of an Award. An Award Agreement may be in an electronic medium, may be limited to a notation on the Company's books and records and, if approved by the Committee, need not be signed by a representative of the Company or a Participant.

2.3 "*Base Price*" means the price to be used as the basis for determining the Spread upon the exercise of a Freestanding Stock Appreciation Right. Except in the case of a Substitute Award, in no case shall the Base Price be less than the Fair Market Value on the Grant Date of the Freestanding Stock Appreciation Right.

2.4 "*Board*" means the Board of Directors of the Company.

2.5 "*Change in Control"* means the first to occur of the following events:

(a) the acquisition, directly or indirectly, by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than 50% of either the then outstanding voting securities of the Company (the "Outstanding Company Common Stock") or the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however that for purposes of this subsection (a), the following acquisitions shall not constitute a Change in Control: (w) any acquisition directly from the Company, (x) any acquisition by the Company or any of its subsidiaries, (y) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (z) any acquisition by any corporation pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (c) of this definition;

(b) during any twenty-four (24) month period, individuals who, as of the beginning of each period, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

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

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

2.6 "*Code*" means the Internal Revenue Code of 1986, as amended from time to time.

2.7 "*Committee*" means the Compensation Committee of the Board.

2.8 "*Company*" means Churchill Downs Incorporated, a Kentucky corporation, or any successor corporation.

2.9 "*Deferral Period*" means the period of time during which Restricted Share Units are subject to deferral limitations under Section 8.

2.10 "*Employee*" means any person, including an officer, employed by the Company or a Subsidiary.

2.11 "*Fair Market Value*" means the closing price for the Shares on the Grant Date as reported on the Nasdaq Global Select Market or the principal securities exchange on which the Shares are listed for trading or, if there were no sales on such date, the closing price on the nearest preceding date on which sales occurred, in each case, as reported in *The Wall Street Journal* or such other source as the Committee deems reliable.

2.12 "*Freestanding Stock Appreciation Right*" means a Stock Appreciation Right granted pursuant to Section 6 that is not granted in tandem with an Option or similar right.

2.13 "*Grant Date*" means the date specified by the Committee on which a grant of an Award shall become effective, which shall not be earlier than the date on which the Committee takes action with respect thereto.

2.14 "*Incentive Stock Option*" means any Option that is intended to qualify as an "incentive stock option" under Code Section 422 or any successor provision.

2.15 "*Nonemployee Director*" means a member of the Board who is not an Employee.

2.16 "*Nonqualified Stock Option*" means an Option that is not intended to qualify as an Incentive Stock Option.

2.17 "*Option*" means any option to purchase Shares granted under Section 5.

2.18 "*Optionee*" means the person so designated in an agreement evidencing an outstanding Option.

2.19 "*Option Price*" means the purchase price payable upon the exercise of an Option. In no case shall the Option Price be less than the Fair Market Value on the Grant Date of the Option.

2.20 "*Participant*" means an Employee or Nonemployee Director who is selected by the Committee to receive benefits under this Plan, provided that only Employees shall be eligible to receive grants of Incentive Stock Options.

2.21 *"Performance Award"* shall mean any Award of Performance Cash, Performance Shares or Performance Units awarded pursuant to Section 9.

2.22 *"Performance Cash"* shall mean any cash incentives awarded pursuant to Section 9.

2.23 "*Performance Objectives*" means the performance objectives established pursuant to this Plan for Participants who have received Awards. Performance Objectives may be described in terms of Company-wide objectives or objectives that are related to the performance of the individual Participant or the Subsidiary, division, department or function within the Company or Subsidiary in which the Participant is employed. Performance Objectives may be measured on an absolute or relative basis. Relative performance may be measured by a group of peer companies or by a financial market index. Any Performance Objectives applicable to a Qualified Performance-Based Award shall be limited to specified levels of or increases in the Company's or Subsidiary's return on equity, earnings before or after deduction for all or any portion of interest, taxes, depreciation, or amortization, whether or not on a continuing operations or an aggregate or per share basis, net earnings per share, diluted earnings per share, total earnings, earnings growth, return on capital, cost of capital, return on assets, return on investment, return on equity, net customer sales, volume, sales growth, gross profit, gross margin return on investment, share price (including but not limited to, growth measures and total stockholder return), operating profit, operating margin, net operating profit after taxes, net earnings, cash flow (including, but not limited to, operating cash flow and free cash flow), cash flow return on investment (which equals net cash flow divided by total capital), financial return ratios, total return to shareholders, market share, earnings measures/ratios, economic value added (EVA), balance sheet measurements, asset growth, market share, internal rate of return, increase in net present value or expense targets, "Employer of Choice" or similar survey results, customer satisfaction surveys and productivity. Any Performance Objectives that are financial metrics, may be determined in accordance with United States Generally Accepted Accounting Principles or may be adjusted when established to include or exclude any items otherwise includable or excludable under GAAP. Potential adjustments include, but are not limited to: (a) restructurings, discontinued operations, extraordinary items, and other unusual, infrequently occurring or non-recurring charges or events, (b) asset write-downs, (c) significant litigation or claim judgments or settlements, (d) acquisitions or divestitures, (e) any reorganization or change in the corporate structure or capital structure of the Company, (f) an event either not directly related to the operations of the Company, Subsidiary, division, business segment or business unit or not within the reasonable control of management, (g) foreign exchange gains and losses, (h) a change in the fiscal year of the Company, (i) the cumulative effects of tax or accounting changes in accordance with U.S. generally accepted accounting principles, or (j) the effect of changes in other laws or regulatory rules affecting reporting results. If the Committee determines that a change in the business, operations, corporate structure or capital structure of the Company, or the manner in which it conducts its business, or other events or circumstances render the Performance Objectives unsuitable, the Committee may modify such Performance Objectives or the related minimum acceptable level of achievement, in whole or in part, as the Committee deems appropriate and equitable; provided, however, that with respect to any Qualified Performance-Based Award such modification may only be made to the extent permissible under, and in a manner consistent with, Code Section 162(m).

2.24 "*Performance Period*" means a period of time established under Section 9 within which the Performance Objectives relating to a Performance Share, Performance Unit, Performance Cash, Restricted Share Units or Restricted Shares are to be achieved.

2.25 "*Performance Share*" means a bookkeeping entry that records the equivalent of one Share awarded pursuant to Section 9.

2.26 "*Performance Unit*" means a bookkeeping entry that records a unit equivalent to $1.00 awarded pursuant to Section 9.

2.27 "*Qualified Performance-Based Award*" means an Award or portion of an Award that is intended to satisfy the requirements for "qualified performance-based compensation" under Code Section 162(m). The Committee shall designate any Qualified Performance-Based Award as such at the time of grant. In order for an Award to constitute a Qualified Performance-Based Award, the following conditions must be satisfied in a manner consistent with the requirements set forth under Code Section 162(m) and Treasury regulations promulgated thereunder (which requirements are incorporated herein by reference):

(a) Payment of the Award must be contingent upon the attainment of one or more pre-established, objective performance goals;

(b) The performance goals must be established by the Company's Compensation Committee, which committee shall consist solely of two or more outside directors;

(c) Prior to payment, the shareholders of the Company must approve, in a separate vote, the terms of the Award, including the applicable performance goals and the maximum amount payable to the Participant; and

(d) Prior to payment, the Compensation Committee must certify in writing that the performance goals and any other material terms of the Award have been satisfied.

2.28 *"Restricted Share Units"* means an Award pursuant to Section 8 of the right to receive Shares at the end of a specified Deferral Period (including, the right to receive fully vested but deferred Share units).

2.29 "*Restricted Shares*" mean Shares granted under Section 7 subject to a substantial risk of forfeiture.

2.30 "*Shares*" means shares of the Common Stock of the Company, no par value, or any security into which Shares may be converted by reason of any transaction or event of the type referred to in Section 12.

2.31 "*Spread*" means, in the case of a Freestanding Stock Appreciation Right, the amount by which the Fair Market Value on the date when any such right is exercised exceeds the Base Price specified in such right or, in the case of a Tandem Stock Appreciation Right, the amount by which the Fair Market Value on the date when any such right is exercised exceeds the Option Price specified in the related Option.

2.32 "*Stock Appreciation Right*" means a right granted under Section 6, including a Freestanding Stock Appreciation Right or a Tandem Stock Appreciation Right.

2.33 "*Subsidiary*" means a corporation or other entity in which the Company has a direct or indirect ownership or other equity interest, provided that for purposes of determining whether any person may be a Participant for purposes of any grant of Incentive Stock Options, "Subsidiary" means any corporation (within the meaning of the Code) in which the Company owns or controls directly or indirectly more than 50 percent of the total combined voting power represented by all classes of stock issued by such corporation at the time of such grant.

2.34 *"Substitute Awards"* shall mean Awards granted or Shares issued by the Company in assumption of, or in substitution or exchange for, awards previously granted, in each case by a company acquired by the Company or any Subsidiary or with which the Company or any Subsidiary combines.

2.35 "*Tandem Stock Appreciation Right*" means a Stock Appreciation Right granted pursuant to Section 6 that is granted in tandem with an Option or any similar right granted under any other plan of the Company.

3. *Shares Available Under the Plan*.

3.1 *Reserved Shares Available for Awards.* Subject to adjustment as provided in Section 12, the maximum number of Shares that may be (i) issued or transferred upon the exercise of Options or Stock Appreciation Rights, (ii) awarded as Restricted Shares and released from substantial risk of forfeiture, (iii) issued or transferred in payment of Restricted Share Units, Performance Shares or Performance Units, or (iv) issued or transferred in payment of dividend equivalents paid with respect to Awards, shall not in the aggregate exceed Eight Hundred Thousand (800,000) Shares.

3.2 *Reduction Ratio.* For purposes of Section 3.1, each Share issued or transferred pursuant to an Award other than a Stock Option or Stock Appreciation Right shall reduce the number of Shares available for issuance under the Plan by 2 Shares.

3.3 *ISO Maximum.* In no event shall the number of Shares issued upon the exercise of Incentive Stock Options exceed 800,000 Shares, subject to adjustment as provided in Section 12.

3.4 *Limitations on Grants to Individual Participants*. Subject to adjustment as provided in Section 12, the following limits will apply to Awards of the specified type granted to any one Participant in any single calendar year:

(i) Appreciation Awards—Options and Share Appreciation Rights: 200,000 Shares;

(ii) Full Value Awards—Restricted Share Awards, Restricted Share Unit Awards, Performance Share Awards and/or Performance Unit Awards that are denominated in Shares: 150,000 Shares; and

(iii) Cash Awards—Performance Awards that are denominated in cash: $10 million.

In applying the foregoing limits, (a) all Awards of the specified type granted to the same Participant in the same calendar year will be aggregated and made subject to one limit; (b) the limits applicable to Options and Share Appreciation Rights refer to the number of Shares subject to those Awards; (c) the Share limit under clause (ii) refers to the maximum number of Shares that may be delivered under an Award or Awards of the type specified in clause (ii) assuming a maximum payout; (d) the dollar limit under clause (iii) refers to the maximum dollar amount payable under an Award or Awards of the type specified in clause (iii) assuming a maximum payout, (e) the respective limits for Awards of the type specified in clause (ii) and clause (iii) are only applicable to Qualified Performance-Based Awards, and (f) each of the specified limits in clauses (i), (ii) and (iii) is multiplied by two (2) for Awards granted to a Participant in the year employment commences.

3.5 *Limitations on Awards to Nonemployee Directors*. Notwithstanding any provision contained herein to the contrary, with respect solely to Nonemployee Directors, the maximum aggregate amount of the sum of (a) cash fees and (b) Awards that may be granted to a Nonemployee Director in any calendar year (excluding

Awards made at the election of the Nonemployee Director in lieu of all or a portion of the Annual Retainer/ Meeting Fees) shall not exceed $350,000.

3.6 *Forfeited Shares and Shares under the 2007 Omnibus Stock Incentive Plan.* If Awards are forfeited or terminated for any reason before being exercised, fully vested, or settled, then the Shares underlying those Awards will cease to count against the limitations in Sections 3.1 and 3.3 and will become available for Awards under the Plan.

In addition, upon the Effective Date of the Plan, no additional award grants shall be made under the Churchill Downs Incorporated 2007 Omnibus Stock Incentive Plan (the "2007 Plan") . As a result, (a) Shares that remained available for award grants under the 2007 Plan as of the Effective Date of the Plan and (b) Awards under the 2007 Plan that remained outstanding under the 2007 Plan as of the Effective Date of the Plan that are later forfeited or terminated for any reason before being exercised, fully vested, or settled, will become available for Awards under the Plan.

3.7 *Substitute Awards.* Substitute Awards shall not reduce the Shares authorized for grant under the Plan or the applicable limitations for grant to a Participant under Section 3, nor shall Shares subject to a Substitute Award again be available for Awards under the Plan as provided in Section 3. Additionally, in the event that a company acquired by the Company or any Subsidiary or with which the Company or any Subsidiary combines has shares available under a pre-existing plan approved by stockholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the Shares authorized for grant under the Plan; provided that Awards using such available shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not Employees or Nonemployee Directors prior to such acquisition or combination.

3.8 *Shares for Withholding Obligations.* Any Shares subject to any award that are withheld or otherwise not issued upon exercise of any Award (including any award outstanding under the 2007 Plan as of the Effective Date) to satisfy the Participant's withholding obligations or in payment of any subscription price or the Option Price will not reduce the number of Shares available for grant under the limitations in Section 3.1.

3.9 *Awards Settled in Cash.* Awards (including awards outstanding under the 2007 Plan as of the Effective Date) valued by reference to Shares that are settled in equivalent cash or property value will not count against the limitations in this Section 3.

3.10 *Character of Shares*. Any Shares issued hereunder may consist, in whole or in part, of authorized and unissued shares, treasury shares or shares purchased in the open market or otherwise.

3.11 *Minimum Vesting Conditions*. Notwithstanding any Plan provision to the contrary, Participants who are granted Options and Stock Appreciation Rights will be required to continue to provide services to the Company (or a Subsidiary) for not less than one-year following the date of grant in order for any such Options and Stock Appreciation Rights to fully or partially vest or be exercisable (other than in case of death, disability or a Change in Control). Notwithstanding the foregoing, up to five percent of the available Shares authorized for issuance under the Plan pursuant to Section 3.1 may provide for vesting of Options and Stock Appreciation Rights, partially or in full, in less than one-year.

4. *Plan Administration*.

4.1 *Board Committee Administration.* This Plan shall be administered by the Compensation Committee of the Board. The interpretation and construction by the Committee of any provision of this Plan or of any Award

Agreement and any determination by the Committee pursuant to any provision of this Plan or any such agreement, notification or document, shall be final and conclusive. No member of the Committee shall be liable to any person for any such action taken or determination made in good faith.

4.2 *Committee Delegation.* The Committee may delegate to one or more officers of the Company the authority to grant Awards to Participants who are not non-employee directors or executive officers of the Company, provided that the Committee shall have fixed the total number of shares of Stock subject to such grants. Any such delegation shall be subject to the limitations of the Kentucky Business Corporation Act.

5. *Options.* The Committee may from time to time authorize grants to Participants of options to purchase Shares upon such terms and conditions as the Committee may determine in accordance with the following provisions:

5.1 *Number of Shares.* Each grant shall specify the number of Shares to which it pertains.

5.2 *Option Price.* Other than with respect to a Substitute Award, each grant shall specify an Option Price per Share, which shall be equal to or greater than the Fair Market Value per Share on the Grant Date. With respect to an Option granted as a Substitute Award, which substitution occurs in connection with a transaction to which Code Section 424(a) or Code Section 409A is applicable, the exercise price may be computed in accordance with such Code Section and the regulations thereunder and the Option may contain such other terms and conditions as the Committee may prescribe to cause such substitute Option to contain as nearly as possible the same terms and conditions (including the applicable vesting and termination provisions) as those contained in the previously issued option being replaced.

5.3 *Consideration.* Each grant shall specify the form of consideration to be paid in satisfaction of the Option Price and the manner of payment of such consideration, which may include (i) cash in the form of currency or check or other cash equivalent acceptable to the Company, (ii) nonforfeitable, unrestricted Shares owned by the Optionee which have a value at the time of exercise that is equal to the Option Price, (iii) any other legal consideration that the Committee may deem appropriate, including without limitation any form of consideration authorized under Section 5.4, on such basis as the Committee may determine in accordance with this Plan, or (iv) any combination of the foregoing.

5.4 *Cashless Exercise.* To the extent permitted by applicable law, any grant may provide for payment of the Option Price in whole or in part by delivery (on a form prescribed by the Committee) of an irrevocable direction to a securities broker to sell Shares and delivery all or part of the sales proceeds to the Company in payment of the Option Price and, if applicable, the amount necessary to satisfy the Company's withholding obligations at the minimum statutory withholding rates, including, but not limited to, U.S. Federal and state income taxes, payroll taxes and foreign taxes, if applicable.

5.5 *Performance-Based Options.* Any grant of an Option may specify Performance Objectives that must be achieved as a condition to exercise of the Option.

5.6 *Vesting.* Each Option grant may specify a period of continuous employment of the Optionee by the Company or any Subsidiary (or, in the case of a Nonemployee Director, service on the Board) that is necessary before the Options or installments thereof shall become exercisable.

5.7 *ISO Dollar Limitation.* Options granted under this Plan may be Incentive Stock Options, Nonqualified Stock Options or a combination of the foregoing, provided that only Nonqualified Stock Options may be granted to Nonemployee Directors. Each grant shall specify whether (or the extent to which) the Option is an Incentive Stock Option or a Nonqualified Stock Option. Notwithstanding any such designation, to the extent that the aggregate Fair Market Value of the Shares with respect to which Options designated as Incentive Stock

Options are exercisable for the first time by an Optionee during any calendar year (under all plans of the Company) exceeds $100,000, such Options shall be treated as Nonqualified Stock Options.

5.8 *Exercise Period.* No Option granted under this Plan may be exercised more than ten years from the Grant Date. Notwithstanding the foregoing, in the event that on the last business day of the term of an Option (i) the exercise of the Option, other than an Incentive Stock Option, is prohibited by applicable law or (ii) Shares may not be purchased or sold by certain employees or directors of the Company due to the “black-out period” of a Company policy or a “lock-up” agreement undertaken in connection with an issuance of securities by the Company, the term shall be extended for a period of thirty (30) days following the end of the legal prohibition, black-out period or lock-up agreement to the extent such extension does not cause adverse tax consequences to the Participant under Section 409A of the Code.

5.9 *Award Agreement.* Each grant shall be evidenced by an Award Agreement containing such terms and provisions as the Committee may determine consistent with this Plan.

6. *Stock Appreciation Rights.* The Committee may also authorize grants to Participants of Stock Appreciation Rights. A Stock Appreciation Right is the right of the Participant to receive from the Company an amount, which shall be determined by the Committee and shall be expressed as a percentage (not exceeding 100 percent) of the Spread at the time of the exercise of such right. Any grant of Stock Appreciation Rights under this Plan shall be upon such terms and conditions as the Committee may determine in accordance with the following provisions:

6.1 *Payment in Cash or Shares.* Any grant may specify that the amount payable upon the exercise of a Stock Appreciation Right may be paid by the Company in cash, Shares or any combination thereof as specified in the Award agreement and may (i) either grant to the Participant or reserve to the Committee the right to elect among those alternatives or (ii) preclude the right of the Participant to receive and the Company to issue Shares or other equity securities in lieu of cash.

6.2 *Maximum SAR Payment.* Any grant may specify that the amount payable upon the exercise of a Stock Appreciation Right shall not exceed a maximum specified by the Committee on the Grant Date.

6.3 *Vesting.* Any grant may specify a period of continuous employment of the Participant by the Company or any Subsidiary (or, in the case of a Nonemployee Director, service on the Board) that is necessary before the Stock Appreciation Rights or installments thereof shall become exercisable.

6.4 *Award Agreement.* Each grant shall be evidenced by an Award Agreement which shall describe the subject Stock Appreciation Rights, identify any related Options, state that the Stock Appreciation Rights are subject to all of the terms and conditions of this Plan and contain such other terms and provisions as the Committee may determine consistent with this Plan.

6.5 *Tandem Stock Appreciation Rights.* Each grant of a Tandem Stock Appreciation Right shall provide that such Tandem Stock Appreciation Right may be exercised only (i) at a time when the related Option (or any similar right granted under any other plan of the Company) is also exercisable and the Spread is positive; and (ii) by surrender of the related Option (or such other right) for cancellation.

6.6 *Exercise Period.* Any grant may specify (i) a waiting period or periods before Stock Appreciation Rights shall become exercisable and (ii) permissible dates or periods on or during which Stock Appreciation Rights shall be exercisable. No Stock Appreciation Right granted under this Plan may be exercised more than ten years from the Grant Date. Notwithstanding the foregoing, in the event that on the last business day of the term of a Stock Appreciation Right (x) the exercise of the Stock Appreciation Right is prohibited by applicable law or (y) Shares may not be purchased or sold by certain employees or directors of the Company due to the “black-out period” of a Company policy or a “lock-up” agreement undertaken in connection with an issuance of securities by the Company, the term shall be extended for a period of thirty (30) days following the end of the legal prohibition, black-out period or lock-up agreement to the extent such extension does not cause adverse tax consequences to the Participant under Section 409A of the Code.

6.7 *Freestanding Stock Appreciation Rights.* Regarding Freestanding Stock Appreciation Rights only:

(i) Each grant shall specify in respect of each Freestanding Stock Appreciation Right a Base Price per Share, which shall be equal to or greater than the Fair Market Value on the Grant Date;

(ii) Successive grants may be made to the same Participant regardless of whether any Freestanding Stock Appreciation Rights previously granted to such Participant remain unexercised; and

(iii) Each grant shall specify the period or periods of continuous employment of the Participant by the Company or any Subsidiary that are necessary before the Freestanding Stock Appreciation Rights or installments thereof shall become exercisable.

7. *Restricted Shares.* The Committee may also authorize grants to Participants of Restricted Shares upon such terms and conditions as the Committee may determine in accordance with the following provisions:

7.1 *Transfer of Shares.* Each grant shall constitute an immediate transfer of the ownership of Shares to the Participant in consideration of the performance of services, subject to the substantial risk of forfeiture and restrictions on transfer hereinafter referred to.

7.2 *Substantial Risk of Forfeiture.* Each grant shall provide that the Restricted Shares covered thereby shall be subject to a "substantial risk of forfeiture" within the meaning of Code Section 83 for a period to be determined by the Committee on the Grant Date.

7.3 *Dividends, Voting and Other Ownership Rights.* Unless otherwise determined by the Committee, an award of Restricted Shares shall entitle the Participant to dividend, voting and other ownership rights during the period for which such substantial risk of forfeiture is to continue.

7.4 *Restrictions on Transfer.* Each grant shall provide that, during the period for which such substantial risk of forfeiture is to continue, the transferability of the Restricted Shares shall be prohibited or restricted in the manner and to the extent prescribed by the Committee on the Grant Date. Such restrictions may include, without limitation, rights of repurchase or first refusal in the Company or provisions subjecting the Restricted Shares to a continuing substantial risk of forfeiture in the hands of any transferee.

7.5 *Performance-Based Restricted Shares.* Any grant or the vesting thereof may be further conditioned upon the attainment of Performance Objectives established by the Committee in accordance with the applicable provisions of Section 9 regarding Performance Shares and Performance Units.

7.6 *Dividends.* Any grant may require that any or all dividends or other distributions paid on the Restricted Shares during the period of such restrictions (i) be automatically sequestered by the Company or (ii) be automatically sequestered and reinvested on an immediate or deferred basis in additional Shares, which may be subject to the same restrictions as the underlying Award or such other restrictions as the Committee may determine. Notwithstanding anything contained herein to the contrary, dividends on Restricted Shares that vest based on the achievement of performance goals will not be paid unless and to the extent the Award is earned.

7.7 *Award Agreements.* Each grant shall be evidenced by an Award Agreement containing such terms and provisions as the Committee may determine consistent with this Plan. Unless otherwise directed by the Committee, all certificates representing Restricted Shares, together with a stock power that shall be endorsed in blank by the Participant with respect to such Shares, shall be held in custody by the Company until all restrictions thereon lapse.

8. *Restricted Share Units.* The Committee may authorize grants of Restricted Share Units to Participants upon such terms and conditions as the Committee may determine in accordance with the following provisions:

8.1 *Deferred Compensation.* Each grant shall constitute the agreement by the Company to issue or transfer Shares to the Participant in the future in consideration of the performance of services, subject to the fulfillment during the Deferral Period of such conditions as the Committee may specify.

8.2 *Deferral Period.* Each grant shall provide that the Restricted Share Units covered thereby shall be subject to a Deferral Period, which shall be fixed by the Committee on the Grant Date.

8.3 *Dividend Equivalents and Other Ownership Rights.* During the Deferral Period, the Participant shall not have any right to transfer any rights under the subject Award, shall not have any rights of ownership in the Restricted Share Units and shall not have any right to vote such shares, but the Committee may on or after the Grant Date authorize the payment of dividend equivalents on such shares in cash or additional Shares on a current, deferred or contingent basis. Notwithstanding anything contained herein to the contrary, dividend equivalents on Restricted Share Units that vest based on the achievement of performance goals will not be paid unless and to the extent the Award is earned.

8.4 *Performance Objectives.* Any grant or the vesting thereof may be further conditioned upon the attainment of Performance Objectives established by the Committee in accordance with the applicable provisions of Section 9 regarding Performance Shares and Performance Units.

8.5 *Award Agreement.* Each grant shall be evidenced by an Award Agreement containing such terms and provisions as the Committee may determine consistent with this Plan.

9. *Performance Awards.* The Committee may also authorize grants of Performance Shares, Performance Units and Performance Cash, which shall become payable to the Participant upon the achievement of specified Performance Objectives, upon such terms and conditions as the Committee may determine in accordance with the following provisions:

9.1 *Number of Performance Shares or Units; Amount of Performance Cash.* Each grant shall specify the number of Performance Shares or Performance Units, or amount of Performance Cash, to which it pertains.

9.2 *Performance Period.* The Performance Period with respect to each Performance Award shall commence on the Grant Date or such other date as the Committee determines.

9.3 *Performance Objectives.* Each grant shall specify the Performance Objectives that are to be achieved by the Participant.

9.4 *Threshold Performance Objectives.* Each grant may specify in respect of the specified Performance Objectives a minimum acceptable level of achievement below which no payment will be made and may set forth a formula for determining the amount of any payment to be made if performance is at or above such minimum acceptable level but falls short of the maximum achievement of the specified Performance Objectives.

9.5 *Payment of Performance Awards.* Each grant shall specify the time and manner of payment of Performance Awards that shall have been earned, and any grant may specify that any such amount may be paid by the Company in cash, Shares or any combination thereof as specified in the Award agreement and may either grant to the Participant or reserve to the Committee the right to elect among those alternatives.

9.6 *Dividend Equivalents.* Any grant of Performance Shares may provide for the payment to the Participant of dividend equivalents thereon in cash or additional Shares on a current, deferred or contingent basis. Notwithstanding anything contained herein to the contrary, dividend equivalents on Performance Shares that vest based on the achievement of performance goals will not be paid unless and to the extent the Award is earned.

9.7 *Award Agreement.* Each grant shall be evidenced by an Award Agreement which shall state that the Performance Shares or Performance Units are subject to all of the terms and conditions of this Plan and such other terms and provisions as the Committee may determine consistent with this Plan.

10. *Annual Retainer/Meeting Fees.* The Committee may authorize grants of Restricted Share Units to Nonemployee Directors relating to the Annual Retainer/Meeting Fees for Board members upon such terms and conditions as the Committee may determine. Each grant shall be evidenced by an Award Agreement containing such terms and provisions as the Committee may determine consistent with this Plan.

11. *Transferability*.

11.1 *Transfer Restrictions.* Except as provided in Section 11.2, no Award granted under this Plan shall be transferable by a Participant other than by will or the laws of descent and distribution, and Options and Stock Appreciation Rights shall be exercisable during a Participant's lifetime only by the Participant or, in the event of the Participant's legal incapacity, by his guardian or legal representative acting in a fiduciary capacity on behalf of the Participant under state law. Any attempt to transfer an Award in violation of this Plan shall render such Award null and void.

11.2 *Limited Transfer Rights.* The Committee may expressly provide in an Award agreement (or an amendment to an Award agreement) that a Participant may transfer without consideration such Award (other than an Incentive Stock Option), in whole or in part, to a spouse or lineal descendant (a "Family Member"), a trust for the exclusive benefit of Family Members, a partnership or other entity in which all the beneficial owners are Family Members, or any other entity affiliated with the Participant that may be approved by the Committee. Subsequent transfers of Awards shall be prohibited except in accordance with this Section 11.2. All terms and conditions of the Award, including provisions relating to the termination of the Participant's employment or service with the Company or a Subsidiary, shall continue to apply following a transfer made in accordance with this Section 11.2.

11.3 *Restrictions on Transfer.* Any Award made under this Plan may provide that all or any part of the Shares that are (i) to be issued or transferred by the Company upon the exercise of Options or Stock Appreciation Rights, upon the termination of the Deferral Period applicable to Restricted Share Units or upon payment under any grant of Performance Shares or Performance Units, or (ii) no longer subject to the substantial risk of forfeiture and restrictions on transfer referred to in Section 7, shall be subject to further restrictions upon transfer.

12. *Adjustments.* The Committee may make or provide for such adjustments in the (a) the number of Shares specified under Section 3.1, 3.3 and 3.4, (b) the number of Shares covered by outstanding Options, Stock Appreciation Rights, Restricted Share Units, Restricted Shares and Performance Shares granted hereunder, (c) prices per share applicable to such Options and Stock Appreciation Rights, and (d) kind of shares covered thereby (including shares of another issuer), as the Committee in its sole discretion may in good faith determine to be equitably required in order to prevent dilution or enlargement of the rights of Participants that otherwise would result from (x) any extraordinary cash dividend, stock dividend, stock split, combination or exchange of Shares, recapitalization or other change in the capital structure of the Company, (y) any merger, consolidation, spin-off, spin-out, split-off, split-up, reorganization, partial or complete liquidation or other distribution of assets (other than a normal cash dividend), issuance of rights or warrants to purchase securities or (z) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event, the Committee may provide in substitution for any or all outstanding Awards under this Plan such alternative consideration as it may in good faith determine to be equitable under the circumstances

and may require in connection therewith the surrender of all Awards so replaced. The Committee may also make or provide for such adjustments in each of the limitations specified in Section 3 as the Committee in its sole discretion may in good faith determine to be appropriate in order to reflect any transaction or event described in this Section 12.

13. *Fractional Shares.* The Company shall not be required to issue any fractional Shares pursuant to this Plan. The Committee may provide for the elimination of fractions or for the settlement thereof in cash.

14. *Change in Control Provisions*.

14.1 *Impact on Certain Awards*. Unless otherwise provided in an Award Agreement, the Committee shall have the right to provide in the event of a Change in Control of the Company: (i) Options and Stock Appreciation Rights outstanding as of the date of the Change in Control shall be cancelled and terminated without payment if the Fair Market Value of one Share as of the date of the Change in Control is less than the per Share Option exercise price or Stock Appreciation Right grant price, and (ii) all Performance Awards shall be (x) considered to be earned and payable based on achievement of performance goals or based on target performance (either in full or pro rata based on the portion of Performance Period completed as of the date of the Change in Control), and any limitations or other restrictions shall lapse and such Performance Awards shall be immediately settled or distributed or (y) converted into Restricted Share or Restricted Share Unit Awards based on achievement of performance goals or based on target performance (either in full or pro rata based on the portion of Performance Period completed as of the date of the Change in Control) that are subject to Section 14.2.

14.2 *Assumption or Substitution of Certain Awards*. (a) Unless otherwise provided in an Award Agreement, in the event of a Change in Control of the Company in which the successor company assumes or substitutes for an Option, Stock Appreciation Right, Restricted Share Award or Restricted Share Unit Award (or in which the Company is the ultimate parent corporation and continues the Award), if a Participant's employment with such successor company (or the Company) or a subsidiary thereof terminates within 24 months following such Change in Control (or such other period set forth in the Award Agreement, including prior thereto if applicable) and under the circumstances specified in the Award Agreement: (i) Options and Stock Appreciation Rights outstanding as of the date of such termination of employment will immediately vest, become fully exercisable and shall remain exercisable for a two-year period (or if earlier, until the original expiration date set forth in the Award Agreement), (ii) the restrictions, limitations and other conditions applicable to Restricted Share and Restricted Share Units outstanding as of the date of such termination of employment shall lapse and the Restricted Share and Restricted Share Units shall become free of all restrictions, limitations and conditions and become fully vested, and (iii) the restrictions, limitations and other conditions applicable to any other Awards shall lapse, and such other Awards shall become free of all restrictions, limitations and conditions and become fully vested and transferable. For the purposes of this Section 14.2, an Option, Stock Appreciation Right, Restricted Share Award, or Restricted Share Unit Award shall be considered assumed or substituted for if following the Change in Control the Award confers the right to purchase or receive, for each Share subject to the Option, Stock Appreciation Right, Restricted Share Award, or Restricted Share Unit Award immediately prior to the Change in Control, the consideration (whether shares, cash or other securities or property) received in the transaction constituting a Change in Control by holders of Shares for each Share held on the effective date of such transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the transaction constituting a Change in Control is not solely common stock of the successor company, the Committee may, with the consent of the successor company, provide that the consideration to be received upon the exercise or vesting of an Option, Stock Appreciation Right, Restricted Share Award, or Restricted Share Unit Award, for each Share subject thereto, will be solely common stock of the successor company with a fair market value substantially equal to the per Share consideration received by holders of Shares in the transaction constituting a Change in Control. The determination of what fair market value is substantially equal shall be made by the Committee in its sole discretion and its determination shall be conclusive and binding.

(b) Unless otherwise provided in an Award Agreement, in the event of a Change in Control of the Company, to the extent the successor company does not assume or substitute for an Option, Stock Appreciation Right, Restricted Share Award, or Restricted Share Unit Award (or in which the Company is the ultimate parent corporation and does not continue the Award), then immediately prior to the Change in Control: (i) those Options and Stock Appreciation Rights outstanding as of the date of the Change in Control that are not assumed or substituted for (or continued) shall immediately vest and become fully exercisable, (ii) restrictions, limitations and other conditions applicable to Restricted Share and Restricted Share Units that are not assumed or substituted for (or continued) shall lapse and the Restricted Share and Restricted Share Units shall become free of all restrictions, limitations and conditions and become fully vested, and (iii) the restrictions, other limitations and other conditions applicable to any other Awards that are not assumed or substituted for (or continued) shall lapse, and such other Awards shall become free of all restrictions, limitations and conditions and become fully vested and transferable.

(c) The Committee, in its discretion, may determine that, upon the occurrence of a Change in Control of the Company, each Option and Stock Appreciation Right outstanding shall terminate within a specified number of days after notice to the Participant, and/or that each Participant shall receive, with respect to each Share subject to such Option or Stock Appreciation Right, an amount equal to the excess of the Fair Market Value of such Share immediately prior to the occurrence of such Change in Control over the exercise price per Share of such Option and/or Stock Appreciation Right; such amount to be payable in cash, in one or more kinds of stock or property (including the stock or property, if any, payable in the transaction) or in a combination thereof, as the Committee, in its discretion, shall determine.

15. *Withholding Taxes.* To the extent that the Company is required to withhold federal, state, local or foreign taxes in connection with any payment made or benefit realized by a Participant or other person under this Plan, it shall be a condition to the receipt of such payment or the realization of such benefit that the Participant or such other person make arrangements satisfactory to the Company for payment of all such taxes required to be withheld. At the discretion of the Committee, such arrangements may include relinquishment of a portion of such benefit.

16. *Certain Terminations of Employment, Hardship and Approved Leaves of Absence.* Notwithstanding any other provision of this Plan to the contrary, in the event of termination of employment by reason of death, disability, normal retirement, early retirement with the consent of the Company or leave of absence approved by the Company, or in the event of hardship or other special circumstances, of a Participant who holds an Option or Stock Appreciation Right that is not immediately and fully exercisable, any Restricted Shares as to which the substantial risk of forfeiture or the prohibition or restriction on transfer has not lapsed, any Restricted Share Units as to which the Deferral Period is not complete, any Performance Shares or Performance Units that have not been fully earned, or any Shares that are subject to any transfer restriction pursuant to Section 11.3, the Committee may in its sole discretion take any action that it deems to be equitable under the circumstances or in the best interests of the Company, including, without limitation, waiving or modifying any limitation or requirement with respect to any Award under this Plan.

17. *Foreign Participants.* In order to facilitate the making of any grant or combination of grants under this Plan, the Committee may provide for such special terms for Awards to Participants who are foreign nationals, or who are employed by or perform services for the Company or any Subsidiary outside of the United States of America, as the Committee may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. Moreover, the Committee may approve such supplements to, or amendments, restatements or alternative versions of, this Plan as it may consider necessary or appropriate for such purposes without thereby affecting the terms of this Plan as in effect for any other purpose, provided that no such supplements, amendments, restatements or alternative versions shall include any provisions that are inconsistent with the terms of this Plan, as then in effect, unless this Plan could have been amended to eliminate such inconsistency without further approval by the stockholders of the Company.

18. *Amendments and Other Matters*.

18.1 *Plan Amendments.* This Plan may be amended from time to time by the Board, but no such amendment shall (a) impair the rights of a Participant with respect to a previously granted Award without the Participant's consent, except with respect to an amendment that is necessary to be made in order to comply with applicable law, stock exchanges rules or accounting rules, or (b) increase any of the limitations specified in Section 3, other than to reflect an adjustment made in accordance with Section 12, without the further approval of the stockholders of the Company. The Board may condition any amendment on the approval of the stockholders of the Company if such approval is necessary or deemed advisable with respect to the applicable listing or other requirements of a national securities exchange or other applicable laws, policies or regulations.

18.2 *Award Deferrals.* The Committee may permit Participants to elect to defer the issuance of Shares or the settlement of Awards in cash under the Plan pursuant to such rules, procedures or programs as it may establish for purposes of this Plan. In the case of an award of Restricted Shares, the deferral may be effected by the Participant's agreement to forego or exchange his or her award of Restricted Shares and receive an award of Restricted Share Units. The Committee also may provide that deferred settlements include the payment or crediting of interest on the deferral amounts, or the payment or crediting of dividend equivalents where the deferral amounts are denominated in Shares.

18.3 *Conditional Awards.* The Committee may condition the grant of any award or combination of Awards under the Plan on the surrender or deferral by the Participant of his or her right to receive a cash bonus or other compensation otherwise payable by the Company or any Subsidiary to the Participant.

18.4 *Repricing Prohibited.* Except as provided in Section 12, the Committee shall not without the approval of the Company's stockholders (a) lower the exercise price per Share of an Option or Stock Appreciation Right after it is granted, (b) cancel an Option or Stock Appreciation Right when the exercise price per Share exceeds the Fair Market Value of one Share in exchange for cash or another Award (other than in connection with a Change in Control as defined in Section 2.5), or (c) take any other action with respect to an Option or Stock Appreciation Right that would be treated as a repricing under the rules and regulations of the principal U.S. national securities exchange on which the Shares are listed.

18.5 *No Employment Right.* This Plan shall not confer upon any Participant any right with respect to continuance of employment or other service with the Company or any Subsidiary and shall not interfere in any way with any right that the Company or any Subsidiary would otherwise have to terminate any Participant's employment or other service at any time.

18.6 *Tax Qualification.* To the extent that any provision of this Plan would prevent any Option that was intended to qualify under particular provisions of the Code from so qualifying, such provision of this Plan shall be null and void with respect to such Option, provided that such provision shall remain in effect with respect to other Options, and there shall be no further effect on any provision of this Plan.

18.7 *Compliance with Section 409A of the Code.* Notwithstanding any provision of the Plan to the contrary, this Plan is intended to comply and shall be administered in a manner that is intended to comply with Section 409A of the Code and shall be construed and interpreted in accordance with such intent. To the extent that an Award or the payment, settlement or deferral thereof is subject to Section 409A of the Code, the Award shall be granted, paid, settled or deferred in a manner that will comply with Section 409A of the Code, including regulations or other guidance issued with respect thereto, except as otherwise determined by the Committee. Any provision of this Plan that would cause the grant of an Award or the payment, settlement or deferral thereof to fail to satisfy Section 409A of the Code shall be amended to comply with Section 409A of the Code on a timely basis, which may be made on a retroactive basis, in accordance with regulations and other guidance issued under Section 409A of the Code. Each Participant is solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on or in respect of such Participant in connection with this Plan or any Award (including any taxes or penalties under Section 409A of the Code), and neither the Company nor any Affiliate shall have any obligation to indemnify or otherwise hold such Participant (or any beneficiary) harmless from any or all of such taxes or penalties. Notwithstanding anything in the Plan to the contrary, if a Participant is a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code, no payments or deliveries in respect of any Awards that are "deferred compensation" subject to Section 409A of the Code shall be made to such Participant prior to the date that is six months after the date of such Participant's "separation from service" (as defined in Section 409A of the Code) or, if earlier, the Participant's date of death. Following any applicable six month delay, all such delayed payments or deliveries will be paid or delivered (without interest) in a single lump sum on the earliest date permitted under Section 409A of the Code that is also a business day. Unless otherwise provided by the Committee, in the event that the timing of payments in respect of any Award (that would otherwise be considered "deferred compensation" subject to Section 409A of the Code) would be accelerated upon the occurrence of (A) a Change in Control, no such acceleration shall be permitted unless the event giving rise to the Change in Control satisfies the definition of a change in the ownership or effective control of a corporation, or a change in the ownership of a substantial portion of the assets of a corporation pursuant to Section 409A of the Code and any Treasury Regulations promulgated thereunder or (B) a disability, no such acceleration shall be permitted unless the disability also satisfies the definition of "Disability" pursuant to Section 409A of the Code and any Treasury Regulations promulgated thereunder.

19. *Effective Date.* This Plan shall become effective upon its approval by the stockholders of the Company.

20. *Termination.* This Plan shall terminate on the tenth anniversary of the date upon which it is approved by the stockholders of the Company (and, with respect to Incentive Stock Options, on the tenth anniversary of the date upon which it is approved by the Board), and no Award shall be granted after that date.

21. *Recoupment of Awards*. To the extent a Participant violates the Company's Corporate Governance Policy (which is incorporated herein by reference) or to the extent otherwise required under the Dodd-Frank Act or the Company's Executive Incentive Compensation Recoupment Policy (which is incorporated herein by reference), the Participant shall be obligated to return to Company all Shares previously delivered to the Participant hereunder (or in the event such Shares subsequently were sold by the Participant, the Participant shall disgorge to the Company all value received in such sale(s)) and any obligation for the Company to deliver any future Shares hereunder shall cease and shall be rendered null and void.

22. *Governing Law.* The validity, construction and effect of this Plan and any Award hereunder will be determined in accordance with the laws of the Commonwealth of Kentucky.

Executed as of this   day of   , 2016.

CHURCHILL DOWNS INCORPORATED

By: ______________________________

Title: ______________________________

EXHIBIT B

FIRST AMENDED AND RESTATED
CHURCHILL DOWNS INCORPORATED
2000 EMPLOYEE STOCK PURCHASE PLAN

(As Amended , 2016)

1. Purpose. The purpose of the Plan is to provide eligible employees of the Company, and of any Parent or Subsidiary corporation which the Company's Board of Directors has designated as a Participating Employer in the Plan, an opportunity to acquire a proprietary interest in the Company through the purchase of the Company's common stock on a payroll or other compensation deduction basis. It is believed that participation in the ownership of the Company will be to the mutual benefit of the eligible employees and the Company. The Company intends for the Plan to qualify as an "employee stock purchase plan" under Code Section 423, and the Plan shall be so construed. Any term not expressly defined in the Plan but defined in the Code for purposes of Code Section 423 shall have the same definition herein.

2. Definitions.

A. "Account" means the funds accumulated with respect to an individual Participant as a result of deductions from the Participant's pay for the purpose of purchasing Stock under the Plan. The funds allocated to a Participant's Account shall remain the Participant's property at all times.

B. "Base Pay" means regular straight time earnings, excluding payments for overtime, bonuses, incentive compensation and other special payments.

C. "Business Day" means a day when any national securities exchange is open if the Stock is then listed on such exchange, or, if not listed, the day when the over-the-counter market is open.

D. "Board" means the Company's Board of Directors.

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

F. "Committee" means the Compensation Committee of the Board.

G. "Company" means Churchill Downs Incorporated, a Kentucky corporation, 600 N. Hurstbourne Parkway, Louisville, Kentucky 40222.

H. "Eligible Employee" means any person, including any officer or director, who satisfies the following three requirements: [i] who has been employed by a Participating Employer for at least three (3) months; [ii] whose customary weekly employment with the Participating Employer is at least twenty-one (21) hours; and [iii] whose customary calendar year employment exceeds three (3) months. The term "Eligible Employee" does not include any person who is not an employee, including more-than-2% partners in a partnership, more-than-2% shareholders in a Subchapter S corporation, sole proprietors, independent contractors, non-employee directors and other individuals who are not employees.

I. "Exchange Act" means the Securities Exchange Act of 1934.

J. "Fair Market Value" means, as of the Business Day preceding the measurement date: [i] if the Stock is traded on the over-the-counter market, the closing high bid quotation for the Stock in the over-the-counter market, as reported by the National Association of Securities Dealers Automated Quotation System; [ii] if the

Stock is listed on a national securities exchange, the closing sales price of the Stock on the Composite Tape; and [ii] if the Stock is neither traded on the over-the-counter market nor listed on a national securities exchange, such value as the Committee shall in good faith determine.

K. "Parent" means, as defined in Code Section 424(e), any corporation, other than the Company, in an unbroken chain of corporations ending with the Company, if at the time of the granting of an option under the Plan, each of the corporations other than the Company own stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

L. "Participant" means an Eligible Employee who elects to participate in the Plan.

M. "Participating Employer" means the Company and any Parent or Subsidiary which the Board has authorized to participate in the Plan as to its Eligible Employees.

N. "Plan" means the Churchill Downs Incorporated 2000 Employee Stock Purchase Plan, as set forth herein and as amended from time to time.

O. "Plan Year" means the twelve (12) consecutive month period beginning each August 1.

P. "Stock" means the Company's no par value common stock.

Q. "Subsidiary" means, as defined in Code Section 424(f), any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the time of the granting of an option under the Plan, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock of one of the other corporations in such chain.

3. Administration. The Plan shall be administered by Committee. Any vacancy occurring in the membership of the Committee shall be filled by appointment by the Board. The Committee shall have full power and authority to construe, interpret, and administer the Plan and may from time to time adopt such rules and regulations for carrying out the Plan as it may deem proper and in the best interests of the Company.

4. Effective Date and Duration of the Plan. The effective date of the Plan is August 1, 2000, subject to ratification of the Plan, within twelve (12) months before or after the date the Plan is adopted by the Board, by the holders of a majority of all the shares of Stock which are voted in person or by proxy at a duly held stockholders' meeting. The Plan shall terminate upon issuance of all shares authorized to be issued under the Plan unless terminated sooner by the Committee pursuant to Section 13.

5. Eligibility and Participation. All Eligible Employees of a Participating Employer may participate in the Plan, subject to the limitations set forth in Section 7. Participation is voluntary. To become a Participant, an Eligible Employee must complete an authorization form for a payroll deduction available from the Committee and deliver it to the Committee on or before the last Business Day of July of each year. Payroll deductions shall commence on the Participant's first pay date of August following delivery of the completed payroll deduction authorization form to the Committee, and shall continue each Plan Year until altered or terminated as provided in Sections 6, 8 and 9.

6. Payroll Deductions.

A. Percentage of Compensation. Each Eligible Employee electing to participate in the Plan shall indicate on the payroll deduction form the percentage of the Eligible Employee's Base Pay to be withheld. Such percentage shall not be greater than five percent (5%) nor less than one-half percent (.5%). Payroll deductions are made on an after-tax basis each payroll period during the Plan Year.

B. Accounts. Payroll deductions from a Participant shall be credited to the Participant's Account. Amounts shall remain in a Participant's Account until used to purchase shares pursuant to Section 8 hereof or paid out pursuant to Sections 8 or 9. A Participant may not make separate cash payments into the Account. No interest or earnings on the Account will be credited to any Participant. Compensation deductions received or held by the Committee under the Plan shall be used only for the purposes specified in the Plan.

C. Changes to Payroll Deduction Authorization. Participants may change their payroll deduction authorization as of the beginning of each Plan Year and may also make one (1) mid-Plan Year change to the percentage of payroll deductions authorized by delivery of a new payroll deduction authorization form to the Committee. The change shall become effective as soon as administratively practicable and shall continue each Plan Year until again altered pursuant to this section or terminated pursuant to Sections 6, 8 or 9.

7. Grant of Options.

A. Number of Shares Optioned. On the first Business Day in each Plan Year, each individual who is a Participant on such day shall be granted an option to purchase as many full shares of Stock as the Participant can purchase with the compensation deductions credited to the Participant's Account during the Plan Year, less any required employment or other tax required to be withheld as a result of the exercise of the option, up to a maximum of five hundred (500) shares.

B. Limitation on Amount of Grant. Notwithstanding the foregoing, no Participant shall be granted an option to the extent that the option would permit the Participant's rights to purchase stock under the Plan and all employee stock purchase plans of the Company and its Parent and Subsidiaries (if any) to accrue at a rate which exceeds $25,000 of the fair market value of such stock (determined at the time the option is granted) for each calendar year in which the option is outstanding at any time. This section shall be applied by use of all rules and definitions of terms which are applicable for purposes of Code Section 423(b)(8), it being the intent that this section shall cause the Plan to comply with the requirements of such section of the Code.

C. 5% Shareholders. Anything herein to the contrary notwithstanding, no Participant shall be granted an option if the Participant would own, immediately after the grant of the option, stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or of any Parent or Subsidiary. The rules of Code Section 424(d) shall apply in determining stock ownership and stock which the Participant may purchase under outstanding options shall be treated as stock owned by the Participant.

D. Option Price. The option price per share shall be 85% of the lower of the Fair Market Value per share of the Stock on the first or last Business Day in the Plan Year (rounded up to the next whole dime).

8. Exercise of Options.

A. Date of Exercise. Unless a Participant gives written notice to the Committee as provided in Section 8.B, the Participant's option for the Plan Year is deemed exercised automatically at the close of the last Business Day of the Plan Year for as many full shares of Stock as can be purchased with funds in the Participant's Account on that date.

B. Participant Notice to Change Amount of Exercise. By delivering a written notice to the Committee at least two (2) Business Days before the end of the Plan Year, a Participant may decide not to exercise the Participant's option for the Plan Year or to exercise the option for some lesser number of shares. If more than one written notice is delivered by a Participant, the last notice shall control.

C. Disposition of Account. Funds in a Participant's Account (less any required withholding tax) will be used to pay the option price upon exercise of the Participant's option, and the Company shall deliver to each Participant certificates representing any Stock purchased as soon as administratively practicable after the end of the Plan Year. Any amount in a Participant's Account at the end of the Plan Year will be paid to Participant (without interest) as soon as administratively practicable after the end of the Plan Year.

D. [RESERVED]

E. Lapse of Options. All unexercised options shall lapse on the earlier of: [i] the end of the Plan Year; [ii] termination of participation; or [iii] termination of the Plan.

9. Termination of Participation.

A. Termination by Participant. A Participant may at any time terminate participation by giving written notice of such termination to the Committee and electing to either:

[1] leave any funds in the Participant's Account in which event the Participant's option will be deemed exercised at the end of the Plan Year pursuant to Section 8.A and any amounts remaining after such exercise will be paid to the Participant (without interest); or

[2] receive any funds in the Participant's Account.

Participants who change their payroll deduction authorization to zero pursuant to Section 6.C shall be deemed to have terminated participation in the Plan and will be deemed to have elected a disposition of the Participant's Account in accordance with Section 9.A[1] unless the Participant notifies the Committee in writing at least two (2) Business Days before the end of the Plan Year that the Participant elects to receive the funds in the Participant's Account.

Upon termination of participation, all further payroll deductions from such Participant shall cease and all amounts in the Participant's Account which are not used to purchase Stock shall be paid to the Participant (without interest) as soon as administratively practicable.

B. Change in Employee Status. If, on or before the last Business Day of the Plan Year, a Participant ceases to be an Eligible Employee for any reason, including death, disability, resignation, retirement or dismissal, the Participant's participation in the Plan shall cease and any outstanding options shall lapse in full on the day the Participant's status as an Eligible Employee ceases. Upon lapse, all further payroll deductions shall cease, and all amounts credited to the Participant's Account and not used to purchase Stock shall be paid to the Participant (without interest) as soon as administratively practicable following such lapse.

C. Leaves of Absence. The employment relationship of a Participant with a Participating Employer will be treated as continuing intact while the Participant is on military, sick leave or other bona fide leave of absence for a period not to exceed ninety (90) days, or for a longer period, provided that the Participant's right to reemployment with the Participating Employer is guaranteed either by statute or by contract. Where the period of leave exceeds ninety (90) days and where the Participant's right to reemployment is not guaranteed either by statute or contract, the employment relationship will be deemed to have terminated on the 91st day of such leave.

D. Limitation on Withdrawals From Account. A Participant may not withdraw any amount in the Participant's Account except pursuant to Sections 8.C, 9.A or 9.B.

E. Reinstatement of Participation. A Participant whose participation in the Plan terminates may not elect to participate in the Plan again until the next Plan Year. In addition, no Participant who is an officer or director of the Company or a Participating Employer (as contemplated by Rule 16b-3 of the Exchange Act, or any successor rule or regulation) may participate in the Plan again for at least six (6) months after termination of participation.

10. Stock Reserved for Plan.

A. Number and Type of Shares. A total of Four Hundred Sixty-eight Thousand, Five Hundred Eighty-One 468,581 shares of authorized but unissued shares of Stock are reserved for issuance under the Plan, subject to adjustment upon changes in capitalization of the Company as provided in Section 10.C. If any option shall lapse or terminate for any reason as to any shares, such shares of Stock shall again become available under the Plan.

B. Proration of Available Shares. Notwithstanding anything herein to the contrary, if the total number of shares which would otherwise have been acquired under the Plan on any date exceeds the number of shares of Stock then available under the Plan, then the Committee may make such pro rata allocation of the shares remaining available in such practicable manner as it shall determine to be fair and equitable. The payroll deductions to be made pursuant to the Participant authorizations shall be reduced accordingly and the Committee shall give written notice of such reduction to each affected Participant. Any payroll deductions in a Participant's Account not used to purchase Stock shall be paid (without interest) to such Participant.

C. Adjustment Provision. If there is any change in the number of outstanding shares of Stock by reason of any stock dividend, stock split-up or similar transaction, the number of shares of Stock then remaining available for issuance and the number of shares subject to any outstanding options shall be correspondingly changed, without change in the aggregate option price. Additionally, equitable adjustments shall be made in options to reflect any other changes in the Stock, including changes resulting from a combination of outstanding shares or other recapitalization, reorganization, sale, merger, consolidation or similar transaction. The establishment of the Plan shall not affect the Company's right to make adjustments, reclassifications, reorganizations or changes in its capital or business structure or to merge, consolidate, dissolve, liquidate, sell or otherwise transfer all or any part of its business or assets.

D. Delivery of Shares. A Participant shall have no interest in, or rights of a shareholder to, any shares of Stock covered by an option until shares have been issued to the Participant. Stock to be delivered to a Participant pursuant to the exercise of an option shall be issued in the name of the Participant, or, if the Participant so directs by written notice delivered to the Committee, in the names of the Participant and one other person designated in the notice, as joint tenants with rights of survivorship, to the extent permitted by applicable law.

E. Restrictive Legends.

[1] Failure to Satisfy Holding Period Requirements. Certificates representing shares of Stock issued pursuant to the Plan shall bear a restrictive legend stating that the shares represented thereby may not be transferred before the expiration of two (2) years from the date of grant of the option and one (1) year from the date of transfer of the Stock to the Participant, unless the Participant notifies the Company of the Participant's intention to dispose of the Stock. Upon receipt of such notice by the Committee, the Participant is free to dispose of the Stock.

[2] Insiders. Certificates representing shares of Stock issued pursuant to the Plan to any director or officer of the Company or a Participating Employer within the meaning of Section 16 of the Exchange Act shall bear a restrictive legend stating that the shares represented thereby may not be transferred before the expiration of six (6) months from the date of the issuance of shares of Stock to the Participant.

[3] Other Legends. The Company shall be entitled to place any other legends on certificates for shares of Stock issued hereunder which it deems appropriate to effectuate the terms of the Plan or to comply with any applicable law.

11. Transferability. Neither compensation deductions credited to a Participant's Account nor any rights with regard to participation in the Plan, exercise of any option or the right to receives shares of Stock under the Plan may be assigned, transferred, pledged, or otherwise disposed of in any way by a Participant other than by will or the laws of descent and distribution. Any such attempted assignment, transfer, pledge, or other disposition shall be without effect. An option granted under the Plan is exercisable during the Participant's lifetime only by the Participant.

12. Designation of Beneficiaries. A Participant may deliver to the Committee a written designation (on a prescribed form) of a beneficiary or beneficiaries who are to receive any Stock and cash payable to the Participant but not delivered to the Participant because of the Participant's death before such delivery. Such

designation may be changed or revoked by delivery of written notice to the Committee. Upon the death of a Participant and upon receipt by the Committee of proof deemed adequate by it of the identity and existence of a beneficiary or beneficiaries validly designated by such Participant, the Company shall issue and deliver such Stock and pay such cash to such beneficiary or beneficiaries. In the absence of the Company's receipt of such proof, or if the Participant fails to designate any beneficiary who is living at the time of the Participant's death, the Company shall issue and deliver such Stock and pay such cash to the executor or administrator of the estate of such Participant, or if no such executor or administrator has been appointed (to the knowledge of the Committee), the Company, if and as the Committee may direct in its discretion, shall issue and deliver such Stock and pay such cash to the spouse and/or any one or more dependents or relatives of such Participant, or if no such spouse, dependent or relative is known to the Committee, then to such other person or persons as the Committee may designate in its discretion.

13. Amendment and Termination. The Plan may be amended or terminated by the Committee at any time. Any amendment of the Plan requires approval by the Company's stockholders within twelve (12) months after such amendment's adoption by the Committee if it increases the total number of shares of Stock available for issuance under the Plan, or changes the class of corporations eligible to become Participating Employers or the class of persons eligible to receive options under the Plan, or if the Committee otherwise deems such approval necessary or advisable for purposes of complying with Rule 16b-3 of the Exchange Act, or any successor rule or regulation, or other applicable law. Such stockholder approval shall mean approval by holders of a majority of all the shares of the Stock which are voted in person or by proxy at a duly held stockholders' meeting. No amendment may be adopted which would adversely affect any rights acquired by any person hereunder before the effective date of the amendment, unless the amendment is necessary for the Company to obtain a ruling it may request from the Internal Revenue Service with respect to the Plan, or necessary for the plan to conform to the requirements of Code Section 423 or any other applicable law.

14. Notices. Any notice or other communication by any person to the Committee shall be deemed to have been duly given when actually received by a member of the Committee, or when actually received by the Company addressed as follows:

Churchill Downs Incorporated
600 N. Hurstbourne Parkway
Louisville, Kentucky 40222
Attention: Board of Directors, Compensation Committee

Any notice or other communication or any delivery of Stock or cash to any person (other than the Committee) under or in connection with the Plan shall be deemed to have been duly given or made when deposited in the United States mails, postage prepaid, addressed to such person at the address last shown for such person in the records of the Committee or any Participating Employer.

15. Tax Withholding. The Participating Employer shall have the right to withhold from each Participant's compensation an amount equal to all federal, state and local taxes which the Participating Employer is required by law to withhold as a result of the Participant's participation in the Plan or disposition of shares of Stock issued under the Plan to the extent such taxes are not deducted from the Participant's Account.

16. Nonguarantee of Employment. No provision of the Plan shall be construed as giving any person any right he would not otherwise have to become or remain an employee of a Participating Employer, or any other right not expressly created by such provision.

17. Governing Law. The Plan shall be governed by the laws of the Commonwealth of Kentucky and any applicable federal laws.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2015

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to
Commission file number 001-33998

CHURCHILL DOWNS
INCORPORATED

(Exact name of registrant as specified in its charter)

Kentucky	**61-0156015**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**
600 North Hurstbourne Parkway, Suite 400 **Louisville, Kentucky 40222**	**(502) 636-4400**
(Address of principal executive offices) (zip code)	**(Registrant's telephone number, including area code)**

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

Common Stock, No Par Value	**The NASDAQ Stock Market LLC**
(Title of each class registered)	**(Name of each exchange on which registered)**

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

None
(Title of class)

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes ☒ 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 to this Form 10-K. ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of February 19, 2016, 16,594,321 shares of the Registrant's Common Stock were outstanding. As of June 30, 2015 (based upon the closing sale price for such date on the NASDAQ Global Market), the aggregate market value of the shares held by non-affiliates of the Registrant was $1,706,838,462.

Portions of the Registrant's Proxy Statement for its Annual Meeting of Shareholders to be held on April 27, 2016 are incorporated by reference herein in response to Items 10, 11, 12, 13 and 14 of Part III of Form 10-K. This Form 10-K filing includes 121 pages, which includes an exhibit index on pages 117-121.

CHURCHILL DOWNS INCORPORATED
INDEX TO ANNUAL REPORT ON FORM 10-K
For the Year Ended December 31, 2015

PART I

ITEM 1. BUSINESS

A. Introduction

Churchill Downs Incorporated (the "Company", "we", "us", "our") is an industry-leading racing, gaming, and online entertainment company anchored by our iconic flagship event—*The Kentucky Derby*. We are a leader in brick-and-mortar casino gaming with approximately 8,500 gaming positions in six states, and we are the largest, legal online account wagering platform for horseracing in the U.S. We are also one of the world's largest producers and distributors of mobile games. We were organized as a Kentucky corporation in 1928, and our principal executive offices are located in Louisville, Kentucky.

B. Business Segments

We manage our operations through six operating segments: Racing, Casinos, TwinSpires, Big Fish Games, Other Investments and Corporate. Financial information about these segments is set forth in Item 8. "Financial Statements and Supplementary Data Note 19—Segment Information, of Notes to Consolidated Financial Statements" contained within this report. Further discussion of financial results by operating segment is provided in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained within this report.

Racing Segment

Our Racing segment includes our four racetracks: Churchill Downs Racetrack ("Churchill Downs"), Arlington International Race Course ("Arlington"), Fair Grounds Race Course ("Fair Grounds") and Calder Race Course ("Calder"). We conduct live horseracing at Churchill Downs, Arlington and Fair Grounds. On July 1, 2014, we entered into a racing services agreement with The Stronach Group ("TSG") to allow Gulfstream Park to manage and operate Calder through December 31, 2020.

Our racing revenue includes commissions on pari-mutuel wagering at our racetracks and OTBs plus simulcast host fees earned from other wagering sites. In addition, ancillary revenue generated by the pari-mutuel facilities includes admissions, sponsorships and licensing rights, and food and beverage sales. Racing revenue and income are influenced by our racing calendar. Racing dates are generally approved annually by the respective state racing authorities. Therefore, racing revenue and operating results for any interim quarter are not generally indicative of the revenue and operating results for the year. The majority of our live racing revenue occurs during the second quarter with the running of the Kentucky Oaks and Kentucky Derby.

Churchill Downs, Arlington, Fair Grounds, our ten OTBs in Illinois and twelve OTBs in Louisiana offer year-round simulcast wagering. Gulfstream Park took over operations of Calder's simulcast wagering beginning July 1, 2014. The OTBs accept wagers on races at the respective racetrack or on races simulcast from other locations.

We generate a significant portion of our pari-mutuel wagering revenue by sending signals of races from our racetracks to other facilities and businesses ("export") and receiving signals from other racetracks ("import"). Revenue is earned through pari-mutuel wagering on signals that we both import and export.

Churchill Downs

Churchill Downs is located in Louisville, Kentucky and is an internationally known thoroughbred racing operation best known as the home of the iconic Kentucky Derby. We have conducted thoroughbred racing continuously at Churchill Downs since 1875. The Kentucky Derby is the longest continuously held annual sporting event in the United States and is the first race of the annual series of races for 3-year old thoroughbreds known as the Triple Crown. Our history of record attendance, strong wagering and television viewership is attractive to presenting sponsors and contributed to the sixth consecutive year of Adjusted EBITDA growth in 2015. We had 75 race days in 2013, 74 in 2014 and 70 in 2015. We anticipate having 70 race days in 2016.

In 2002, as part of the financing of improvements to the Churchill Downs facility, we transferred title of the Churchill Downs facility to the City of Louisville, Kentucky and leased back the facility. Subject to the terms of the lease, we can re-acquire the facility at any time for $1.00.

The facility consists of approximately 147 acres of land with a one-mile dirt track, a seven-eighths (7/8) mile turf track, a grandstand, luxury suites and a stabling area. The facility accommodates approximately 56,400 patrons in our clubhouse, grandstand, Jockey Club Suites, Finish Line Suites, Turf Club, Grandstand Terrace, Rooftop Garden and Mansion. We have a saddling paddock, accommodations for groups and special events and parking areas for the public. Our racetrack also has permanent lighting in order to accommodate night races. The stable area has barns sufficient to accommodate approximately 1,400 horses and a 114-room dormitory for backstretch personnel. The Churchill Downs facility also has a simulcast wagering facility.

We have continued to invest in the facility to enhance the experience of our customers. During 2014, we completed the installation of a 15,224 square-foot, state of the art, high-definition video board that provides an enhanced viewing experience for patrons. We also created The Mansion, which provides premium accommodations for 298 guests. We also opened the Grandstand Terrace and Rooftop Garden, which together offers 2,400 new seats, wagering windows, and food and beverage offerings.

During the second quarter of 2015, we opened our new winner’s circle suites and a courtyard. The winner’s circle suites include 20 private, open-air suites reserved specifically for Kentucky Oaks and Kentucky Derby horsemen. The courtyard is a spacious lawn area in front of the winner’s circle suites.

In September 2015, we announced an $18 million capital expenditure project to modernize the Turf Club and other premium areas to be completed prior to the 2016 Kentucky Oaks and Kentucky Derby, further evidencing our dedication to enhancing the experience at Churchill Downs.

We also provide additional stabling and training facilities sufficient to accommodate 500 horses and a three-quarter (3/4) mile dirt track at a facility known as Trackside Louisville. Trackside Louisville operated as a simulcast wagering facility until it ceased operations in 2013. The simulcast wagering portion of the facility was razed during January 2015.

Arlington

The Arlington racetrack is located in Arlington Heights, Illinois and is a thoroughbred racing operation with ten OTBs. The Arlington racetrack hosts a significant stakes race, the Arlington Million. We had 89 race days in 2013, 89 in 2014 and 77 in 2015. We anticipate having 74 race days in 2016.

The racetrack sits on 336 acres, has a one and one-eighth (1 1/8) mile synthetic track, a one-mile turf track and a five-eighths (5/8) mile training track. The facility includes a clubhouse, grandstand and suite seating for approximately 7,500 persons, and food and beverage facilities. The stable area can accommodate 2,200 horses and has a 546-room temporary housing facility.

Fair Grounds

The Fair Grounds racetrack is located in New Orleans, Louisiana and is a racing operation with twelve OTBs in Louisiana. The Fair Grounds racetrack hosts a significant stakes race, the Louisiana Derby. We had 81 thoroughbred race days in 2013, 82 in 2014 and 83 in 2015. We anticipate having 80 thoroughbred race days in 2016. We had 14 quarter horse race days in 2013, 12 in 2014 and 10 in 2015. We anticipate having 10 quarter horse race days in 2016.

The Fair Grounds facility consists of approximately 145 acres of land, a one-mile dirt track, a seven-eighths (7/8) mile turf track, a grandstand and a stabling area. The facility includes clubhouse and grandstand seating for approximately 5,000 persons, a general admissions area and food and beverage facilities. The stable area consists of barns that can accommodate 1,897 horses and living quarters for 132 persons.

Calder

Calder is located in Miami Gardens, Florida and is adjacent to Sun Life Stadium, home of the Miami Dolphins. Calder is a thoroughbred racing facility that consists of approximately 231 acres of land with a one-mile dirt track, 7/8-mile turf track, barns and stabling facilities.

On July 1, 2014, we finalized an agreement with TSG that expires on December 31, 2020 under which we permit TSG to operate and manage Calder's racetrack and certain other racing and training facilities and to provide live horseracing under Calder's racing permits. During the term of the agreement, TSG pays Calder a racing services fee and is responsible for the direct and indirect costs of maintaining the racing premises, including the training facilities and applicable barns, and TSG receives the associated revenue from the operation.

In 2015, we continued our assessment of potential alternative uses of the Calder property that is not associated with the TSG lease agreement. Based on our analysis, we razed the barns that were not associated with the TSG agreement and commenced the demolition of the grandstand and certain ancillary facilities. In 2015, we recognized Calder exit costs of $13.9 million consisting of a non-cash impairment charge of $12.7 million to reduce the net book value of the grandstand assets to zero and $1.2 million for demolition costs related to the removal of the grandstand and the barns and to prepare the stable area for alternate future uses. We expect to obtain operational efficiencies as a result of the demolition including savings in property taxes, repair and maintenance, utilities, permitting and environmental maintenance expenditures. We expect to incur additional demolition costs of approximately $3.2 million, which will continue to be expensed as incurred during 2016. We reclassified $2.3 million of severance and other benefit costs that were previously reported in selling, general and administrative expense in 2014 into Calder exit costs.

Casinos Segment

We are also a diversified provider of brick-and-mortar real-money casino gaming with approximately 8,500 gaming positions located in six states. We own five casinos (Oxford Casino, Riverwalk Casino, Harlow's Casino, Calder Casino and Fair Grounds Slots and Video Services, LLC) and two hotels (Riverwalk and Harlow's). In addition, we have a 50% equity investment in Miami Valley Gaming, LLC ("MVG") and a 25% equity investment in Saratoga Casino Holdings LLC ("SCH"). Our casino revenue is primarily generated from slot machines, video poker and table games while ancillary revenue includes hotel and food and beverage sales.

Oxford Casino

Our Oxford Casino ("Oxford") is located in Oxford, Maine. Oxford is a 27,000 square-foot casino with approximately 850 slot machines, 26 table games and two dining facilities on approximately 97 acres of land.

Riverwalk Casino

Our Riverwalk Casino ("Riverwalk") is located in Vicksburg, Mississippi. Riverwalk is a 25,000 square-foot casino with approximately 660 slot machines, 14 table games, a five-story 80-room attached hotel and two dining facilities on approximately 22 acres of land.

Harlow's Casino

Our Harlow's Casino ("Harlow's") is located in Greenville, Mississippi. Harlow's is a 33,000 square-foot casino with approximately 740 slot machines, 15 table games, a 105-room attached hotel, a 5,600 square-foot multi-functional event center and four dining facilities. Harlow's is located on approximately 84 acres of leased land adjacent to U.S. Highway 82 in Greenville, Mississippi.

Calder Casino

Our Calder Casino ("Calder Casino") is located in Miami Gardens, Florida near Sun Life Stadium and is adjacent to Calder Race Course. Calder Casino is a 106,000 square-foot facility with approximately 1,090 slot machines and two dining facilities on a single-level. We ceased operating a poker room at Calder Casino on June 30, 2014.

Fair Grounds Slots and Video Services, LLC

Fair Grounds Slots is located in New Orleans, Louisiana adjacent to Fair Grounds Race Course. Fair Grounds Slots is a 33,000 square-foot slot facility that operates approximately 620 slot machines with two concession areas, a bar, a simulcast facility and other amenities for casino and pari-mutuel wagering patrons. Video Services, LLC ("VSI") is the owner and operator of approximately 790 video poker machines in ten off-track betting locations ("OTBs") in Louisiana.

Miami Valley Gaming Joint Venture and Equity Investment

We have a 50% equity investment in MVG that owns a video lottery terminal ("VLT") facility and harness racetrack on 120 acres in Lebanon, Ohio, which opened on December 12, 2013. MVG is an 186,000 square-foot facility with approximately 1,590 video lottery terminals, a racing simulcast center, a 5/8- mile harness racetrack and four dining facilities. MVG expects to conduct 86 days of live harness racing in 2016. MVG conducted 52 days of live harness racing in 2013, 64 days in 2014, and 89 days in 2015.

MVG, our 50% joint venture with Delaware North Companies Gaming & Entertainment Inc. ("DNC") was established during 2012 to develop a new harness racetrack and VLT casino facility in Lebanon, Ohio. Through the joint venture agreement with DNC, we formed a new company, MVG, to manage our collective interest in the development and operation of the racetrack and the VLT. On December 21, 2012, MVG completed the purchase of the harness racing licenses and certain assets held by Lebanon Trotting Club, Inc. and Miami Valley Trotting, Inc. for total consideration of $60.0 million, of which $10.0 million was funded at closing with the remainder funded through a $50.0 million note payable with a six-year term effective upon the commencement of casino operations on December 12, 2013. There is also a potential contingent consideration payment of $10.0 million based on the financial performance of the facility during the seven-year period after casino operations commence.

Saratoga Casino Holdings LLC Equity Investment

On October 2, 2015, we completed the acquisition of a 25% equity investment in SCH which owns Saratoga Casino and Raceway ("Saratoga") in Saratoga Springs, New York, for $24.5 million from Saratoga Harness Racing, Inc. ("SHRI"). Saratoga has a casino facility with approximately 1,700 VLT machines, a 1/2-mile harness racetrack with a racing simulcast center and three dining facilities. Saratoga has a 50% interest in a joint venture with DNC to manage the Gideon Putnam Hotel and Resort. We also signed a five-year management agreement with SCH to manage Saratoga for which we receive management fee revenue. Saratoga expects to complete a $40.0 million expansion including a 117-room hotel, expanding dining facilities and a 3,000 square-foot multi-functional event space in 2016. SCH expects to conduct 170 days of live harness racing in 2016. SCH conducted 170 days of live harness racing in 2013, 160 days in 2014 and 170 days in 2015.

SHRI has also agreed to transfer its controlling interest in Saratoga Casino Black Hawk in Black Hawk, Colorado to SCH upon approval from the Colorado Division of Gaming. When the approval is received and the transfer is completed, we will pay the remainder of the purchase price of approximately $6.4 million to SHRI for our pro-rata ownership of the Colorado operations and we will sign a five-year management agreement with SCH to manage Saratoga Casino Black Hawk for which we will receive management fee revenue.

TwinSpires Segment

Our TwinSpires segment includes TwinSpires.com, Fair Grounds Account Wagering ("FAW"), Velocity, Bloodstock Research Information Services ("BRIS") and HRTV, LLC.

TwinSpires.com is headquartered in Mountain View, California and operates our Advance Deposit Wagering ("ADW") business. We are the country's premier source of online account wagering for horseracing events and are the largest legal online gaming platform in the U.S. TwinSpires accepts online and mobile pari-mutuel wagers from customers residing in certain states who establish and fund an account from which they may place wagers via telephone, mobile device (through a browser or the TwinSpires mobile app) or through the Internet at www.twinspires.com. Our business is licensed as a multi-jurisdictional simulcasting and interactive wagering hub in the state of Oregon. We offer our customers streaming video of live horse races along with race replays and an assortment of racing and handicapping information, and all of our customers have the ability to automatically enroll in its rewards program, TSC Elite. In addition, we provide technology services to other third parties and we earn commissions from white label ADW products and services. Under these arrangements, we typically provide an advance deposit wagering platform and related operational services while the third party typically provides a brand name, marketing and limited customer functions. We believe that TwinSpires.com is a key component to our growth, and our gaming platform positions us to be a continued market leader in online gaming.

Our FAW business is an ADW business licensed in the state of Louisiana that is operated by Fair Grounds Race Course for Louisiana residents through a contractual agreement with TwinSpires.com.

Velocity is licensed in the British Dependency Isle of Man where we operate an ADW business focused on high dollar wagering international customers.

BRIS is a data service provider for the equine industry. We maintain one of the world's largest computerized databases of pedigree and racing information for the thoroughbred horse industry. We provide special reports, statistical information, handicapping information, pedigrees, and other data to organizations, publications and individuals within the thoroughbred industry.

HRTV, LLC ("HRTV") was an equity investment in a horseracing television channel. We divested HRTV on January 2, 2015.

Big Fish Games Segment

On December 16, 2014, we completed the acquisition of Big Fish Games, Inc. ("Big Fish Games"), a global producer and distributor of social casino, casual and mid-core free-to-play, and premium paid games for PC, Mac and mobile devices. Big Fish Games is headquartered in Seattle, Washington and has locations in Oakland, California and Luxembourg, with approximately 604 employees.

We utilize a portfolio approach to game development and have five internal studios with distinct production strategies as well as a large network of third-party developers to supplement our internal game production capabilities. We are a major producer of content and a direct-to-consumer, analytics-focused marketer and distributor of content across multiple platforms, including PC, Mac and mobile (including iOS and Android devices). We focus on delivering high quality game play and scaling these games to large audiences. When we release new games, we have an advanced marketing and analytic platform that allows us to quickly reach a broad game audience while leveraging a positive spread between the cost to acquire users and the expected net revenue from those users.

We have distributed more than 2.6 billion games to customers in 150 countries and are currently ranked as the fifth largest mobile publisher by combined iOS and Android sales in the U.S. based on gross revenue. The business operates in three business lines: 1) social casino, 2) casual and mid-core free-to-play and 3) premium paid games.

Social Casino Games

Social casino games are free to download through PC, Mac and mobile devices with a free-to-play business model. Monetization occurs through the consumer purchase of in-app virtual currency to enhance the game-playing experience. We view *Big Fish Casino* as a social game platform within a single app that includes multiple casino-style games such as blackjack, poker, slots, craps and roulette. *Big Fish Casino* is consistently a top-five social casino title on iOS and Google Play app stores based on gross revenue.

Casual and Mid-core Free-to-play Games

Casual and mid-core free-to-play games are also free to download through PC, Mac and mobile devices. Casual games consist of non-casino game genres such as match three, puzzle, hidden object and solitaire. Mid-core free-to-play games include non-casino game genres such as simulation, role-playing, adventure, collectible card and strategy. These games are monetized through the consumer purchase of in-app virtual currency which players can use to buy virtual items to enhance the game-playing experience. Over time, we have experienced a significant increase in our monthly average users largely due to the continued growth of our mobile free-to-play offerings. *Gummy Drop!* and *Fairway Solitaire Blast* are examples of our casual free-to-play games and *Dungeon Boss* is an example of our mid-core free-to-play games.

Premium Paid Games

Premium paid games are those where customers pay a single price upfront to download a game on their PC, Mac and mobile devices. There is no further monetization through in-game purchases. The games tend to be linear in nature and have a distinct beginning, middle and end. The premium paid customer base provides a significant source of free installs to support new premium paid mobile games as well as free-to-play product launches.

Other Investments Segment

Our Other Investments Segment includes United Tote, Churchill Downs Interactive Gaming ("I-Gaming"), Capital View Casino & Resort Joint Venture ("Capital View") and Bluff.

United Tote

Our subsidiaries, United Tote Company and United Tote Canada (collectively "United Tote"), manufacture and operate pari-mutuel wagering systems for racetracks, OTBs and other pari-mutuel wagering businesses. United Tote provides totalisator services which accumulate wagers, record sales, calculate payoffs and display wagering data to patrons who wager on horseraces. United Tote has contracts to provide totalisator services to a significant number of third-party racetracks, OTBs and other pari-mutuel wagering businesses and also provides these services at many of our facilities.

I-Gaming

I-Gaming is our Internet real-money gaming operation. During May 2015, I-Gaming entered into an agreement with a licensed card room operator to provide Internet-based interactive gaming services within California, should enabling legislation be enacted that would permit such activities. The term of the agreement commences after enabling legislation and upon the acceptance of the first customer wager and will then continue for a ten-year period. Under the agreement, I-Gaming and the licensed operator will jointly provide a platform for operations, obtain and maintain required licenses and regulatory approvals, and operate Internet-based interactive gaming services that will be marketed to California residents. These Internet-based interactive gaming services may include poker and other real-money gaming activities. At this time, it is difficult to assess whether this legislation will be enacted into law and the effect it would have on our business.

Capital View Casino & Resort Joint Venture

Capital View is a 50% joint venture with SHRI that unsuccessfully bid on the development of a destination casino and resort in the Capital Region of New York. Our remaining investment of $0.8 million reflects our share of land owned by the venture.

Bluff

Bluff Media ("Bluff"), which we acquired in February 2012, operated a multimedia poker periodical (*BLUFF Magazine* and *BluffMagazine.com),* maintained a comprehensive online database (ThePokerDB) that tracked and ranked the performance of poker players and tournaments, and provided various other news and content forums. We ceased operations of *BLUFF* in July 2015.

Corporate Segment

Our Corporate segment includes miscellaneous and other revenue, compensation expense, professional fees and other general and administrative expense not allocated to our other operating segments.

C. Competition

Overview

We operate in a highly competitive industry with a large number of participants, some of which have financial and other resources that are greater than ours. The industry faces competition from a variety of sources for discretionary consumer spending, including spectator sports, fantasy sports and other entertainment and gaming options. Internet-based interactive gaming and wagering, both legal and illegal, is growing rapidly and we anticipate competition in this area will become more intense as new Internet-based ventures enter the industry and as state and federal regulations on Internet-based activities are clarified. Additionally, our brick-and-mortar casinos compete with traditional and Native American casinos, video lottery terminals, state-sponsored lotteries and other forms of legalized gaming in the U.S. and other jurisdictions.

Legalized gambling is currently permitted in various forms in many states and Canada. Other jurisdictions could legalize gambling in the future, and established gaming jurisdictions could award additional gaming licenses or permit the expansion of existing gaming operations. If additional gaming opportunities become available near our racing or gaming operations, such gaming operations could have a material adverse impact on our business.

Racing

In 2015, approximately 39,840 thoroughbred horse races were conducted in the U.S. Of these races, we hosted 2,120 races, or about 5.3% of the total. As a content provider, we compete for wagering dollars in the simulcast market with other racetracks conducting races at or near the same times as our races. As a racetrack operator, we also compete for horses with other racetracks running live racing meets at or near the same time as our races. Our ability to compete is substantially dependent on the racing calendar, number of horses racing and purse sizes. In recent years, competition has increased as more states legalize gaming and allow slot machines at racetracks with mandatory purse contributions. Over 89 percent of pari-mutuel handle is bet at off-track locations, either at other racetracks, OTBs, casinos, or through ADW channels. As a content distributor, we compete for these dollars to be wagered at our racetracks, OTBs, casinos and via our ADW business.

Churchill Downs

Churchill Downs faces competition from freestanding casinos and racetracks that are combined with casinos ("racinos") in Indiana and Ohio. In Indiana, these casinos include Horseshoe Indiana, in Elizabeth, Indiana; Belterra Casino in Florence, Indiana and French Lick Resort in French Lick, Indiana. In Indiana, there are two racinos: Hoosier Park which operates 2,000 slot machines, and Indiana Grand Racing & Casino which operates 2,200 slot machines. In Ohio, seven racetracks offer VLT facilities.

In New York, Aqueduct Racetrack has a gaming facility with more than 4,900 video lottery terminals and electronic table games. As a result of the addition of gaming activities, New York purse payments at each of the three New York racetracks were greatly enhanced compared to historical levels.

These developments may result in Indiana, Ohio and New York racetracks attracting horses that would otherwise race at Kentucky racetracks, including Churchill Downs, thus negatively affecting the number of starters and purse sizes that, in turn, may have a negative effect on handle.

Arlington

Arlington competes in the Chicago market against a variety of entertainment options. In addition to other racetracks in the area such as Hawthorne Race Course, there are ten riverboat casino operations that draw from the Chicago market including Rivers Casino, in Des Plaines, Illinois. Additionally, Native American gaming operations in Wisconsin may also adversely affect Arlington.

The Video Gaming Act was enacted in July 2009, authorizing the placement of up to five Video Gaming Terminals ("VGTs") in licensed retail establishments, truck stops, and veteran and fraternal establishments. There are currently over 22,000 VGTs distributed among more than 5,000 establishments throughout Illinois.

Fair Grounds

Fair Grounds competes in Louisiana in both thoroughbred and quarter horse racing with Louisiana Downs, Evangeline Downs, Harrah's Louisiana Downs and Delta Downs as well as with other southern state racetracks including Gulfstream Park in Florida and Oaklawn Park in Arkansas.

Casinos

Oxford

Oxford competes with Hollywood Casino in Bangor, Maine. Oxford also competes with Plainridge Park Casino in Plainville, Massachusetts which opened in June 2015. Two other casinos are expected to open in Massachusetts in the future.

Riverwalk

Riverwalk competes in the Vicksburg, Mississippi area and is one of four casinos in the local market. Our principal local competitors are Ameristar Casino, Lady Luck Casino and DiamondJacks Casino & Hotel. In addition, Riverwalk faces regional competition from Magnolia Bluff Casino and the Pearl River Resort in Mississippi.

Harlow's

Harlow's competes in Greenville, Mississippi with a variety of regional riverboat and land-based casinos. Our primary local competitor is Trop Casino that reopened its renovated property during October 2014. Harlow's also faces regional competition from a casino in Lula, Mississippi, eight casinos in Tunica, Mississippi and two casinos in Arkansas.

The Mississippi Gaming Control Act does not limit the number of licenses that may be granted.

Calder Casino

Calder Casino competes with seven pari-mutuel casinos as well as three Indian-owned casinos, all of which are located in Miami-Dade or Broward County, Florida. We also face competition from a large number of cruise ship operators in Miami and Ft. Lauderdale. Native American casinos are taxed at lower rates and therefore, are generally able to spend more money marketing their facilities to consumers.

Florida legislators continue to debate the expansion of Florida gaming to include Las Vegas-style destination resort casinos which may be subject to lower taxation rates.

Fair Grounds Slots and Video Services, LLC

Fair Grounds Slots competes in the New Orleans, Louisiana area with two riverboat casinos and Harrah's which is the largest, closest and only land-based casino competitor to Fair Grounds. Fair Grounds Slots faces significant gambling competition along the Mississippi Gulf Coast. Fair Grounds Slots and VSI also compete with video poker operations located at various OTBs, truck stops and restaurants in the area. In 2015, Fair Grounds Slots was adversely impacted by a smoking ban in Orleans Parish which enhanced competition with properties outside of Orleans Parish.

MVG

MVG competes with Hollywood Gaming at Dayton Raceway, a VLT facility in Dayton, Ohio and Horseshoe Cincinnati, a slot machine and table games casino in Cincinnati, Ohio. MVG also faces regional competition from three casinos in Indiana and two other gaming properties in Columbus, Ohio.

Saratoga

Saratoga will compete with Rivers Casino, a new casino in Schenectady, New York, that is expected to open during the first half of 2017.

TwinSpires

TwinSpires.com competes with other ADW businesses for both customers and racing content, and it also competes with online gaming sites. Our competitors include Betfair Limited (d/b/a TVG), The Stronach Group (d/b/a XpressBet), Premier Turf Club, Lien Games (d/b/a BetAmerica), AmWest Entertainment, The New York Racing Association (d/b/a NYRA Rewards), Connecticut OTB, Penn National Gaming Inc. and Racing2Day LLC.

Our BRIS business competes with companies such as Equibase and the Daily Racing Form. The handicapping and pedigree information that we sell to wagering customers and horsemen in the industry may give us a competitive advantage as we are able to provide promotional products to our ADW customers that other ADW businesses cannot provide.

Big Fish Games

We face significant competition in all aspects of our business. Specifically, we compete for the leisure time, attention and discretionary spending of our players with other game developers on the basis of a number of factors, including quality of player experience, brand awareness and access to distribution channels.

We believe we compete favorably on these factors. However, our industry is evolving rapidly and is becoming increasingly competitive. Other developers and distributors of social casino, casual and mid-core free-to-play and premium paid games could develop more compelling content that competes with our games and adversely affects our ability to attract and retain players and their entertainment time. These competitors, including companies of which we may not be currently aware, may take advantage of social networks or access to a larger user base to grow their networks rapidly and virally.

Our social casino games compete in a rapidly evolving market against an increasing number of competitors, including Caesars Interactive, Zynga and IGT. Our casual and mid-core free-to-play game customers may also play other games on PCs, Macs, mobile devices and console devices, and some of these games may include unique features that our games do not have. Given the open nature of the development and distribution of games for mobile devices, we compete with a vast number of developers and distributors who are able to create and launch games and other content for these devices using relatively limited resources and with relatively limited start-up time or expertise. It has been estimated that more than 2.1 million applications, including more than 473,000 active games, were available on Apple's U.S. App Store as of December 31, 2015. The proliferation of titles potentially makes it difficult for us to differentiate ourselves from other developers and to compete for customers who download and purchase content for their devices without substantially increasing our marketing and other development and distribution costs.

Other Investments

In North America, United Tote competes primarily with Sportech and AmTote International, Inc. Our competition outside of North America is very fragmented.

D. Governmental Regulations and Potential Legislative Changes

We are subject to various federal, state and international laws and regulations that affect our businesses. The ownership, operation and management of our racing operations, our casino operations, TwinSpires and Big Fish Games are subject to regulation under the laws and regulations of each of the jurisdictions in which we operate. The ownership, operation and management of our segments are also subject to legislative actions at both the federal and state level.

Racing Regulations and Potential Legislative Changes

Horseracing is a highly regulated industry. In the U.S., individual states control the operations of racetracks located within their respective jurisdictions with the intent of, among other things, protecting the public from unfair and illegal gambling practices, generating tax revenue, licensing racetracks and operators and preventing organized crime from being involved in the industry. Although the specific form may vary, states that regulate horseracing generally do so through a horseracing commission or other gambling regulatory authority. In general, regulatory authorities perform background checks on all racetrack owners prior to granting them the necessary operating licenses. Horse owners, trainers, jockeys, drivers, stewards, judges and backstretch personnel are also subject to licensing by governmental authorities. State regulation of horse races extends to virtually every aspect of racing and usually extends to details such as the presence and placement of specific race officials, including timers, placing judges, starters and patrol judges. We currently satisfy the applicable licensing requirements of the racing and gambling regulatory authorities in each state where we maintain racetracks or pari-mutuel operations and/or business

The total number of days on which each racetrack conducts live thoroughbred racing fluctuates annually according to each calendar year and the determination of applicable regulatory authorities.

Specific Federal Racing Regulations and Potential Legislative Changes

In the United States, interstate pari-mutuel wagering on horseracing is subject to the Interstate Horseracing Act of 1978 ("IHA"), as amended in 2000. Through the IHA, racetracks can commingle wagers from different racetracks and wagering facilities and broadcast horseracing events to other licensed establishments.

Potential Federal Horseracing Legislation

In April 2015, the Teller All Gone Horseracing Deregulation Act was filed for consideration in the Senate. Identical legislation, Coronado Heights Horseracing Deregulation Act, was filed in the House of Representatives. The proposed legislation would repeal the IHA, effectively prohibiting the operation of advance deposit wagering on horse races. If enacted into law, the legislation could have a material adverse impact on our business.

In July 2015, the Thoroughbred Horseracing Integrity Act of 2015 was filed. Under the terms of the legislation, the United States Anti-Doping Agency ("USADA") is designated as the organization responsible for regulating drugs, medications and treatments used in racing and would prohibit interstate wagering without consent from USADA. If enacted into law, the legislation could have a material adverse impact on our business.

Specific State Racing Regulations and Potential Legislative Changes

Kentucky

Horseracing tracks in Kentucky are subject to the licensing and regulation of the Kentucky Horse Racing Commission ("KHRC"). The KHRC is responsible for overseeing horseracing and regulating the state equine industry. Licenses to conduct live thoroughbred racing meets, to participate in simulcasting and to accept ADW wagers from Kentucky residents are approved annually by the KHRC based upon applications submitted by the racetracks in Kentucky. To some extent, Churchill Downs competes with other racetracks in Kentucky for the award of racing dates, however, the KHRC is required by state law to consider and seek to preserve each racetrack's usual and customary live racing dates. During October 2015, Churchill Downs received re-approval to conduct an 11-day September meet during 2016, in addition to its traditional spring and fall racing meets.

Illinois

In Illinois, licenses to conduct live thoroughbred racing and to participate in simulcast wagering are approved by the Illinois Racing Board ("IRB"). In September 2015, the IRB appointed Arlington the host track in Illinois for 64 simulcast host days during 2016, an increase of 41 days compared to 2015. In addition, Arlington was awarded 216 live host days for 2016, an increase of 36 days as compared to 2015.

On January 29, 2014, the Illinois legislature approved regulations to reauthorize ADW wagering though January 2017 and began imposing an incremental surcharge on winning wagers of 0.2%, in addition to the previous surcharge of 0.18%. The legislation was approved by the Illinois legislature and signed by the Governor of Illinois during January 2014.

Florida

In Florida, licenses to conduct live thoroughbred racing and to participate in simulcast wagering are approved by the Department of Business and Professional Regulation's 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 issues annual licenses for thoroughbred, standardbred and quarter horse races but does not approve the specific live race days. During 2013, Calder and Gulfstream Park began conducting concurrent live thoroughbred racing in certain months, leading to an overlapping of live racing resulting in direct competition for on-track horseracing and horses in South Florida, as well as the intrastate and interstate simulcasting markets. This negatively affected Calder's ability to achieve full field horseraces and to generate handle on live racing in 2013. Our agreement with TSG to operate the Calder racetrack until December 31, 2020 eliminated this conflict.

Louisiana

In Louisiana, licenses to conduct live thoroughbred racing and to participate in simulcast wagering are approved by the Louisiana State Racing Commission ("LSRC"). The LSRC is responsible for overseeing the awarding of licenses for the conduct of live racing meets, the conduct of thoroughbred horseracing, the types of wagering that may be offered by pari-mutuel facilities and the disposition of revenue generated from wagering. Off-track wagering is also regulated by the LSRC. Louisiana law requires live racing at a licensed racetrack for at least 80 days over a 20 week period each year to maintain the license and to conduct casino operations.

With the addition of slot machines at Fair Grounds, Louisiana law requires live quarter horseracing to be conducted at the racetrack. We conducted quarter horseracing at Fair Grounds for 14 days in 2013, 12 days in 2014, 10 days in 2015 and expect to conduct quarter horseracing for 10 days in 2016.

In May 2015, legislation was signed into law that will direct all revenue from unclaimed pari-mutuel wagering tickets and electronic gaming jackpots to a crime victims reparations fund to help pay for medical related expenses of sexual assault victims. We do not expect the legislation to have a material adverse impact on our business.

Casino Regulations and Legislative Changes

Casino laws are generally designed to protect casino consumers and the viability and integrity of the casino industry. Casino laws may also be designed to protect and maximize state and local revenue derived through taxes and licensing fees imposed on casino industry participants as well as to enhance economic development and tourism. To accomplish these public policy goals, casino laws establish procedures to ensure that participants in the casino industry meet certain standards of character and fitness. In addition, casino laws require casino industry participants to:

- Ensure that unsuitable individuals and organizations have no role in casino operations;
- Establish procedures designed to prevent cheating and fraudulent practices;
- Establish and maintain responsible accounting practices and procedures;
- Maintain effective controls over financial practices, including establishment of minimum procedures for internal fiscal affairs and the safeguarding of assets and revenue;
- Maintain systems for reliable record keeping;
- File periodic reports with casino regulators;
- Ensure that contracts and financial transactions are commercially reasonable, reflect fair market value and are arms-length transactions;
- Establish programs to promote responsible gambling and inform patrons of the availability of help for problem gambling; and
- Enforce minimum age requirements.

Typically, a state regulatory environment is established by statute and administered by a regulatory agency with broad discretion to regulate the affairs of owners, managers and persons with financial interests in casino operations. Among other things, casino authorities in the various jurisdictions in which we operate:

- Adopt rules and regulations under the implementing statutes;
- Interpret and enforce casino laws;
- Impose disciplinary sanctions for violations, including fines and penalties;
- Review the character and fitness of participants in casino operations and make determinations regarding suitability or qualification for licensure;
- Grant licenses for participation in casino operations;
- Collect and review reports and information submitted by participants in casino operations;
- Review and approve transactions, such as acquisitions or change-of-control transactions of casino industry participants, securities offerings and debt transactions engaged in by such participants; and
- Establish and collect fees and taxes.

Any change in the laws or regulations of a casino jurisdiction could have a material adverse impact on our casino operations.

Licensing and Suitability Determinations

Gaming laws require us, each of our subsidiaries engaged in casino operations, certain of our directors, officers and employees, and in some cases, certain of our shareholders, to obtain licenses from casino authorities. Licenses typically require a determination that the applicant qualifies or is suitable to hold the license. Gaming authorities have very broad discretion in determining whether an applicant qualifies for licensing or should be deemed suitable. Criteria used in determining whether to grant a license to conduct casino operations, while varying between jurisdictions, generally include consideration of factors such as the good character, honesty and integrity of the applicant; the financial stability, integrity and responsibility of the applicant, including whether the operation is adequately capitalized in the state and exhibits the ability to maintain adequate insurance levels; the quality of the applicant's casino facilities; the amount of revenue to be derived by the applicable state from the operation of the applicant's casino; the applicant's practices with respect to minority hiring and training; and the effect on competition and general impact on the community.

In evaluating individual applicants, casino authorities consider the individual's business experience and reputation for good character, the individual's criminal history and the character of those with whom the individual associates.

Many casino jurisdictions limit the number of licenses granted to operate casinos within the state and some states limit the number of licenses granted to any one casino operator. Licenses under casino laws are generally not transferable without approval. Licenses in most of the jurisdictions in which we conduct casino operations are granted for limited durations and require renewal from time to time. There can be no assurance that any of our licenses will be renewed. The failure to renew any of our licenses could have a material adverse impact on our casino operations.

In addition to our subsidiaries engaged in casino operations, casino authorities may investigate any individual who has a material relationship to or material involvement with, any of these entities to determine whether such individual is suitable or should be licensed as a business associate of a casino licensee. Our officers, directors and certain key employees must file applications with the casino authorities and may be required to be licensed, qualify or be found suitable in many jurisdictions. Gaming authorities may deny an application for licensing for any cause that they deem reasonable. Qualification and suitability determinations require submission of detailed personal and financial information followed by a thorough investigation. The applicant must pay all the costs of the investigation. Changes in licensed positions must be reported to casino authorities. In addition to casino authorities' ability to deny a license, qualification or finding of suitability, casino authorities have jurisdiction to disapprove a change in a corporate position.

If one or more casino authorities were to find that an officer, director or key employee fails to qualify or is unsuitable for licensing or unsuitable to continue having a relationship with us, we would be required to sever all relationships with such person. In addition, casino authorities may require us to terminate the employment of any person who refuses to file appropriate applications.

Moreover, in many jurisdictions, certain of our shareholders may be required to undergo a suitability investigation similar to that described above. Many jurisdictions require any person who acquires beneficial ownership of more than a certain percentage of our voting securities, typically 5%, to report the acquisition to casino authorities, and casino authorities may require such holders to apply for qualification or a finding of suitability. Most casino authorities, however, allow an "institutional investor" to apply for a waiver. An "institutional investor" is generally defined as an investor acquiring and holding voting securities in the ordinary course of business as an institutional investor, and not for the purpose of causing, directly or indirectly, the election of a member of our board of directors, any change in our corporate charter, bylaws, management, policies or operations, or those of any of our casino affiliates, or the taking of any other action which casino authorities find to be inconsistent with holding our voting securities for investment purposes only. Even if a waiver is granted, an institutional investor generally may not take any action inconsistent with its status when the waiver was granted without once again becoming subject to the foregoing reporting and application obligations.

Generally, any person who fails or refuses to apply for a finding of suitability or a license within the prescribed period after being advised it is required by casino authorities may be denied a license or found unsuitable, as applicable. Any shareholder found unsuitable or denied a license and who holds, directly or indirectly, any beneficial ownership of our voting securities beyond such period of time as may be prescribed by the applicable casino authorities may be guilty of a criminal offense. Furthermore, we may be subject to disciplinary action if, after we receive notice that a person is unsuitable to be a shareholder or to have any other relationship with us or any of our subsidiaries, we: (i) pay that person any dividend or interest upon our voting securities; (ii) allow that person to exercise, directly or indirectly, any voting right conferred through securities held by that person; (iii) pay remuneration in any form to that person for services rendered or otherwise; or (iv) fail to pursue all lawful efforts to require such unsuitable person to relinquish voting securities including, if necessary, the immediate purchase of said voting securities for cash at fair market value.

Violations of Gaming Laws

If we violate applicable casino laws, our casino licenses could be limited, conditioned, suspended or revoked by casino authorities, and we and any other persons involved could be subject to substantial fines. A supervisor or conservator can be appointed by casino authorities to operate our casino properties, or in some jurisdictions, take title to our casino assets in the jurisdiction, and under certain circumstances, income generated during such appointment could be forfeited to the applicable state or states. Violations of laws in one jurisdiction could result in disciplinary action in other jurisdictions. As a result, violations by us of applicable casino laws could have a material adverse impact on our casino operations.

Some casino jurisdictions prohibit certain types of political activity by a casino licensee, its officers, directors and key employees. A violation of such a prohibition may subject the offender to criminal and/or disciplinary action.

Reporting and Record-keeping Requirements

We are required periodically to submit detailed financial and operating reports and furnish any other information that casino authorities may require. Under federal law, we are required to record and submit detailed reports of currency transactions involving greater than $10,000 at our casinos and racetracks as well as any suspicious activity that may occur at such facilities. Failure to comply with these requirements could result in fines or cessation of operations. We are required to maintain a current stock ledger that may be examined by casino authorities at any time. If any securities are held in trust by an agent or by a nominee, the record holder may be required to disclose the identity of the beneficial owner to casino authorities. A failure to make such disclosure may be grounds for finding the record holder unsuitable. Gaming authorities may require certificates for our securities to bear a legend indicating that the securities are subject to specified casino laws.

Review and Approval of Transactions

Substantially all material loans, leases, sales of securities and similar financing transactions must be reported to and in some cases approved by casino authorities. We may not make a public offering of securities without the prior approval of certain casino authorities. Changes in control through merger, consolidation, stock or asset acquisitions, management or consulting agreements, or otherwise are subject to receipt of prior approval of casino authorities. Entities seeking to acquire control of us or one of our subsidiaries must satisfy casino authorities with respect to a variety of stringent standards prior to assuming control. Gaming authorities may also require controlling shareholders, officers, directors and other persons having a material relationship or involvement with the entity proposing to acquire control, to be investigated and licensed as part of the approval process relating to the transaction.

License Fees and Gaming Taxes

We pay substantial license fees and taxes in many jurisdictions in connection with our casino operations which are computed in various ways depending on the type of gambling or activity involved. Depending upon the particular fee or tax involved, these fees and taxes are payable with varying frequency. License fees and taxes are based upon such factors as a percentage of the gross casino revenue received; the number of gambling devices and table games operated; or a one-time fee payable upon the initial receipt of license and fees in connection with the renewal of license. In some jurisdictions, casino tax rates are graduated such that the tax rates increase as gross casino revenue increases. Tax rates are subject to change, sometimes with little notice, and such changes could have a material adverse impact on our casino operations.

Operational Requirements

In most jurisdictions, we are subject to certain requirements and restrictions on how we must conduct our casino operations. In certain states, we are required to give preference to local suppliers and include minority and women-owned businesses and organized labor in construction projects to the maximum extent practicable. We may be required to give employment preference to minorities, women and in-state residents in certain jurisdictions. Our ability to conduct certain types of games, introduce new games or move existing games within our facilities may be restricted or subject to regulatory review and approval. Some of our operations are subject to restrictions on the number of gaming positions we may have and the maximum wagers allowed to be placed by our customers.

Specific State Casino Regulations and Potential Legislative Changes

Maine

The ownership and operation of casino gaming facilities in the State of Maine is subject to extensive state and local regulation and is subject to licensing and regulatory control by the Maine Gambling Control Board (the "MGCB"). The laws, regulations and supervisory procedures of the MGCB are based upon declarations of public policy that are concerned with, among other things: (1) the regulation, supervision and general control over casinos and the ownership and operation of slot machines and table games; (2) the investigation of complaints made regarding casinos; (3) the establishment and maintenance of responsible accounting practices and procedures; (4) the maintenance of effective controls over the financial practices of licensees, including the establishment of minimum procedures for internal fiscal affairs and the safeguarding of assets and revenue and providing for reliable record keeping; and (5) the prevention of cheating and fraudulent practices. The regulations are subject to amendment and interpretation by the MGCB. Changes in Maine laws or regulations may limit or otherwise materially affect the types of gaming that may be conducted and such changes, if enacted, could have an adverse impact on our Maine gaming operations. The failure to comply with the rules and regulations of the MGCB could have a material adverse impact on our business.

Potential Expanded Gaming in Maine

In April 2015, legislation was filed for consideration that would expand gaming locations in the state and allow for entities such as Native American tribes and a harness track located in Southern Maine to operate casino facilities. Legislation authorizing a northern Maine casino benefiting Native American tribes expired during the legislative session. Proposed legislation allowing for a Southern Maine casino was rolled over to the 2016 legislative session. Should gaming expansion occur in Maine, it could have a material adverse impact on our business.

Mississippi

The ownership and operation of casino gaming facilities in the State of Mississippi is subject to extensive state and local regulation, including the Mississippi Gaming Commission (the "Mississippi Commission"). The laws, regulations and supervisory procedures of the Mississippi Commission are based upon declarations of public policy that are concerned with, among other things: (1) the prevention of unsavory or unsuitable persons from having direct or indirect involvement with gaming at any time or in any capacity; (2) the establishment and maintenance of responsible accounting practices and procedures; (3) the maintenance of effective controls over the financial practices of licensees, including the establishment of minimum procedures for internal fiscal affairs and the safeguarding of assets and revenue, providing for reliable record keeping and requiring the filing of periodic reports with the Mississippi Commission; (4) the prevention of cheating and fraudulent practices; (5) providing a source of state and local revenue through taxation and licensing fees; and (6) ensuring that gaming licensees, to the extent practicable, employ Mississippi residents. The regulations are subject to amendment and interpretation by the Mississippi Commission. Changes in Mississippi laws or regulations may limit or otherwise materially affect the types of gaming that may be conducted and such changes, if enacted, could have an adverse impact on our Mississippi gaming operations. The failure to comply with the rules and regulations of the Mississippi Commission could have a material adverse impact on our business.

Florida

The ownership and operation of casino gaming facilities in the State of Florida is subject to extensive state and local regulation, primarily by the Florida Department of Business and Professional Regulation (the "DBPR"), within the executive branch of Florida's state government. The DBPR is charged with the regulation of Florida's pari-mutuel, card room and slot gaming industries, as well as collecting and safeguarding associated revenue due to the state. The DBPR has been designated by the Florida legislature as the state compliance agency with the authority to carry out the state's oversight responsibilities in accordance with the provisions outlined in the compact between the Seminole Tribe of Florida and the State of Florida. Changes in Florida laws or regulations may limit or otherwise materially affect the types of gaming that may be conducted and such changes, if enacted, could have an adverse impact on our Florida gaming operation. The laws and regulations of Florida are based on policies of maintaining the health, welfare and safety of the general public and protecting the video gaming industry from elements of organized crime, illegal gambling activities and other harmful elements, as well as protecting the public from illegal and unscrupulous gaming to ensure the fair play of devices. The failure to comply with the rules and regulations of the DBPR could have a material adverse impact on our business.

Potential Seminole Compact and Potential Decoupling in Florida

In December 2015, Florida's Governor signed a twenty-year Seminole Compact with the Seminole Tribe preserving the Tribe's geographic exclusivity and right to exclusively operate blackjack, craps and roulette games and providing the state with an expected $3.0 billion in additional state revenue over a seven-year period beginning in 2017. The Seminole Compact addresses other issues such as the potential for pari-mutuel operations to add blackjack in a limited fashion as well as the potential for expanded licenses in Palm Beach and Miami-Dade counties. The Seminole Compact must be approved by the Florida Legislature. In February 2016, legislation authorizing the Seminole Compact was introduced for consideration.

In February 2016, legislation was introduced in the Florida House and Senate that would provide for significant changes to Florida's pari-mutuel industry. The House bill would allow pari-mutuel racetracks in Miami-Dade and Broward counties to elect to decouple, relieving the facility of the obligation to conduct pari-mutuel operations, would require a reduction in the number of authorized gaming positions to a specified level in order to obtain a reduction in the gaming tax to 25% of casino revenue, would allow gaming facilities to be open continuously and would authorize additional gaming licenses in Miami-Dade and Palm Beach counties. The House bill would create a $10 million purse pool funded by revenues from the Seminole Compact. The Senate bill would allow pari-mutuel racetracks in Miami-Dade and Broward counties to elect to decouple, would establish a permit buyback program under which the state would purchase racing permits from pari-mutuel racetracks that decouple and would create a purse pool funded by revenues from the Seminole Compact and the pari-mutuel racetracks that elect to decouple. The Senate legislation provides for additional gaming licenses in Miami-Dade and Palm Beach counties, permits the operation of slot machines in six counties that have passed local referendums authorizing the activity, establishes a 25% tax rate on casino revenue, provides for gaming facilities to be open continuously and allows for facilities in Miami-Dade and Broward counties, as well as Tampa Bay Downs, to operate up to twenty-five blackjack tables. The Senate bill makes cardroom operations contingent upon having an agreement with a thoroughbred racetrack to pay 4% of monthly cardroom revenue to fund purses.

At this time it is not possible to determine what impact legislation with respect to authorizing the Seminole Compact or decoupling and other provisions will have on our business.

Louisiana

The manufacture, distribution, servicing and operation of video draw poker devices in Louisiana are subject to the Louisiana Video Draw Poker Devices Control Law and the rules and regulations promulgated thereunder. The manufacture, distribution, servicing and operation of video poker devices and slot machines are governed by the Louisiana Gaming Control Board (the "Louisiana Board") which oversees all licensing for all forms of legalized gaming in Louisiana. The Video Gaming Division and the Slots Gaming Division of the Gaming Enforcement Section of the Office of the State Police within the Department of Public Safety and Corrections (the "Division") performs the video poker and slots gaming investigative functions for the Louisiana Board. The laws and regulations of Louisiana are based on policies of maintaining the health, welfare and safety of the general public and protecting the video gaming industry from elements of organized crime, illegal gambling activities and other harmful elements, as well as protecting the public from illegal and unscrupulous gaming to ensure the fair play of devices. The Louisiana Board also regulates slot machine gaming at racetrack facilities pursuant to the Louisiana Pari-Mutuel Live Racing Facility Economic Redevelopment and Gaming Control Act. Changes in Louisiana laws or regulations may limit or otherwise materially affect the types of gaming that may be conducted and such changes, if enacted, could have an adverse impact on our Louisiana gaming operations. In addition, the LSRC also issues licenses required for Fair Grounds to operate slot machines at the racetrack and video poker devices at its OTBs. The failure to comply with the rules and regulations of the Louisiana Board or the LSRC could have a material adverse impact on our business.

On January 22, 2015, the New Orleans City Council approved a smoking ban in bars and other public places, including casinos, in Orleans Parish which took effect on April 22, 2015. The smoking ban had a negative impact on Fair Grounds Slots which was partially offset by VSI, whose OTB locations are located outside of Orleans Parish. During the third quarter of 2015, we opened an outdoor smoking patio for our patrons at Fair Grounds Slots. At this time, it is not possible to determine the full impact of the smoking ban on our business.

Ohio

Video Lottery was introduced in the State of Ohio in 2012 when the Governor of Ohio signed Executive Order 2011-22K which authorized the Ohio Lottery Commission ("the OLC") to amend and adopt rules necessary to implement a video lottery program at Ohio's seven horse racing facilities. The ownership and operation of VLT facilities in the State of Ohio is subject to extensive state and local regulation. The laws, regulations and supervisory procedures of the OLC include 1) regulating the licensing of video lottery sales agents (VLSA), key gaming employees and VLT manufacturers; 2) collecting and disbursing VLT revenue; and 3) maintaining compliance in regulatory matters. Changes in Ohio laws or regulations may limit or otherwise materially affect the types of gaming that may be conducted and such changes, if enacted, could have an adverse impact on our Ohio gaming operations. The failure to comply with the rules and regulations of the OLC could have a material adverse impact on our business.

Potential Ohio Video Lottery Sales

In April 2015, State Bill 140 was introduced that would remove the ability of a video lottery sales agent, such as our joint venture investment in MVG, to offer promotional play unless specific criteria are met. Under the terms of the bill, in order for a video lottery sales agent to offer promotional play, the agent must have at least 90% of the statutorily allocated video lottery terminals on the gaming floor and the agent must generate at least $165 million in revenue. If the agent meets both criteria, not only will the agent qualify to offer up to $5 million of promotional play, the agent may offer expanded types of video lottery games. If enacted, we expect the legislation to have a material adverse impact on our business.

New York

The ownership and operation of VLT facilities in New York are governed by the New York State Gaming Commission ("NYSGC") under the New York State Lottery for Education Law. The laws, regulations and supervisory procedures of the NYSGC include: 1) regulating the licensing of video lottery gaming agents, principal key gaming employees and VLT manufacturers; 2) collecting and disbursing VLT revenue; and 3) maintaining compliance in regulatory matters. Changes in New York laws or regulations may limit or otherwise materially affect the types of gaming that may be conducted and such changes, if enacted, could have an adverse impact on our New York gaming operations. The failure to comply with the rules and regulations of the NYSGC could have a material impact on our business.

During 2012, the Governor of New York and legislative leaders agreed to legalize casino gaming and seek an amendment to the state constitution that would authorize such gaming and, during 2013, New York voters approved a constitutional amendment authorizing up to seven casinos in the state. On May 13, 2014, we entered into a 50% joint venture with SHRI to bid on the development, construction and operation of Capital View located in the Capital Region near Albany, New York. On December 17, 2014, the Gaming Facility Location Board ("Location Board") announced the award of three casino licenses in the state and awarded the Capital Region license to another bidder, but the Location Board did not award a fourth available license in the Southern Region. In December 2014, the Governor of New York appealed to the Location Board to reconsider awarding the fourth license in the state. During January 2015, the Location Board reopened the bidding process for casino license applications for the fourth license. In October 2015, the Location Board approved Tioga Downs to apply for the fourth and final New York license. After a 7-year exclusivity period, the state may award additional licenses. An expansion of gaming in New York includes incentives for the horse racing industry. At this time, it is not possible to determine the impact casino gaming could have on our business.

The New York state budget was signed into law in April 2015 and included a provision authorizing the expansion of video lottery terminal games at six racetracks, including Saratoga. Specifically, the measure will allow racetracks to add electronic blackjack and poker games under the classification of games of chance and not skill. We expect the legislation to result in a favorable impact to our business.

Potential New York Interactive Gaming Legislation

In January 2016, legislation was filed that would authorize VLT operators and casino licensees to be eligible for an interactive gaming license. The bill provides that an interactive gaming licensee would be authorized to offer online poker games under a ten-year license. The proposed legislation limits the number of licenses to ten, establishes an initial $10 million license fee and establishes a tax rate of 15% of interactive gross gaming revenue. If passed, the legislation could result in a favorable impact to our business.

Kentucky

Potential Kentucky Expanded Gaming Legislation

On February 3, 2016, Senate Bill 144 was introduced for consideration during the 2016 legislative session. Senate Bill 144 is a constitutional amendment that authorizes the legislature to permit casino gaming and to develop a framework for casino gaming. Under the terms of the constitutional amendment, 90% of revenue generated from licensing fees and taxation would be directed to the state's pension fund. The remaining 10% of revenue would be dedicated to Kentucky's horse industry. If the constitutional amendment is approved by the Legislature during the 2016 session, it will appear on the November 2016 ballot. If enacted, the legislation could have a material positive impact on our business.

Illinois

Potential Illinois Expanded Gaming Legislation

On March 27, 2015, House Bill 2939 and House Bill 3564 were filed in the Illinois legislature. House Bill 2939 would authorize a state owned Chicago casino with 4,000 to 12,000 gaming positions. House Bill 3564 proposes to authorize five new casinos, a Chicago casino and electronic gaming at all Illinois racetracks except Fairmount Park Racetrack. Cook County racetracks would be authorized to operate 600 positions, while certain other racetracks would be authorized for 450 positions. The legislation remains pending for consideration during the 2016 legislative session. If enacted, the legislation could have a material positive impact on our business.

TwinSpires Regulations and Legislative Changes

TwinSpires is licensed in Oregon under a multi-jurisdictional simulcasting and interactive wagering totalisator hub license issued by the Oregon Racing Commission ("ORC") and in accordance with Oregon law. TwinSpires also holds ADW licenses in certain other states where required such as California, Illinois, Idaho, Kentucky, Maryland, Virginia, Colorado, Arizona, Wyoming, Arkansas, New York and Washington. Changes in the form of new legislation or regulatory activity at the state or federal level could adversely impact our ADW business.

Potential Federal Internet Gaming

On February 4, 2015, the Restoration of America's Wire Act ("HR 707") was reintroduced for consideration in the House of Representatives. HR 707 is identical to the Restoration of America's Wire Act legislation proposed in 2014 and is crafted to reverse a 2011 decision by the Justice Department that interpreted the Wire Act of 1961 ("Wire Act") to not apply to interstate transmissions of wire communications except when related to sports betting. As written, HR 707 would restore the interpretation of the Wire Act prior to the 2011 Justice Department decision and effectively prohibit online gaming. The legislation does not grandfather in states currently operating Internet gaming, but does allow for online wagering on horseracing placed in compliance with the Interstate Horseracing Act of 1978 to continue.

In June 2015, the Restoration of America's Wire Act was introduced in the Senate. While the legislation is substantially similar to the version introduced in the House, the Senate bill would allow the Internet to be used to facilitate on-premises sales of lottery tickets and lottery subscriptions, but does not authorize the sale of lottery tickets online. It is difficult to assess the probability of legislation passing at the federal level, the form of any final legislation, or its impact on our business.

Potential State Legislative Changes

Florida

In January 2016, legislation was filed that would authorize and regulate, but not tax, advance deposit wagering in the state. If enacted, we do not believe the legislation will have an impact on our business. It is difficult to assess the probability of legislation passing at the state level, the form of any final legislation, or its impact on our business.

Indiana

In January of 2016, legislation was filed related to advance deposit wagering operation in the state. Although the legislation does not specifically authorize advance deposit wagering, a 6% tax is imposed on all Indiana citizens who place wagers through an ADW operator. If enacted, the legislation could have a negative impact on our business.

Maine

In 2015, legislation was filed that would regulate advance deposit wagering and implement a 6.5% tax on net commissions of the ADW licensee. Under the terms of the legislation, a commercial race track would have first right to apply for advance deposit wagering license. If the commercial track does not apply or subsequently relinquishes their license, an OTB or a multi-jurisdictional account wagering provider may apply for a license. The legislation failed to advance during the 2015 legislative session but rolled over for consideration in 2016. If enacted, the legislation could have a negative impact on our business.

Big Fish Regulations and Potential Legislative Changes

We are subject to various federal, state and international laws and regulations that affect our business, including those relating to the privacy and security of customer and employee personal information and those relating to the Internet, behavioral tracking, mobile applications, advertising and marketing activities, sweepstakes and contests. Additional laws in all of these areas are likely to be passed in the future which could result in significant limitations on or changes to the ways in which we can collect, use, host, store or transmit the personal information and data of our customers or employees, communicate with our customers, and deliver products and services, or may significantly increase our compliance costs. As our business expands to include new uses or collection of data that is subject to privacy or security regulations, our compliance requirements and costs will increase and we may be subject to increased regulatory scrutiny.

Some of our games and features are based upon traditional casino games such as slots and table games. We structure and operate these games and features, including *Big Fish Casino* and *Vegas Party Slots*, with the gambling laws in mind and believe that these games and features do not constitute gambling.

Other Investments Regulations and Potential Legislative Changes

Potential California Internet Poker

In February 2016, Assembly Bill 2863 was introduced in California. Assembly Bill 2863 would authorize the operation of Internet poker and provide that cardrooms and federally recognized Indian tribes qualify as entities eligible to apply for a license. Racetracks would not be permitted to apply for an Internet poker license but would receive an annual $60 million appropriation from the state. The legislation establishes a licensure period of seven years but does not set forth licensing fees or taxes. The potential effect of Assembly Bill 2863 on our business cannot be determined at this time.

Potential Pennsylvania Internet Poker

During February and March 2015, House Bill 649 and House Bill 695 authorizing Internet poker in Pennsylvania were introduced for consideration during the 2015 legislative session. Both bills would authorize existing Pennsylvania casinos to offer Internet poker, require a license fee of $5 million, establish a 14% tax on gross gaming revenue and permit the state to enter into interactive gaming agreements with other jurisdictions. The potential impact of this pending legislation on our business cannot be determined at this time.

On April 7, 2015, House Bill 920, was introduced and would allow existing casinos to offer Internet gaming on casino style games, establish a $5 million licensing fee, institute a 28% tax rate on gross gaming revenue and allow the state to enter into interstate compacts or reciprocal agreements with other jurisdictions. The potential impact of this pending legislation on our business cannot be determined at this time.

E. Environmental Matters

We are subject to various federal, state and local environmental laws and regulations that govern activities that may have adverse environmental effects, such as discharges to air and water, as well as the management and disposal of solid, animal and hazardous wastes and exposure to hazardous materials. These laws and regulations which are complex and subject to change, include United States Environmental Protection Agency ("EPA") and state laws and regulations that address the impacts of manure and wastewater generated by Concentrated Animal Feeding Operations ("CAFO") on water quality, including, but not limited to, storm and sanitary water discharges. CAFO and other water discharge regulations include permit requirements and water quality discharge standards. Enforcement of these regulations has been receiving increased governmental attention. Compliance with these and other environmental laws can, in some circumstances, require significant capital expenditures. We may incur future costs under existing and new laws and regulations pertaining to storm water and wastewater management at our racetracks. Moreover, violations can result in significant penalties and, in some instances, interruption or cessation of operations.

In the ordinary course of our business, we may receive notices from regulatory agencies regarding our compliance with CAFO regulations that may require remediation at our facilities. On December 6, 2013, we received a notice from the EPA regarding alleged CAFO non-compliance at Fair Grounds. We are currently in discussions with the EPA and United States Department of Justice and we expect to incur certain capital expenditures to remediate the alleged CAFO non-compliance. The capital expenditures are expected to extend the life of the assets.

We also are subject to laws and regulations that create liability and cleanup responsibility for releases of hazardous substances into the environment. Under certain of these laws and regulations, a current or previous owner or operator of property may be liable for the costs of remediating hazardous substances or petroleum products on its property, without regard to whether the owner or operator knew of, or caused, the presence of the contaminants, and regardless of whether the practices that resulted in the contamination were legal at the time they occurred. The presence of, or failure to remediate properly, such substances may materially adversely affect the ability to sell or rent such property or to borrow funds using such property as collateral. Additionally, the owner of a property may be subject to claims by third parties based on damages and costs resulting from environmental contamination emanating from the property.

F. Marks and Internet Properties

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

G. Employees

As of December 31, 2015, we employed approximately 4,530 full-time and part-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.

H. Available Information

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements and other Securities and Exchange Commission ("SEC") filings, and any amendments to those reports and any other filings that we file with or furnish to the SEC under the Securities Exchange Act of 1934 are made available free of charge on our website (www.churchilldownsincorporated.com) as soon as reasonably practicable after we electronically file the materials with the SEC and are also available at the SEC's website at www.sec.gov. These reports may also be obtained from the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549 or by calling the SEC at (800) SEC-0330.

ITEM 1A. RISK FACTORS

Risks Related to the Company

In addition to risks and uncertainties in the ordinary course of business that are common to all businesses, important factors that are specific to our industry and us could materially impact our future performance and results. The factors described below are the most significant risks that could have a material impact our business.

General economic trends may impact our operations

Economic conditions improved during 2014 and 2015 in local, regional, national and global markets; however the risk of a future downturn exists. Our access to and/or cost of credit may be impacted to the extent global and U.S. credit markets are affected by downward trends. Our ability to respond to periods of economic contraction may be limited, as certain of our costs remain fixed or even increase, when revenue declines. Any persistence of poor economic conditions, or deterioration in economic conditions, could have a material adverse impact on our business.

Our business is sensitive to consumer confidence and reductions in consumers' discretionary spending which may result from challenging economic conditions, unemployment levels and other changes we cannot predict accurately

Demand for entertainment and leisure activities is sensitive to consumers' disposable incomes which can be adversely affected by economic conditions and the persistence of elevated levels of unemployment. Declines in the residential real estate market, changes in consumer confidence, increases in individual tax rates and other factors that we cannot accurately predict may reduce the disposable income of our customers. This could result in fewer patrons visiting our racetracks, gaming and wagering facilities, online wagering sites and our Big Fish Games website, downloading our Big Fish games and/or may impact our customers' ability to wager with the same frequency and to maintain wagering levels. Decreases in consumer discretionary spending could affect us even if it occurs in other markets. Reduced wagering levels and profitability at racetracks from which we carry racing content could cause certain racetracks to cancel races or cease operations and therefore reduce the content we could provide to our customers. Any significant loss of customers or decline in wagering could have a material adverse impact on our business.

We are vulnerable to additional or increased taxes and fees

We believe that the prospect of raising significant additional revenue through taxes and fees is one of the primary reasons that certain jurisdictions permit legalized gaming. As a result, gaming companies are typically subject to significant taxes and fees in addition to the normal federal, state, provincial and local income taxes and such taxes and fees may be increased at any time. From time to time, legislators and officials have proposed changes in tax laws or in the administration of laws affecting the gaming industry. Many states and municipalities, including ones in which we operate, are currently experiencing budgetary pressures that may make it more likely they would seek to impose additional taxes and fees on our operations. It is not possible to determine the likelihood of any such changes in tax laws or fees, or changes in the administration of such laws; however, if enacted, such changes could have a material adverse impact on our business.

Our debt facilities contain restrictions that limit our flexibility in operating our business

Our debt facilities contain, and any future indebtedness of ours would likely contain, a number of covenants that impose significant operating and financial restrictions, including restrictions on our ability to, among other things:

- incur additional debt or issue certain preferred shares;
- pay dividends on or make distributions in respect of our capital stock, repurchase common shares or make other restricted payments;
- make certain investments;
- sell certain assets or consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;

- create liens on certain assets;
- enter into certain transactions with our affiliates; and
- designate our subsidiaries as unrestricted subsidiaries.

As a result of these covenants, we are limited in the manner in which we conduct our business and we may be unable to engage in favorable business activities or finance future operations or capital needs.

We have pledged and will pledge a significant portion of our assets as collateral under our debt facilities. If any of these lenders accelerate the repayment of borrowings, there can be no assurance that we will have sufficient assets to repay our indebtedness and our lenders could exercise their rights against the collateral we have granted them.

Under our debt facilities, we are required to satisfy and maintain specified financial ratios. Our ability to meet those financial ratios can be affected by events beyond our control, and there can be no assurance that we will meet those ratios. A failure to comply with the covenants contained in our debt facilities or our other indebtedness could result in an event of default under our debt facilities or our other indebtness which, if not cured or waived, could have a material adverse impact on our business. In the event of any default under our debt facilities or our other indebtedness, the lenders thereunder:

- will not be required to lend any additional amounts to us;
- could elect to declare all borrowings outstanding, together with accrued and unpaid interest and fees, to be due and payable and terminate all commitments to extend further credit; or
- require us to apply all of our available cash to repay these borrowings.

If the indebtedness under our debt facilities or our other indebtedness were to be accelerated, there can be no assurance that our assets would be sufficient to repay such indebtedness in full.

<u>We may not be able to identify and complete acquisition, expansion or divestiture projects on time, on budget or as planned</u>

We expect to pursue expansion, acquisition and divestiture opportunities, and we regularly evaluate opportunities for development, including acquisitions or other strategic corporate transactions which may expand our business operations.

We could face challenges in identifying development projects that fit our strategic objectives, identifying potential acquisition or divestiture candidates and/or development partners, finding buyers, negotiating projects on acceptable terms, and managing and integrating the acquisition or development projects. The integration of new operations and any other properties we may acquire or develop will require the dedication of management resources that may temporarily divert attention from our day-to-day business. The process of integrating new properties or projects may also interrupt the activities of those businesses which could have a material adverse impact on our business. The divestiture of existing businesses may be affected by our ability to identify potential buyers. Furthermore, current or future regulation may postpone a divestiture pending certain resolutions to federal, state or local legislative issues. We cannot assure that any new properties or developments will be completed or integrated successfully.

Management of new properties or business operations, especially those in new lines of business or different geographic areas, may require that we increase our managerial resources. We cannot assure that we will be able to manage the combined operations effectively or realize any of the anticipated benefits of our acquisitions or developments.

<u>We may experience difficulty in integrating recent or future acquisitions into our operations</u>

We have completed acquisition transactions in the past and we may pursue acquisitions from time to time in the future. The successful integration of newly acquired businesses into our operations has required and will continue to require the expenditure of substantial managerial, operating, financial and other resources and may also lead to a diversion of our attention from our ongoing business concerns. We may not be able to successfully integrate new businesses or realize projected revenue gains, cost savings and synergies in connection with those acquisitions on the timetable contemplated, if at all. Furthermore, the costs of integrating businesses we acquire could significantly impact our short-term operating results. These costs could include:

- restructuring charges associated with the acquisitions;
- non-recurring acquisition costs, including accounting and legal fees, investment banking fees and recognition of transaction-related costs or liabilities; and
- costs of imposing financial and management controls (such as compliance with Section 404 of the Sarbanes-Oxley Act of 2002) and operating, administrative and information systems.

Although we perform financial, operational and legal diligence on the businesses we purchase, in light of the circumstances of each transaction, an unavoidable level of risk remains regarding the actual condition of these businesses and our ability to continue to operate them successfully and integrate them into our existing operations. In any acquisition we make, we face risks that include:

- the risk that the acquired business may not further our business strategy or that we paid more than the business was worth;
- the risk that, despite the application of our business acumen, the financial performance of the acquired business declines or fails to meet our expectations from and after the date of acquisition;
- the potential adverse impact on our relationships with partner companies or third-party providers of technology or products;
- the possibility that we have acquired substantial undisclosed liabilities for which we may have no recourse against the sellers or third party insurers;
- costs and complications in maintaining required regulatory approvals or obtaining further regulatory approvals necessary to implement the acquisition in accordance with our strategy;
- the risks of acquiring businesses and/or entering markets in which we have limited or no prior experience;
- the potential loss of key employees or customers;
- the possibility that we may be unable to retain or recruit managers with the necessary skills to manage the acquired businesses; and
- changes to legal and regulatory guidelines which may negatively affect acquisitions.

If we are unsuccessful in overcoming these risks, it could have a material adverse impact on our business.

<u>The legalization of online real money gaming in the United States and our ability to predict and capitalize on any such legalization may impact our business</u>

In recent years, Delaware, Nevada, California, Florida, Mississippi, Hawaii, Massachusetts, New Jersey, Iowa, Illinois, New York, Pennsylvania, Washington D.C. and the Federal government have considered legislation that would legalize online real money gaming. To date, only Nevada, Delaware and New Jersey have enacted such legislation. If a large number of additional states or the Federal government enact online real money gaming legislation and we are unable to obtain the necessary licenses to operate online real money gaming websites in United States jurisdictions where such games are legalized, our future growth in real money gaming could be materially impaired. In addition, states or the Federal government may legalize online real money gaming in a manner that is unfavorable to us. Several states and the Federal government are considering draft laws that require online casinos to also have a license to operate a brick-and mortar casino, either directly or indirectly through an affiliate. If, like Nevada and New Jersey, state jurisdictions enact legislation legalizing online real money casino gaming subject to this brick-and-mortar requirement, we may be unable to offer online real money gaming in such jurisdictions if we are unable to establish an affiliation with a brick-and-mortar casino in such jurisdiction on acceptable terms. In the online real money gaming industry, a significant "first mover" advantage exists. Our ability to compete effectively in respect of a particular style of online real money gaming in the United States may be premised on introducing a style of gaming before our competitors. Failing to do so ("move first") could materially impair our ability to grow in the online real money gaming space. In addition to the risk that online real money gaming will be legalized in a manner unfavorable to us, we may fail to accurately predict when online real money gaming will be legalized in significant jurisdictions. The legislative process in each state and at the Federal level is unique and capable of rapid, often unpredictable change. If we fail to accurately forecast when and how, if at all, online real money gaming will be legalized in additional state jurisdictions, such failure could impair our readiness to introduce online real money gaming offerings in such jurisdictions which could have a material adverse impact on our business.

We may adversely infringe on the intellectual property rights of others

In the course of our business, we may become aware of potentially relevant patents or other intellectual property rights held by other parties. Many of our competitors as well as other companies and individuals have obtained, and may obtain in the future, patents or other intellectual property rights that concern products or services related to the types of products and services we currently offer or may plan to offer in the future. We evaluate the validity and applicability of these intellectual property rights and determine in each case whether we must negotiate licenses to incorporate or use the proprietary technologies in our products. Claims of intellectual property infringement may also require us to enter into costly royalty or license agreements. However, we may not be able to obtain royalty or license agreements on terms acceptable to us. We also may be subject to significant damages or injunctions against the development and sale of our products and services if we become subject to litigation relating to intellectual property infringement.

Our results may be affected by the outcome of litigation within our industry and the protection and validity of our intellectual property rights. Any litigation regarding patents or other intellectual property could be costly and time consuming and could divert our management and key personnel from our business operations. The complexity of the technology involved and the uncertainty of litigation surrounding it has the effect of increasing the risks associated with certain of our product offerings, particularly in the areas of advance deposit wagering, or ADW, and casual gaming. There can be no assurance that we would not become a party to litigation surrounding our ADW or casual gaming businesses or that such litigation would not cause us to suffer losses or disruption in our business strategy.

We are susceptible to unauthorized disclosure of our source code

We may not be able to protect our computer source code from being copied if there is an unauthorized disclosure of source code. We take significant measures to protect the secrecy of large portions of our source code. If unauthorized disclosure of a significant portion of our source code occurs, we could potentially lose future trade secret protection for that source code. This could make it easier for third parties to compete with our products by copying functionality which could adversely affect our revenue and operating margins. Unauthorized disclosure of source code also could increase security risks.

We depend on key personnel

Our continued success and our ability to maintain our competitive position is largely dependent upon, among other things, the skills and efforts of our senior executives and management team. We cannot guarantee that these individuals will remain with us, and their retention is affected by the competitiveness of our terms of employment and our ability to compete effectively against other companies. In addition, certain of our key employees are required to file applications with the gaming authorities in each of the jurisdictions in which we operate and are required to be licensed or found suitable by these gaming authorities. If the gaming authorities were to find a key employee unsuitable for licensing, we may be required to sever the employee relationship. Furthermore, the gaming authorities may require us to terminate the employment of any person who refuses to file appropriate applications. Either result could significantly impair our operations. Our inability to retain key personnel could have a material adverse impact on our business.

Catastrophic events and system failures could cause a significant and continued disruption to our operations

A disruption or failure in our systems or operations in the event of a major earthquake, weather event, cyber-attack, terrorist attack or other catastrophic event could interrupt our operations, damage our properties and reduce the number of customers who visit our facilities in the affected areas. Flooding, blizzards, windstorms or hurricanes could adversely affect Churchill Downs, Arlington, Oxford, Harlow's, Riverwalk, Fair Grounds, Calder, MVG and SCH. Furthermore, earthquakes may affect our TwinSpires and Big Fish Games locations. While we maintain insurance coverage that may cover certain of the costs that we incur as a result of some natural disasters, our coverage is subject to deductibles, exclusions and limits on maximum benefits. There can be no assurance that we will be able to fully collect, if at all, on any claims resulting from extreme weather conditions or other disasters. If any of our properties are damaged or if our operations are disrupted or face prolonged closure as a result of natural disasters in the future, or if natural disasters adversely impact general economic or other conditions in the areas in which our properties are located or from which we draw our patrons, the disruption could have a material adverse impact on our business.

In addition, our ADW, Big Fish Games and brick-and-mortar casino businesses depend upon our communications hardware and our computer hardware. We have built certain redundancies into our systems to avoid downtime in the event of outages, system failures or damage; however, certain risks still exist. Our systems also remain vulnerable to damage or interruption from floods, fires, power loss, telecommunication failures, terrorist cyber-attacks, hardware or software error, computer viruses, computer denial-of-service attacks and similar events. Despite any precautions we may take, the occurrence of a natural disaster or other unanticipated problems could result in lengthy interruptions in our services. Any unscheduled interruption in the availability of our website and our services results in an immediate, and possibly substantial, loss of revenue. Interruptions in our services or a breach of customers' secure data could cause current or potential users to believe that our systems are unreliable, leading them to switch to our competitors or to avoid our site, and could permanently harm our reputation and brand. These interruptions also increase the burden on our engineering staff which, in turn, could delay our introduction of new features and services on our websites and in our games. We have property and business interruption insurance covering damage or interruption of our systems. However, this insurance might not be sufficient to compensate us for all losses that may occur.

Although we have "all risk" property insurance coverage for our operating properties which covers damage caused by a casualty loss (such as fire, natural disasters, acts of war, or terrorism), each policy has certain exclusions. Our level of property insurance coverage, which is subject to policy maximum limits, may not be adequate to cover all losses in the event of a major casualty. In addition, certain casualty events may not be covered at all under our policies. Therefore, certain acts could expose us to substantial uninsured losses.

We renew our insurance policies on an annual basis. The cost of coverage may become so high that we may need to further reduce our policy limits or agree to certain exclusions from our coverage.

Our debt instruments and other material agreements require us to meet certain standards related to insurance coverage. Failure to satisfy these requirements could result in an event of default under these debt instruments or material agreements.

Work stoppages and other labor problems could negatively impact our future plans

Some of our employees are represented by labor unions. A strike or other work stoppage at one of our properties could have an adverse impact on our business and results of operations. From time to time, we have also experienced attempts to unionize certain of our non-union employees. We cannot provide any assurance that we will not experience additional and more successful union activity in the future.

We receive, process, store and use personal information and other data which subjects us to governmental regulation and other legal obligations related to privacy, and our actual or perceived failure to comply with such obligations could harm our business

We receive, process, store and use personal information and other customer data. There are numerous federal, state and local laws regarding privacy and the storing, sharing, use, processing, disclosure and protection of personal information and other data. Any failure or perceived failure by us to comply with our privacy policies, our privacy-related obligations to customers or other third parties, or our privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other player data, may result in governmental enforcement actions, litigation or public statements against us by consumer advocacy groups or others and could cause our customers to lose trust in us which could have an adverse impact on our business. We receive, store and process increasingly large amounts of personally identifiable information of our customers which may include names, addresses, phone numbers, social security numbers, email addresses, contact preferences and payment account information. We store personal information from ticket sales at our racetracks, from our gaming customers' rewards accounts and credit lines, from our TwinSpires.com account holders and from our Big Fish Games customers. It is possible our security controls over personal data, our training of employees and vendors on data security, and other practices we follow may not prevent the improper disclosure of personally identifiable information. Improper disclosure of this information could harm our reputation, lead to legal exposure to customers or subject us to liability under laws that protect personal data, resulting in increased costs or loss of revenue.

While we maintain insurance coverage specific to cyber-insurance matters, any failure on our part to maintain adequate safeguards may subject us to significant liabilities.

Additionally, if third parties we work with, such as vendors, violate applicable laws or our policies, such violations may also put our customers' information at risk and could in turn have an adverse impact on our business. We are also subject to payment card association rules and obligations under its contracts with payment card processors. Under these rules and obligations, if information is compromised, we could be liable to payment card issuers for the associated expense and penalties. If we fail to follow payment card industry security standards, even if no customer information is compromised, we could incur significant fines or experience a significant increase in payment card transaction costs.

In the area of information security and data protection, many states have passed laws requiring notification to customers when there is a security breach for personal data, such as the 2002 amendment to California's Information Practices Act, or requiring the adoption of minimum information security standards that are often vaguely defined and difficult to practically implement. The costs of compliance with these laws may increase in the future as a result of changes in interpretation. Any failure on our part to comply with these laws may subject us to significant liabilities.

Our business is subject to online security risk, including security breaches

We store and transmit users' proprietary information, and security breaches could expose us to a risk of loss or misuse of this information, litigation and potential liability. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems, change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. If an actual or perceived breach of our security occurs, public perception of the effectiveness of our security measures could be harmed and we could lose users and be exposed to litigation or potential liability. Although we have developed systems and processes that are designed to protect customer information and prevent data loss and other security breaches, including systems and processes designed to reduce the impact of a security breach at a third party vendor, such measures cannot provide absolute security.

Security breaches, computer malware and computer hacking attacks have become more prevalent in our industry. Many companies, including ours, have been the targets of such attacks. Any security breach caused by hacking which involves efforts to gain unauthorized access to information or systems, or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, and the inadvertent transmission of computer viruses could harm our business. Though it is difficult to determine what harm may directly result from any specific interruption or breach, any failure to maintain performance, reliability, security and availability of our network infrastructure to the satisfaction of our players may harm our reputation and our ability to retain existing players and attract new players.

We carry insurance covering many of these risks, including network security, first party extortion threats and business interruptions, but there are certain exclusions to this coverage and the insurance limits may not be sufficient to fully mitigate all financial damage to us. We renew our insurance policies on an annual basis. The cost of coverage may become so high that we may need to further reduce our policy limits or agree to certain exclusions from our coverage.

We may not be able to respond to rapid technological changes in a timely manner which may cause customer dissatisfaction

Casinos, TwinSpires, and the Big Fish Games segments are characterized by the rapid development of new technologies and continuous introduction of new products. Our main technological advantage versus potential competitors is our software lead-time in the market and our experience in operating an Internet-based wagering network. However, we may not be able to maintain our competitive technological position against current and potential competitors, especially those with greater financial resources. Our success depends upon new product development and technological advancements including the development of new wagering platforms and features. While we expend resources on research and development and product enhancement, we may not be able to continue to improve and market our existing products or technologies or develop and market new products in a timely manner. Further technological developments may cause our products or technologies to become obsolete or noncompetitive.

We are subject to payment-related risks, such as risk associated with the fraudulent use of credit or debit cards which could have adverse effects on our business due to chargebacks from customers

We allow funding and payments to accounts using a variety of methods, including electronic funds transfer ("EFT"), and credit and debit cards. As we continue to introduce new funding or payment options to our players, we may be subject to additional regulatory and compliance requirements. We also may be subject to the risk of fraudulent use of credit or debit cards, or other funding and/or payment options. For certain funding or payment options, including credit and debit cards, we may pay interchange and other fees which may increase over time and, therefore, raise operating costs and reduce profitability. We rely on third parties to provide payment-processing services and it could disrupt our business if these companies become unwilling or unable to provide these services to us. We are also subject to rules and requirements governing EFT which could change or be reinterpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees or possibly lose our ability to accept credit or debit cards, or other forms of payment from customers which could have a material adverse impact on our business.

Chargebacks occur when customers seek to void credit card or other payment transactions. Cardholders are intended to be able to reverse card transactions only if there has been unauthorized use of the card or the services contracted for have not been provided. In our business, customers occasionally seek to reverse online gaming losses through chargebacks. Although we place great emphasis on control procedures to protect from chargebacks, these control procedures may not be sufficient to protect us from adverse effects on our business or results of operations.

Any violation of the Foreign Corrupt Practices Act or applicable anti-money laundering regulations could have a negative impact on us

We are subject to regulations imposed by the Foreign Corrupt Practices Act (the "FCPA") which generally prohibits U.S. companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or retaining business. Any violation of FCPA regulations could have a material adverse impact on our business.

We also deal with significant amounts of cash in our operations and are subject to various reporting and anti-money laundering regulations. Any violation of anti-money laundering laws or regulations by any of our properties could have a material adverse impact on our business.

A lack of confidence in the integrity of our core businesses could affect our ability to retain our customers and engage with new customers

The integrity of the casual gaming, horseracing, casino gaming and pari-mutuel wagering industries must be perceived as fair to patrons and the public at large. To prevent cheating or erroneous payouts, the necessary oversight processes must be in place to ensure that such activities cannot be manipulated. A loss of confidence in the fairness of our industries could have a material adverse impact on our business.

Risks Related to Our Racing Business

Our racing operations are highly regulated, and changes in the regulatory environment could adversely affect our business

Our racing business is subject to extensive state and local regulation, and we depend on continued state approval of legalized gaming in states where we operate. Our wagering and racing facilities must meet the licensing requirements of various regulatory authorities, including authorities in Kentucky, Illinois, Louisiana, Florida, Ohio and New York. To date, we have obtained all governmental licenses, registrations, permits and approvals necessary for the operation of our racetracks. However, we may be unable to maintain our existing licenses. The failure to attain, loss of or material change in our racing business licenses, registrations, permits or approvals may materially limit the number of races we conduct, and could have a material adverse impact on our business.

In addition to licensing requirements, state regulatory authorities can have a significant impact on the operation of our business. In Illinois, the IRB has the authority to designate racetracks as "host track" for the purpose of receiving host track revenue generated during periods when no racetrack is conducting live races. Racetracks that are designated as "host track" obtain and distribute out of state simulcast signals for the State of Illinois. Under Illinois law, the "host track" is entitled to a larger portion of commissions on the related pari-mutuel wagering. Should Arlington cease to be a "host track" during this period, the loss of hosting revenue could have an adverse impact on our business. In addition, Arlington is statutorily entitled to recapture as revenue monies that are otherwise payable to Arlington's purse account. These statutorily or regulatory established revenue sources are subject to change every legislative session, and their reduction or elimination could have an adverse impact on our business.

We are also subject to a variety of other rules and regulations, including zoning, environmental, construction and land-use laws and regulations governing the serving of alcoholic beverages. If we are not in compliance with these laws, it could have a material adverse impact on our business.

Economic trends specific to the horseracing industry are unfavorable

Horseracing and related activities, as well as the gaming services we provide, are similar to other leisure activities in that these activities represent discretionary expenditures likely to decline during economic downturns. In some cases, even the perception of an impending economic downturn or the continuation of a recessionary climate can be enough to discourage consumers from spending on leisure activities. These economic trends can impact the financial viability of other industry constituents, making collection of amounts owed to us uncertain. We will continue to closely monitor participants' operational viability within the industry and any related collection issues which could potentially have a material adverse impact on our business.

Our racing business faces significant competition, and we expect competition levels to increase

All of our racetracks face competition from a variety of sources, including spectator sports and other entertainment and gaming options. Competitive gaming activities include traditional and Native American casinos, video lottery terminals, state-sponsored lotteries and other forms of legalized and non-legalized gaming in the U.S. and other jurisdictions.

All of our racetracks face competition in the simulcast market. In 2015, approximately 39,840 thoroughbred horse races were conducted in the United States. We hosted approximately 2,120 races, or about 5.3% of the total. As a content provider, we compete for wagering dollars in the simulcast market with other racetracks conducting races at or near the same times as our races. As a racetrack operator, we also compete with other racetracks running live meets at or near the same time as our horse races. In recent years, this competition has increased as more states have allowed additional, automated gaming activities, such as slot machines at racetracks with mandatory purse contributions.

Competition from web-based businesses presents additional challenges for our racing business. Unlike most online and web-based gaming companies, our racetracks require significant and ongoing capital expenditures for both continued operations and expansion. Our racing business also faces significantly greater costs in operating our racing business compared to costs borne by these gaming companies. Our racing business cannot offer the same number of gaming options as online and Internet-based gaming companies. These companies may divert wagering dollars from pari-mutuel wagering venues, such as our racetracks. Our inability to compete successfully with these competitors could have a material adverse impact on our business.

The popularity of horseracing is declining

There has been a general decline in the number of people attending and wagering on live horse races at North American racetracks due to a number of factors, including increased competition from other wagering and entertainment alternatives as discussed above. According to industry sources, pari-mutuel handle declined 27% from 2007 to 2011 and has been relatively stable since 2011, experiencing less than a 1% decline in growth between 2011 and 2015. We believe lower interest in racing may have a negative impact on revenue and profitability in our racing business, as well as our ADW business which is dependent on racing content provided by our racing business and other track operators. A continued decrease in attendance at live events and in on-track wagering, or a continued generalized decline in interest in racing, could have a material adverse impact on our business.

Our racing business is geographically concentrated and experiences significant seasonal fluctuations in operating results

We experience significant fluctuations in quarterly and annual operating results due to seasonality and other factors. We have a limited number of live racing days at our racetracks, and the number of live racing days varies from year to year. The number of live racing days we are able to offer directly affects our results of operations. A significant decrease in the number of live racing days and/or live races offered during our Kentucky Oaks and Kentucky Derby week could have a material adverse impact on our business.

We may not be able to attract a sufficient number of horses and trainers to achieve full field horseraces

We believe that patrons prefer to wager on races with a large number of horses, commonly referred to as full fields. A failure to offer races with full fields results in less wagering on our horseraces. Our ability to attract full fields depends on several factors. It depends on our ability to offer and fund competitive purses and it also depends on the overall horse population available for racing. Various factors have led to declines in the horse population in certain areas of the country, including competition from racetracks in other areas, increased costs and changing economic returns for owners and breeders, and the spread of various debilitating and contagious equine diseases such as the neurologic form of Equine Herpes Virus-I and Strangles. If any of our racetracks is faced with a sustained outbreak of a contagious equine disease, it could have a material impact on our profitability. If we are unable to attract horse owners to stable and race their horses at our racetracks by offering a competitive environment, including improved facilities, well-maintained racetracks, better conditions for backstretch personnel involved in the care and training of horses stabled at our racetracks and a competitive purse structure, our profitability could also decrease.

We also face increased competition for horses and trainers from racetracks that are licensed to operate slot machines and other electronic gaming machines that provide these racetracks an advantage in generating new additional revenue for race purses and capital improvements. Churchill Downs and Arlington have experienced heightened competition from racinos in Indiana, Pennsylvania, Delaware and West Virginia whose purses are supplemented by gaming revenue. The opening of the Genting New York Resort at Aqueduct racetrack has enhanced the purse structure at New York racetracks as compared to historical levels. In Ohio, seven video lottery terminal facilities have opened. Our failure to attract full fields could have a material adverse impact on our business.

Inclement weather and other conditions may affect our ability to conduct live racing

We conduct our racing business at three thoroughbred racetracks: Churchill Downs, Fair Grounds and Arlington; and, through separate joint ventures and equity investments, at two harness racetracks: MVG and SCH. A significant portion of our racing revenue is generated by two events, the Kentucky Oaks and Kentucky Derby. If a business interruption were to occur and continue for a significant length of time at any of our racetracks, particularly one occurring at Churchill Downs at a time that would affect the Kentucky Oaks or Kentucky Derby, it could have a material adverse impact on our business.

Since horseracing is conducted outdoors, unfavorable weather conditions, including extremely high and low temperatures, heavy rains, high winds, storms, tornadoes and hurricanes, could cause events to be canceled and/or attendance to be lower, resulting in reduced wagering. Our operations are subject to reduced patronage, disruptions or complete cessation of operations due to weather conditions, natural disasters and other casualties. If a business interruption were to occur due to inclement weather and continue for a significant length of time at any of our racetracks, it could have a material adverse impact on our business.

We depend on agreements with industry constituents including horsemen and other racetracks

The IHA, as well as various state racing laws, require that we have written agreements with the horsemen at our racetracks in order to simulcast races, and, in some cases, conduct live racing. Certain industry groups negotiate these agreements on behalf of the horsemen (the "Horsemen's Groups"). These agreements provide that we must receive the consent of the Horsemen's Groups at the racetrack conducting live races before we may allow third parties to accept wagers on those races. The agreements between other racetracks and their Horsemen's Groups typically provide that those racetracks must receive consent from the Horsemen's Groups before we can accept wagers on their races. From time to time, the Thoroughbred Owners of California, the Horsemen's Group representing horsemen in California, the Florida Horsemen's Benevolent and Protective Association, Inc. (the "FHBPA") which represents horsemen in Florida and the Kentucky Horsemen's Benevolent and Protective Association ("KHBPA") have withheld their consent to send or receive racing signals among racetracks. The IHA and various state laws require that we have written agreements with Horsemen's Groups at our racetracks in order to simulcast races on an export basis. Our simulcasting agreements are generally subject to the consent of these Horsemen's Groups. Failure to receive the consent of these Horsemen's Groups for new and renewing simulcast agreements could have a material adverse impact on our business.

We also have written agreements with the Horsemen's Groups with regards to the proceeds of gaming machines in Louisiana and Florida. Florida law requires Calder Casino to have an agreement with the FHBPA governing the contribution of a portion of revenue from slot machine gaming to purses on live thoroughbred races conducted by TSG at Calder and an agreement with the Florida Thoroughbred Breeders and Owners Association (the "FTBOA") governing the contribution of a portion of revenue from slot machine gaming to breeders' stallion and special racing awards on live thoroughbred races conducted by TSG at Calder before Calder can receive a license to conduct slot machine gaming.

It is not certain that we will be able to maintain agreements with, or to obtain required consent from, Horsemen's Groups. We currently negotiate formal agreements with the applicable Horsemen's Groups at our racetracks on an annual basis. The failure to maintain agreements with, or obtain consents from, our horsemen on satisfactory terms or the refusal by a Horsemen's Group to consent to third parties accepting wagers on our races or our accepting wagers on third parties' races could have a material adverse impact on our business.

In addition, we have agreements with other racetracks for the distribution of racing content through both the import of other racetracks' signals for wagering at our properties and the export of our racing signal for wagering at other racetracks' facilities. From time to time, we are unable to reach agreements on terms acceptable to us. As a result, we may be unable to distribute our racing content to other locations or to receive other racetracks' racing content for wagering at our racetracks. The inability to distribute our racing content could have a material adverse impact on our business.

Horseracing is an inherently dangerous sport and our racetracks are subject to personal injury litigation

Although we carry jockey accident insurance at each of our racetracks to cover personal jockey injuries which may occur during races or daily workouts, there are certain exclusions to our insurance coverage, and we are still subject to litigation from injured participants. We renew our insurance policies on an annual basis. The cost of coverage may become so high that we may need to further reduce our policy limits or agree to certain exclusions from our coverage. Our results may be affected by the outcome of litigation, as this litigation could be costly and time consuming and could divert our management and key personnel from our business operations.

Ownership and development of real estate requires significant expenditures and is subject to risk

Our racing operations require us to own extensive real estate holdings. All real estate investments are subject to risks including: general economic conditions, such as the availability and cost of financing; local and national real estate conditions, such as an oversupply of residential, office, retail or warehousing space, or a reduction in demand for real estate in the area; governmental regulation, including taxation of property and environmental legislation; and the attractiveness of properties to potential purchasers or tenants. The real estate industry is also capital intensive and sensitive to interest rates. Significant expenditures, including property taxes, mortgage payments, maintenance costs, insurance costs and related charges, must be made throughout the period of ownership of real property. Such expenditures may negatively impact our operating results.

We are subject to a variety of federal, state and local governmental laws and regulations relating to the use, storage, discharge, emission and disposal of hazardous materials. Environmental laws and regulations could hold us responsible for the cost of cleaning up hazardous materials contaminating real property that we own or operate (or previously owned or operated) or properties at which we have disposed of hazardous materials, even if we did not cause the contamination. If we fail to comply with environmental laws or if contamination is discovered, a court or government agency could impose severe penalties or restrictions on our operations or assess us with the costs of taking remedial actions.

Our business depends on utilizing and providing totalisator services

Our customers utilize information provided by United Tote and other totalisator companies that accumulates wagers, records sales, calculates payoffs and displays wagering data in a secure manner to patrons who wager on our horseraces. The failure to keep technology current could limit our ability to serve patrons effectively, limit our ability to develop new forms of wagering and/or affect the security of the wagering process, thus affecting patron confidence in our product. A perceived lack of integrity in the wagering systems could result in a decline in bettor confidence and could lead to a decline in the amount wagered on horseracing. A totalisator system failure could cause a considerable loss of revenue if betting machines are unavailable for a significant period of time or during an event with high betting volume.

United Tote also has licenses and contracts to provide totalisator services to a significant number of racetracks, OTBs and other pari-mutuel wagering businesses. Its totalisator systems provide wagering data to the industry in a secure manner. Errors by United Tote technology or personnel may subject us to liabilities, including financial penalties under our totalisator service contracts which could have a material adverse impact on our business.

Risks Related to Our Casino Business

Our casino business is highly regulated and changes in the regulatory environment could adversely affect our business

Our casino operations exist at the discretion of the states where we conduct business, and are subject to extensive state and local regulation. Like all gaming operators in the jurisdictions in which we operate, we must periodically apply to renew our gaming licenses or registrations and have the suitability of certain of our directors, officers and employees approved. While we have obtained all governmental licenses, registrations, permits and approvals necessary for the operation of our gaming facilities, we cannot be certain that we will be able to obtain such renewals or approvals, or that we will be able to obtain future approvals that would allow us to continue to operate or to expand our gaming operations.

Regulatory authorities also have input into important aspects of our operations, including hours of operation, location or relocation of a facility, numbers and types of machines and loss limits. Regulators may also levy substantial fines against or seize our assets or the assets of our subsidiaries or the people involved in violating gaming laws or regulations. Any of these events could have an adverse impact on our business. The high degree of regulation in the gaming industry is a significant obstacle to our growth strategy.

Our casino business faces significant competition, and we expect competition levels to increase

Our casino operations operate in a highly competitive industry with a large number of participants, some of which have financial and other resources that are greater than our resources. The gaming industry faces competition from a variety of sources for discretionary consumer spending including spectator sports and other entertainment and gaming options. Our casino operations also face competition from Native American casinos, video lottery terminals, state-sponsored lotteries and other forms of legalized gaming in the U.S. and other jurisdictions. We do not enjoy the same access to the gaming public or possess the advertising resources that are available to state-sponsored lotteries or other competitors which may adversely affect our ability to compete effectively with them. Web-based interactive gaming and wagering is growing rapidly and affecting competition in our industry as federal regulations on web-based activities are clarified. We anticipate that competition will continue to grow in the web-based interactive gaming and wagering channels because of ease of entry. In addition, Florida legislators continue to debate the expansion of Florida gaming to include Las Vegas-style destination resort casinos. Such casinos may be subject to taxation rates lower than the current gaming taxation structure. Should such legislation be enacted, it could have a material adverse impact on our business.

Our casino business is geographically concentrated

We conduct our casino business at seven principal locations: Oxford, Maine; Vicksburg, Mississippi; Greenville, Mississippi; Miami Gardens, Florida; New Orleans, Louisiana; Lebanon, Ohio and Saratoga Springs, New York. We also operate video poker machines throughout Louisiana. If a business interruption were to occur and continue for a significant length of time at any of our principal gaming operations, or if economic or regulatory conditions were to become unfavorable in one or more of the regions in which our casino business operates, it could have a material adverse impact on our business.

The development of new casino venues and the expansion of existing facilities is costly and susceptible to delays, cost overruns and other uncertainties

We may decide to develop, construct and open hotels, casinos or other gaming venues in response to opportunities that may arise. Future development projects and acquisitions may require significant capital commitments, the incurrence of additional debt, the incurrence of contingent liabilities and an increase in amortization expense related to intangible assets which could have a material adverse impact on our business.

The concentration and evolution of the slot machine manufacturing industry or other technological conditions could impose additional costs on us

The majority of our gaming revenue is attributable to slot and video poker machines operated by us at our casinos and wagering facilities. It is important for competitive reasons that we offer the most popular and up-to-date machine games with the latest technology to our guests. In recent years, the prices of new machines have escalated faster than the rate of inflation. In recent years, slot machine manufacturers have frequently refused to sell slot machines featuring the most popular games, instead requiring participating lease arrangements in order to acquire the machines. Participation slot machine leasing arrangements typically require the payment of a fixed daily rental. Such agreements may also include a percentage payment of coin-in or net win. Generally, a participating lease is substantially more expensive over the long term than the cost to purchase a new machine. For competitive reasons, we may be forced to purchase new slot machines or enter into participating lease arrangements that are more expensive than the costs associated with the continued operation of our existing slot machines.

We materially rely on a variety of hardware and software products to maximize revenue and efficiency in our operations. Technology in the gaming industry is developing rapidly, and we may need to invest substantial amounts to acquire the most current gaming and hotel technology and equipment in order to remain competitive in the markets in which we operate. We rely on a limited number of vendors to provide video poker and slot machines and any loss of our equipment suppliers could impact our operations. Ensuring the successful implementation and maintenance of any new technology acquired is an additional risk.

Risks Related to Our TwinSpires Business

Our ADW business is highly regulated and changes in the regulatory environment could adversely affect our business

TwinSpires.com, our ADW business, accepts advance deposit wagers from customers of certain states who set up and fund an account from which they may place wagers via telephone, mobile device or through the Internet at www.TwinSpires.com. The ADW business is heavily regulated, and laws governing advance deposit wagering vary from state to state. Some states have expressly authorized advance deposit wagering by residents, some states have expressly prohibited pari-mutuel wagering and/or advance deposit wagering and other states have expressly authorized pari-mutuel wagering but have neither expressly authorized nor expressly prohibited residents of the state from placing wagers through advance deposit wagering hubs located in different states. We believe that an ADW business may open accounts on behalf of and accept wagering instructions from residents of states where pari-mutuel wagering is legal and where providing wagering instructions to ADW businesses in other states is not expressly prohibited by statute, regulations, or other governmental restrictions. However, state attorneys general, regulators, and other law enforcement officials may interpret state gaming laws, federal statutes, constitutional principles, and doctrines, and the related regulations in a different manner than we do. In the past, certain state attorneys general and other law enforcement officials have expressed concern over the legality of interstate advance deposit wagering.

Our expansion opportunities with respect to advance deposit wagering may be limited unless more states amend their laws or regulations to permit advance deposit wagering. Conversely, if states take affirmative action to make advance deposit wagering expressly unlawful, this could have a material adverse impact on our business. Previously existing ADW regulations in Illinois expired on December 31, 2012, and we ceased accepting wagers from Illinois residents in January 2013 until Illinois ADW regulations were extended in June 2013. We ceased accepting wagers from Texas residents in September 2013 due to the enforcement of an existing Texas law prohibiting ADW wagering. Regulatory and legislative processes can be lengthy, costly and uncertain. We may not be successful in lobbying state legislatures or regulatory bodies to obtain or renew required legislation, licenses, registrations, permits and approvals necessary to facilitate the operation or expansion of our ADW business. From time to time, the United States Congress has considered legislation that would either inhibit or restrict Internet gambling in general or inhibit or restrict the use of certain financial instruments, including credit cards, to provide funds for advance deposit wagering.

Many states have considered and are considering interactive and Internet gaming legislation and regulations which may inhibit our ability to do business in such states. Anti-gaming conclusions and recommendations of other governmental or quasi-governmental bodies could form the basis for new laws, regulations, and enforcement policies that could have a material adverse impact on our business. The extensive regulation by both state and federal authorities of gaming activities also can be significantly affected by changes in the political climate and changes in economic and regulatory policies. Such effects could have a material adverse impact to the success of our advance deposit wagering operations.

<u>Our ADW business is subject to a variety of U.S. and foreign laws, many of which are unsettled and still developing and which could subject us to claims or otherwise harm our business</u>

We are subject to a variety of laws in the United States and abroad, including laws regarding gaming, consumer protection and intellectual property that are continuously evolving and developing. The scope and interpretation of the laws that are or may be applicable to us are often uncertain and may be conflicting. Laws relating to the liability of providers of online services for activities of users and other third parties are currently being tested by a number of claims, including actions based on invasion of privacy and other torts, unfair competition, copyright and trademark infringement, and other theories. It is also likely that as our business grows and evolves we will become subject to laws and regulations in additional jurisdictions.

If we are not able to comply with these laws or regulations or if we become liable under these laws or regulations, we could be directly harmed, and we may be forced to implement new measures to reduce our exposure to this liability. This may require us to expend substantial resources or to modify our online services which could harm our business. The increased attention focused upon liability issues as a result of lawsuits and legislative proposals could harm our reputation or otherwise impact the growth of our business.

It is possible that a number of laws and regulations may be adopted or construed to apply to us in the United States and elsewhere that could restrict the online and mobile industries, including player privacy, advertising, taxation, content suitability, copyright, distribution and antitrust. The growth and development of electronic commerce and virtual goods may prompt calls for more stringent consumer protection laws that may impose additional burdens on companies such as ours conducting business through the Internet and mobile devices. We anticipate that scrutiny and regulation of our industry will increase and we will be required to devote legal and other resources to addressing such regulation. If that were to occur, we may be required to seek licenses, authorizations or approvals from relevant regulators, the granting of which may be dependent on us meeting certain capital and other requirements and we may be subject to additional regulation and oversight, all of which could significantly increase our operating costs. Changes in current laws or regulations or the imposition of new laws and regulations in the United States or elsewhere regarding these activities may lessen the growth of online gaming and impair our business.

Failure to comply with laws requiring us to block access to certain individuals, based upon geographic location, may result in legal penalties or impairment to our ability to offer our ADW products, in general

Individuals in jurisdictions in which online real money gaming is illegal may nonetheless seek to engage our online real money gaming products. While we take steps to block access by individuals in such jurisdictions, those steps may be unsuccessful. In the event that individuals in jurisdictions in which online real money gaming is illegal engage our online real money gaming systems, we may be subject to criminal sanctions, regulatory penalties, the loss of existing or future licenses necessary to offer online real money gaming or other legal liabilities, any one of which could have a material adverse impact on our businesses. Gambling laws and regulations in many jurisdictions require gaming industry participants to maintain strict compliance with various laws and regulations. If we are unsuccessful in blocking access to our online real money gaming products by individuals in a jurisdiction where such products are illegal, we could lose or be prevented from obtaining a license necessary to offer online real money gaming in a jurisdiction in which such products are legal. Our inability to restrict illegal access could materially impact our other gaming licenses as well.

Our inability to retain our core customer base or our failure to attract new customers could harm our business

We utilize technology and marketing relationships to retain current customers and attract new customers. If we are unable to retain our core customer base through robust content offerings and other popular features, if we lose customers to our competitors, or if we fail to attract new customers, our businesses would fail to grow or would be adversely affected.

Our ADW business faces strong competition, and we expect competition levels to increase

Our ADW business is sensitive to changes and improvements to technology and new products and faces strong competition from other web-based interactive gaming and wagering businesses. Our ability to develop, implement and react to new technology and products for our ADW business is a key factor in our ability to compete with other ADW businesses. Some of our competitors may have greater resources than we do. We anticipate increased competition in our ADW business from various other forms of online gaming.

During 2011, the United States Department of Justice clarified its position on the Wire Act of 1961 (the “Wire Act”) which had historically been interpreted to outlaw all forms of gambling across states lines. The department’s Office of Legal Counsel determined that the Wire Act applied only to a sporting event or contest, but did not apply to other forms of Internet gambling, including online betting unrelated to sporting events. The United States Department of Justice indicated that many forms of online gambling could become legal under federal law which could include legalized poker and generalized gaming including state lottery wagering. We anticipate increased competition to our ADW business from various other forms of online gaming. It is difficult to predict the level of increased competition and the impact of increased competition on our ADW business.

Risks Related to Big Fish Games

We operate in an evolving and highly competitive market segment

The market segments in which we operate are highly competitive. The business of developing, distributing and marketing games for PC, Mac and mobile devices is characterized by frequent product introductions and rapidly emerging platforms and technologies. We compete with other game developers and content providers for the leisure time, attention, and discretionary spending of our players based on a number of factors, including game design, brand and consumer reviews, quality of gameplay experience and access to distribution channels. We also compete with other content providers to acquire rights to game properties developed or licensed by third parties, including with respect to royalty and other economic terms, porting and localization abilities, speed of execution and distribution capabilities and breadth.

Many of our primary competitors have greater financial, marketing and other resources dedicated to the development, distribution and promotion of their games. In addition, given the open nature of the development process and relatively low barriers to entry, we are also faced with competition from a vast number of small, independent developers that have access to the same third party platforms as we do to market and distribute their titles.

The competitive landscape is further complicated by frequent shifts and advancements in free-to-play games for smartphones, tablets and other next-generation platforms. Free-to-play games are games that players can download and play for free, but that allow players to access a variety of additional content and features for a fee and to engage with various advertisements and in-game offers that generate revenue for us. Our efforts to develop free-to-play games may prove unsuccessful or may take more time than we anticipate to achieve significant revenue because:

- free-to-play games have a relatively limited history, and it is unclear how popular this style of game will remain, or its future revenue potential;
- free-to-play strategy assumes that a large number of players will download our games because the games are free and that we will then be able to effectively monetize the games; and
- even if our free-to-play games are widely downloaded, a significant portion of the revenue generated from these titles are derived from a relatively small concentration of players and we may fail to retain these or other users, or optimize the monetization of these games.

<u>We derive material revenue from distribution of our titles through third party mobile platforms, and if we are unable to maintain relationships with the owners of these platforms or if our access to these platforms is limited or unavailable for any prolonged period of time, our business could be adversely affected</u>

If we are unable to maintain good relationships with third party mobile platform providers, such as Apple and Google, our business could be impacted. Our business could be harmed if access to these platforms is limited or suspended based on any change in terms or policies that made the continued distribution of our titles on these platforms unfeasible or less profitable, or that required us to spend significantly more on marketing campaigns or other means to enhance the discoverability of our titles on these platforms.

Our ability to transact business through these platforms is subject to our compliance with the standard terms and conditions which may be unilaterally amended at any time. The owners of these platforms set the revenue share the platform is entitled to receive and may change the revenue share without input from or advance notice to us. The standard terms and conditions of these platforms may impose restrictions on the types of content the platform will allow to be sold, the ways in which the content is offered and promoted, and the process and timing of accepting content for distribution. Such restrictions could impair our ability to successfully market and sell our mobile games. If any of the providers of these platforms determines that we are in violation of their standard terms and conditions, we may be prohibited from distributing our titles through these platforms which could harm our business.

We also rely on the ongoing availability of these platforms. If these platforms experience prolonged periods of unavailability, it could have a material impact on our ability to generate revenue through these platforms and our business could be harmed. If these platforms fail to provide adequate levels of service, our customers' ability to access our games may be impacted or customers may not receive any virtual items for which they have paid which may adversely affect our brand and consumer goodwill.

Our financial results could vary significantly from quarter to quarter and are difficult to predict

Our bookings, revenue, Adjusted EBITDA and operating results could vary significantly from quarter to quarter due to a variety of factors, some of which are outside of our control. As a result, comparing our operating results on a period-to-period basis may not be meaningful. Factors that may contribute to the variability of our quarterly results include:

- Changes in the amount of money we spend marketing our games in a particular quarter, including the average amount we pay to acquire new users, as well as changes in the timing of other marketing and advertising expenses within the quarter;
- The popularity and monetization rates of our new mobile games released during the quarter and the ability of games released in prior periods to sustain their popularity and monetization rates;
- The number and timing of new mobile games and game updates released by us and our competitors, in particular with respect to those games that may represent a significant portion of revenues in a quarter, which timing can be impacted by internal development delays, shifts in product strategy and how quickly app stores review and approve our games for commercial release;
- The seasonality of our industry; and
- Changes in accounting rules; such as those governing recognition of revenue, including the period of time over which we recognize revenue for in-app purchases of virtual goods and currency within certain of our mobile games.

If we fail to develop and publish mobile games that achieve market acceptance, or continue to enhance our existing games, our revenue may suffer

Our business depends on developing and publishing social casino, casual and mid-core free-to-play and premium paid games that consumers will download and spend time and money on consistently. We continue to invest significant resources in research and development, analytics and marketing to introduce new games and update our existing titles, taking a "portfolio approach" this is not dependent on a limited number of "hit" titles. Our success depends, in part, on unpredictable factors beyond our control, including consumer preferences, competing games and other forms of entertainment, and the emergence of new platforms. If our games do not meet consumer expectations or our games are not brought to market in a timely and effective manner, our business could be adversely impacted. If we fail to update our games with compelling content or if there is a shift in the entertainment preferences of consumers, our business could be adversely impacted.

If the use of smartphones and tablet devices to facilitate game platforms generally does not increase, our business could be adversely affected

While the number of people using mobile devices has increased dramatically in the past few years, the mobile gaming market is still emerging and it may not grow as rapidly or robustly as we anticipate. Our future success is partially dependent upon the continued growth and application of mobile devices for games. New and emerging technologies could make the mobile devices on which some of our games are currently released obsolete, requiring us to transition our business model to develop games for other next-generation platforms.

If we are unable to secure new or ongoing content from third party development partners on favorable terms, or at all, our business could be adversely affected

In addition to the games we develop internally, we acquire or license games, including some of our most successful games, from third party development partners located around the world. Our success depends in part on our ability to attract and retain talented and reliable development partners to source new content and update existing content. Our agreements with these development partners are in some instances not exclusive to us and will expire at various times. If we are unable to renew these agreements on terms favorable to us or at all, or if our development partners enter into similar agreements with our competitors or choose to publish their own titles, our business could be harmed.

In addition, certain of our development partners are located in geographic regions of the world that continue to experience military and insurgency conflicts, and political turmoil and unrest. Any of these factors could impact the ability of these development partners to create and deliver content to us in a timely fashion or at all, and could restrict or prohibit our ability to remit payments to these development partners. If we are unable to deliver compelling content to our customers or update existing content, our ongoing business, operating results and financial condition could be harmed.

If our games contain programming errors or flaws, if a significant number of customers experience technical difficulties downloading or launching our games, or if we fail to continue to provide our customers with a high-quality customer experience, it could harm our business and impair our ability to successfully execute our business strategy

A critical component of our strategy is providing a high-quality customer experience to our customers. Our games may contain errors, bugs, flaws or corrupted data, and these defects may only become apparent after launch, particularly as we launch new games under tight time constraints. Porting games to new devices or languages may also result in the creation of errors that did not exist in the game as originally released. Our customers may experience technical difficulties downloading and launching our games due to the effects of third-party software on their computers that we do not control. We cannot provide assurances that our customer service team can resolve these types of technical difficulties, and if a significant number of our customers cannot download or launch our games, it would harm our business. We believe that if our customers have a negative experience with our games, they may be less inclined to continue or resume playing our games, recommend our games to other potential customers or they may post negative reviews that may dissuade other users from downloading or playing our games. Undetected programming errors, game defects, data corruption and issues with third-party software can disrupt our operations, adversely affect the game experience of our customers, harm our reputation, cause our customers to stop playing our games and divert our resources, any of which could result in legal liability to us, harm our reputation or adversely impact our business.

We may be unable to adequately protect our intellectual property, which could harm the value of our brand and our business

Our business is based upon the creation, acquisition, use and protection of intellectual property. Some of this intellectual property is in the form of software code, patented and other technologies and trade secrets that we use to develop and market our games. Other intellectual property that we create includes audio-visual elements, such as graphics, music and storylines. We rely on trademark, copyright and patent law, trade secret protection and contracts to protect our intellectual property rights. If we are not successful in protecting these rights, the value of our brands and our business could be adversely impacted.

While we believe that our patents or pending patent applications help to protect our business, we cannot be certain that our products, services or operations do not, or will not, infringe valid, enforceable patents of third parties, or that competitors will not devise new methods of competing with us that are not covered by our patents or patent applications. Our patent applications may not be approved, the patents we have may not adequately protect our intellectual property or ongoing business strategies and our patents may be challenged by third parties or found to be invalid or unenforceable. We rely on intellectual property and technology developed by or licensed from third parties, and we may not be able to obtain licenses and technologies from these third parties on reasonable terms or at all.

Effective trademark, service mark, copyright and trade secret protection may not be available in every country in which our games and other products and services may be provided. The laws of certain countries do not protect proprietary rights to the same extent as the laws of the United States and, therefore in certain jurisdictions, we may be unable to protect our intellectual property and proprietary technologies adequately against unauthorized copying or use which could harm our competitive position. We have licensed in the past, and expect to license in the future, certain of our proprietary rights, such as trademarks or copyrighted material to third parties. These licensees may take actions that could diminish the value of our proprietary rights or harm our reputation, even if we have agreements prohibiting such activity. To the extent third parties are obligated to indemnify us for breaches of our intellectual property rights, these third parties may be unable to meet these obligations. Any of these events could harm our business.

We depend on key and highly skilled personnel to operate our business, and if we are unable to retain our current personnel or hire additional personnel, our ability to develop and successfully grow our business could be harmed

We believe that our success depends in part on our highly-skilled employee base, and our ability to hire, develop, motivate and retain highly qualified and skilled employees throughout our organization. This includes software developers and engineers, IT staff, game designers and producers, marketing specialists, analytics professionals, and customer service staff. If we do not successfully hire, develop, motivate and retain highly qualified and skilled employees, it is likely that we could experience significant disruptions in our operations and our ability to develop and successfully grow our business could be impaired which could harm our business.

Competition for the type of talent we seek to hire is increasingly intense in the geographic areas in which we operate. As a result, we may incur significant costs to attract and retain highly-skilled employees. We may be unable to attract and retain the personnel necessary to sustain our business or support future growth.

All of our officers and other employees in the United States are at-will employees, which means they may terminate their employment relationship with us at any time and their knowledge of our business and industry would be difficult to replace. In addition, the loss of any key employees or the inability to attract or retain qualified personnel could delay the development and distribution of games and may impair our ability to sell our games and other products and services, harm our reputation and impair our ability to execute our business plans.

"Cheating" programs, scam offers, black-markets and other actions by third parties that seek to exploit our games and our players may affect our reputation and harm our operating results

Third parties have developed, and may continue to develop, "cheating" programs, scam offers, black-markets and other offerings that could decrease the revenue we generate from our virtual economies, divert our players from our games or otherwise harm us. Cheating programs enable players to exploit vulnerabilities in our games to obtain virtual currency or other items that would otherwise generate in-app purchases for us, play the games in automated ways or obtain unfair advantages over other players. In addition, third parties may attempt to scam our players with fake offers for virtual goods or other game benefits. We devote significant resources to discover and disable these programs and activities, but if we are unable to do so quickly or effectively, it could damage our reputation and impact our business and results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We own the following real property:

- Arlington International Race Course in Arlington Heights, IL
- Oxford Casino in Oxford, ME
- Riverwalk Casino in Vicksburg, MS
- Calder Casino in Miami Gardens, FL
- Fair Grounds Slots and Video Services, LLC and Fair Grounds Race Course in New Orleans, LA

We lease the following facilities:

- Churchill Downs in Louisville, KY
- Arlington—We lease nine OTBs in Illinois
- Fair Grounds—We lease ten OTBs in Louisiana
- Harlow's Casino in Greenville, MS
- Twinspires.com in Lexington, KY and Mountain View, CA
- Bloodstock Research Information Services in Lexington, KY
- Big Fish Games in Seattle, WA; Oakland, CA and Luxembourg

- United Tote in Louisville, KY; San Diego, CA and Portland, OR
- Corporate headquarters in Louisville, KY

In 2002, as part of financing improvements to the Churchill facility, we transferred title of the Churchill Downs facility to the City of Louisville, Kentucky and leased back the facility. Subject to the terms of the lease, we can re-acquire the facility at any time for $1.00.

ITEM 3. LEGAL PROCEEDINGS

In addition to the matters described below, we are also involved in ordinary routine litigation matters which are incidental to our business.

Louisiana Environmental Protection Agency Non-Compliance Issue

On December 6, 2013, we received a notice from the United States Environmental Protection Agency regarding alleged CAFO non-compliance at Fair Grounds. We are currently in discussions with the EPA and United States Department of Justice and we expect to incur certain capital expenditures to remediate the alleged CAFO non-compliance. The capital expenditures are expected to extend the life of the assets.

Louisiana Horsemens' Purses Class Action Suit

On April 21, 2014, John L. Soileau and other individuals filed a Petition for Declaratory Judgment, Permanent Injunction, and Damages-Class Action styled *John L. Soileau, et. al. versus Churchill Downs Louisiana Horseracing, LLC, Churchill Downs Louisiana Video Poker Company, LLC* (Suit No. 14-3873) in the Parish of Orleans, State of Louisiana. The petition defines the "alleged plaintiff class" as quarter-horse owners, trainers and jockeys that have won purses at the "Fair Grounds Race Course & Slots" facility in New Orleans, Louisiana since the first effective date of La. R.S. 27:438 and specifically since 2008. The petition alleges that Churchill Downs Louisiana Horseracing, L.L.C. and Churchill Downs Louisiana Video Poker Company, L.L.C. ("Fair Grounds") have collected certain monies through video draw poker devices that constitute monies earned for purse supplements and all of those supplemental purse monies have been paid to thoroughbred horsemen during Fair Grounds' live thoroughbred horse meets while La. R.S. 27:438 requires a portion of those supplemental purse monies to be paid to quarter-horse horsemen during Fair Grounds' live quarter-horse meets. The petition requests that the Court declare that Fair Grounds violated La. R.S. 27:438, issue a permanent and mandatory injunction ordering Fair Grounds to pay all future supplements due to the plaintiff class pursuant to La. R.S. 27:438, and to pay the plaintiff class such sums as it finds to reasonably represent the value of the sums due to the plaintiff class. On August 14, 2014, the plaintiffs filed an amendment to their petition naming the Horsemen's Benevolent and Protective Association 1993, Inc. ("HBPA") as an additional defendant and alleging that HBPA is also liable to plaintiffs for the disputed purse funds. On October 9, 2014, HBPA and Fair Grounds filed exceptions to the suit, including an exception of primary jurisdiction seeking referral to the Louisiana Racing Commission. By Judgment dated November 21, 2014, the District Court granted the exception of primary jurisdiction and referred the matter to the Louisiana Racing Commission. On January 26, 2015, the Louisiana Fourth Circuit Court of Appeals denied the plaintiffs' request for supervisory review of the Judgment. The Louisiana Racing Commission requested and received memoranda from the parties in the case on the issue of whether plaintiffs have standing to pursue the claims against Fair Grounds. On August 24, 2015, the Louisiana Racing Commission ruled that the plaintiffs did not have standing or a right of action to pursue the case. On September 18, 2015, the plaintiffs filed a Petition for Appeal of Administrative Order Dismissing Case for No Right of Action in the District Court seeking a reversal of the Louisiana Racing Commission's ruling. The plaintiff's appeal is pending.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market for Common Stock

Our common stock is traded on the NASDAQ Global Market under the symbol CHDN. As of February 16, 2016, there were approximately 3,112 shareholders of record.

The following table sets forth the high and low closing sale prices, as reported by the NASDAQ Global Market, and dividend declaration information for our common stock during the last two years:

	2015		2014	
Quarter Ended	**High**	**Low**	**High**	**Low**
First Quarter	$115.27	$ 90.52	$ 96.74	$85.07
Second Quarter	$129.01	$111.93	$ 92.58	$83.71
Third Quarter	$143.32	$118.33	$ 99.25	$85.65
Fourth Quarter	$152.98	$130.74	$105.53	$90.83

Dividends

Since joining the NASDAQ exchange in 1993, we have declared and paid cash dividends on an annual basis at the discretion of our Board of Directors. The payment and amount of future dividends will be determined by the Board of Directors and will depend upon, among other things, our operating results, financial condition, cash requirements, and general business conditions at the time such payment is considered. We declared a dividend of $1.15 in December 2015 which was paid in January 2016, and we declared a dividend of $1.00 in December of 2014 which was paid in January 2015.

Issuer Purchases of Common Stock

The following table provides information with respect to shares of common stock that we repurchased during the quarter ended December 31, 2015:

Period	Total Number of Shares Purchased(1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Average Price Per Share Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased under the Plans or Programs
10/1/15-10/31/2015	808	$ 141.00	—	—	$ 150,000,000
11/1/15-11/30/2015	—	—	944,756	$ 146.13	(138,057,194)
12/1/15-12/31/2015	25,350	$ 141.49	—	—	—
Total	26,158	$ 141.47	944,756	$ 146.13	$ 11,942,806(2)

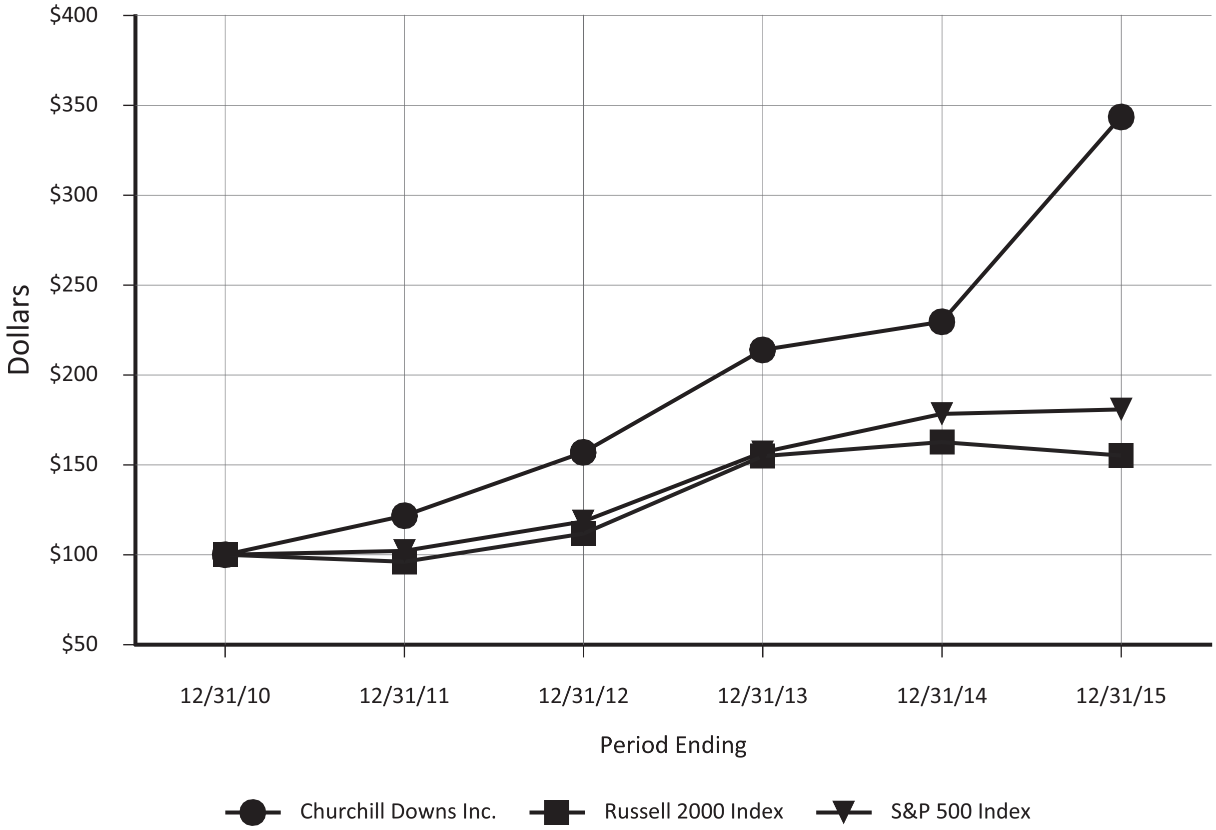
(1) Shares of common stock were repurchased from grants of restricted stock in payment of income taxes to satisfy income tax withholding obligations on the related compensation.

(2) Maximum dollar amount of shares of common stock that may yet be repurchased under our stock repurchase program.

Shareholder Return Performance Graph

The following performance graph and related information shall not be deemed "soliciting material" nor to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, each as amended, except to the extent we specifically incorporate it by reference into such filing.

The following graph depicts the cumulative total shareholder return, assuming reinvestment of dividends, for the periods indicated for our Common Stock compared to the S&P 500 Index and the Russell 2000 Index. We consider the Russell 2000 Index to be our most comparable industry peer group index due to our entry into social gaming technology as a result of our Big Fish Games acquisition and our other diversified operations. In our Form 10-K for the 2014 fiscal year, we also presented the Dow Jones US Gambling Index and a group of five self-selected horseracing and gaming companies in our shareholder return performance graph. In 2015, we deleted this additional information as we believe it is no longer a useful comparison.



	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Churchill Downs Inc.	$100.00	$121.55	$156.76	$213.61	$229.42	$343.30
Russell 2000 Index	$100.00	$ 95.82	$111.49	$154.78	$162.35	$155.18
S&P 500 Index	$100.00	$102.11	$118.45	$156.82	$178.28	$180.75

ITEM 6. SELECTED FINANCIAL DATA

(In thousands, except per common share data)	Years Ended December 31, 2015	2014[1]	2013[2]	2012[3]	2011
Operations:					
Net revenue	$1,212,301	$ 812,218	$ 779,028	$ 731,296	$ 696,854
Operating income	123,612	90,393	90,100	96,550	81,010
Income from continuing operations	65,197	46,357	55,033	58,152	60,795
Net income	65,197	46,357	54,900	58,276	64,355
Basic net income per common share	$ 3.75	$ 2.67	$ 3.12	$ 3.39	$ 3.80
Diluted net income per common share	$ 3.71	$ 2.64	$ 3.06	$ 3.34	$ 3.76
Dividends paid per common share	$ 1.15	$ 1.00	$ 0.87	$ 0.72	$ 0.60
Balance sheet data at period end:					
Total assets	2,277,444	2,356,253	1,352,261	1,114,337	948,022
Current maturities of long-term debt	16,250	11,250	—	209,728	—
Long-term debt	765,532	752,854	369,191	—	127,563
Other Data:					
Shareholders' equity	617,197	700,001	704,789	644,295	584,030
Shareholders' equity per common share	$ 37.18	$ 40.06	$ 39.27	$ 36.93	$ 34.00
Additions to property and equipment, exclusive of business acquisitions, net	43,510	54,486	48,771	41,298	22,667
Cash flow data at period end:					
Net cash provided by operating activities	264,526	141,619	144,915	144,098	172,995
Maintenance-related capital expenditures	31,059	22,733	16,879	17,158	14,845
Free cash flow[4]	$ 233,467	$ 118,886	$ 128,036	$ 126,940	$ 158,150

The selected financial data presented above is subject to the following information:

(1) The results from Big Fish Games are included from the date of acquisition on December 16, 2014 through December 31, 2014.

(2) The results from Oxford are included from the date of acquisition on July 17, 2013 through December 31, 2013.

(3) The results from Riverwalk are included from the date of acquisition on October 23, 2012 through December 31, 2012.

(4) Free cash flow, a non-GAAP financial measure, is defined as net cash provided by operating activities less maintenance-related (replacement) capital expenditures. Please refer to the subheading "Liquidity and Capital Resources" in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report on Form 10-K for a further description of free cash flow and a reconciliation to the most closely related U.S. GAAP measure.

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

Cautionary Statement Regarding Forward-looking Information

Information set forth in this discussion and analysis contains 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 "Reform 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 Reform Act. The reader is cautioned that such forward-looking statements are based on information available at the time and/or management's good faith belief with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements. Forward-looking statements speak only as of the date the statement was made. We assume no obligation to update forward-looking information to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information. Forward-looking statements are typically identified by the use of terms such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "might," "plan," "predict," "project," "seek," "should," "will" and similar words, 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 expectations include those factors described in Item 1A. "Risk Factors" of this Annual Report on Form 10-K.

The following discussion and analysis of our consolidated financial condition and results of operations should be read in conjunction with our audited consolidated financial statements and related notes included in "Item 8-Financial Statements and Supplementary Data".

Our Business

Executive Overview

We are a diversified racing, gaming, and online entertainment company anchored by our iconic flagship event—*The Kentucky Derby*. We are a leader in brick-and-mortar casino gaming with approximately 8,500 gaming positions in six states, and we are the largest, legal online account wagering platform for horseracing in the U.S. We are also one of the world's largest producers and distributors of mobile games. We were organized as a Kentucky corporation in 1928, and our principal executive offices are located in Louisville, Kentucky.

Our management monitors a variety of key indicators to evaluate our business results and financial condition. These indicators include changes in bookings, net revenue, operating expense, EBITDA (earnings before interest, taxes, depreciation and amortization), operating income, earnings per share, capital spending, total cash flow and free cash flow including maintenance capital.

Our consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("U.S. GAAP"). We also use a non-GAAP measure, Adjusted EBITDA, to evaluate our business results. Adjusted EBITDA is defined as earnings before interest, taxes, depreciation and amortization, adjusted for the following:

Adjusted EBITDA includes:

- Changes in Big Fish Games deferred revenue;
- 50% of the operating income or loss of our joint venture, MVG;
- 25% of the operating income from our Saratoga Casino Holdings, LLC ("SCH") equity investment; and
- Intercompany revenue and expense totals that are eliminated in the Consolidated Statements of Comprehensive Income.

Adjusted EBITDA excludes:

- Big Fish Games adjustments which include:
  - Acquisition-related charges, including the change in fair value of the Big Fish Games earnout and deferred consideration liability recorded each reporting period; and
  - Transaction expense, including legal, accounting, and other deal-related expense
- Stock-based compensation expense;
- Miami Valley Gaming, LLC ("MVG") interest expense, net;
- Calder exit costs; and
- Other charges and recoveries

We believe that the use of Adjusted EBITDA as a key performance measure of results of operations enables management and investors to evaluate and compare from period to period our operating performance in a meaningful and consistent manner. Our chief operating decision maker utilizes Adjusted EBITDA to evaluate segment performance, develop strategy and allocate resources. Adjusted EBITDA is a supplemental measure of our performance that is not required by, or presented in accordance with U.S GAAP. Adjusted EBITDA should not be considered as an alternative to, or more meaningful than, net income (as determined in accordance with U.S. GAAP) as a measure of our operating results.

On January 1, 2014, we reclassified our equity investment in MVG from Other Investments to Casinos, to coincide with the first full period of operations for the venture. MVG's results of operations for the year ended December 31, 2013 have been reclassified to the Casinos segment. As of December 31, 2015, we have identified Corporate as its own operating segment and have retrospectively adjusted segment disclosures for prior periods to reflect this reclassification. See the Adjusted Segment EBITDA sections of this Item 7. "Management's Discussion and Analysis" for a reconciliation from Adjusted EBITDA to comprehensive income.

In 2015, we continued to take steps to position ourselves for sustainable value creation over the long term. We:

- successfully completed the integration of Big Fish Games which added $413.7 million of net revenue and $108.0 million of Adjusted EBITDA;
- set all time-records for virtually every metric for our Kentucky Oaks and Kentucky Derby Week event which resulted in $6.0 million of incremental Adjusted EBITDA;
- grew TwinSpires.com handle by 7.5%, compared to industry growth of 1.2% which contributed to the $6.3 million of incremental Adjusted EBITDA;
- grew Adjusted EBITDA within our Casino businesses organically in every market but one and completed the 25% equity investment in SCH which resulted in $7.4 million of incremental Adjusted EBITDA; and
- remained focused on improving our racing economics outside of Kentucky Oaks and Kentucky Derby week which resulted in $4.7 million of incremental Adjusted EBITDA as we:
  - maintained our focus on cost reductions across all properties and our maintenance capital and capital expenditure discipline; and
  - benefited from the elimination of racing losses at Calder as a result of an agreement with The Stronach Group.

We accomplished these initiatives while returning $155.5 million to shareholders through dividends and share repurchases.

As we look to 2016 and beyond, we remain focused on positioning ourselves for long-term sustainable growth while continuing to deliver strong financial results. Our free cash flow and strong balance sheet support our primary focus on organic growth and other strategic acquisitions and investment opportunities which create value for our shareholders.

Our Operations

We manage our operations through six operating segments: Racing, Casinos, TwinSpires, Big Fish Games, Other Investments and Corporate.

See "Item 1. Business" For more information on our operating segments and a description of our competition and government regulations and potential legislative changes that affects our business.

Our Critical Accounting Policies

Our financial statements have been prepared in conformity with U.S. GAAP and are based upon certain critical accounting policies. These policies may require management to make estimates, judgments and assumptions that we believe are reasonable based on our historical experience, contract terms, observance of known trends in our Company and the industry as a whole and information available from other outside sources. Our estimates affect the reported amounts of assets and liabilities and related disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results may differ from those initial estimates.

Our critical accounting policies are:

- revenue recognition;
- goodwill and indefinite intangible assets;
- property and equipment; and
- income tax expense.

Our significant accounting policies and recently adopted accounting policies are more fully described in Note 1 to the Consolidated Financial Statements included in Item 8. "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

Revenue recognition

Racing and TwinSpires:

Our Racing and TwinSpires revenue and income are influenced by our racing calendar. Therefore, revenue and operating results for any interim quarter are not generally indicative of the revenue and operating results for the year and may not be comparable with results for the corresponding period of the previous year. We historically have had fewer live racing days during the first quarter of each year, and the majority of our live racing revenue occurs during the second quarter with the running of the Kentucky Oaks and Kentucky Derby.

Pari-mutuel revenue is recognized upon occurrence of the live race that is presented for wagering and after that live race is made official by the respective state's racing regulatory body. Other operating revenue such as admissions, programs and concession revenue are recognized once delivery of the product or service has occurred.

Racing and TwinSpires revenue is generated by pari-mutuel wagering on live and simulcast racing content. Live racing handle includes patron wagers made on live races at our racetracks and also wagers made on imported simulcast signals by patrons at our racetracks during live meets. Import simulcasting handle includes wagers on imported signals at our racetracks when the respective tracks are not conducting live racing meets, at our OTBs and through our ADW providers throughout the year. Export handle includes all patron wagers made on live racing signals sent to other tracks, OTBs and ADW providers. Advance deposit wagering consists of patron wagers through an advance deposit account. We retain as revenue a pre-determined percentage or commission on the total amount wagered, and the balance is distributed to the winning patrons. The gross percentages earned in 2015 approximated 19% of handle for TwinSpires and 11% of handle for Racing.

Casinos

Casinos revenue represents net casino wins which is the difference between casino wins and losses. Other operating revenue, such as concession revenue, is recognized once delivery of the product or service has occurred.

Big Fish Games

Our Big Fish Games segment derives its revenue from the sale of in-app purchases within our free-to-play games and sales of our premium paid games. We offer social casino and casual and mid-core free-to-play games that customers can play at no cost. Customers can purchase virtual currency that can be used to buy virtual items to enhance the game playing experience. These games are distributed primarily through third party mobile platform providers, including but not limited to, Apple and Google. We receive and utilize reports from these third party mobile platform providers which break down the virtual goods purchased in our casual mid-core and casino free-to-play games for a given time period.

The proceeds from the sale of virtual goods are initially recorded as deferred revenue and recognized as revenue when persuasive evidence of an arrangement exists, the service has been provided to the user, the price paid by the user is fixed or determinable and collectability is reasonably assured. Determining whether and when some of these criteria have been satisfied requires judgments that may have a significant impact on the timing and amount of revenue we report in each period. For the purpose of determining when the service has been provided to the player, we have determined that an implied obligation exists to the paying user to continue to make available the purchased virtual goods within the game over the estimated life of the virtual goods. For casino games, the life of the virtual goods is estimated to be the time period over which virtual goods are consumed, approximating three days. For all other casual games, the average playing period of paying players of approximately four months represents our best estimate of the average life of virtual goods. The proceeds from the sale of virtual goods are recorded as deferred revenue and recognized as revenue over the estimated life of the virtual goods.

Premium game revenue is derived from our PC subscription business, the Big Fish Game Club, and from the sale of individual games on PC, Mac and mobile devices. Subscribers receive a game credit each month with subscription. The value of the game credit is recognized when a customer redeems the game credit.

We record breakage revenue related to outstanding premium game credits. For credits that are subject to expiration, breakage revenue is recorded when the credits have legally expired. Breakage revenue is recorded for game credits with no legal expiration when we have determined the likelihood of redemption is remote based on historical game credit redemption patterns.

We estimate revenue from digital storefronts, such as Apple and Google, in the current period when reasonable estimates of these amounts can be made. The digital storefronts provide reliable interim preliminary sale reporting data within a reasonable time frame following the end of each month which, when validated against our internal data, allows us to make reasonable estimates of revenue and therefore to recognize revenue during the reporting period. Determination of the appropriate amount of revenue recognized involves judgments and estimates that we believe are reasonable, but it is possible that actual results may differ from our estimates. When we receive the final reports, to the extent not received within a reasonable time frame following the end of each month, we record any differences between estimated revenue and actual revenue in the reporting period when we determine the actual amounts. Historically, the revenue on the final revenue report has not differed significantly from the reported revenue for the period.

We evaluate our digital storefront agreements in order to determine whether or not we are acting as the principal or as an agent when selling our games which we consider in determining if revenue should be reported gross or net. We primarily use digital storefronts for distributing our casino and casual free-to-play games. Key indicators that we evaluate in order to reach this determination include:

- the terms and conditions of our contracts with the digital storefronts;
- the party responsible for billing and collecting fees from the end-users, including the resolution of billing disputes;

- whether we are paid a fixed percentage of the arrangement's consideration or a fixed fee for each game;
- the party which sets the pricing with the end-user, has the credit risk and provides customer support; and
- the party responsible for the fulfillment of the game and that determines the specifications of the game.

Based on the evaluation of the above indicators, we have determined that we are generally acting as a principal and are the primary obligor to end-users for games distributed through digital storefronts; therefore, we recognize revenue related to these arrangements on a gross basis.

Goodwill and indefinite intangible assets

We perform an annual review for impairment of goodwill and indefinite-lived intangible assets as of March 31 of each fiscal year, or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable. Adverse industry or economic trends, lower projections of profitability, or a sustained decline in our market capitalization, among other items, may be indications of potential impairment issues which are triggering events requiring the testing of an asset's carrying value for recoverability. Goodwill is allocated among and evaluated for impairment at the reporting unit level which is defined as an operating segment or one level below an operating segment.

Goodwill and intangible assets can or may be required to be tested using a two-step impairment test. We assess qualitative factors to determine whether it is necessary to complete the two-step impairment test using a more likely than not criteria. If an entity believes it is more likely than not that the fair value of a reporting unit is greater than its carrying value, including goodwill, the two-step test can be bypassed. Qualitative factors include macroeconomic conditions, industry and market conditions, cost factors, overall financial performance, among others. These factors require significant judgment and estimates, and application of alternative assumptions could produce significantly different results. Evaluations of possible impairment utilizing the two-step approach require us to estimate, among other factors, forecasts of future operating results, revenue growth, EBITDA margin, tax rates, capital expenditures, depreciation, working capital, weighted average cost of capital, long-term growth rates, risk premiums, terminal values and fair market values of our reporting units and assets. Changes in estimates or the application of alternative assumptions could produce significantly different results. We completed step one of the two-step test during the first quarter of 2015, and there were no impairments to our goodwill.

Our slots gaming rights and casinos' trade names are considered indefinite-lived intangible assets that do not require amortization based on our future expectations to operate our gaming facilities and use the trade names indefinitely, and our historical experience in renewing these intangible assets at minimal cost with various state gaming commissions. Our Big Fish Games trade name is also considered an indefinite intangible asset. These indefinite intangible assets are tested annually, or more frequently, if indicators of impairment exist, by comparing the fair value of the recorded assets to the carrying amount. If the carrying amount of the slots gaming rights and trade name intangible assets exceed fair value, an impairment loss is recognized. There were no impairments to our indefinite-lived intangible assets in 2015.

Property and equipment

We have a significant investment in long-lived property and equipment. Property and equipment are recorded at cost. Judgments are made in determining the estimated useful lives of assets, the salvage values to be assigned to assets and if or when an asset has been impaired. The accuracy of these estimates affects the amount of depreciation expense recognized in the financial results and whether to record a gain or loss on disposition of an asset.

We review the carrying value of our property and equipment used in our operations whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from estimated future undiscounted cash flows expected to result from its use and eventual disposition. Adverse industry or economic trends, lower projections of profitability, or a significant adverse change in legal factors or in the business climate, among other items, may be indications of potential impairment issues. If the undiscounted cash flows exceed the carrying value, no impairment is indicated. If the undiscounted cash flows do not exceed the carrying value, an impairment is recorded based on the fair value of the asset.

There are three generally accepted approaches available in developing an opinion of value: 1) the cost approach which is the price a prudent investor would pay to produce or construct a similar new item; 2) the market approach which is typically used for land valuations by analyzing recent sales transactions of similar sites; and 3) the income approach which is based on a discounted cash flow model using the estimated future results of the relevant reporting unit discounted using our weighted-average cost of capital and market indicators of terminal year free cash flow multiples. If necessary, we solicit third-party valuation expertise to assist in the valuation of our assets. We apply the most indicative approach to the overall valuation, or in some cases, a weighted analysis of any or all of these methods. The determination of fair value uses accounting judgments and estimates, including market conditions, and the reliability is dependent upon the availability and comparability of the market data uncovered, as well as the decision making criteria used by marketing participants when evaluating a property. Changes in estimates or application of alternative assumptions could produce significantly different results.

In 2015, we recorded a $12.7 million impairment charge related to the Calder grandstand in continuing operations.

Income Taxes

We use estimates and judgments for financial reporting to determine our current tax liability and deferred taxes. In accordance with the liability method of accounting for income taxes, we recognize the amount of taxes payable or refundable for the current year and deferred tax assets and liabilities for the future tax consequences of events that have been recognized in our consolidated financial statements or tax returns.

Adjustments to deferred taxes are determined based upon changes in differences between the book basis and tax basis of our assets and liabilities and measured by enacted tax rates we estimate will be applicable when these differences are expected to reverse. Changes in current tax laws, enacted tax rates or the estimated level of taxable income or non-deductible expense could change the valuation of deferred tax assets and liabilities and affect the overall effective tax rate and tax provision.

Consolidated Financial Results

The following table reflects our total net revenue, Adjusted EBITDA, operating income and certain other financial information:

	Year Ended December 31,			**‘15 vs. ‘14 Change**	**‘14 vs. ‘13 Change**
(in thousands)	**2015**	**2014**	**2013**	**$**	**$**
Total net revenue	$1,212,301	$812,218	$779,028	$400,083	$33,190
Adjusted EBITDA	335,618	202,491	176,231	133,127	26,260
Operating income	123,612	90,393	90,100	33,219	293
Operating income margin	10%	11%	12%		
Net income from continuing operations	65,197	46,357	55,033	18,840	(8,676)

Year Ended December 31, 2015, Compared to the Year Ended December 31, 2014

- Our total net revenue increased $400.1 million in 2015 driven by $399.8 million from the full year impact of the Big Fish Games acquisition, $4.0 million from our Casinos segment as improvements at our Maine, Louisiana and Florida properties were partially offset by regional weakness in Mississippi, and $9.9 million from our TwinSpires segment due to a 7.5% increase in handle. Partially offsetting these increases was a $13.3 million decline in Racing revenue as the cessation of Calder’s pari-mutuel operations and declines at Arlington due to reductions of state purse subsidies more than offset higher revenue from a strong Kentucky Oaks and Kentucky Derby week and a $0.3 million decrease in other revenue.
- Our Adjusted EBITDA increased $133.1 million in 2015 driven by $104.2 million from the full year impact of the Big Fish Games acquisition, $7.4 million from our Casinos segment as a result of organic

growth and cost reductions, $6.3 million from our TwinSpires segment as a result of increased handle and lower expense, $10.7 million from our Racing segment as strong Kentucky Oaks and Kentucky Derby week revenue growth and cost reductions offset lower revenue at Calder and Arlington, $3.8 million from improvements within our Other Investments segment and $0.7 million in lower Corporate expense.

- Our operating income increased $33.2 million in 2015 driven by $18.9 million from the full year impact of the Big Fish Games acquisition, $23.0 million from our Racing and TwinSpires segments as a result of a successful Kentucky Oaks and Kentucky Derby week and the effect of a strong Triple Crown season, $9.5 million from our Casinos segment as a result of revenue growth and operational cost savings at most of our casino properties, $6.4 million of Big Fish Games 2014 transaction expense that did not recur in 2015 and $5.5 million of Luckity and Capital View Casino & Resort ("Capital View") non-cash impairment charges in 2014 that did not recur in 2015. Partially offsetting these improvements were $11.6 million of Calder exit costs, $17.9 million of non-cash Big Fish Games acquisition-related charges associated with the earnout and deferred founder liabilities fair value adjustments, and $0.6 million of other expense.
- Our net income increased $18.8 million in 2015 driven by a $33.2 million increase in operating income, a $4.9 million increase in income from our equity investments, and a $5.8 million gain from the sale of our remaining HRTV investment. Partially offsetting these increases were $7.8 million of additional interest expense, $11.5 million of additional income tax expense associated with the increase in income from continuing operations, $5.2 million of additional income tax expense as a result of certain non-deductible Big Fish Games acquisition expense, and $0.6 million of other expense.

Year Ended December 31, 2014, Compared to the Year Ended December 31, 2013

- Our total net revenue increased $33.2 million in 2014 driven by $42.2 million from the Oxford acquisition, $13.9 million from the impact of the Big Fish Games acquisition, $5.9 million from our TwinSpires segment due to a 3.3% increase in handle and the return of Illinois wagering which temporarily ceased during 2013. Partially offsetting these increases were $11.1 million of revenue declines at our other Casino properties due to continued regional economic weaknesses, additional competition and inclement weather negatively affecting visitation, a $10.7 million decline in Racing revenue due to the cessation of Calder's pari-mutuel operations and weaknesses at our other racetracks, partially offset by higher revenue from a strong Kentucky Oaks and Kentucky Derby week and a $7.0 million decline in other revenue primarily due to lower United Tote revenue from declining equipment sales and totalisator services.
- Our Adjusted EBITDA increased $26.3 million in 2014 driven by $20.5 million from our Casinos segment primarily from the full year impact of the Oxford acquisition, $10.9 million from our Racing segment primarily as a result of a strong Kentucky Oaks and Kentucky Derby week and $3.8 million from Big Fish Games. Partially offsetting these increases were $4.7 million in declines in our Other Investments segment from Internet gaming development expense and declines in United Tote equipment sales, $3.8 million in declines from our TwinSpires segment due to the loss of Texas wagering and new taxation requirements and $0.4 million of Corporate expense.
- Our operating income increased $0.3 million in 2014 driven by $7.8 million from the Oxford acquisition and $8.8 million from the impact of a successful Kentucky Oaks and Kentucky Derby week. Partially offsetting these increases were $5.4 million in Luckity and Capital View non-cash impairment expense, $6.4 million of Big Fish Games transaction expense and $3.9 million of higher TwinSpires.com state taxation requirements and $0.6 million in other expense.
- Our net income decreased $8.7 million in 2014 due to $4.5 million of HRE Trust Fund Proceeds which did not recur in 2014 and $14.6 million of additional interest expense. Partially offsetting these decreases was an increase of $10.4 million of income from our equity investments.

Financial Results by Segment

Net Revenue by Segment

The following table presents net revenue for our operating segments:

	Year Ended December 31,			'15 vs. '14 Change	'14 vs. '13 Change
(in thousands)	2015	2014	2013	$	$
Racing:					
Churchill Downs	$ 158,957	$ 150,229	$ 139,531	$ 8,728	$ 10,698
Arlington	59,468	66,079	67,878	(6,611)	(1,799)
Fair Grounds	41,649	39,714	41,828	1,935	(2,114)
Calder	2,730	20,032	37,527	(17,302)	(17,495)
Total Racing	262,804	276,054	286,764	(13,250)	(10,710)
Casinos:					
Oxford Casino	80,405	76,526	34,350	3,879	42,176
Riverwalk Casino	49,758	50,139	53,645	(381)	(3,506)
Harlow's Casino	48,978	50,199	52,440	(1,221)	(2,241)
Calder Casino	77,421	77,003	78,951	418	(1,948)
Fair Grounds Slots	38,408	40,774	42,156	(2,366)	(1,382)
VSI	36,913	33,653	35,634	3,260	(1,981)
Saratoga	416	—	—	416	—
Total Casino	332,299	328,294	297,176	4,005	31,118
TwinSpires	201,200	191,291	185,394	9,909	5,897
Big Fish Games:					
Casino	193,428	7,627	—	185,801	7,627
Casual free-to-play	125,321	2,098	—	123,223	2,098
Premium	94,936	4,130	—	90,806	4,130
Total Big Fish Games	413,685	13,855	—	399,830	13,855
Other Investments	20,168	21,255	26,308	(1,087)	(5,053)
Corporate	910	1,158	1,143	(248)	15
Eliminations	(18,765)	(19,689)	(17,757)	924	(1,932)
Total Net Revenue	$1,212,301	$ 812,218	$ 779,028	$ 400,083	$ 33,190

Year Ended December 31, 2015, Compared to the Year Ended December 31, 2014

- Racing revenue decreased $13.3 million in 2015 driven by a $17.3 million decline in Calder revenue as a result of the July 1, 2014 cessation of pari-mutuel operations that was partially offset by rental income from TSG for the use of Calder's racetrack facilities and a $6.6 million decline in Arlington revenue as a result of twelve fewer live race days, smaller field sizes, fewer races per day and inclement weather for the Arlington Million which led to a decline in attendance, pari-mutuel wagering and other operational-based revenue. Partially offsetting these declines was an $8.7 million increase in Churchill Downs revenue primarily related to a successful Kentucky Oaks and Kentucky Derby week and a $1.9 million increase in Fair Grounds revenue from a 7.5% handle increase.
- Casinos revenue increased $4.0 million in 2015 driven by $3.9 million from Oxford due to successful promotional activities, a strengthening market and improvements in market share; $3.3 million from VSI due to the installation of upgraded video poker machines and the improved performance of OTB facilities that are not included within the Orleans Parish smoking ban limits; and a $0.8 million increase from Saratoga and Calder revenue. Partially offsetting these increases was a $2.4 million decline in Fair Grounds Slots revenue which was negatively impacted by a smoking ban in Orleans Parish which commenced on April 22, 2015 and a $1.6 million decline in our Mississippi properties as a result of aggressive competitors' offerings.
- TwinSpires revenue increased $9.9 million in 2015, primarily driven by a $12.3 million increase in pari-mutuel and other revenue due to a 7.5% increase in TwinSpires.com handle compared to the industry increase of 1.2% for the period, partially offset by a $2.4 million decline as the result of the cancellation of a low-margin, third-party administrative call center services agreement during the fourth quarter of 2014.

- Big Fish Games revenue increased $399.8 million in 2015 driven by the full year impact of the Big Fish Games acquisition. Big Fish Games net revenue includes amounts recognized from its social casino games, casual and mid-core free-to-play games and premium paid games. Revenue includes a $20.8 million reduction resulting from the adjustment down to fair value of the deferred revenue balance assumed as part of the Big Fish Games acquisition based on business combination accounting rules.
- Other Investments revenue decreased $1.1 million in 2015 due to the cessation of the print edition of *BLUFF* Magazine during January 2015 and lower revenue at United Tote.
- Eliminations decreased $0.9 million in 2015 driven by lower intercompany transactions between Racing and United Tote.

Year Ended December 31, 2014, Compared to the Year Ended December 31, 2013

- Racing revenue decreased $10.7 million in 2014 primarily driven by a $17.5 million decline in Calder revenue primarily as a result of the July 1, 2014 cessation of pari-mutuel operations, a $2.1 million decline in Fair Grounds revenue as inclement weather during the first half of 2014 caused turf races to be removed and negatively impacted wagering and attendance and a $1.8 million decline in Arlington revenue. Partially offsetting these declines was a $10.7 million increase in Churchill Downs revenue primarily related to a strong Kentucky Oaks and Kentucky Derby week.
- Casinos revenue increased $31.1 million in 2014 driven by $42.2 million from the impact of the Oxford acquisition on July 17, 2013 which was partially offset by a $5.7 million decline at our Mississippi properties due to continued regional economic weakness and heightened competition in the region, a $3.5 million decline at our Louisiana properties as a result of declines in customer visitations due to poor weather conditions and a three-day maintenance closure at Fair Grounds Slots and a $1.9 million decline at Calder primarily due to the closure of its poker room on June 30, 2014.
- TwinSpires revenue increased $5.9 million in 2014 primarily due to a 3.3% TwinSpires.com handle increase compared to a 2.8% handle decline for the industry.
- Big Fish Games revenue was $13.9 million in 2014 driven by the Big Fish Games acquisition on December 16, 2014. Big Fish Games net revenue includes amounts recognized from its social casino games, casual and mid-core free-to-play games and premium paid games. Revenue includes a $3.4 million reduction resulting from the adjustment down to fair value of the deferred revenue balance assumed as part of the Big Fish Games acquisition based on business combination accounting rules.
- Other Investments revenue decreased $5.1 million due to lower United Tote totalisator service revenue as a result of a loss of customers and fewer equipment sales.
- Eliminations increased $1.9 million in 2014 driven by higher intercompany transactions between Racing and TwinSpires.

Additional Statistical Data by Segment

The following tables provide additional statistical data for our segments:

Racing and TwinSpires[(1)]

(in thousands)	Year Ended December 31, 2015	2014	2013
Racing:			
Churchill Downs			
Race Days	70	74	75
Total handle	$ 585,241	$ 580,098	$ 663,689
Net pari-mutuel revenue	$ 60,917	$ 60,139	$ 57,002
Commission %	10.4%	10.4%	8.6%
Arlington			
Race Days	77	89	89
Total handle	$ 373,796	$ 458,756	$ 527,339
Net pari-mutuel revenue	$ 46,014	$ 53,068	$ 55,509
Commission %	12.3%	11.6%	10.5%
Calder[(3)]			
Race Days	—	79	129
Total handle	$ —	$ 155,818	$ 320,036
Net pari-mutuel revenue	$ 40	$ 16,931	$ 32,737
Commission %	NM	10.9%	10.2%
Fair Grounds			
Race Days	83	82	81
Total handle	$ 296,905	$ 276,109	$ 294,991
Net pari-mutuel revenue	$ 30,333	$ 29,090	$ 31,123
Commission %	10.2%	10.5%	10.6%
Total Racing			
Race Days	230	324	374
Total handle	$1,255,942	$1,470,781	$1,806,055
Net pari-mutuel revenue	$ 137,304	$ 159,228	$ 176,371
Commission %	10.9%	10.8%	9.8%
TwinSpires.com			
Illinois	$ 70,530	$ 71,591	$ 40,607
Texas	—	—	42,210
All other states	894,593	826,115	785,918
Total handle	$ 965,123	$ 897,706	$ 868,735
Net pari-mutuel revenue	$ 183,635	$ 172,221	$ 166,933
Commission %	19.0%	19.2%	19.2%
Eliminations[(2)]			
Total handle	$ (106,035)	$ (112,652)	$ (133,746)
Net pari-mutuel revenue	$ (14,051)	$ (14,541)	$ (12,495)
Total			
Handle	$2,115,030	$2,255,835	$2,541,044
Net pari-mutuel revenue	$ 306,888	$ 316,908	$ 330,809
Commission %	14.5%	14.0%	13.0%

(1) Total handle and net pari-mutuel revenue generated by Velocity are not included in total handle and net pari-mutuel revenue from TwinSpires.com.
(2) Eliminations include the elimination of intersegment transactions.
(3) Calder ceased pari-mutuel operations on July 1, 2014.

Casinos Activity

Certain key operating statistics specific to the gaming industry are included in our statistical data for our Casinos segment. Our slot facilities report slot handle as a volume measurement, defined as the gross amount wagered or coins placed into slot machines in aggregate for the period cited. Net gaming revenue includes slot and table games revenue and is net of customer freeplay; however it excludes other ancillary property revenue such as food and beverage, ATM, hotel and other miscellaneous revenue.

	Year Ended December 31,		
(in thousands)	2015	2014	2013[1]
Oxford Casino			
Slot handle	$722,570	$675,368	$ 262,699
Net slot revenue	62,095	58,368	26,689
Net gaming revenue	76,482	72,728	32,649
Riverwalk Casino			
Slot handle	$522,204	$508,733	$ 591,975
Net slot revenue	42,496	43,567	47,405
Net gaming revenue	47,206	47,391	50,513
Harlow's Casino			
Slot handle	$538,640	$554,910	$ 604,433
Net slot revenue	42,561	43,326	45,349
Net gaming revenue	46,454	47,632	49,577
Calder Casino			
Slot handle	$986,195	$961,080	$1,010,840
Net slot revenue	74,398	73,190	74,008
Net gaming revenue	74,295	74,030	76,554
Fair Grounds Slots and Video Poker			
Slot handle	$417,060	$428,005	$ 436,188
Net slot revenue	38,007	39,622	40,880
Net gaming revenue	74,680	73,085	76,368
Total net gaming revenue	$319,117	$314,866	$ 285,661

(1) On July 17, 2013, we completed the acquisition of Oxford, whose results are presented in 2013 from the date of acquisition through December 31, 2013.

Big Fish Games

(in thousands)	Year Ended December 31, 2015	2014[2]
Bookings[1]		
Casino	$ 193,028	$ 8,981
Casual free-to-play	151,216	3,827
Premium	108,995	5,544
Total bookings	453,239	18,352
Total revenue	413,685	13,855
Change in deferred revenue	39,554	4,497
Total bookings	$ 453,239	$ 18,352

(1) Bookings is a non-GAAP financial measure equal to the revenue recognized plus the change in deferred revenue for the periods presented. This non-GAAP measure may differ from other companies' definition of this measure, and it should not be considered a substitute for, or superior to, any other measure provided in accordance with U.S. GAAP.

(2) We completed the acquisition of Big Fish Games on December 16, 2014.

Consolidated Operating Expense

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

(in thousands)	Year Ended December 31, 2015	2014	2013	'15 vs. '14 Change $	'14 vs. '13 Change $
Purses & casino and racing handle-based taxes	$ 184,069	$ 189,956	$ 181,679	$ (5,887)	$ 8,277
Platform & development fees	143,556	5,123	—	138,433	5,123
Salaries & benefits	132,246	120,276	119,713	11,970	563
Marketing & advertising	130,696	28,804	23,662	101,892	5,142
Depreciation & amortization	109,706	68,257	61,750	41,449	6,507
Content expense	95,263	93,734	90,661	1,529	3,073
Research & development	39,399	—	—	39,399	—
Calder exit costs	13,854	2,298	—	11,556	2,298
Acquisition-related charges	21,748	3,826	—	17,922	3,826
SG&A expense	90,787	82,385	83,071	8,402	(686)
Other operating expense	127,365	127,166	128,392	199	(1,226)
Total expense	$1,088,689	$ 721,825	$ 688,928	$ 366,864	$ 32,897
Percent of revenue	90%	89%	88%		

Year Ended December 31, 2015, Compared to the Year Ended December 31, 2014

Significant items affecting comparability of consolidated operating expense include:

- Purses and casino and racing handle-based taxes decreased $5.9 million in 2015 primarily as a result of an $8.2 million decline in Calder expense related to the cessation of racing operations. Partially offsetting this decline was a $2.3 million increase in casino gaming taxes as a result of 1.2% casino revenue growth.
- Platform and development fees increased $138.4 million in 2015 related to digital storefronts and third-party game developers' expenditures based on Big Fish Games revenue.
- Salaries and benefit expense increased $12.0 million in 2015 driven by $19.8 million of additional expense from the full year impact of Big Fish Games. Partially offsetting this increase was a $3.4 million decline in Calder salaries and benefit expense due to the cessation of pari-mutuel racing and the closure of its poker room and a $4.4 million reduction in salaries across our other segments in response to moderating revenue growth.
- Marketing and advertising expense increased $101.9 million in 2015 driven primarily by additional user acquisition and advertising expense from the full year impact of Big Fish Games.
- Depreciation and amortization expense increased $41.4 million in 2015 driven by $49.5 million of additional expense associated with the Big Fish Games acquisition. Partially offsetting this increase was a $3.4 million reduction in depreciation expense at Calder as certain gaming assets were fully depreciated during 2014, $4.2 million in depreciation expense at Calder from the cessation of pari-mutuel operation and $0.5 million of other expense reductions.
- Content expense increased $1.5 million in 2015 driven by a $5.0 million increase in fees incurred to import third-party pari-mutuel content for our Racing and TwinSpires segments. Partially offsetting this increase was a $3.5 million decline in Calder content expense due to the cessation of pari-mutuel racing and favorable terms obtained under the Calder agreement with TSG.
- Research and development expense increased $39.4 million in 2015 driven by additional studio and engineering functions salary and benefit related expense from the full year impact of Big Fish Games.

- Calder exit costs increased $11.6 million in 2015 due to $12.7 million of non-cash impairment charges to reduce the net book value of Calder's grandstand and ancillary facilities to zero and $1.2 million in expenditures for demolition costs at the facility in preparation for future use and to achieve operational cost savings. Partially offsetting this expense was $2.3 million of exit costs that did not recur in 2015.
- Acquisition-related charges increased $17.9 million in 2015 as a result of the non-cash fair value adjustments related to the Big Fish Games earnout and deferred founder liabilities.
- Selling, general and administrative expense increased $8.4 million in 2015 driven by $14.4 million of additional expense from the full year impact of Big Fish Games, $2.0 million of increased annual bonus compensation expense due to our financial performance, and $1.0 million of other expense. Partially offsetting these increases were $6.4 million of 2014 Big Fish Games acquisition expense that did not recur in 2015, a $1.4 million decline in Calder expense due to the cessation of pari-mutuel racing, and a $1.2 million decline in corporate contributions and legal expense related to prior year matters which did not recur.
- Other operating expense increased $0.2 million in 2015. Other operating expense includes utilities, maintenance, food and beverage costs, property taxes and insurance and other operating expense. The increase of $0.2 million was driven by $14.4 million of additional expense from the full year impact of Big Fish Games and $0.3 million of other expense. Partially offsetting these increases were declines of $3.4 million at Calder due to the cessation of pari-mutuel racing, $3.2 million related to 2014 Luckity asset impairment charges that did not recur in 2015, $3.0 million in casino operational efficiencies, $2.3 million in TwinSpires contract service expense, $1.8 million in corporate deferred compensation expense related to prior periods, and $0.8 million in Racing and United Tote bad debt recoveries.

Year Ended December 31, 2014, Compared to the Year Ended December 31, 2013

Significant items affecting comparability of consolidated operating expense includes:

- Purses and casino and racing handle-based taxes increased $8.3 million in 2014 driven by $15.9 million of additional expense from the full year impact of Oxford and a $3.9 million increase in TwinSpires pari-mutuel taxes due to new taxation requirements in New York. Partially offsetting these increases was an $8.1 million decline in Calder expense due to the cessation of pari-mutuel racing and a $3.4 million decline in taxes and purses at our other properties.
- Platform and development fees increased $5.1 million in 2014 related to digital storefronts and to third-party game developers based on Big Fish Games revenue.
- Salaries and benefit expense increased $0.6 million in 2014 driven by $6.2 million of additional expense from the full year impact of Oxford and $2.6 million of additional expense due to the acquisition of Big Fish Games. Partially offsetting these increases were $4.3 million of lower Calder expense due to the cessation of pari-mutuel racing, $3.3 million associated with higher capitalized salaries primarily associated with Internet-gaming operations and $0.6 million of other expense.
- Marketing and advertising expense increased $5.1 million in 2014 driven by $5.7 million of additional expense due to the acquisition of Big Fish Games which was partially offset by a $0.6 million reduction in all other marketing and advertising expense.
- Depreciation and amortization expense increased $6.5 million in 2014 due to $2.2 million of additional expense due to the acquisition of Big Fish Games, $3.3 million of incremental Oxford depreciation expense, and $2.8 million driven by the acceleration of depreciation expense for the Calder barns due to the cessation of pari-mutuel operations. Partially offsetting these increases was $1.8 million of lower depreciation expense at our Louisiana and Mississippi properties.
- Content expense increased $3.1 million in 2014 driven by a $2.1 million increase in fees incurred to import third-party pari-mutuel content for our Racing and TwinSpires segments and $3.3 million in content expense reductions in 2013 from a favorable settlement of Illinois ADW legislation. Partially

offsetting these increases was a $2.3 million decline in Calder content expense due to the cessation of pari-mutuel racing.

- Calder exit costs increased $2.3 million in 2014 driven by severance and other benefit costs related to the cessation of pari-mutuel operations.
- Acquisition-related charges increased $3.8 million in 2014 as a result of the non-cash fair value adjustments related to the Big Fish Games earnout and deferred founder liabilities.
- Selling, general and administrative expense decreased $0.7 million in 2014 driven by a $9.6 million decline in stock-based compensation expense. Partially offsetting this decline were $6.4 million of corporate development expense due to the acquisition of Big Fish Games, $1.8 million associated with a full year of Oxford operations and $0.7 million for Big Fish Games expense subsequent to the acquisition.
- Other operating expense decreased $1.2 million in 2014. Other operating expense includes utilities, maintenance, food and beverage costs, property taxes and insurance and other operating expense. The decrease of $1.2 million was driven by a $5.4 million decline in Calder operating expense due to the cessation of pari-mutuel racing, a $1.7 million reduction in bad debt reserve requirements and $0.9 million in other expenses. Partially offsetting these declines was a $3.2 million asset impairment charge related to our investment in Luckity and $3.6 million in incremental Oxford expense.

Excluding corporate stock-based compensation, the table below presents Corporate allocated expense included in the Adjusted EBITDA of each of the operating segments:

	Year Ended December 31,			'15 vs. '14 Change	'14 vs. '13 Change
(in thousands)	2015	2014	2013	$	$
Racing	$ (6,591)	$ (6,821)	$ (8,063)	$ 230	$ 1,242
Casinos	(8,360)	(8,129)	(5,705)	(231)	(2,424)
TwinSpires	(5,049)	(4,775)	(4,679)	(274)	(96)
Big Fish Games	(3,000)	—	—	(3,000)	—
Other Investments	(483)	(495)	(627)	12	132
Corporate allocated expense	23,483	20,220	19,074	3,263	1,146
Total Corporate allocated expense	$ —	$ —	$ —	$ —	$ —

Adjusted EBITDA

We believe that the use of Adjusted EBITDA as a key performance measure of the results of operations enables management and investors to evaluate and compare from period to period our operating performance in a meaningful and consistent manner. Adjusted EBITDA is a supplemental measure of our performance that is not required by or presented in accordance with U.S. GAAP. Adjusted EBITDA should not be considered as an alternative to, or more meaningful than, net income (as determined in accordance with U.S. GAAP) as a measure of our operating results.

	Year Ended December 31,			'15 vs. '14 Change	'14 vs. '13 Change
(in thousands)	2015	2014	2013	$	$
Racing	$ 71,841	$ 61,160	$ 50,275	$ 10,681	$ 10,885
Casinos	108,516	101,106	80,631	7,410	20,475
TwinSpires	51,533	45,282	49,122	6,251	(3,840)
Big Fish Games	108,018	3,837	—	104,181	3,837
Other Investments	(37)	(3,857)	809	3,820	(4,666)
Corporate	(4,253)	(5,037)	(4,606)	784	(431)
Total Adjusted EBITDA	$335,618	$202,491	$176,231	$133,127	$ 26,260

Year Ended December 31, 2015, Compared to the Year Ended December 31, 2014

- Racing Adjusted EBITDA increased $10.7 million in 2015 due to $6.0 million of increased profitability from the Kentucky Oaks and Kentucky Derby week, $3.8 million primarily due to the cessation of Calder pari-mutuel operations, $1.5 million at Churchill Downs outside of Kentucky Oaks and Kentucky Derby week results and $0.3 million at Fair Grounds. Partially offsetting these increases was a $0.9 million decrease at Arlington resulting from lower live and simulcast racing revenue as a result of lower purse sized due to the depletion of the Horse Racing Equity Trust Fund ("HRE Trust Fund") monies in 2014.
- Casinos Adjusted EBITDA increased $7.4 million in 2015 driven by a $2.7 million increase at Oxford as a result of strong revenue trends, a $2.5 million increase at Riverwalk as a result of disciplined labor and other variable expense reductions, a $1.4 million increase at MVG from growth that was partially offset by new competition, a $1.2 million increase from VSI market share growth, a $0.6 million increase from Calder primarily from freeplay reductions and a $0.7 million increase from Saratoga from management fee income and equity income. Partially offsetting these increases was a $1.7 million decrease at Fair Grounds Slots primarily driven by the impact from the introduction of a parish-wide smoking ban on April 22, 2015.
- TwinSpires Adjusted EBITDA increased $6.3 million in 2015 driven by $6.0 million primarily from handle growth of 7.5% which outpaced industry performance by 6.3 percentage points as customers continue to migrate to online wagering and $1.3 million from the discontinuation of Luckity, our online real-money bingo operations. These increases were partially offset by $1.0 million in higher marketing expense related to the 2015 Triple Crown Season and Breeders' Cup and higher New York taxes due to the cancellation of a service agreement.
- Big Fish Games Adjusted EBITDA increased $104.2 million in 2015 due to the full year impact of Big Fish Games. Our bookings and revenue are reflective of industry growth in both the iOS and Android marketplaces, continuing success of *Big Fish Casinos* and *Gummy Drop!* and the successful launch of *Dungeon Boss*. Operating expense reflects a full year of user acquisition costs, advertising and marketing, salaries and benefits, and developer and platform fees. In 2015, a shift in the timing of purchases for our casual free-to-play offerings as compared to prior periods generated a favorable impact on Adjusted EBITDA of $2.8 million. Since the decrease in revenue is offset by a corresponding increase in deferred revenue, Adjusted EBITDA is positively affected only by the reduction in operating expense.
- Other Investments Adjusted EBITDA increased $3.8 million in 2015 due to a $1.9 million reduction of Internet gaming development expense, $1.3 million from United Tote cost control efforts and bad debt expense recoveries and $0.6 million from the elimination of losses from the cessation of the print edition of *BLUFF* Magazine during January 2015.
- Corporate Adjusted EBITDA increased $0.8 million in 2015 due to a $1.3 million decrease in deferred compensation expense related to prior periods and $3.3 million in corporate expense allocated to the other operating segments. Partially offsetting these increases were $3.4 million in salaries, benefits and bonus compensation and $0.4 million in increased recruiting and professional fees.

Year Ended December 31, 2014, Compared to the Year Ended December 31, 2013

Significant items affecting comparability of Adjusted EBITDA by segment include:

- Racing Adjusted EBITDA increased $10.9 million in 2014 driven by $8.8 million in increased profitability from the Kentucky Oaks and Kentucky Derby week, $3.3 million from Calder cost savings and $0.9 million from Arlington from cost savings. Partially offsetting these increases was a $2.1 million decrease at Churchill Downs, excluding Kentucky Oaks and Kentucky Derby week, from a decline in pari-mutuel revenue.

- Casinos Adjusted EBITDA increased $20.5 million in 2014 driven by $11.8 million from a full year of Oxford operations and $11.1 million from a full year of MVG operations. Partially offsetting these increases were $1.5 million in declines at Fair Grounds Slots and VSI as market weakness and poor weather conditions hindered visitation and wagering at the Louisiana properties, $0.6 million in declines at Harlow's and Riverwalk as continuing regional economic weakness negatively impacted results, and a $0.3 million decrease in Calder from exiting poker operations.
- TwinSpires Adjusted EBITDA decreased $3.8 million in 2014 driven by the loss of $5.4 million from Texas wagering, $3.9 million in New York taxation requirements and a $3.3 million reduction in operating expense in 2013 from the settlement of Illinois ADW litigation that did not recur in 2014. These decreases were partially offset by $6.8 million in organic handle growth, $1.2 million from the reinstatement of Illinois wagering and $0.8 million in improvements in our investment in HRTV.
- Big Fish Games Adjusted EBITDA increased $3.8 million in 2014 due to its acquisition on December 16, 2014.
- Other Investments Adjusted EBITDA decreased $4.7 million in 2014 driven by a $3.0 million increase in expense associated with the development of our Internet gaming operations and a $1.7 million decrease in United Tote due to a decline in totalisator service revenue and lower equipment sales.
- Corporate Adjusted EBITDA decreased $0.4 million in 2014 driven by $1.5 million in higher salaries and benefit expense, partially offset by $1.1 million in higher Corporate expense allocated to the other operating segments.

Reconciliation of Adjusted EBITDA to Comprehensive Income

	Year Ended December 31,			'15 vs. '14 Change	'14 vs. '13 Change
(in thousands)	2015	2014	2013	$	$
Adjusted EBITDA	**$ 335,618**	**$ 202,491**	**$ 176,231**	$ 133,127	$ 26,260
Change in Big Fish Games deferred revenue	(39,554)	(4,497)	—	(35,057)	(4,497)
Big Fish Games adjustments	(21,748)	(10,193)	—	(11,555)	(10,193)
Stock-based compensation	(13,849)	(11,931)	(21,482)	(1,918)	9,551
MVG interest expense, net	(2,098)	(2,546)	(170)	448	(2,376)
Calder exit costs	(13,854)	(2,298)	—	(11,556)	(2,298)
Other charges and recoveries, net	5,833	(5,429)	(1,204)	11,262	(4,225)
Depreciation and amortization	(109,706)	(68,257)	(61,750)	(41,449)	(6,507)
Interest (expense) income, net	(28,553)	(20,822)	(6,119)	(7,731)	(14,703)
Income tax provision	(46,892)	(30,161)	(30,473)	(16,731)	312
Net income from continuing operations	65,197	46,357	55,033	18,840	(8,676)
Discontinued operations, net of income taxes	—	—	(133)	—	133
Net income	65,197	46,357	54,900	18,840	(8,543)
Foreign currency translation, net of tax	(463)	(125)	—	(338)	(125)
Comprehensive income	$ 64,734	$ 46,232	$ 54,900	$ 18,502	$ (8,668)

Year Ended December 31, 2015, Compared to the Year Ended December 31, 2014

- Change in Big Fish Games deferred revenue increased $35.1 million in 2015 driven by deferred revenue adjustments for Big Fish Games resulting from business combination accounting rules when deferred revenue balances assumed as part of acquisitions are adjusted down to fair value, and from bookings exceeding revenue recognized.
- Big Fish Games adjustments increased $11.5 million in 2015 driven by $17.9 million in non-cash adjustments from the change in fair value of the Big Fish Games earnout and deferred founder liabilities, partially offset by $6.4 million of 2014 Big Fish Games transactions expense which did not recur during 2015.

- Stock-based compensation expense increased $1.9 million in 2015 driven by $6.9 million in incremental restricted stock award expense and $1.3 million in accelerated restricted stock expense upon the September 30, 2015 retirement of our previous Chief Executive Officer. Partially offsetting these increases was a decline of $6.3 million in stock-based compensation expense associated with grants under the 2013 New Company Long Term Incentive Plan that were substantially recognized during 2014.
- MVG interest expense, net decreased $0.4 million in 2015 driven by lower outstanding MVG debt balances.
- Calder exit costs increased $11.6 million in 2015 driven by $12.7 million in non-cash impairment charges to reduce the net book value of Calder's grandstand and ancillary facilities to zero and $1.2 million of barn and grandstand demolition costs in preparation for future use and to achieve operational cost savings. Partially offsetting these increases was $2.3 million in 2014 severance and other benefit costs associated with the cessation of pari-mutuel operations which did not recur in 2015.
- Other charges and recoveries, net increased $11.3 million in 2015 driven by a $5.8 million gain in 2015 from the sale of our remaining ownership interest in HRTV, $3.2 million in prior year Luckity impairment expense and $2.6 million in prior year impairment expense and equity losses from our unsuccessful attempt to bid on the development of a destination casino and resort in the Capital Region of New York. Partially offsetting these increases were $0.3 million of other expense.
- Depreciation and amortization expense increased $41.4 million in 2015 driven by $49.5 million of additional expense associated with the Big Fish Games acquisition. Partially offsetting this increase was a $3.4 million reduction in depreciation expense at Calder as certain gaming assets were fully depreciated during 2014, $3.9 million in depreciation expense at Calder from the cessation of pari-mutuel operation and $0.8 million of other expense reductions.
- Interest (expense) income, net increased $7.7 million in 2015 primarily as a result of higher long-term debt balances outstanding due to the acquisition of Big Fish Games.
- Income tax provision increased $16.7 million in 2015 driven by $11.5 million of additional income tax expense associated with the increase in income from continuing operations and $5.2 million of additional income tax expense as a result of certain non-deductible Big Fish Games acquisition expense.

Year Ended December 31, 2014, Compared to the Year Ended December 31, 2013

- Change in Big Fish Games deferred revenue increased $4.5 million in 2014 driven by business combination accounting rules when deferred revenue balances assumed as part of acquisitions are adjusted down to fair value, and from bookings exceeding revenue recognized.
- Big Fish Games adjustments increased $10.2 million in 2014 driven by $3.8 million in non-cash adjustments from the change in fair value of the Big Fish Games earnout and deferred founder liabilities, and $6.4 million of Big Fish Games transactions expense.
- Stock-based compensation expense decreased $9.6 million in 2014 driven by expense associated with grants made under the 2013 New Company Long Term Incentive Plan which were substantially recognized during 2013.
- MVG interest expense, net increased $2.4 million in 2014 driven by a full year of interest expense for debt outstanding associated with our Ohio joint venture.
- Calder exit costs increased $2.3 million in 2014 due to severance and other employee benefits associated with the cessation of pari-mutuel racing.
- Other charges and recoveries increased $4.2 million in 2014 driven by $3.2 million of impairment expense related to our investment in Luckity, $2.6 million of impairment expense and equity losses associated with our unsuccessful attempt to obtain a license to build and operate a gaming facility in

the Capital Region of New York, and $4.5 million related to HRE Trust Fund proceeds recognized as miscellaneous income in 2013 that did not recur in 2014. Partially offsetting these increases were $3.6 million of MVG pre-opening costs and $2.5 million of expense to write-off an uncollectible third-party receivable associated with an Internet gaming license.

- Depreciation and amortization expense increased $6.5 million in 2014 due to $2.2 million of additional expense due to the acquisition of Big Fish Games, $3.3 million of incremental Oxford depreciation expense, and $2.8 million related to the acceleration of depreciation expense for the Calder barns due to the cessation of pari-mutuel operations. Partially offsetting these increases was $1.8 million of lower depreciation expense at our Louisiana and Mississippi properties.
- Interest (expense) income, net increased $14.7 million in 2014 driven by higher long-term debt balances outstanding due to the acquisitions of Oxford and Big Fish Games.
- Income tax provision decreased $0.3 million in 2014 driven by net changes in our taxable income and effective tax rate.

Consolidated Balance Sheet

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

	Year Ended December 31,		'15 vs. '14 Change
(in thousands)	**2015**	**2014**	**$**
Total assets	$2,277,444	$2,356,253	$(78,809)
Total liabilities	1,660,247	1,656,252	3,995
Total shareholders' equity	617,197	700,001	(82,804)

- Total assets decreased $78.8 million in 2015 driven by a $53.8 million reduction in Big Fish Games intangible assets due to 2015 amortization expense, a $26.2 million reduction in our income taxes receivable as a result of the receipt of 2014 federal tax refunds, a $22.1 million decrease in property and equipment and an $8.2 million decrease in net accounts receivable due to the timing of 2016 Kentucky Oaks and Kentucky Derby payments and from the timing of Big Fish Games related digital storefront payments. Partially offsetting these decreases was an increase of $15.4 million in other current assets primarily related to Big Fish Games spending on platform and developer fees, a $9.8 million increase of Big Fish Games game technology and rights expenditures associated with payments made to third-party developers, and a $6.3 million increase in all other assets.
- Total liabilities increased $4.0 million in 2015 driven by $39.5 million increase in Big Fish Games deferred revenue due to strong growth in bookings, a $21.7 million increase in Big Fish Games earnout and deferred founder's liabilities as a result of fair value measurement adjustments, and a $17.7 million net increase in total debt. Partially offsetting these increases was a $46.1 million decrease related to tax refund payments and deferred purchase price payments to Big Fish Games equity holders, a $5.8 million decrease in non-Big Fish Games deferred revenue due to the timing of payments received for the 2016 Kentucky Oaks and Kentucky Derby, a $21.6 million decrease in deferred tax liabilities due to utilization of net operating losses and the amortization of intangible assets, and a $1.4 million decrease in all other liabilities.
- Total shareholders' equity decreased $82.8 million in 2015 due to a $138.1 million repurchase of common stock and $13.1 million from the cancellation of shares for payment of income taxes owed on vested shares. Partially offsetting these decreases was $65.2 million of current year net income and $3.2 million of other equity changes.

Liquidity and Capital Resources

The following table is a summary of our liquidity and cash flows:

(in thousands)	Year Ended December 31,			'15 vs. '14 Change	'14 vs. '13 Change
	2015	2014	2013	$	$
Cash Flows from:					
Operating activities	$ 264,526	$ 141,619	$ 144,915	$ 122,907	$ (3,296)
Investing activities	(65,485)	(440,308)	(277,680)	374,823	(162,628)
Financing activities	(190,644)	322,049	140,296	(512,693)	181,753

Year Ended December 31, 2015, Compared to the Year Ended December 31, 2014

- Cash provided by operating activities increased $122.9 million in 2015 due to $106.6 million from Big Fish Games cash flows, $15.3 million of dividends from our MVG joint venture and investment in SCH and $1.0 million of other cash flows. We anticipate that cash flows from operations over the next twelve months will be adequate to fund our business operations and capital expenditures.
- Cash used in investing activities decreased $374.8 million in 2015 due to the $366.0 million purchase of Big Fish Games in 2014, $17.4 million in lower funding requirements for our MVG and Capital View joint ventures, $11.0 million in lower capital expenditures and $6.0 million of proceeds from the sale of our remaining investment in HRTV. Partially offsetting these increases were the $24.5 million payment for the 25% equity investment in SCH and $1.1 million of other cash flows.
- Cash used in financing activities increased $512.7 million in 2015 primarily due to $682.8 million in net repayments under our Senior Secured Credit Facility, $71.0 million in stock repurchases, $17.7 million of payments made to Big Fish Games' equity holders for the receipt of income tax refunds related to the acquisition, $28.4 million in deferred payments related to the Big Fish Games acquisition and $12.8 million in other activities. Partially offsetting these amounts were $300.0 million associated with our tack-on unsecured notes offering.

Year Ended December 31, 2014, Compared to the Year Ended December 31, 2013

- Cash provided by operating activities decreased $3.3 million in 2014 due to $4.5 million in HRE Trust Fund proceeds received in 2013 which did not recur in 2014, partially offset by $1.2 million in other cash flows.
- Cash used in investing activities increased $162.6 million in 2014 due to the $366.0 million purchase of Big Fish Games in 2014, $5.7 million in higher property and equipment additions from capital expenditures at Churchill Downs for projects associated with the 2014 Kentucky Oaks and Kentucky Derby and $3.3 million in licensing and development fees for our unsuccessful attempt to secure a New York gaming license. Partially offsetting these increases was the $154.9 million acquisition of Oxford in 2013, $55.9 million in lower capital contributions to our MVG joint venture and $1.6 million in other items.
- Cash provided by financing activities increased $181.8 million in 2014 due to $541.7 million in net borrowings to fund the 2014 Big Fish Games acquisition and capital contributions to MVG and $6.0 million in other items. Partially offsetting these amounts were $300.0 million from the 2013 unsecured notes offering and $65.9 million in higher stock repurchases in 2014.

Free cash flow, which we reconcile to "Net cash provided by operating activities," is cash flows from operations reduced by maintenance-related (replacement) capital expenditures. Maintenance-related capital expenditures are expenditures to replace existing fixed assets with a useful life greater than one year that are obsolete, exhausted, or no longer cost effective to repair. We use free cash flow to evaluate our business because, although it is similar to cash flows from operations, we believe it will typically present a more conservative measure of cash flows, as maintenance-related capital expenditures are a necessary component of our ongoing operations. Free cash flow is a non-GAAP measure and our definition may differ from other companies' definitions of this measure.

Free cash flow does not represent the residual cash flow available for discretionary expenditures and does not incorporate the funding of business acquisitions. This non-GAAP measure should not be considered a substitute for, or superior to, cash flows from operating activities under U.S. GAAP.

The following is a summary of additions to property and equipment and a reconciliation of free cash flow to the most comparable U.S. GAAP measure, "Net cash provided by operating activities":

	Year Ended December 31,			'15 vs. '14 Change	'14 vs. '13 Change
(in thousands)	**2015**	**2014**	**2013**	**$**	**$**
Maintenance-related capital expenditures	$ 31,059	$ 22,733	$ 16,879	$ 8,326	$ 5,854
Capital project expenditures	12,451	31,753	31,892	(19,302)	(139)
Additions to property and equipment	43,510	54,486	48,771	(10,976)	5,715
Net cash provided by operating activities	264,526	141,619	144,915	122,907	(3,296)
Maintenance-related capital expenditures	(31,059)	(22,733)	(16,879)	(8,326)	(5,854)
Free cash flow	$233,467	$118,886	$128,036	$114,581	$ (9,150)

In 2015, maintenance-related capital expenditures increased $8.3 million driven by the replacement of slot machines at several Casino properties, and a full year of Big Fish Games maintenance-related capital expense. In 2015, capital project expenditures decreased $19.3 million driven by expenditures related to the Rooftop Garden, Grandstand Terrace, and the Big Board Project at Churchill Downs which were completed in 2014.

In 2014, maintenance-related capital expenditures increased $5.9 million driven by the replacement of slot machines at several Casino properties. In 2014, capital project expenditures decreased $0.1 million driven by lower I-Gaming capitalized projects, partially offset by higher Churchill Downs Kentucky Oaks and Kentucky Derby 2014 projects.

Credit Facilities and Indebtedness

The following table presents our net debt outstanding:

	Year Ended December 31,		Change
(in thousands)	**2015**	**2014**	**$**
Senior Secured Credit Facility:			
Senior Secured Credit Facility due 2018	$ —	$258,000	$(258,000)
Term Loan A due 2019	188,112	199,213	(11,101)
Swing line of credit	—	12,355	(12,355)
Total Senior Secured Credit Facility	188,112	469,568	(281,456)
5.375% Senior Unsecured Notes due 2021	593,670	294,536	299,134
Total debt	781,782	764,104	17,678
Current maturities of long-term debt	16,250	11,250	5,000
Total debt, net of current maturities	$765,532	$752,854	$ 12,678

Senior Secured Credit Facility

On February 17, 2016, we entered into an amendment to our Fourth Amended and Restated Credit Agreement (the "New Agreement") which amends certain provisions of the credit agreement including extending the maturity of both the Senior Secured Credit Facility and the Term Loan (collectively the "Facilities") through February 2021, coterminous with one another. The maximum aggregate commitment for the Senior Secured Credit Facility remains at $500 million, and the unamortized Term Loan of $188.75 million was refinanced as part of this amendment.

On December 1, 2014, we executed the Fourth Amended and Restated Credit Agreement (the "Senior Secured Credit Facility") whereby it added a $200 million Term Loan Facility ("Term Loan") to the existing Senior

Secured Credit Facility and amended certain definitions and provisions of the credit agreement including Consolidated Funded Indebtedness, EBITDA and calculation of the Total Leverage Ratio. We incurred loan origination fees of $0.9 million in connection with this amendment, which were capitalized and are being amortized as interest expense over the remaining term of the Senior Secured Credit Facility.

At December 31, 2015, the Senior Secured Credit Facility was set to mature on May 17, 2018. The Term Loan was set to mature on December 1, 2019; however, in the event the Senior Secured Credit Facility had not, prior to May 17, 2018, been extended to a maturity date of December 1, 2019, the Term Loan was set to mature on May 17, 2018. Following the execution of the New Agreement, the new maturity date for both the Senior Secured Credit Facility and the Term Loan is February 17, 2021.

Regarding the Term Loan, we were required to make quarterly principal payments that commenced on March 31, 2015, per the amortization schedule laid out in the Fourth Amended and Restated Credit Agreement. Upon the execution of the New Agreement, the amortization schedule was modified based on $188.8 million outstanding Term Loan balance. Payments are set to occur on the last day of each quarter through the new maturity date with annual paydown requirements of 5%, 7.5%, 10%, 12.5%, 15% and a bullet payment due at maturity. The new amortization schedule calls for quarterly principal payments of $2.4 million to commence on March 31, 2016 and increase in increments of $1.2 million on March 31 of each year to reach final year quarterly payment amounts of $7.1 million. If no additional payments are made, the balance due at termination will be $94.4 million.

Generally, borrowings made pursuant to the Senior Secured Credit Facility bear interest at a LIBOR-based rate per annum plus an applicable percentage ranging from 1.125% to 3.0% depending on our total leverage ratio. In addition, under the Senior Secured Credit Facility, we agreed to pay a commitment fee at rates that range from 0.175% to 0.45% of the available aggregate commitment, depending on our leverage ratio. The Term Loan is not subject to, nor included in the calculation of, the commitment fee. The weighted average interest rate on outstanding borrowings was 1.73% at December 31, 2015 and 2.19% at December 31, 2014.

The Senior Secured Credit Facility contains customary affirmative and negative covenants for credit facilities of this type, including limitations on us and our subsidiaries with respect to indebtedness, restricted payments, liens, investments, mergers and acquisitions, disposition of assets, sale-leaseback transactions and transactions with affiliates. The covenants permit us to use proceeds of the credit extended under the agreement for general corporate purposes, restricted payments and acquisition needs. The Senior Secured Credit Facility also contains financial covenants that require us (i) to maintain an interest coverage ratio (i.e., consolidated adjusted EBITDA to consolidated interest expense) that is greater than 3.0 to 1.0; (ii) not to permit the total leverage ratio (i.e., total consolidated funded indebtedness to consolidated adjusted EBITDA) to be greater than 4.5 to 1.0, provided that if a certain minimum consolidated adjusted EBITDA is reached then the total leverage ratio will be increased to 5.0 to 1.0 for such periods that the minimum is maintained; and (iii) not to permit the senior secured leverage ratio (i.e. senior secured consolidated funded indebtedness to consolidated adjusted EBITDA) to be greater than 3.5 to 1.0. As of December 31, 2015, we were in compliance with all covenants under the Senior Secured Credit Facility, and substantially all of our assets continue to be pledged as collateral under the Senior Secured Credit Facility. At December 31, 2015, the financial ratios under our Senior Secured Credit Facility were as follows:

	Actual	Requirement
Interest Coverage Ratio	11.4 to 1	> 3.0 to 1.0
Total Leverage Ratio	2.6 to 1	< 4.5 to 1.0
Senior Secured Leverage Ratio	0.8 to 1	< 3.5 to 1.0

As of December 31, 2015, we had $492.1 million of borrowing capacity under the Senior Secured Credit Facility.

5.375% Senior Unsecured Notes

On December 16, 2013, we completed an offering of $300 million in aggregate principal amount of 5.375% Senior Unsecured Notes that mature on December 15, 2021 (the "Initial Senior Unsecured Notes" or the "Existing Notes"). The Initial Senior Unsecured Notes were issued at par, with interest payable on June 15th and December 15th of each year. We received net proceeds of $295 million, after deducting underwriting fees, and used the net proceeds from the offering to repay a portion of its outstanding borrowings, and accrued and unpaid interest outstanding under its (then) Third Amended and Restated Credit Agreement. In connection with the issuance, we capitalized $6.3 million of debt issuance costs which are being amortized as interest expense over the remaining term of the Initial Senior Unsecured Notes.

On December 16, 2015, we completed an additional offering of $300 million in aggregate principal amount of 5.375% Senior Unsecured Notes that mature on December 15, 2021 (the "Tack-on Notes"). The Tack-on Notes were issued under the December 16, 2013 Indenture governing the $300 million Existing Notes, and form a part of the same series as the Existing Notes for purposes of the Indenture. The Tack-on Notes were issued at 101% with interest payable on June 15th and December 15th of each year. We received net proceeds of $299 million, after deducting underwriting fees, and used the net proceeds from the offering to repay its outstanding revolver borrowings along with accrued and unpaid interest outstanding under its Fourth Amended and Restated Credit Agreement ("Senior Secured Credit Facility). In connection with the issuance, we capitalized $4.7 million of debt issuance costs which are being amortized as interest expense over the remaining term of the Tack-on Notes.

Upon completion of this Tack-on Notes offering, the aggregate principal amount of the outstanding notes under this series is $600 million (collectively the "Senior Unsecured Notes.") The Tack-on Notes were offered with different CUSIP and ISIN numbers from the Existing Notes and as a result thereof, will not trade fungibly until they have been assigned the same CUSIP and ISIN numbers. It is expected that the Tack-on Notes will be exchanged into the unrestricted CUSIP and ISIN numbers currently assigned to the Existing Notes one year from the date of issuance.

Both series of the Senior Unsecured Notes were issued in private offerings that were exempt from registration under the Securities Act of 1933, as amended, and are senior unsecured obligations. The total Senior Unsecured Notes are guaranteed by each of our domestic subsidiaries that guarantee its Senior Secured Credit Facility and will rank equally with our existing and future senior obligations. At any time prior to December 15, 2016, we may redeem all or part of the total Senior Unsecured Notes at a price equal to 100% of the principal amount of the notes redeemed plus a "make-whole" premium, together with accrued and unpaid interest and additional interest, if any, to the redemption date. On or after December 15, 2016, we may redeem all or part of the Senior Unsecured Notes at a redemption price of 104.0% which gradually reduces to par by 2019.

In accordance with ASU 2015-03 *Imputation of Interest—Simplifying the Presentation of Debt Issuance Costs*, as of December 31, 2015 and 2014, we presented the debt issuance costs and loan origination fees on the balance sheet as a direct deduction from the carrying value of the debt liability.

Contractual Obligations

Our commitments to make future payments as of December 31, 2015, are summarized as follows:

(in thousands)	2016	2017-2018	2019-2020	Thereafter	Total
Dividends	$ 19,110	$ —	$ —	$ —	$ 19,110
Tax refund due to Big Fish Games former equity holders	426	—	—	—	426
Big Fish Games earnout	281,600	68,400	—	—	350,000
Big Fish Games deferred payment	28,428	28,428	—	—	56,856
Term Loan A	16,250	47,500	125,000	—	188,750
Interest on Term Loan A	10,198	12,562	5,359	—	28,119
Senior Unsecured Notes	—	—	—	600,000	600,000
Interest on Senior Unsecured Notes	30,500	61,000	61,000	15,453	167,953
Operating leases	13,534	16,417	4,733	2,485	37,169
Total	$ 400,046	$ 234,307	$ 196,092	$ 617,938	$1,448,383

As of December 31, 2015, we had approximately $2.5 million of unrecognized tax benefits. As of December 31, 2015, the fair value of the Big Fish Games earnout liability is $345.2 million. We expect to pay $281.6 million of the earnout in 2016 and $34.2 million of the earnout in 2017.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks arising from adverse changes in:

- general economic trends;
- interest rate and credit risk; and
- foreign currency exchange risk.

General economic trends

Our business is sensitive to consumer confidence and reductions in consumer's discretionary spending, which may result from challenging economic conditions, unemployment levels and other changes in the economy. Demand for entertainment and leisure activities is sensitive to consumers' disposable incomes, which can be adversely affected by economic conditions and unemployment levels. This could result in fewer patrons visiting our racetracks, gaming and wagering facilities, online wagering sites and our casual gaming site, downloading our online games, and/or may impact our customers' ability to wager with the same frequency and to maintain wagering levels.

Interest rate and credit risk

Our primary exposure to market risk relates to changes in interest rates. At December 31, 2015, we had $188.8 million outstanding under our Senior Secured Credit 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 these rates. Assuming the outstanding balance of the debt facility remains constant, a one-percentage point increase in the LIBOR rate would reduce net income and cash flows from operating activities by $1.1 million.

Foreign currency exchange risk

We operate internationally and are exposed to foreign currency exchange risk. While the substantial majority of our revenue has been and is expected to continue to be denominated in U.S. dollars, our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the Euro. Due to the relative size of our international operations to date, our foreign currency exposure is not material and thus we have not instituted a hedging program.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CHURCHILL DOWNS INCORPORATED
CONSOLIDATED BALANCE SHEETS
December 31,

(in thousands)	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 74,528	$ 67,936
Restricted cash	29,686	26,065
Accounts receivable, net of allowance for doubtful accounts of $3,761 in 2015 and $4,246 in 2014	67,715	75,890
Deferred income taxes	—	18,519
Income taxes receivable	1,037	29,455
Game technology and rights, net	10,339	530
Other current assets	39,524	24,135
Total current assets	222,829	242,530
Property and equipment, net	573,172	595,315
Investment in and advances to unconsolidated affiliates	129,746	109,548
Goodwill	841,724	840,947
Other intangible assets, net	496,153	549,972
Other assets	13,820	17,941
Total assets	$ 2,277,444	$ 2,356,253
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 39,120	$ 45,182
Purses payable	12,139	11,169
Account wagering deposit liabilities	20,351	18,137
Accrued expense	97,836	93,286
Tax refund due to Big Fish Games former equity holders	426	18,087
Deferred revenue	46,029	51,833
Deferred revenue—Big Fish Games	81,301	41,747
Big Fish Games deferred payment, current	28,050	28,139
Big Fish Games earnout liability, current	279,490	—
Current maturities of long-term debt	16,250	11,250
Dividends payable	19,110	17,419
Total current liabilities	640,102	336,249
Long-term debt (net of current maturities and loan origination fees of $638 in 2015 and $787 in 2014)	171,862	458,318
Notes payable (including premium of $2,978 in 2015 and net of debt issuance costs of $9,308 in 2015 and $5,464 in 2014)	593,670	294,536
Big Fish Games deferred payment, net of current amount due	26,670	51,620
Big Fish Games earnout liability	65,710	327,800
Deferred revenue	16,068	16,489
Deferred income taxes	127,883	149,522
Other liabilities	18,282	21,718
Total liabilities	1,660,247	1,656,252
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; 16,600 shares issued at December 31, 2015 and 17,472 shares issued at December 31, 2014	134,026	262,280
Retained earnings	483,759	437,846
Accumulated other comprehensive loss	(588)	(125)
Total shareholders' equity	617,197	700,001
Total liabilities and shareholders' equity	$ 2,277,444	$ 2,356,253

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

CHURCHILL DOWNS INCORPORATED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
for the years ended December 31,

(in thousands, except per common share data)	2015	2014	2013
Net revenue:			
Racing	$ 248,603	$ 261,453	$ 274,269
Casinos	332,299	328,294	297,176
TwinSpires	200,168	190,333	184,541
Big Fish Games	413,685	13,855	—
Other Investments	16,636	17,125	21,899
Corporate	910	1,158	1,143
	1,212,301	812,218	779,028
Operating expense:			
Racing	190,225	216,269	233,286
Casinos	240,868	243,335	222,581
TwinSpires	133,302	133,553	123,449
Big Fish Games	340,088	15,971	—
Other Investments	18,418	22,247	25,079
Corporate	—	1,941	1,462
Selling, general and administrative expense	90,787	82,385	83,071
Research and development	39,399	—	—
Calder exit costs	13,854	2,298	—
Acquisition-related charges	21,748	3,826	—
Operating income	123,612	90,393	90,100
Other income (expense):			
Interest income	42	20	112
Interest expense	(28,595)	(20,842)	(6,231)
Equity in income (losses) of unconsolidated investments	11,180	6,328	(4,142)
Miscellaneous, net	5,850	619	5,667
	(11,523)	(13,875)	(4,594)
Income from continuing operations before provision for income taxes	112,089	76,518	85,506
Income tax provision	(46,892)	(30,161)	(30,473)
Income from continuing operations	65,197	46,357	55,033
Discontinued operations, net of income taxes:			
Loss from operations	—	—	(50)
Loss on sale of assets	—	—	(83)
Net income	$ 65,197	$ 46,357	$ 54,900
Net income (loss) per common share data:			
Basic			
Income from continuing operations	$ 3.75	$ 2.67	$ 3.13
Discontinued operations	—	—	(0.01)
Net income	$ 3.75	$ 2.67	$ 3.12
Diluted			
Income from continuing operations	$ 3.71	$ 2.64	$ 3.07
Discontinued operations	—	—	(0.01)
Net income	$ 3.71	$ 2.64	$ 3.06
Weighted average shares outstanding:			
Basic	17,225	17,271	17,294
Diluted	17,576	17,589	17,938
Other comprehensive loss:			
Foreign currency translation, net of tax	(463)	(125)	—
Other comprehensive loss	(463)	(125)	—
Comprehensive income	$ 64,734	$ 46,232	$ 54,900

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

CHURCHILL DOWNS INCORPORATED
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
for the years ended December 31, 2015, 2014 and 2013

(in thousands, except per common share data)	Common Stock Shares	Common Stock Amount	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance, December 31, 2012	17,448	$ 274,709	$ 369,586	$ —	$ 644,295
Net income and comprehensive income			54,900		54,900
Issuance of common stock	198	7,506			7,506
Tax windfall from stock-based compensation		2,981			2,981
Repurchase of common stock	(133)	(10,723)			(10,723)
Grants of restricted stock, net of forfeitures	435				—
Stock-based compensation		21,482			21,482
Cash & restricted stock dividends, $0.87 per share			(15,652)		(15,652)
Balance, December 31, 2013	17,948	295,955	408,834	—	704,789
Net income			46,357		46,357
Issuance of common stock	358	23,268			23,268
Tax windfall from stock-based compensation		7,708			7,708
Repurchase of common stock	(851)	(76,582)			(76,582)
Grants of restricted stock, net of forfeitures	17				—
Stock-based compensation		11,931			11,931
Cash & restricted stock dividends, $1.00 per share			(17,345)		(17,345)
Foreign currency translation adjustment, net of ($70) tax effect				(125)	(125)
Balance, December 31, 2014	17,472	262,280	437,846	(125)	700,001
Net income			65,197		65,197
Issuance of common stock	17	3,484			3,484
Tax windfall from stock-based compensation		5,553			5,553
Repurchase of common stock	(1,049)	(151,140)			(151,140)
Grants of restricted stock, net of forfeitures	160				—
Stock-based compensation		13,849			13,849
Cash & restricted stock dividends, $1.15 per share			(19,284)		(19,284)
Foreign currency translation adjustment, net of ($239) tax effect				(463)	(463)
Balance, December 31, 2015	16,600	$ 134,026	$ 483,759	$ (588)	$ 617,197

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

CHURCHILL DOWNS INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended December 31,

(in thousands)	2015	2014	2013
Cash flows from operating activities:			
Net income	$ 65,197	$ 46,357	$ 54,900
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	109,706	68,257	61,750
Game technology and rights amortization	9,678	—	—
Impairment and acquisition charges	34,696	7,073	—
Gain on sale of equity investments	(5,817)	—	—
Dividend from investment in unconsolidated affiliates	15,250	—	—
Equity in (income) losses of unconsolidated investments	(11,180)	(6,328)	4,142
Stock-based compensation	13,849	11,931	21,482
Deferred tax (benefit) provision	(3,444)	14,839	5,284
Loss (gain) on sale of business and asset dispositions	281	(382)	(366)
Other	4,659	619	689
Increase (decrease) in cash resulting from changes in operating assets and liabilities, net of business acquisitions and dispositions:			
Other current assets	(15,295)	(3,255)	1,372
Game technology and rights	(19,800)	—	—
Income taxes	28,488	206	(11,023)
Deferred revenue	38,333	639	6,029
Other assets and liabilities	(75)	1,663	656
Net cash provided by operating activities	264,526	141,619	144,915
Cash flows from investing activities:			
Additions to property and equipment	(43,510)	(54,486)	(48,771)
Acquisition of businesses, net of cash acquired	(959)	(366,045)	(154,872)
Acquisition of gaming licenses	(2,250)	(2,250)	(2,650)
Investment in joint ventures	(460)	(17,906)	(70,500)
Proceeds from sale of equity investment	6,000	—	—
Purchases of minority investments	(24,519)	(602)	(902)
Proceeds from sale of assets	213	981	15
Net cash used in investing activities	(65,485)	(440,308)	(277,680)
Cash flows from financing activities:			
Borrowings on bank line of credit	704,178	804,986	740,131
Repayments of bank line of credit	(985,783)	(403,822)	(880,667)
Big Fish Games deferred payment	(28,428)	—	—
Tax refund payments to Big Fish Games equity holders	(17,711)	—	—
Proceeds from note issuance	300,000	—	300,000
Payment of dividends	(17,419)	(15,186)	—
Repurchase of common stock	(147,554)	(76,582)	(10,723)
Common stock issued	1,213	7,475	1,135
Windfall tax provision from stock-based compensation	5,553	7,708	2,981
Loan origination fees and debt issuance costs	(4,626)	(2,101)	(7,508)
Other	(67)	(429)	(5,053)
Net cash (used in) provided by financing activities	(190,644)	322,049	140,296
Net increase in cash and cash equivalents	8,397	23,360	7,531
Effect of exchange rate changes on cash	(1,805)	(132)	—
Cash and cash equivalents, beginning of year	67,936	44,708	37,177
Cash and cash equivalents, end of year	$ 74,528	$ 67,936	$ 44,708

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

CHURCHILL DOWNS INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
for the years ended December 31,

(in thousands)	2015	2014	2013
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	$63,864	$ 17,517	$ 4,032
State tax credits	—	—	1,298
Income taxes	41,500	16,982	31,324
Schedule of non-cash investing and financing activities:			
Issuance of common stock for acquisition of Big Fish Games	—	15,793	—
Earnout liability for acquisition of Big Fish Games	—	324,747	—
Deferred payment for acquisition of Big Fish Games	—	97,073	—
Issuance of common stock in connection with the Company LTIP, the New Company LTIP and other restricted stock plans	27,744	2,991	30,678
Dividends payable	19,110	17,419	15,186
Repurchase of common stock in payment of income taxes on stock-based compensation	3,586	—	—
Property and equipment additions included in accounts payable and accrued expense	1,471	1,269	3,769

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

Churchill Downs Incorporated
Notes to Consolidated Financial Statements

NOTE 1—BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Churchill Downs Incorporated (the "Company", "we", "us", "our") is one of the world's largest producers and distributors of online and mobile casual games. We are also a diversified provider of casino gaming, online account wagering on horse racing, and pari-mutuel horse racing.

The accompanying consolidated financial statements include the accounts of our wholly-owned subsidiaries consisting of Churchill Downs Racetrack, LLC ("Churchill Downs"); Arlington International Race Course, LLC ("Arlington"); Churchill Downs Louisiana Horseracing Company, LLC ("Fair Grounds Slots" and "Fair Grounds"); Calder Race Course, Inc. and Tropical Park, Inc. ("Calder"); BB Development, LLC ("Oxford"); Magnolia Hill, LLC ("Riverwalk"); SW Gaming, LLC ("Harlow's"); Video Services, LLC ("VSI"); Churchill Downs Technology Initiatives Company ("CDTIC"), the owner and operator of TwinSpires; Velocity Wagering Limited ("Velocity"); Big Fish Games, Inc. ("Big Fish Games"); Churchill Downs Interactive Gaming ("I-Gaming"); United Tote Company, Inc. ("United Tote") and Bluff Media ("Bluff"). In addition, we include our 50% joint venture in Miami Valley Gaming LLC ("MVG") and our 25% investment in Saratoga Casino Holding, LLC ("SCH"). All intercompany balances and transactions have been eliminated in consolidation.

The Consolidated Statements of Comprehensive Income include net revenue and operating expense associated with our Racing, Casinos, TwinSpires, Big Fish Games, Other Investments and Corporate operating segments which are defined as follows:

Racing: primarily commissions earned on wagering at our racetracks, off-track betting facilities ("OTBs"), simulcast fees earned from other wagering sites, and the operations include ancillary admissions, sponsorships and licensing rights, food and beverage services and alternative uses of our pari-mutuel facilities.

Casinos: slot machines, table games, video poker ancillary food and beverage services and hotel and other miscellaneous operations. In addition, we include our 50% joint venture in MVG and our 25% equity investment in SCH.

TwinSpires: Advance Deposit Wagering ("ADW") business from wagering through the Internet, telephone or other mobile devices on pari-mutuel events; high dollar wagering by international customers; and horseracing statistical data generated by our information business that provides data information and processing services to the equine industry.

Big Fish Games: social casino, casual and mid-core free to play, and premium paid games for PC, Mac, and mobile devices.

Other Investments: pari-mutuel wagering systems for racetracks and an Internet real-money gaming operation.

Corporate: other revenue and general and administrative expense not allocated to our other operating segments.

Reclassifications

We have reclassified certain items in the Consolidated Financial Statements for prior years to be comparable with 2015 classifications. In 2015, prior year amounts for severance and employee benefit costs of $2.3 million related to the cessation of Calder pari-mutuel operations have been reclassified from selling, general and administrative expense to Calder exit costs on our Consolidated Statement of Comprehensive Income.

During the year ended December 31, 2013, we completed the sale of 100% of the assets of Fight! Magazine ("Fight"), a division of Bluff which we acquired in February 2012. Net revenue, operating expense and the loss on the sale of Fight for the year ended December 31, 2013 have been reclassified to discontinued operations on our Consolidated Statements of Comprehensive Income.

There was no impact from these reclassifications on net income or cash flows.

Churchill Downs Incorporated
Notes to Consolidated Financial Statements

<u>**Summary of Significant Accounting Policies**</u>

Basis of presentation and use of estimates

Our financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") and are based upon certain critical accounting policies. These policies may require management to make estimates, judgments and assumptions that we believe are reasonable based on our historical experience, contract terms, observance of known trends in our Company and the industry as a whole and information available from other outside sources. Our estimates affect the reported amounts of assets and liabilities and related disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results may differ from those initial estimates. Our most critical estimates relate to revenue recognition, goodwill and other intangible assets, property and equipment, and income taxes.

<u>Revenue Recognition</u>

Racing and TwinSpires Revenue Recognition

Our Racing and TwinSpires revenue and income are influenced by our racing calendar. Therefore, revenue and operating results for any interim quarter are not generally indicative of the revenue and operating results for the year and may not be comparable with results for the corresponding period of the previous year. We historically have had fewer live racing days during the first quarter of each year, and the majority of our live racing revenue occurs during the second quarter with the running of the Kentucky Oaks and Kentucky Derby.

Pari-mutuel revenue is recognized upon occurrence of the live race that is presented for wagering and after that live race is made official by the respective state's racing regulatory body. Other operating revenue from admissions, programs and concession are recognized once delivery of the product or services has occurred.

Racing and TwinSpires revenue is generated by pari-mutuel wagering on live and simulcast racing content. Live racing handle includes patron wagers made on live races at our racetracks and also wagers made on imported simulcast signals by patrons at our racetracks during live meets. Import simulcasting handle includes wagers on imported signals at our racetracks when the respective tracks are not conducting live racing meets, at our OTBs and through our ADW providers throughout the year. Export handle includes all patron wagers made on live racing signals sent to other tracks, OTBs and ADW providers. Advance deposit wagering consists of patron wagers through an advance deposit account. The gross percentages earned in 2015 approximated 19% of handle for the TwinSpires segment and 11% of handle for the Racing segment.

Deferred revenue includes advance sales related to the Kentucky Oaks and Kentucky Derby races and other advance billings on racing events. Revenue from these advance billings are recognized when the related event occurs. Deferred revenue also includes advance sales of Personal Seat Licenses ("PSLs") and luxury suites. PSLs represent the ownership of a specific seat for the Kentucky Oaks, Kentucky Derby and Breeders' Cup races at Churchill Downs and have a contractual life of either one, two, three, five or thirty years.

Revenue from PSLs is recognized when the Kentucky Oaks, Kentucky Derby and Breeders' Cup races occur on a ratable basis over the term of the contract. Luxury suites are sold for specific racing events as well as for a predetermined contractual term. Revenue related to the sale of luxury suites is recognized as they are utilized when the related event occurs.

Casinos Revenue Recognition

Casino revenue represents net casino wins which is the difference between casino wins and losses. Other operating revenue, such as concession revenue, is recognized once delivery of the product or service has occurred.

Big Fish Games

Big Fish Games revenue is primarily derived from the sale of in-app purchases within our free-to-play games and sales of our premium paid games. We offer social casino and casual and mid-core free-to-play games that customers can play at no cost. Customers can purchase virtual currency that can be used to buy virtual items to enhance the game playing experience. These games are distributed primarily through third party mobile platform providers, including but not limited to, Apple and Google. We receive and utilize reports from these third party mobile platform providers which break down the virtual goods purchased in our casual mid-core and casino free-to-play games for a given time period.

The proceeds from the sale of virtual goods are initially recorded as deferred revenue and recognized as revenue when persuasive evidence of an arrangement exists, the service has been provided to the user, the price paid by the user is fixed or determinable, and collectability is reasonably assured. Determining whether and when some of these criteria have been satisfied requires judgments that may have a significant impact on the timing and amount of revenue we report in each period. For the purpose of determining when the service has been provided to the player, we have determined that an implied obligation exists to the paying user to continue to make available the purchased virtual goods within the game over the estimated life of the virtual goods. For casino games, the life of the virtual goods is estimated to be the time period over which virtual goods are consumed, approximating three days. For all other casual games, the average playing period of paying players of approximately four months represents our best estimate of the average life of virtual goods. The proceeds from the sale of virtual goods are recorded as deferred revenue and recognized as revenue over the estimated life of the virtual goods.

Premium game revenue is derived from our PC subscription business, the Big Fish Game Club, and from the sale of individual games on PC, Mac and mobile devices. Subscribers receive a game credit each month with their subscription. The value of the game credit is recognized when a customer redeems the game credit.

We record breakage revenue related to outstanding premium game credits. For credits that are subject to expiration, breakage revenue is recorded when the credits have legally expired. Breakage revenue is recorded for game credits with no legal expiration when we have determined the likelihood of redemption is remote based on historical game credit redemption patterns.

Other Estimates and Judgments

We estimate revenue from digital storefronts, such as Apple and Google, in the current period when reasonable estimates of these amounts can be made. The digital storefronts provide reliable interim preliminary sales reporting data within a reasonable time frame following the end of each month, which, when validated against our internal data, allows us to make reasonable estimates of revenue and therefore to recognize revenue during the reporting period. Determination of the appropriate amount of revenue recognized involves judgments and estimates that we believe are reasonable, but it is possible that actual results may differ from our estimates. When we receive the final reports, to the extent not received within a reasonable time frame following the end of each month, we record any differences between estimated revenue and actual revenue in the reporting period when we determine the actual amounts. Historically, the revenue on the final revenue report has not differed significantly from the reported revenue for the period.

Principal Agent Considerations

In accordance with Accounting Standards Codification ("ASC"), we evaluate our digital storefront agreements in order to determine whether or not we are acting as the principal or as an agent when selling our games, which we consider in determining if revenue should be reported gross or net. We primarily use digital storefronts for distributing our casino and casual free-to-play games. Key indicators that we evaluate in order to reach this determination include:

- the terms and conditions of our contracts with the digital storefronts;

- the party responsible for billing and collecting fees from the end-users, including the resolution of billing disputes;
- whether we are paid a fixed percentage of the arrangement's consideration or a fixed fee for each game;
- the party which sets the pricing with the end-user, has the credit risk and provides customer support; and
- the party responsible for the fulfillment of the game and that determines the specifications of the game.

Based on the evaluation of the above indicators, we have determined that we are generally acting as a principal and are the primary obligor to end-users for games distributed through digital storefronts; and therefore, we recognize revenue related to these arrangements on a gross basis.

Goodwill and Indefinite Intangible Assets

We perform an annual review for impairment of goodwill and indefinite-lived intangible assets as of March 31 of each fiscal year, or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable. Adverse industry or economic trends, lower projections of profitability, or a sustained decline in our market capitalization, among other items, may be indications of potential impairment issues, which are triggering events requiring the testing of an asset's carrying value for recoverability. Goodwill is allocated and evaluated for impairment at the reporting unit level, which is defined as an operating segment or one level below an operating segment.

Goodwill and intangible assets can or may be required to be tested using a two-step impairment test. We assess qualitative factors to determine whether it is necessary to complete the two-step impairment test using a more likely than not criteria. If an entity believes it is more likely than not that the fair value of a reporting unit is greater than its carrying value, including goodwill, the two-step process can be bypassed. Qualitative factors include macroeconomic conditions, industry and market conditions, cost factors, overall financial performance, among others. These factors require significant judgments and estimates, and application of alternative assumptions could produce significantly different results. Evaluations of possible impairment utilizing the two-step approach require us to estimate, among other factors, forecasts of future operating results, revenue growth, EBITDA margin, tax rates, capital expenditures, depreciation, working capital, weighted average cost of capital, long-term growth rates, risk premiums, terminal values and fair market values of our reporting units and assets. Changes in estimates or the application of alternative assumptions could produce significantly different results. We completed step one of the two-step test during the first quarter of 2015, and there were no impairments to our goodwill in 2015.

Our slots gaming rights and casinos' trade names are considered indefinite-lived intangible assets that do not require amortization based on our future expectations to operate our gaming facilities and use the trade names indefinitely and our historical experience in renewing these intangible assets at minimal cost with various state gaming commissions. Our Big Fish Games trade name is also considered an indefinite-lived intangible asset. These indefinite intangible assets are tested annually, or more frequently, if indicators of impairment exist, by comparing the fair value of the recorded assets to their carrying amount. If the carrying amount of the slots gaming rights and trade name intangible assets exceed fair value, an impairment loss is recognized. There were no impairments to our indefinite-lived intangible assets in 2015.

Property and Equipment

We have a significant investment in long-lived property and equipment. Property and equipment are recorded at cost. Judgments are made in determining the estimated useful lives of assets, the salvage values to be assigned to assets and if or when an asset has been impaired. The accuracy of these estimates affects the amount of depreciation expense recognized in the financial results and whether to record a gain or loss on disposition of an asset.

We review the carrying value of our property and equipment used in our operations whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from estimated future undiscounted cash flows expected to result from its use and eventual disposition. Adverse industry or economic trends, lower projections of profitability, or a significant adverse change in legal factors or in the business climate, among other items, may be indications of potential impairment issues. If the undiscounted cash flows exceed the carrying value, no impairment is indicated. If the undiscounted cash flows do not exceed the carrying value, an impairment is recorded based on the fair value of the asset.

There are three generally accepted approaches available in developing an opinion of value: 1) the cost approach which is the price a prudent investor would pay to produce or construct a similar new item; 2) the market approach which is typically used for land valuations by analyzing recent sales transactions of similar sites; and 3) the income approach which is based on a discounted cash flow model using the estimated future results of the relevant reporting unit discounted using our weighted-average cost of capital and market indicators of terminal year free cash flow multiples. If necessary, we solicit third-party valuation expertise to assist in the valuation of our assets. We apply the most indicative approach to the overall valuation, or in some cases, a weighted analysis of any or all of these methods. The determination of fair value uses accounting judgments and estimates, including market conditions, and the reliability is dependent upon the availability and comparability of the market data uncovered, as well as the decision making criteria used by marketing participants when evaluating a property. Changes in estimates or application of alternative assumptions could produce significantly different results.

In 2015, we recorded a $12.7 million impairment charge related to the Calder grandstand in continuing operations.

Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets as follows: 10 to 40 years for grandstands and buildings, 2 to 10 years for equipment, 2 to 10 years for furniture and fixtures and 10 to 20 years for tracks and other improvements.

Income Taxes

We use estimates and judgments for financial reporting to determine our current tax liability and deferred taxes. In accordance with the liability method of accounting for income taxes, we recognize the amount of taxes payable or refundable for the current year and deferred tax assets and liabilities for the future tax consequences of events that have been recognized in the consolidated financial statements or tax returns.

Adjustments to deferred taxes are determined based upon the changes in differences between the book basis and tax basis of our assets and liabilities and measured by enacted tax rates we estimate will be applicable when these differences are expected to reverse. Changes in current tax laws, enacted tax rates or the estimated level of taxable income or non-deductible expense could change the valuation of deferred tax assets and liabilities and affect the overall effective tax rate and tax provision.

When tax returns are filed, it is highly certain that some positions taken will be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that will be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with the tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheet, along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

Cash and Cash Equivalents

We consider investments with original maturities of three months or less to be cash equivalents. We have, from time to time, cash in the bank in excess of federally insured limits. Checks issued but not presented to banks frequently result in overdraft balances for accounting purposes and are classified as a current liability in the Consolidated Balance Sheets.

Restricted Cash and Account Wagering Deposit Liabilities

Restricted cash represents amounts due to horsemen for purses, stakes and awards as well as customer deposits collected for advance deposit wagering. Account wagering deposit liabilities consist of deposits received from TwinSpires.com and Velocity customers to be used to fund wagering through the TwinSpires players' accounts.

Foreign Currency Transactions

The functional currency of our international subsidiaries is the U.S. dollar, with the exception of the Big Fish Games Luxembourg subsidiary, whose functional currency is the Euro. For subsidiaries with a functional currency of the U.S. dollar, foreign currency denominated monetary assets and liabilities are remeasured into U.S. dollars at current exchange rates and foreign currency denominated nonmonetary assets and liabilities are remeasured into U.S. dollars at historical exchange rates. Foreign currency denominated revenue and expense are remeasured at historical exchange rates. Gains or losses from foreign currency remeasurement are included in other income and expense. For the Luxembourg subsidiary, assets and liabilities are translated into U.S. dollars using exchange rates in effect at the end of a reporting period. Income and expense accounts are translated into U.S. dollars using average rates of exchange. The net gain or loss resulting from translation is recorded as foreign currency translation adjustment and included in accumulated other comprehensive income in shareholders' equity.

Allowance for Doubtful Accounts Receivable

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. The allowance is maintained at a level considered appropriate based on historical and other factors that affect collectability. Uncollectible accounts receivable are written off against the allowance for doubtful accounts receivable when management determines that the probability of payment is remote and collection efforts have ceased.

Game Technology and Rights

Game technology and rights are purchased from third-party developers of casual and mid-core free-to-play and premium paid games. Such rights may be purchased before or after the production or launch of the related games. Where technology and rights are purchased prior to a games' launch, we generally pay amounts to these developers as they reach agreed-upon milestones. Once the game is launched, we amortize our game technology and rights related to premium paid games on an accelerated basis, corresponding to historical sales patterns, over the estimated useful life of the premium paid game, which is generally one year. Game technology and rights related to casual and mid-core free-to-play games are amortized on a straight-line basis over the estimated useful life of eighteen months. The carrying amounts of game technology and rights are assessed for potential impairment at the game-specific level when facts and circumstances indicate that the carrying amount may not be recoverable.

Internal Use Software and Research & Development

We capitalize internal use software in accordance with accounting guidance governing computer software developed or obtained for internal use primarily related to TwinSpires and I-Gaming of approximately $8.9 million in 2015, $7.4 million in 2014 and $7.4 million in 2013. The estimated useful life of capitalized software is generally three years, once a project has commenced. We incurred amortization expense of approximately $7.0 million in 2015, $6.0 million in 2014 and $5.1 million in 2013 for projects which had been placed in service. Capitalized internal use software is included in property and equipment, net.

Research & development expenditures are expensed as incurred. In 2015, $39.4 million was expensed.

Long-lived Assets-Impairments

In the event that facts and circumstances indicate that the carrying amount of tangible assets and other long-lived assets or groups of assets may be impaired, an evaluation of recoverability is performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the assets is compared to the assets' carrying amount to determine if an impairment loss should be recorded. The impairment loss is based on the excess, if any, of the carrying value over the fair value of the assets.

Fair Value of Assets and Liabilities

We adhere to a hierarchy for ranking the quality and reliability of the information used to determine fair values. Assets and liabilities that are carried at fair value are classified and disclosed in one of the following three categories: Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities; Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability; and Level 3: Unobservable inputs for the asset or liability. We endeavor to utilize the best available information in measuring fair value. Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement.

Investments in and Advances to Unconsolidated Affiliates

We have investments in unconsolidated affiliates accounted for under the equity method. Under the equity method, carrying value is adjusted for our share of the investees' income and losses, amortization of certain basis differences as well as capital contributions to and distributions from these companies. Distributions in excess of equity method income are recognized as a return of investment and recorded as investing cash inflows in the consolidated statements of cash flows. We classify income and losses as well as gains and impairments related to our investments in unconsolidated affiliates as a component of other income (expense).

We evaluate our investments in unconsolidated affiliates for impairment whenever events or changes in circumstances indicate that the carrying value of the investment may have experienced an "other-than-temporary" decline in value. If such conditions exist, we compare the estimated fair value of the investment to its carrying value to determine if an impairment is indicated and determine whether the impairment is "other-than-temporary" based on an assessment of all relevant factors, including consideration of our intent and ability to retain our investment until the recovery of the unrealized loss. We estimate fair value using a discounted cash flow analysis based on estimated future results of the investee.

Debt Issuance Costs and Loan Origination Fees

We incurred debt issuance costs and loan origination fees associated with our long-term debt and notes payable, which are being amortized as interest expense over the remaining term of the credit facility. These amounts are presented as a direct deduction from the carrying amount of the associated liability.

Casino and Pari-mutuel Taxes

We recognize casino and pari-mutuel tax expense based on the statutorily required percentage of revenue that is required to be paid to state and local jurisdictions in the states in which wagering occurs. Individual states and local jurisdictions set tax rates which range from 1.5% to 46% of net casino revenue and from 0.5% to 10.0% of the total pari-mutuel handle wagered by patrons.

Purse Expense

We recognize purse expense based on the statutorily determined percentage of revenue that is required to be paid out in the form of purses to the qualifying finishers of horseraces run at our racetracks in the period in which wagering occurs. We incur a liability for all unpaid purses to be paid out. We may pay out purses in excess of statutorily required amounts resulting in purse overpayments, which are expensed as incurred. Recoveries of purse overpayments are recognized in the period they are realized.

Self-insurance Accruals

We are self-insured up to certain limits for costs associated with general liability, workers' compensation and employee health coverage, and we purchase insurance for claims that exceed our self-insurance retention or deductible levels. We record self-insurance reserves that include accruals of estimated settlements for known claims ("Case Reserves"), as well as accruals of third-party actuarial estimates for claims incurred but not yet reported ("IBNR"). Case Reserves represent estimated liabilities for unpaid losses, based on a claims administrator's estimates of future payments on individual reported claims, including allocated loss adjustment expense, which generally include claims settlement costs such as legal fees. IBNR includes the provision for unreported claims, changes in case reserves and future payments on reopened claims.

Key variables and assumptions include, but are not limited to, loss development factors and trend factors such as changes in workers' compensation laws, medical care costs and wages. These loss development factors and trend factors are developed using our actual historical losses. It is possible that reasonable alternative selections would produce materially different reserve estimates. We believe the estimates of future liability are reasonable based upon this methodology; however, changes in key variables and assumptions, or generally in health care costs, accident frequency and severity could materially affect the estimate for these reserves.

Advertising and Marketing

We expense the costs of general advertising, marketing and associated promotional expenditures at the time the costs are incurred. We incurred advertising and marketing expense of approximately $130.7 million in 2015, $28.8 million in 2014 and $23.7 million in 2013.

Stock-Based Compensation

All stock-based payments to employees, including grants of employee stock options and restricted stock, are recognized as compensation expense over the service period based on the fair value on the date of grant.

Computation of Net Income per Common Share

Net income per common share is presented for both basic earnings per common share ("Basic EPS") and diluted earnings per common share ("Diluted EPS"). Earnings attributable to securities that are deemed to be participating securities are excluded from the calculation of Basic EPS using the two-class method. We have determined that employee restricted stock grants, including awards granted under our long-term incentive plans, are participating securities. Basic EPS is based upon the weighted average number of common shares outstanding during the period, excluding unvested restricted stock and stock options held by employees. Diluted EPS is based upon the weighted average number of common and potential common shares outstanding during the period. Potential common shares result from the assumed exercise of outstanding stock options as well as unvested restricted stock, the proceeds of which are then assumed to have been used to repurchase outstanding common stock using the treasury stock method. For periods in which we report a net loss, all potential common shares are considered anti-dilutive and are excluded from calculations of Diluted EPS. For periods in which we report net income, potential common shares with exercise prices in excess of our average common stock fair value for the related period are considered anti-dilutive and are excluded from calculations of Diluted EPS.

Recent Accounting Pronouncements

In November 2015, the FASB issued Accounting Standards Update ("ASU") 2015-17, *Balance Sheet Classification of Deferred Taxes*, which simplifies the presentation of deferred tax assets and liabilities by requiring the deferred tax assets and liabilities be presented as non-current on the balance sheet. We early adopted this guidance, prospectively, as of January 1, 2015.

In September 2015, the FASB issued ASU No. 2015-16, *Simplifying the Accounting for Measurement Period Adjustments*, which requires companies to recognize adjustments to provisional amounts associated with an acquisition that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. Prior to the issuance of the standard, adjustments were required to be retrospectively presented in the balance sheet at the acquisition date. We adopted the new standard as of September 30, 2015, and it did not have a material impact on our business.

In August 2015, the FASB issued ASU No. 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements*, which confirms that an entity should continue to present fees related to line-of-credit arrangements as an asset, and amortized over the term of the line-of-credit arrangement. In April 2015, the FASB issued ASU No. 2015-03, *Imputation of Interest—Simplifying the Presentation of Debt Issuance Costs* which established that debt issuance costs related to term loans and long-term debt issuances should be presented as a direct deduction from the carrying amount of the associated debt liability. We early adopted both of these pronouncements on a retrospective basis as of December 31, 2015 and reclassified $6.3 million of such costs from other non-current assets to long-term debt and notes payable, net, as of December 31, 2014.

In August 2014, the FASB issued ASU No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, which explicitly requires management to assess an entity's ability to continue as a going concern, and to provide related footnote disclosures in certain circumstances. Management will be required to assess, in each interim and annual period, if there is substantial doubt of an entity's ability to continue as a going concern as evidenced by relevant known or knowable conditions including an entity's ability to meet its future obligations. Management will be required to provide disclosures regardless of whether substantial doubt is alleviated by management's plans. The guidance will become effective for annual fiscal periods ending after December 15, 2016.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle is that a company should recognize revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The revised guidance will become effective for annual periods beginning after December 15, 2017 and will be applied retrospectively to each period presented or as a cumulative- effect adjustment as of the date of adoption. We are assessing the impact of the new accounting guidance and currently cannot estimate the financial statement impact of adoption.

NOTE 2—ACQUISITIONS AND NEW VENTURES

California Internet Gaming

During May 2015, our Internet real-money gaming operation, I-Gaming, entered into an agreement with a licensed card room operator to provide Internet-based interactive gaming services within California, should enabling legislation be enacted in California which would permit such activities. The term of the agreement commences after enabling legislation and upon the acceptance of the first customer wager and will then continue for a ten-year period. Under the agreement, I-Gaming and the licensed operator will jointly provide a platform for operations, obtain and maintain required licenses and regulatory approvals, and operate Internet-based interactive gaming services that will be marketed to California residents and may include poker and other real-money gaming activities. At this time, it is difficult to assess whether this legislation will be enacted into law, and the effect it would have on our business.

Big Fish Games

On December 16, 2014, we completed the acquisition of Big Fish Games, a global producer and distributor of social casino, casual and mid-core free-to-play, and premium paid games for PC, Mac and mobile devices. Big Fish Games is headquartered in Seattle, Washington, and has locations in Oakland, California and Luxembourg with approximately 604 employees. We acquired Big Fish Games to leverage its casino and casual game experience, assembled workforce and to position ourselves in the mobile and online game industry. We financed the acquisition with borrowings under our Amended and Restated Credit Agreement (the "Senior Secured Credit Facility") and the addition of a $200 million Term Loan Facility ("Term Loan") to the existing Senior Secured Credit Facility.

The purchase price consideration was $838.3 million, composed of $401.7 million in cash, a deferred payment to the founder of Big Fish Games of $85.3 million, payable over three years and recorded at fair value of $78.0 million as of the acquisition date, an estimated payable to the Big Fish Games equity holders related to an income tax refund of $18.1 million and $15.8 million payable in 157,115 shares of our common stock. In addition, we are required to pay additional variable cash consideration based upon the achievement of certain performance milestones of Big Fish Games through December 31, 2015, limited to a maximum of $350 million based on achievement of certain non-GAAP earnings targets before interest and tax. In 2015, Big Fish Games achieved its earnout milestones, and we are committed to paying $281.6 million in 2016 and $68.4 million in 2017.

The estimated fair value of the earnout liability at the acquisition date was $324.7 million. We estimated the fair value of the deferred payment and the earnout liability using a discounted cash flows analysis over the period in which the obligation is expected to be settled, and applied a discount rate based on our cost of debt. The cost of debt as of the closing date was based on the observed market yields of our Senior Unsecured Notes issued in December of 2013 and was adjusted for the difference in seniority and term of the deferred payment and the earnout liability. Refer to Note 16—Fair Value of Assets and Liabilities for further discussion of the fair value measurement of the deferred payment and the earnout liability.

Goodwill of $540.3 million arising from the acquisition consisted largely of projected future revenue and profit growth, including benefits from Big Fish Games' expertise in the mobile and online games industry, particularly social casinos. All of the goodwill was assigned to Big Fish Games, which remains a stand-alone business for purposes of segment reporting. None of the goodwill recognized will be deducted for tax purposes.

The acquisition of Big Fish Games is included in Acquisition of businesses, net of cash acquired in the investing section of the Consolidated Statements of Cash Flows in the amount of $366.0 million, net of cash acquired of $34.7 million. Included in non-cash investing activities is common stock issued in connection with the acquisition of $15.8 million, earnout liability of $324.7 million, and deferred payments of $97.1 million.

Acquisition-related costs in the amount of $6.4 million were charged directly to operations and were included in selling, general and administrative expense in the Consolidated Statements of Comprehensive Income. Acquisition-related costs included legal, advisory, valuation, accounting and other fees incurred to effect the business combination.

During 2015, we obtained additional information to assist us in determining the values of the liabilities assumed at the acquisition date and changes which occurred during the measurement period. A measurement period adjustment was recorded related to estimated payroll taxes associated with the earnout liability. We retroactively adjusted the December 31, 2014 Condensed Consolidated Balance Sheet and increased deferred tax assets by $0.8 million, increased goodwill by $1.4 million and increased accrued expense by $2.2 million. We completed our valuation during the fourth quarter of 2015. During 2015, we made payments of $18.7 million to Big Fish Games former equity holders for the receipt of federal and state income tax refunds and working capital adjustments related to the acquisition and we made a scheduled deferred founder payment of $28.4 million.

The following table summarizes the final fair value of the assets acquired and liabilities assumed, net of cash acquired of $34.7 million, at the date of acquisition.

(in thousands)	Total
Accounts receivable	$ 19,361
Income taxes receivable	18,107
Prepaid expense	9,727
Deferred income taxes	1,682
Other assets	1,780
Property and equipment	14,632
Goodwill	540,306
Other intangible assets	362,863
Total assets acquired	968,458
Accounts payable	9,064
Accrued expense	19,217
Income taxes payable	210
Deferred revenue	37,250
Deferred income taxes	96,238
Other liabilities	2,821
Total liabilities acquired	164,800
Purchase price, net of cash acquired	$803,658

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

(in thousands)	Fair Value Recognized	Weighted-Average Useful Life
Tradename	$200,000	N/A
Customer relationships	32,663	3.0 years
Developed Technology	87,000	4.0 years
In-Process Research & Development	12,700	5.0 years
Strategic Developer Relationships	30,500	6.0 years
Total intangible assets	$362,863	

We engaged a third-party valuation firm to assist in our analysis of the fair value of tangible and intangible assets acquired. All estimates, key assumptions and forecasts were either provided by or reviewed by us. While we chose to utilize a third-party valuation firm, the fair value analysis and related valuation represents the conclusions of management and not the conclusions of any third party.

Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the related assets as follows: 1 to 5 years for computer hardware and software and 2 to 10 years for office furniture, fixtures and equipment. The estimated useful lives for leasehold improvements is 3 to 10 years based on the shorter of the estimated useful life of the improvement or the lease term.

The tradename was valued using the relief-from-royalty method of the income approach, which estimates the fair value of the intangible asset by discounting the fair value of the hypothetical royalty payments a market participant would be willing to pay to enjoy the benefits of the asset. A royalty rate of 5.0% was used based on a review of third-party licensing agreements given Big Fish Games' brand recognition and competitive position in the market. The tradename was assigned an indefinite life based on our intention to keep the Big Fish Games name for an indefinite period of time.

In valuing the customer relationships, the replacement cost method of the cost approach was used. The value was determined based on the number of paying customers and average cost per customer. Developed technology was valued using the relief-from-royalty method of the income approach based upon revenue derived from games within the premium paid, casino and casual free-to-play categories. Big Fish Games pays royalties of 10.0% and 25.0% to its developers and these rates were used in the valuation.

As of the valuation date, Big Fish Games had a portfolio of free-to-play games expected to launch in 2015 and one game expected to launch in 2016. We estimated that the majority of the revenue associated with games launched in 2015 would be 5 years and the game launched in 2016 would be 6 years. The fair value was calculated using the relief-from-royalty method of the income approach and a royalty rate of 10.0% was used in the valuation.

Strategic developers are third-party alliance partners that develop content exclusively for Big Fish Games. In the valuation of strategic developer relationships, the comparative method of the income approach was used to calculate the fair value. In estimating the fair value, the analysis considered the differences in the present value of the cash flows associated with the strategic developers and without the strategic developers.

As of the valuation date, the fair value of Big Fish Games' deferred revenue was $37.3 million, which reflects the costs including network and delivery, royalties, third party platform fees, game operations and corporate expense, plus a market participant margin.

During the period from December 16, 2014 through December 31, 2014, Big Fish Games contributed revenue of $13.9 million and loss from continuing operations before provision for income taxes of $2.9 million.

Pro Forma Information (unaudited)

The following table illustrates the effect on net revenue and earnings from continuing operations as if we had acquired Big Fish Games as of the beginning of 2013. The pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations that would have occurred had the acquisitions of Big Fish Games been consummated at the beginning of 2014 and 2013. In 2013, earnings from continuing operations included $23.1 million of nonrecurring acquisition costs for us and Big Fish Games.

(in thousands)	Year ended December 31,	
	2014	**2013**
Net revenue	$1,126,592	$1,085,518
Earnings from continuing operations	$ 64,145	$ 11,182

Saratoga Harness Racing Inc. ("SHRI") Joint Venture

In 2014, we entered into a 50% joint venture with SHRI which unsuccessfully bid on the development of a destination casino and resort in the Capital Region of New York. Our remaining investment of $0.8 million, included in other assets on our Consolidated Balance Sheets, reflects our share of land owned by the venture.

In 2014, we incurred $1.0 million in equity losses in our Other Investments segment associated with the license application process and funded $3.3 million to the joint venture. As a result of the bid decision, we recorded an impairment loss of $1.6 million to reduce our investment in the joint venture to its fair value.

NOTE 3—DISCONTINUED OPERATIONS

Sale of Fight! Magazine

On December 16, 2013, we completed the sale of 100% of the assets of Fight! Magazine ("Fight"). Fight is a division of Bluff which was acquired by us in February 2012. Net revenue, operating expense and the loss on sale of Fight for the year ended December 31, 2013, have been reclassified to discontinued operations, net of income taxes, in the Consolidated Statements of Comprehensive Income. Set forth below is a summary of the results of operations of discontinued businesses:

(in thousands)	**2013**
Net revenue	$ 632
Operating expense	857
Selling, general and administrative expense	—
Operating (loss) gain	(225)
Other income (expense)	145
(Loss) earnings from operations before income taxes	(80)
Income tax benefit (provision)	30
(Loss) gain from operations	(50)
Loss on sale of assets, net of income taxes	(83)
Net (loss) gain	$(133)

NOTE 4—ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following:

(in thousands)	**2015**	**2014**
Trade receivables	$33,016	$33,340
Derby-related receivables	17,638	24,522
Simulcast and ADW receivables	14,753	17,282
Other receivables	6,069	4,992
	71,476	80,136
Allowance for doubtful accounts	(3,761)	(4,246)
Total	$67,715	$75,890

Big Fish Games' accounts receivable was $25.7 million in 2015 and $28.9 million in 2014. These amounts were included within trade receivables and primarily represent amounts due from mobile, retail and publishing partners.

We recognized $0.9 million in 2015, $0.7 million in 2014 and $0.5 million in 2013 of bad debt expense in our TwinSpires segment associated with customer wagering on TwinSpires.com; and in 2013, we recognized $2.5 million of bad debt expense associated with the write-off of a receivable related to an Internet gaming license.

NOTE 5—PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following:

(in thousands)	2015	2014
Grandstands and buildings	$ 412,394	$ 439,625
Equipment	252,110	237,867
Tracks and other improvements	142,774	142,975
Land	118,694	118,658
Furniture and fixtures	52,154	49,765
Construction in progress	22,780	15,427
Artwork	2,066	2,050
	1,002,972	1,006,367
Accumulated depreciation	(429,800)	(411,052)
Total	$ 573,172	$ 595,315

Depreciation expense was $53.6 million in 2015, $55.0 million in 2014 and $49.6 million in 2013 and is classified in operating expense in the Consolidated Statements of Comprehensive Income.

In 2014, we recognized accelerated depreciation expense of $2.4 million, primarily related to Calder's barns which are not expected to be utilized subsequent to December 31, 2014.

On November 4, 2014, we ceased operations of Luckity and recorded an impairment charge of $3.2 million in our TwinSpires segment for property and equipment specifically associated with Luckity.

NOTE 6—CALDER EXIT COSTS

On July 1, 2014, we finalized an agreement with The Stronach Group ("TSG") that expires on December 31, 2020 under which we permit TSG to operate and manage Calder's racetrack and certain other racing and training facilities and to provide live horseracing under Calder's racing permits. During the term of the agreement, TSG pays Calder a racing services fee and is responsible for the direct and indirect costs of maintaining the racing premises, including the training facilities and applicable barns, and TSG receives the associated revenue from the operation.

During 2015, we continued our assessment of potential alternative uses of the Calder property that is not associated with the TSG lease agreement. Based on our analysis, we razed the barns that were not associated with the TSG agreement and commenced the demolition of the grandstand and certain ancillary facilities. In 2015, we recognized Calder exit costs of $13.9 million consisting of a non-cash impairment charge of $12.7 million to reduce the net book value of the grandstand assets to zero and $1.2 million for demolition costs related to the removal of the grandstand and the barns and to prepare the stable area for alternate future uses. We expect to obtain operational efficiencies as a result of the demolition including savings in property taxes, repair and maintenance, utilities, permitting and environmental maintenance expenditures. We reclassified $2.3 million of severance and other benefit costs which were previously reported in selling, general and administrative expense in 2014 into Calder exits costs in the Consolidated Statements of Comprehensive Income.

NOTE 7—INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED AFFILIATES

Miami Valley Gaming Joint Venture

During March 2012, we entered into a 50% joint venture with Delaware North Companies Gaming & Entertainment Inc. ("DNC") to develop a new harness racetrack and video lottery terminal ("VLT") gaming facility in Lebanon, Ohio. Through the joint venture agreement, we formed a new company with DNC, MVG, to manage both our and DNC's interests in the development and operation of the racetrack and VLT gaming facility. On December 21, 2012, MVG completed the purchase of the harness racing licenses and certain assets held by Lebanon Trotting Club Inc. and Miami Valley Trotting Inc. (“MVG Sellers”) for total consideration of $60.0 million, of which $10.0 million was funded at closing with the remainder funded through a $50.0 million note payable with a six year term effective upon the commencement of gaming operations. There is a potential contingent consideration payment of $10.0 million based on the financial performance of the facility during the seven-year period after gaming operations commence.

On December 12, 2013, the new facility opened in Lebanon, Ohio on a 120-acre site. The facility includes a 5/8-mile harness racing track and an 186,000-square-foot gaming facility with approximately 1,590 VLTs.

Since both DNC and ourselves have participating rights over MVG, and both must consent to MVG’s operating, investing and financing decisions, we account for MVG using the equity method. Summarized financial information for MVG is comprised of the following:

(in thousands)	December 31, 2015	December 31, 2014
Assets		
Current assets	$ 24,502	$ 24,096
Property and equipment, net	119,675	130,868
Other assets, net	106,660	105,906
Total assets	$250,837	$260,870
Liabilities and Members’ Equity		
Current liabilities	$ 21,620	$ 16,783
Current portion of long-term debt	8,333	8,332
Long-term debt, excluding current portion	20,520	26,584
Other liabilities	75	75
Members’ equity	200,289	209,096
Total liabilities and members’ equity	$250,837	$260,870

(in thousands)	Years Ended December 31, 2015	2014	2013
Casino revenue	$130,327	$126,374	$ 6,144
Non-casino revenue	6,568	6,257	5,479
Net revenue	136,895	132,631	11,623
Operating and SG&A expense	98,688	97,648	10,926
Depreciation & amortization expense	12,816	12,299	935
Pre-opening expense	—	54	7,240
Operating income (loss)	25,391	22,630	(7,478)
Interest and other expense, net	(4,197)	(4,829)	(397)
Net income (loss)	$ 21,194	$ 17,801	$ (7,875)

The joint venture’s long-term debt consists of a $50 million secured note payable from MVG to the MVG Sellers payable quarterly over 6 years through August 2019 at a 5.0% interest rate for which it has funded $16.7 million in principal repayments. In 2015, we received distributions from MVG totaling $15.0 million.

Our 50% share of MVG's results has been included in the Consolidated Statements of Comprehensive Income:

(in thousands)	Years Ended December 31, 2015	2014	2013
Equity in income (losses) of unconsolidated investments	$10,597	$ 8,900	$ (3,718)

SHRI Equity Investment

On October 2, 2015, we completed the acquisition of a 25% equity investment in SCH which owns Saratoga Casino and Raceway ("Saratoga") in Saratoga Springs, New York, for $24.5 million from SHRI. Saratoga has a casino facility with approximately 1,700 VLTs, a 1/2-mile harness racetrack with a racing simulcast center, and three dining facilities. Saratoga has a 50%interest in a joint venture with DNC to manage the Gideon Putnam Hotel and Resort. We signed a five-year management agreement with SCH to manage Saratoga for which we receive management fee revenue. Saratoga expects to complete a $40.0 million expansion including a 117-room hotel, expanding dining facilities and a 3,000 square-foot multi-functional event space in 2016.

In addition, SHRI agreed to transfer its controlling interest in Saratoga Casino Black Hawk in Black Hawk, Colorado to SCH upon approval from the Colorado Division of Gaming. When the approval is received and the transfer is completed, we expect to pay the remainder of the purchase price of approximately $6.4 million to SHRI for our pro-rata ownership of the Colorado operations, and we expect to sign a five-year management agreement with SCH to manage Saratoga Casino Black Hawk for which we expect to receive management fee revenue.

Our investment in SCH recorded under the equity method included our share of the basis difference between the fair value of property and equipment and definite-lived intangible assets of $3.7 million and $2.7 million, respectively. These basis differences will be charged to expense over the remaining estimated useful lives of the property and equipment and intangible assets and are recorded as a component of equity in income (loss) of unconsolidated investments. Basis differences related to non-depreciable assets, such as land and indefinite lived-intangible assets, are not being amortized. In 2015, we received distributions from SCH of $0.3 million.

NOTE 8—GOODWILL

Goodwill is comprised of the following:

(in thousands)	Racing	Casinos	TwinSpires	Big Fish Games	Other Investments	Total
Balance as of December 31, 2013	$ 51,659	$ 117,659	$ 127,364	$ —	$ 3,934	$ 300,616
Additions	—	—	—	540,331	—	540,331
Balance as of December 31, 2014	51,659	117,659	127,364	540,331	3,934	840,947
Adjustments	—	—	802	(25)	—	777
Balance as of December 31, 2015	$ 51,659	$ 117,659	$ 128,166	$ 540,306	$ 3,934	$ 841,724

We performed our annual goodwill impairment analysis for 2015 in accordance with ASU No. 2011-08, *Intangibles-Goodwill and Other: Testing Goodwill for Impairment.* This analysis included an assessment of quantitative factors to determine whether it is more likely than not that the fair values of the reporting units are less than the carrying amounts. We assessed our goodwill by performing step one fair value calculations on a quantitative basis for each of our reporting units. We concluded that the fair values of our reporting units exceeded the carrying values and therefore step two of the assessment was not required. We concluded that goodwill had not been impaired based on the annual goodwill impairment analysis for 2015 and 2014.

NOTE 9—OTHER INTANGIBLE ASSETS

Other intangible assets are comprised of the following:

	December 31, 2015			December 31, 2014		
(in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Definite-lived intangible assets:						
Developed technology	$ 87,000	$ (23,264)	$ 63,736	$ 87,000	$ (931)	$ 86,069
Customer relationships	75,133	(47,149)	27,984	89,203	(39,399)	49,804
Strategic development	30,500	(6,585)	23,915	30,500	(263)	30,237
In-process research & development	12,700	(2,622)	10,078	12,700	(105)	12,595
Favorable contracts	11,000	(5,554)	5,446	11,000	(4,907)	6,093
Other	3,699	(356)	3,343	3,719	(326)	3,393
Slots gaming license	2,250	(1,125)	1,125	2,250	(1,125)	1,125
Table games license	2,493	(310)	2,183	2,493	(180)	2,313
	$ 224,775	$ (86,965)	$ 137,810	$ 238,865	$ (47,236)	$ 191,629
Indefinite-lived intangible assets:						
Trademarks			225,729			225,729
Slots gaming rights			128,890			128,890
Illinois Horseracing Equity Trust			3,307			3,307
Other			417			417
Total			$ 496,153			$ 549,972

Amortization expense for definite-lived intangible assets was approximately $56.1 million in 2015, $13.3 million in 2014 and $12.2 million in 2013 and is classified in operating expense. We submitted payments of $2.3 million for 2015 and 2014 for annual license fees for Calder Casino. Payments are being amortized to expense over the annual license period.

Indefinite-lived intangible assets consist primarily of state gaming licenses in Maine, Mississippi and Florida, rights to participate in the Horse Racing Equity Fund and trademarks.

In 2015, we reduced our customer relationships intangible asset and accumulated amortization for TwinSpires by $14.0 million as this amount was fully amortized.

In 2014, we established definite-lived intangible assets of $162.9 million and indefinite-lived intangible assets of $200.0 million related to the Big Fish Games acquisition.

We performed our annual indefinite-lived intangible asset impairment analysis for 2015 in accordance with ASU No. 2012-02, *Intangibles-Goodwill and Other: Testing Indefinite-Lived Intangible Assets for Impairment.* This analysis included an assessment of quantitative factors to determine whether it is more likely than not that the fair values of the indefinite-lived intangible assets are less than the carrying amounts. We assessed our indefinite-lived intangible assets by performing fair value calculations for each of our indefinite-lived intangible assets. We concluded that the fair values of our indefinite-lived intangible assets exceeded the carrying values. Based on the annual indefinite-lived intangible asset impairment analysis for 2015 and 2014, we concluded that indefinite-lived intangible assets had not been impaired.

Future estimated aggregate amortization expense on existing definite-lived intangible assets for each of the next five fiscal years is as follows (in thousands):

Year Ended December 31,	Estimated Amortization Expense
2016	$50,687
2017	$36,760
2018	$18,716
2019	$16,638
2020	$ 4,586

Future estimated amortization expense does not include additional payments of $2.3 million in 2016 and in each year thereafter for the ongoing amortization of future expected annual Florida slots gaming license fees not yet incurred or paid.

NOTE 10—INCOME TAXES

Components of the provision for income taxes are as follows:

	Years Ended December 31,		
(in thousands)	2015	2014	2013
Current provision:			
Federal	$46,138	$13,236	$22,727
State and local	3,822	2,008	2,462
Foreign	376	78	—
	50,336	15,322	25,189
Deferred:			
Federal	(1,797)	19,672	5,788
State and local	9	81	(504)
Foreign	(1,656)	(4,914)	—
	(3,444)	14,839	5,284
	$46,892	$30,161	$30,473

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

	Years Ended December 31,		
(in thousands)	2015	2014	2013
Domestic	$114,380	$76,023	$84,742
Foreign	(2,291)	495	764
	$112,089	$76,518	$85,506

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

	Years Ended December 31,		
(in thousands)	**2015**	**2014**	**2013**
Federal statutory tax on earnings before income taxes	$39,231	$26,782	$29,928
State income taxes, net of federal income tax benefit	1,772	1,388	1,514
Non-deductible expense	2,629	999	723
Non-deductible acquisition-related charges	6,567	1,339	—
Accruals and settlements related to tax audits	181	529	(395)
Change in effective state tax rates	93	(401)	(383)
Manufacturing deduction	(1,960)	—	—
Tax credits and incentives	(999)	(1,209)	(663)
Other	(622)	734	(251)
	$46,892	$30,161	$30,473

During 2003, we entered into a Tax Increment Financing ("TIF") Agreement with the Commonwealth of Kentucky. Pursuant to this agreement, we are entitled to receive reimbursement for 80% of the increase in Kentucky income and sales tax resulting from our 2005 renovation of the Churchill Downs facility. We recognized reductions in operating expense of $0.6 million in 2015, $0.6 million in 2014 and $0.8 million in 2013. We recognized reductions to our income tax expense, net of federal taxes, of $0.6 million in 2015, less than $0.1 million in 2014 and $0.3 million in 2013. As of December 31, 2015, we have received $6.4 million of combined benefits and established a sales tax receivable of $1.2 million and an income tax receivable of $0.7 million related to the reimbursement.

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

(in thousands)	**2015**	**2014**
Deferred tax assets:		
Deferred compensation plans	$ 34,080	$ 31,520
Deferred income	14,336	752
Allowance for uncollectible receivables	1,251	1,323
Deferred liabilities	1,869	4,625
Net operating losses and credit carryforward	11,680	32,573
Deferred tax assets	63,216	70,793
Valuation allowance	(1,052)	(1,274)
Net deferred tax asset	62,164	69,519
Deferred tax liabilities:		
Intangible assets in excess of tax basis	142,970	151,210
Property and equipment in excess of tax basis	31,216	37,827
Other	15,861	11,485
Deferred tax liabilities	190,047	200,522
Net deferred tax liability	$(127,883)	$(131,003)
Income taxes are classified in the balance sheet as follows:		
Net current deferred tax asset	$ —	$ 18,519
Net non-current deferred tax liability	(127,883)	(149,522)
	$(127,883)	$(131,003)

On December 31, 2015, we adopted ASU 2015-17, *Balance Sheet Classification of Deferred Taxes* and all deferred taxes were prospectively recorded as non-current liabilities.

As of December 31, 2015, we have federal net operating losses of $7.0 million which were acquired in conjunction with the acquisitions of Youbet.com. The utilization of these losses, which expire between 2019 and 2030, is limited on an annual basis pursuant to IRC § 382. We believe that we will be able to fully utilize all of these losses. In addition, we have $2.4 million of state net operating losses, $1.3 million of which was acquired in conjunction with the acquisitions of Youbet.com and Big Fish Games. These losses, which expire between 2016 and 2034, may be subject to annual limitations similar to IRC § 382. We have recorded a valuation allowance of $0.6 million against the state net operating losses due to the fact that it is unlikely that we will generate income in certain states which is necessary to utilize the assets.

The changes in the valuation allowance for deferred tax assets are as follows:

(in thousands)	2015	2014
Balance at beginning of the year	$1,274	$1,213
Charged to costs and expense	(313)	158
Charged to other accounts	91	(83)
Deductions	—	(14)
Balance at end of the year	$1,052	$1,274

The IRS has audited us through 2012. Subsequent years are open to examination. Big Fish Games was recently notified of an IRS audit for the tax year ended December 16, 2014 which is the last tax year prior to our acquisition of Big Fish Games. As a result of the indemnity provided by the acquisition agreement, any cash liability arising from this audit will be the liability of the prior shareholders of Big Fish Games at the time of the acquisition. However, any audit adjustment impacting post-acquisition tax attributes, such as net operating losses or credits would be our liability. We do not expect this issue to have a material adverse impact on our business. State and local tax years open for examination vary by jurisdiction.

As of December 31, 2015, we have approximately $2.5 million of total gross unrecognized tax benefits, excluding interest of less than $0.1 million. Of this amount, $0.9 million was related to tax positions acquired in the Big Fish Games acquisition. If the total gross unrecognized tax benefits were recognized, there would be a $1.9 million effect to the annual effective tax rate and an additional $0.2 million would be reimbursed by the pre-acquisition shareholders of Big Fish Games, in conjunction with a tax indemnity agreement. We anticipate a decrease in our unrecognized tax positions of approximately $0.2 million during the next twelve months primarily due to the expiration of statutes of limitation.

During October 2012, we funded a $2.9 million income tax payment to the State of Illinois related to a dispute over state income tax apportionment methodology which was recorded in other assets as a receivable at December 31, 2014. We filed our state income tax returns related to the years 2002 through 2005 following the methodology prescribed by Illinois statute; however the State of Illinois has taken a contrary tax position. We filed a formal protest with the State of Illinois during the fourth quarter of 2012. We won our protest and the state has elected not to appeal the court decision. We received the $2.9 million refund during the third quarter of 2015. The refund did not have an impact on our tax rate.

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

(in thousands)	2015	2014	2013
Balance as of January 1	$ 2,926	$ 582	$ 8,565
Additions for tax positions related to the current year	310	573	190
Additions for tax positions of prior years	302	2,097	207
Reductions for tax positions of prior years	(1,018)	(326)	(8,380)
Balance as of December 31	$ 2,520	$2,926	$ 582

The decrease in the uncertain tax position during 2015 resulted from the expiration of the statute of limitations on a position that was taken by Big Fish Games prior to our acquisition. The increase in the uncertain tax position during 2014 was primarily related to the acquisition of Big Fish Games. We recognize interest accrued related to unrecognized tax benefits in income tax expense and penalties in selling, general and administrative expense in the Consolidated Statements of Comprehensive Income.

NOTE 11—SHAREHOLDERS' EQUITY

Stock Repurchase Program

On April 23, 2013, our Board of Directors authorized the repurchase of up to $100 million of our stock in a stock repurchase program. In 2014, we repurchased 691,000 shares for $61.6 million in a privately negotiated transaction. The shares were retired, and the cost of the shares acquired was treated as a deduction from shareholders' equity. We funded this repurchase using available cash and borrowings under our Senior Secured Credit Facility.

On October 28, 2015, our Board of Directors authorized the repurchase of up to $150.0 million of our stock in a stock repurchase program. This amount included and was not in addition to any unspent amounts remaining under the prior authorization which would have expired at the end of 2015. Repurchases may be made at management's discretion from time to time on the open market (either with or without a 10b5-1 plan) or through privately negotiated transactions. The repurchase program has no time limit and may be suspended for periods or discontinued at any time.

On November 19, 2015, we repurchased approximately 945,000 common shares for $138.1 million in a privately negotiated transaction with a related party, The Duchossois Group, our largest shareholder. The aggregate purchase price for the transaction was based on a share price of $146.13 which was the average of the twenty-day trailing closing price for our common stock through November 18, 2015. The shares were retired, and the cost of the shares acquired was treated as a deduction from shareholders' equity. We funded this repurchase using available cash and borrowings under our Senior Secured Credit Facility.

On February 24, 2016, our Board of Directors authorized the repurchase of up to $150.0 million of our common stock in a stock repurchase program. The new program replaced the prior $150.0 million plan which was in effect at December 31, 2015 and had unused authorization of $11.9 million. Repurchases may be made at management's discretion from time to time on the open market (either with or without a 10b5-1 plan) or through privately negotiated transactions. The repurchase program has no time limit and may be suspended for periods or discontinued at any time.

Shareholder Rights Plan

On March 13, 2008, our Board of Directors approved a shareholder rights plan which granted each shareholder the right, in certain circumstances, to purchase a fraction of a share of Series A Junior Participating Preferred Stock at the rate of one right for each share of our common stock. If a person or group, together with its affiliates and associates, become an acquiring person, defined as the beneficial owner of 15% or more of our common stock, each holder of a right (other than the person or group who has become an acquiring person) will have the right to receive, upon exercise, shares of our common stock having a value equal to two times the exercise price of the right. Certain persons and transactions are exempted from the definition of acquiring person. In the event that, at any time following the date such person or group becomes an acquiring person, (i) we engage in a merger or other business combination transaction in which we are not the surviving corporation (other than with an entity that acquired the shares pursuant to an offer for all outstanding shares of common stock that a majority of the independent directors determines to be fair and not inadequate and to otherwise be in the best interests of us and our shareholders, after receiving advice from one or more investment banking firms (a "Qualifying Offer")), (ii) we engage in a merger or other business combination transaction (other than with an entity that acquired the shares pursuant to a Qualifying Offer) in which we are the surviving corporation and our common stock is changed or exchanged, or (iii) 50% or more of our assets, cash flow or earnings power is sold or transferred, each holder of a right (other than the person or group who has become an acquiring person) shall thereafter have the right to receive, upon exercise, common stock of the surviving entity having a value equal to two times the exercise price of the right. At any time after a person or group becomes an acquiring person, and prior to the acquisition by such person or group of fifty percent (50)% or more of the outstanding common stock, the Board of Directors may exchange the rights (other than rights owned by such acquiring person), in whole or in part, for common stock at an exchange ratio of one share of common stock, or one one-thousandth of a share of preferred stock (or of a share of a class or series of our preferred stock having equivalent rights, preferences and privileges), per right (subject to adjustment).

NOTE 12—DIRECTOR AND EMPLOYEE BENEFIT PLANS

Directors and Officers Retirement Plan

We provide eligible executives and directors an opportunity to defer to a future date the receipt of base and bonus compensation for services as well as director's fees through the 2005 Deferred Compensation Plan (the "Deferred Plan"). Our matching contribution on base compensation deferral of executives equals the matching contribution of our profit-sharing plan with certain limits.

Our directors may elect to invest the deferred director fee compensation into our common stock within the Deferred Plan. Investments in our common stock are credited as hypothetical shares of common stock based on the market price of the stock at the time the compensation was earned. Upon the end of the director's service, common stock shares are issued to the director.

Historically, we recognized a liability for the deferred director fee compensation which was invested in hypothetical shares of common stock. In addition, we recognized income or expense within our Corporate operating expense for changes in the fair value of the common stock during each reporting period.

During the fourth quarter of 2015, we determined that changes in the fair value of the hypothetical shares should not have been marked-to-market each reporting period, with a corresponding adjustment to operating expense. As such, we recognized a correcting benefit in operating expense of $2.8 million during the three months ended December 31, 2015, which represented the life-to-date appreciation of hypothetical shares from the inception of the Deferred Plan to September 30, 2015. Of that amount, $1.5 million was appreciation which had been previously recognized as expense during 2015. The remaining $1.3 million was previously recognized as an operating expense during the years from 2006 to 2014. We determined that the error was not material to any of our current or prior annual and/or interim period financial statements.

Other Retirement Plans

We have a profit-sharing plan that covers all employees, other than Big Fish Games employees and others not participating in an associated profit-sharing plan, with three months or more of service. We will match contributions made by employees up to 3% of the employee's annual compensation and match at 50% contributions made by the employee up to an additional 2% of compensation with certain limits. We may also contribute a discretionary amount determined annually by the Board of Directors as well as a year-end discretionary match not to exceed 4% of compensation. Our cash contribution to the plan was approximately $3.4 million in 2015, $2.5 million in 2014 and $2.3 million in 2013.

Big Fish Games has a defined contribution plan that covers all employees and matches employee contributions to the plan at 3% of the employee's annual compensation.

We are 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. Cash contributions are made in accordance with negotiated labor contracts. Retirement plan expense was $0.6 million in 2015, $0.7 million in 2014 and $0.6 million in 2013. Our policy is to fund this expense as accrued, and we currently estimate that future contributions to these plans will not increase significantly from prior years.

NOTE 13—TOTAL DEBT

The following table presents our total debt outstanding:

	December 31, 2015			
		Unamortized Premium, Debt Issuance Costs and Loan Origination Fees		
(in thousands)	Outstanding Principal	Premium	Issuance Costs and Fees	Long-Term Debt, Net
Senior Secured Credit Facility:				
Senior Secured Credit Facility due 2018	$ —	$ —	$ —	$ —
Term Loan A due 2019	188,750	—	638	188,112
Swing line of credit	—	—	—	—
Total Senior Secured Credit Facility	188,750	—	638	188,112
5.375% Senior Unsecured Notes due 2021	600,000	2,978	9,308	593,670
Total debt	788,750	2,978	9,946	781,782
Current maturities of long-term debt	16,250	—	—	16,250
Total debt, net of current maturities	$ 772,500	$ 2,978	$ 9,946	$ 765,532

	December 31, 2014			
		Unamortized Premium, Debt Issuance Costs and Loan Origination Fees		
	Outstanding Principal	Premium	Issuance Costs and Fees	Long-Term Debt, Net
Senior Secured Credit Facility:				
Senior Secured Credit Facility due 2018	$ 258,000	$ —	$ —	$ 258,000
Term Loan A due 2019	200,000	—	787	199,213
Swing line of credit	12,355	—	—	12,355
Total Senior Secured Credit Facility	470,355	—	787	469,568
5.375% Senior Unsecured Notes due 2021	300,000	—	5,464	294,536
Total debt	770,355	—	6,251	764,104
Current maturities of long-term debt	11,250	—	—	11,250
Total debt, net of current maturities	$ 759,105	$ —	$ 6,251	$ 752,854

Senior Secured Credit Facility

On February 17, 2016, we entered into an amendment to our Fourth Amended and Restated Credit Agreement (the "New Agreement") which amends certain provisions of the credit agreement including extending the maturity of both the Senior Secured Credit Facility and the Term Loan (collectively the "Facilities") through February 2021, coterminous with one another. Refer to Note 23 Subsequent Event of the Notes to Consolidated Financial Statements for information regarding the execution of the New Agreement.

On December 1, 2014, we executed the Fourth Amended and Restated Credit Agreement (the "Senior Secured Credit Facility") whereby we added a $200 million Term Loan Facility ("Term Loan") to the existing Senior Secured Credit Facility and amended certain definitions and provisions of the credit agreement including Consolidated Funded Indebtedness, EBITDA and calculation of the Total Leverage Ratio. We incurred loan origination fees of $0.9 million in connection with this amendment, which were incurred and are being amortized as interest expense over the remaining term of the Senior Secured Credit Facility.

At December 31, 2015, the Senior Secured Credit Facility was set to mature on May 17, 2018. The Term Loan was set to mature on December 1, 2019; however, in the event the Senior Secured Credit Facility had not, prior to May 17, 2018, been extended to a maturity date of December 1, 2019, the Term Loan was set to mature on May 17, 2018. Following the execution of the New Agreement, the new maturity date for both Facilities is February 17, 2021.

Regarding the Term Loan, we were required to make quarterly principal payments that commenced on March 31, 2015, per the amortization schedule laid out in the Fourth Amended and Restated Credit Agreement. Upon the execution of the New Agreement, the amortization schedule was modified based on $188.8 million outstanding Term Loan balance. Payments are set to occur on the last day of each quarter through the new maturity date with annual paydown requirements of 5%, 7.5%, 10%, 12.5%, 15% and a bullet payment due at maturity. The new amortization schedule calls for quarterly principal payments of $2.4 million to commence on March 31, 2016 and increase in increments of $1.2 million on March 31 of each year to reach final year quarterly payment amounts of $7.1 million. If no additional payments are made, the balance due at termination will be $94.4 million.

Generally, borrowings made pursuant to the Senior Secured Credit Facility bear interest at a LIBOR-based rate per annum plus an applicable percentage ranging from 1.125% to 3.0% depending on our total leverage ratio. In addition, under the Senior Secured Credit Facility, we agreed to pay a commitment fee at rates that range from 0.175% to 0.45% of the available aggregate commitment, depending on our leverage ratio. The Term Loan is not subject to, nor included in the calculation of, the commitment fee. The weighted average interest rate on outstanding borrowings was 1.73% at December 31, 2015 and 2.19% at December 31, 2014.

The Senior Secured Credit Facility contains customary affirmative and negative covenants for credit facilities of this type, including limitations on us and our subsidiaries with respect to indebtedness, restricted payments, liens, investments, mergers and acquisitions, disposition of assets, sale-leaseback transactions and transactions with affiliates. The covenants permit us to use proceeds of the credit extended under the agreement for general corporate purposes, restricted payments and acquisition needs. The Senior Secured Credit Facility also contains financial covenants that require us (i) to maintain an interest coverage ratio (i.e., consolidated adjusted EBITDA to consolidated interest expense) that is greater than 3.0 to 1.0; (ii) not to permit the total leverage ratio (i.e., total consolidated funded indebtedness to consolidated adjusted EBITDA) to be greater than 4.5 to 1.0, provided that if a certain minimum consolidated adjusted EBITDA is reached then the total leverage ratio will be increased to 5.0 to 1.0 for such periods that the minimum is maintained; and (iii) not to permit the senior secured leverage ratio (i.e. senior secured consolidated funded indebtedness to consolidated adjusted EBITDA) to be greater than 3.5 to 1.0. As of December 31, 2015, we were in compliance with all covenants under the Senior Secured Credit Facility, and substantially all of our assets continue to be pledged as collateral under the Senior Secured Credit Facility.

On December 31, 2015, we had $492.1 million of borrowing capacity under the Senior Secured Credit Facility.

5.375% Senior Unsecured Notes

On December 16, 2013, we completed an offering of $300 million in aggregate principal amount of 5.375% Senior Unsecured Notes that mature on December 15, 2021 (the "Initial Senior Unsecured Notes" or the "Existing Notes"). The Initial Senior Unsecured Notes were issued at par, with interest payable on June 15th and December 15th of each year. We received net proceeds of $295 million, after deducting underwriting fees, and used the net proceeds from the offering to repay a portion of our outstanding borrowings, and accrued and unpaid interest outstanding under our (then) Third Amended and Restated Credit Agreement ("Senior Secured Credit Facility"). In connection with the issuance, we capitalized $6.3 million of debt issuance costs which are being amortized as interest expense over the remaining term of the Initial Senior Unsecured Notes.

On December 16, 2015, we completed an additional offering of $300 million in aggregate principal amount of 5.375% Senior Unsecured Notes that mature on December 15, 2021 (the "Tack-on Notes"). The Tack-on Notes were issued under the December 16, 2013 indenture governing the $300 million Existing Notes, and form a part of the same series as the Existing Notes for purposes of the indenture. The Tack-on Notes were issued at 101% with interest payable on June 15th and December 15th of each year. We received net proceeds of $299 million, after deducting underwriting fees, and used the net proceeds from the offering to repay its outstanding revolver borrowings along with accrued and unpaid interest outstanding under its Fourth Amended and Restated Credit Agreement ("Senior Secured Credit Facility). In connection with the issuance, we capitalized $4.7 million of debt issuance costs which are being amortized as interest expense over the remaining term of the Tack-on Notes.

Upon completion of this Tack-on Notes offering, the aggregate principal amount of the outstanding notes under this series is $600 million (collectively the "Senior Unsecured Notes.") The Tack-on Notes were offered with different CUSIP and ISIN numbers from the Existing Notes and as a result thereof, will not trade fungibly until they have been assigned the same CUSIP and ISIN numbers. It is expected that the Tack-on Notes will be exchanged into the unrestricted CUSIP and ISIN numbers currently assigned to the Existing Notes one year from the date of issuance.

Both series of the Senior Unsecured Notes were issued in private offerings that were exempt from registration under the Securities Act of 1933, as amended, and are senior unsecured obligations. The total Senior Unsecured Notes are guaranteed by each of our domestic subsidiaries that guarantee our Senior Secured Credit Facility and will rank equally with our existing and future senior obligations. At any time prior to December 15, 2016, we may redeem all or part of the total Senior Unsecured Notes at a price equal to 100% of the principal amount of the notes redeemed plus a "make-whole" premium, together with accrued and unpaid interest and additional interest, if any, to the redemption date. On or after December 15, 2016, we may redeem all or part of the Senior Unsecured Notes at a redemption price of 104.0% which gradually reduces to par by 2019.

In accordance with ASU 2015-03, *Imputation of Interest—Simplifying the Presentation of Debt Issuance Costs,* as of December 31, 2015 and 2014, we presented the debt issuance costs and loan origination costs on the balance sheet as a direct deduction from the carrying value of the debt liability.

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

Year Ended December 31,	
2016	$ 9,437
2017	14,156
2018	18,876
2019	23,594
2020	28,312
Thereafter	694,375
Total	$788,750

NOTE 14—OPERATING LEASES

Future minimum operating lease payments, in non-cancelable leases, are as follows, not including the variable portion of contingent leases:

Year Ended December 31,	
(in thousands)	
2016	$13,534
2017	11,005
2018	5,412
2019	2,758
2020	1,975
Thereafter	2,485
Total	$37,169

We also lease totalisator equipment, audio/visual equipment and operate certain facilities that are partially contingent on handle revenue, bandwidth usage or race days. Total annual rent expense for contingent lease payments, including totalisator equipment, audio/visual equipment, land and facilities, was approximately $3.5 million in 2015, $3.6 million in 2014 and $3.7 million in 2013. Our total rent expense for all operating leases, including the contingent lease payments, was $25.4 million in 2015, $20.2 million in 2014 and $20.2 million in 2013. During 2015, the increase in total rent expense primarily reflects a full year of Big Fish Games lease expense.

In 2002, as part of financing improvements to the Churchill Downs facility, we transferred title of the Churchill Downs facility to the City of Louisville, Kentucky and leased back the facility. Subject to the terms of the lease, we can re-acquire the facility at any time for $1.00.

NOTE 15—STOCK-BASED COMPENSATION PLANS

On December 31, 2015, we have stock-based employee compensation plans as described below. Our total compensation expense, which includes expense related to restricted stock awards, restricted stock unit awards, restricted performance units awards, stock option awards, and stock options associated with our employee stock purchase plan was $13.8 million in 2015, $11.9 million in 2014 and $21.5 million in 2013.

Retirement of Executive Chairman of the Board of Directors

Our former Executive Chairman of the Board of Directors and Chief Executive Officer, Robert L. Evans, retired effective September 30, 2015. Mr. Evans continues as our non-executive Chairman of the Board. In conjunction with Mr. Evans' retirement, we amended his previous Change in Control, Severance, and Indemnity Agreement and upon his retirement, we accelerated vesting on 29,218 shares of restricted stock which were previously awarded and recognized compensation expense of $1.3 million in 2015 for the acceleration of the restricted stock awards.

Employee Stock Options

We award stock compensation under the Churchill Downs Incorporated 2007 Omnibus Stock Incentive Plan (the "2007 Incentive Plan"). The 2007 Incentive Plan provides 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. Outstanding stock options under the 2007 Incentive Plan have contractual terms of ten years and generally vest ratably on each anniversary of the grant date over a three year period.

Activity for our stock options outstanding is presented below:

(in thousands, except per average exercise price)	Number of Shares Under Option	Weighted Average Exercise Price
Balance as of December 31, 2012	201	$ 36.30
Granted	—	$ —
Exercises	(7)	$ 42.94
Canceled/forfeited	(1)	$ 36.12
Balance as of December 31, 2013	193	$ 36.04
Granted	—	$ —
Exercises	(182)	$ 35.26
Canceled/forfeited	(1)	$ 49.95
Balance as of December 31, 2014	10	$ 48.63
Granted	—	$ —
Exercises	(1)	$ 49.95
Canceled/forfeited	—	$ —
Balance as of December 31, 2015	9	$ 48.37

During 2014, Mr. Evans, our non-executive Chairman of the Board of Directors, exercised options for 180,000 shares of our common stock which were granted at $35.19 per share, for common stock prices ranging from $85.00 to $91.33 per share.

On December 31, 2015, all outstanding options were vested and exercisable. The following table summarizes information about stock options outstanding on December 31, 2015:

(in thousands, except contractual life and per share data)	Shares Under Option	Remaining Contractual Life	Average Exercise Price Per Share	Intrinsic Value per Share(1)	Aggregate Intrinsic Value
Options exercisable and vested at December 31, 2015	9	2.3	$48.37	$93.12	$800

(1) Computed based upon the amount by which the fair market value of our common stock on December 31, 2015 of $141.49 per share exceeded the weighted average exercise price.

The total intrinsic value of stock options exercised was $0.1 million in 2015, $9.6 million in 2014 and $0.3 million in 2013. Cash received from stock option exercises totaled $0.1 million in 2015, $6.4 million in 2014 and $0.3 million in 2013.

On December 31, 2014, there were 10 thousand options exercisable with a weighted average exercise price of $48.63.

Restricted Shares and Restricted Stock Units

The 2007 Incentive Plan permits the award of restricted shares or restricted stock units to directors and key employees, including our officers who are from time to time responsible for the management, growth and protection of our business. Restricted shares granted under the 2007 Incentive Plan generally vest in full three years from the date of grant or upon retirement at or after age 60. The fair value of restricted shares under 2007 Incentive Plan is determined by the product of the number of shares granted and the grant date market price of our common stock, discounted to consider the fact that dividends are not paid on these shares.

2015 Awards

On September 22, 2015, the Board of Directors approved the adoption of the Executive Long-Term Incentive Compensation Plan (the "ELTI Plan"), pursuant to which certain named executive officers ("NEOs") and other key executives ("Grantees") may earn variable equity payouts based upon us achieving certain key performance metrics over a 30-month period ending December 31, 2017, and fixed equity payouts over service periods ending December 31, 2016 and December 31, 2017. The ELTI Plan was adopted pursuant to the Churchill Downs Incorporated 2007 Omnibus Stock Incentive Plan (the "New Company LTIP"), which was previously approved by our shareholders. As a way to continue to encourage innovation, an entrepreneurial approach, and careful risk assessment, and in order to retain key executives, the ELTI Plan and New Company LTIP offer long-term incentive compensation to our NEOs and Grantees as further described in our Schedule14A Proxy Statement filed on March 23, 2015.

During 2015, NEOs and Grantees received 22,142 restricted stock units ("RSU") vesting equally over two service periods ending December 31, 2016 and December 31, 2017, and 27,282 performance share units ("PSU") with vesting contingent on financial performance measures at the end of a 30-month performance period ending December 31, 2017. The performance criteria for the PSUs consists of the following financial measures during the performance period: (i) cumulative Adjusted EBITDA; (ii) cumulative free cash flow; and (iii) our relative total shareholder return ("TSR"). Our TSR will be ranked versus the companies in the Russell 2000 index and will be calculated based on our relative placement against the Russell 2000 index. Measurement against these criteria will be determined against a payout curve which provides a maximum number of performance share units of 250% of the original award. The total compensation cost we will recognize under the PSUs will be based upon the results of the two financial measures.

In 2015, we recognized compensation expense of $0.9 million related to the RSU and PSU awards. On December 31, 2015, unrecognized compensation expense attributable to unvested RSU and PSU awards was $2.5 million and $3.8 million, respectively, and the weighted average period over which we expect to recognize the compensation expense approximates 18 months and 24 months, respectively.

Other Awards

In 2015, NEOs, Grantees and certain other employees received approximately 167,800 restricted shares of our common stock vesting over service periods ranging from seven months to three years. In 2015, we recognized $6.2 million of compensation expense related to these awards. On December 31, 2015, unrecognized compensation expense attributable to unvested service period awards was $9.7 million. The weighted average period over which we expect to recognize the remaining compensation expense under the service period awards approximates 23 months.

In 2013, NEOs and the Grantees received 92,000 restricted shares of our common stock vesting over approximately four years and 324,000 restricted shares of common stock with vesting contingent upon the common stock reaching certain closing prices on NASDAQ for twenty consecutive trading days. In 2013, 2014 and 2015, we achieved the twenty consecutive trading days closing price stock requirement for the entire 324,000 contingently vesting restricted shares.

In 2015, we recognized compensation expense of $1.9 million related to the 2013 New Company LTIP, $1.3 million for the accelerated vesting of restricted stock upon the retirement of our prior chief executive officer and $2.9 million for all other stock-based compensation. There is $0.8 million of unrecognized expense under the service period vesting awards and no remaining unrecognized expense under the market condition awards.

Activity for the ELTI Plan, the 2013 New Company LTIP, the 2007 Incentive Plan and awards made outside of stock-based compensation plans is presented below:

(in thousands, except grant date values)	Market Condition & Performance-Based Awards		Service Period Awards		Total	
	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Balance as of December 31, 2012	60	$ 45.90	319	$ 42.42	379	$ 42.97
Granted	324	$ 53.71	287	$ 67.55	611	$ 60.21
Vested	(60)	$ 45.90	(256)	$ 59.54	(316)	$ 53.90
Canceled/forfeited	—	$ —	(1)	$ 38.75	(1)	$ 38.75
Balance as of December 31, 2013	324	$ 53.71	349	$ 53.58	673	$ 53.64
Granted	—	$ —	26	$ 88.58	26	$ 88.58
Vested	(239)	$ 53.49	(107)	$ 54.15	(346)	$ 53.70
Canceled/forfeited	—	$ —	(12)	$ 60.41	(12)	$ 60.41
Balance as of December 31, 2014	85	$ 54.32	256	$ 56.24	341	$ 55.77
Granted	27	$ 154.90	190	$ 102.09	217	$ 108.73
Vested	(85)	$ 48.31	(150)	$ 64.87	(235)	$ 58.91
Canceled/forfeited	—	$ —	(9)	$ 93.04	(9)	$ 93.04
Balance as of December 31, 2015	27	$ 154.90	287	$ 80.90	314	$ 87.31

On December 31, 2015, there was $16.0 million of unrecognized stock-based compensation expense related to nonvested restricted share, RSU and PSU awards that we expect to recognize over a weighted average period of 1.9 years.

On December 31, 2015, NEOs and Grantees held 27,282 restricted shares subject to performance-based vesting criteria (all of which are considered performance based restricted shares), which were issued during the year ended December 31, 2015. The number of these shares that vest is based upon established performance-based performance targets that will be assessed on an ongoing basis.

Employee Stock Purchase Plan

Under the Employee Stock Purchase Plan (the "ESP Plan"), we are authorized to sell, pursuant to short-term stock options, shares of our common stock to our full-time and qualifying part-time employees at a discount from our common stock's fair market value. The ESP Plan operates on the basis of recurring, consecutive one-year periods. Each period commences on August 1 and ends on the following July 31.

Each August 1, we offer eligible employees the opportunity to purchase common stock. Employees who elect to participate for each period have a designated percentage of their after-tax compensation withheld and applied to the purchase of shares of common stock on the last day of the period, July 31. The ESP 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 ESP Plan valued at more than $25 thousand for each calendar year.

In 2015, employees purchased approximately fifteen thousand shares of common stock pursuant to options granted on August 1, 2014, and exercised on July 31, 2015. Because the plan year overlaps our fiscal year, the number of shares to be sold pursuant to options granted on August 1, 2015, can only be estimated because the 2015 plan year is not yet complete. Our estimate of options granted in 2015 under the ESP Plan is based on the number of shares sold to employees under the ESP Plan for the 2014 plan year, adjusted to reflect the change in the number of employees participating in the ESP Plan in 2015. We recognized compensation expense related to the ESP Plan of $0.6 million 2015 and $0.4 million in each of 2014 and 2013.

NOTE 16—FAIR VALUE OF ASSETS AND LIABILITIES

We endeavor to utilize the best available information in measuring fair value. Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. The following tables present our assets and liabilities measured at fair value on a recurring basis:

(in thousands)

	December 31, 2015	
	Level 1	Level 3
Cash equivalents and restricted cash	$ 30,072	$ —
Big Fish Games deferred payments	—	54,720
Big Fish Games earnout liability	—	345,200
Bluff contingent consideration liability	—	2,331
Total	$ 30,072	$402,251

	December 31, 2014	
	Level 1	Level 3
Cash equivalents and restricted cash	$ 27,464	$ —
Big Fish Games deferred payments	—	78,800
Big Fish Games earnout liability	—	327,800
Bluff contingent consideration liability	—	2,331
Total	$ 27,464	408,931

The following table presents the change in fair value of our Level 3:

(in thousands)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
	Big Fish Games Deferred Payments	Big Fish Games Earnout Liability	Bluff Contingent Consideration	Total
Balance as of December 31, 2014	$ 78,800	$ 327,800	$ 2,331	$ 408,931
Payments	(28,428)	—	—	(28,428)
Change in fair value	4,348	17,400	—	21,748
Balance as of December 31, 2015	$ 54,720	$ 345,200	$ 2,331	$ 402,251

Our cash equivalents and restricted cash, which are held in interest-bearing accounts, qualify for Level 1 in the fair value hierarchy which includes unadjusted quoted market prices in active markets for identical assets.

We estimated the fair value of the Big Fish Games deferred payment and earnout liability as of December 31, 2015 using a discounted cash flows analysis over the period in which the obligation is expected to be settled, and applied a discount rate of 2.8% based on our cost of debt. The cost of debt was based on the observed market yields of our Senior Unsecured Notes, a Level 3 fair value measurement, and was adjusted for the difference in seniority and term of the deferred payments and earnout liability. The increase in fair values of the Big Fish Games deferred payment and earnout liability of $21.7 million in 2015 was recorded as acquisition-related charges in the Consolidated Statements of Comprehensive Income. In December 2015, we made our first deferred founder's payment totaling $28.4 million. Changes to our cost of debt could lead to a different fair value estimate for the deferred payments and earnout liability. A one-percentage point change in the discount rate would increase or decrease the fair value of the Big Fish Games deferred payment and earnout liability by $2.5 million.

Our accrued liability for a contingent consideration recorded in conjunction with the Bluff acquisition was based on significant inputs not observed in the market and represent a Level 3 fair value measurement. The estimate of the contingent consideration liability uses an income approach and is based on the probability of achieving enabling legislation which permits Internet poker gaming and the probability-weighted discounted cash flows. Any change in the fair value of the Bluff contingent consideration subsequent to the acquisition date will be recognized in our Consolidated Statements of Comprehensive Income.

We currently have no other assets or liabilities subject to fair value measurement on a recurring basis. Our $600 million par value Senior Unsecured Notes are disclosed at fair value which is based on unadjusted quoted prices for similar liabilities in markets that are not active. The fair value of the Senior Unsecured Notes was $604.1 million at December 31, 2015 and $299.3 million at December 31, 2014.

The following methods and assumptions were used in estimating our fair value disclosures for financial instruments:

> Cash Equivalents—The carrying amount reported in the balance sheet for cash equivalents approximates our fair value due to the short-term maturity of these instruments.
>
> Long-Term Debt: Senior Secured Credit Facility—The carrying amounts of the borrowings under the Senior Secured Credit Facility approximate fair value, based upon current interest rates and represent a Level 2 fair value measurement.

We did not measure any assets at fair value on a non-recurring basis for 2014 and 2015.

NOTE 17—CONTINGENCIES

We are involved in litigation arising in the ordinary course of conducting business. We carry insurance for general liability and workers' compensation claims from our employees, independent contractors, customers and guests. We are self-insured up to an aggregate stop loss for our general liability and workers' compensation coverages.

We review all litigation on an ongoing basis when making accrual and disclosure decisions. For certain legal proceedings, we cannot reasonably estimate losses or a range of loss, if any, particularly for proceedings that are in the early stages of development or where the plaintiffs seek indeterminate damages. Various factors, including, but not limited to, the outcome of potentially lengthy discovery and the resolution of important factual questions, may need to be determined before probability can be established or before a loss or range of loss can be reasonably estimated. In accordance with current accounting standards for loss contingencies and based upon information currently known to us, we establish reserves for litigation when it is probable that a loss associated with a claim or proceeding has been incurred and the amount of the loss or range of loss can be reasonably estimated. When no amount within the range of loss is a better estimate than any other amount, we accrue the minimum amount of the estimable loss. To the extent that such litigation against us may have an exposure to a loss in excess of the amount we have accrued, we believe that such excess would not be material to our consolidated financial condition, results of operations, or cash flows. Legal fees are expensed as incurred.

If the loss contingency in question is not both probable and reasonably estimable, we do not establish an accrual and the matter will continue to be monitored for any developments that would make the loss contingency both probable and reasonably estimable. In the event that a legal proceeding results in a substantial judgment against, or settlement by us, there can be no assurance that any resulting liability or financial commitment would not have a material adverse impact on our business.

NOTE 18—NET INCOME PER COMMON SHARE COMPUTATIONS

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

(in thousands, except per share data)	Year Ended December 31,		
	2015	2014	2013
Numerator for basic income from continuing operations per common share:			
Income from continuing operations	$65,197	$46,357	$55,033
Income from continuing operations allocated to participating securities	(595)	(267)	(873)
Numerator for basic income from continuing operations per common share	$64,602	$46,090	$54,160
Numerator for basic income per common share:			
Net income	$65,197	$46,357	$54,900
Net income allocated to participating securities	(595)	(267)	(870)
Numerator for basic net income per common share	$64,602	$46,090	$54,030
Numerator for diluted income from continuing operations per common share:	$65,197	$46,357	$55,033
Numerator for diluted income per common share	$65,197	$46,357	$54,900
Denominator for net income per common share:			
Basic	17,225	17,271	17,294
Plus dilutive effect of stock options and restricted stock	121	153	248
Plus dilutive effect of participating securities	230	165	396
Diluted	17,576	17,589	17,938
Income (loss) per common share:			
Basic			
Income from continuing operations	$ 3.75	$ 2.67	$ 3.13
Discontinued operations	—	—	(0.01)
Net income	$ 3.75	$ 2.67	$ 3.12
Diluted			
Income from continuing operations	$ 3.71	$ 2.64	$ 3.07
Discontinued operations	—	—	(0.01)
Net income	$ 3.71	$ 2.64	$ 3.06

NOTE 19—SEGMENT INFORMATION

We manage our operations through six operating segments: Racing, Casinos, TwinSpires, Big Fish Games, Other Investments and Corporate. Eliminations include the elimination of intersegment transactions. Our chief operating decision maker utilizes Adjusted EBITDA to evaluate segment performance, develop strategy and allocate resources. Adjusted EBITDA is defined as earnings before interest, taxes, depreciation and amortization, adjusted for the following:

Adjusted EBITDA includes:

- Changes in Big Fish Games deferred revenue;
- 50% of the operating income or loss of our joint venture, MVG;
- 25% of the operating income from our Saratoga Casino Holdings LLC (“SCH”) equity investment; and

- Intercompany revenue and expense totals that are eliminated in the Consolidated Statements of Comprehensive Income

Adjusted EBITDA excludes:

- Big Fish Games adjustments which include:
  - Acquisition-related charges, including the change in fair value of the Big Fish Games earnout and deferred consideration liability recorded each reporting period; and
  - Transaction expense, including legal, accounting, and other deal-related expense
- Stock-based compensation expense;
- Miami Valley Gaming, LLC ("MVG") interest expense, net;
- Calder exit costs; and
- Other charges and recoveries.

On January 1, 2014, we reclassified our equity investment in MVG from Other Investments to Casinos, to coincide with the first full period of operations for the venture. MVG's results of operations for the year ended December 31, 2013 have been reclassified to the Casinos segment. As of December 31, 2015, we have identified Corporate as its own operating segment and have retrospectively adjusted segment disclosures for prior periods to reflect this reclassification.

We utilize the Adjusted EBITDA metric because we believe the inclusion or exclusion of certain recurring items is necessary to provide a more accurate measure of our core operating results and enables management and investors to evaluate and compare from period to period our operating performance in a meaningful and consistent manner. Adjusted EBITDA should not be considered as an alternative to operating income as an indicator of performance, as an alternative to cash flows from operating activities as a measure of liquidity, or as an alternative to any other measure provided in accordance with U.S. GAAP. Our calculation of Adjusted EBITDA may be different from the calculation used by other companies and, therefore, comparability may be limited.

The table below presents net revenue from external customers and intercompany revenue from each of our operating segments:

(in thousands)	Year Ended December 31, 2015	2014	2013
Net revenue from external customers:			
Racing:			
Churchill Downs	$ 151,125	$ 143,191	$ 132,845
Arlington	54,405	60,312	64,483
Fair Grounds	40,343	38,625	40,677
Calder	2,730	19,325	36,264
Total Racing	248,603	261,453	274,269
Casinos:			
Oxford Casino	80,405	76,526	34,350
Riverwalk Casino	49,758	50,139	53,645
Harlow's Casino	48,978	50,199	52,440
Calder Casino	77,421	77,003	78,951
Fair Grounds Slots	38,408	40,774	42,156
VSI	36,913	33,653	35,634
Saratoga	416	—	—
Total Casinos	332,299	328,294	297,176
TwinSpires	200,168	190,333	184,541
Big Fish Games:			
Casino	193,428	7,627	—
Casual free-to-play	125,321	2,098	—
Premium	94,936	4,130	—
Total Big Fish Games	413,685	13,855	—
Other Investments	16,636	17,125	21,899
Corporate	910	1,158	1,143
Net revenue from external customers	$ 1,212,301	$ 812,218	$ 779,028
Intercompany net revenue:			
Racing:			
Churchill Downs	$ 7,832	$ 7,038	$ 6,686
Arlington	5,063	5,767	3,395
Fair Grounds	1,306	1,089	1,151
Calder	—	707	1,263
Total Racing	14,201	14,601	12,495
TwinSpires	1,032	958	853
Other Investments	3,532	4,130	4,409
Eliminations	(18,765)	(19,689)	(17,757)
Net revenue	$ —	$ —	$ —

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(in thousands)	Year Ended December 31, 2015	2014	2013
Reconciliation of segment Adjusted EBITDA to comprehensive income:			
Racing	$ 71,841	$ 61,160	$ 50,275
Casinos	108,516	101,106	80,631
TwinSpires	51,533	45,282	49,122
Big Fish Games	108,018	3,837	—
Other Investments	(37)	(3,857)	809
Corporate	(4,253)	(5,037)	(4,606)
Total segment Adjusted EBITDA	335,618	202,491	176,231
Change in Big Fish Games deferred revenue	(39,554)	(4,497)	—
Big Fish Games adjustments	(21,748)	(10,193)	—
Stock-based compensation expense	(13,849)	(11,931)	(21,482)
MVG interest expense, net	(2,098)	(2,546)	(170)
Calder exit costs	(13,854)	(2,298)	—
Other charges and recoveries, net	5,833	(5,429)	(1,204)
Depreciation and amortization	(109,706)	(68,257)	(61,750)
Interest income (expense), net	(28,553)	(20,822)	(6,119)
Income tax provision	(46,892)	(30,161)	(30,473)
Net income from continuing operations	65,197	46,357	55,033
Discontinued operations, net of income taxes	—	—	(133)
Net income	65,197	46,357	54,900
Foreign currency translation, net of tax	(463)	(125)	—
Comprehensive income	$ 64,734	$ 46,232	$ 54,900

The table below presents information about equity in income (losses) of unconsolidated investments included in our reported segments:

(in thousands)	Year Ended December 31, 2015	2014	2013
Casinos	$10,929	$ 8,900	$(3,718)
TwinSpires	—	(68)	(848)
Other Investments	251	(2,504)	424
	$11,180	$ 6,328	$(4,142)

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

(in thousands)	As of December 31, 2015	2014
Total assets:		
Racing	$ 437,070	$ 456,034
Casinos	631,280	621,489
TwinSpires	177,624	178,694
Big Fish Games	947,112	996,918
Other Investments	37,033	34,083
Corporate	47,325	69,035
	$2,277,444	$2,356,253

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

(in thousands)	Year Ended December 31, 2015	2014	2013
Capital expenditures, net:			
Racing	$12,280	$33,919	$20,184
Casinos	18,784	7,715	13,643
TwinSpires	4,306	5,778	5,908
Big Fish Games	6,431	116	—
Other Investments	809	5,240	8,375
Corporate	900	1,718	661
	$43,510	$54,486	$48,771

NOTE 20—HRTV EQUITY INVESTMENT DIVESTITURE

As part of the TSG agreement related to the cessation of Calder pari-mutuel operations in 2014, we modified our HRTV, LLC ("HRTV") operating and ownership agreement with TSG resulting in the divestiture of our interest in HRTV effective January 2, 2015. In January 2015, we received $6.0 million in proceeds from the sale of the ownership interest and we recorded a gain of $5.8 million in our Other Investments segment, which has been excluded from Segment Adjusted EBITDA and is included in other charges and recoveries in the reconciliation of Segment Adjusted EBITDA to comprehensive income.

NOTE 21—RELATED PARTY TRANSACTIONS

Directors and employees may from time to time own or have interests in horses racing at our racetracks. All such races are conducted, as applicable, under the regulations of each state's respective regulatory agency, and no director receives any extra or special benefit with regard to having his or her horses selected to run in races or in connection with the actual running of races. There is no material financial statement impact attributable to directors who may have interests in horses racing at our racetracks.

In the ordinary course of business, we may enter into transactions with certain of our officers and directors for the sale of personal seat licenses and suite accommodations at its racetracks, and tickets for its live racing events. We believe that each such transaction has been on terms no less favorable for us than could have been obtained in a transaction with a third party, and no such person received any extra or special benefit in connection with such transactions.

On November 19, 2015, we repurchased approximately 945,000 common shares for $138.1 million in a privately negotiated transaction with a related party, The Duchossois Group, our largest shareholder. The aggregate purchase price for the transaction was based on a share price of $146.13, which was the average of the twenty-day trailing closing price for our common stock through November 18, 2015. The shares were retired, and the cost of the shares acquired was treated as a deduction from shareholders' equity. We funded this repurchase using available cash and borrowings under our Senior Secured Credit Facility.

NOTE 22—HRE TRUST FUND PROCEEDS

Under legislation enacted in 1999, the HRE Trust Fund was scheduled to receive amounts equal to 15% of the adjusted gross receipts generated by a tenth riverboat casino license to be granted in Illinois. The funds were to be distributed to racetracks in Illinois for purses as well as racetrack discretionary spending. During December 2008, the Illinois Gaming Board awarded the tenth riverboat license to a casino in Des Plaines, Illinois. This casino opened during July 2011, entitling the Illinois racing industry to receive an amount equal to 15% of the adjusted gross receipts of this casino from the gaming taxes generated by that casino, once the accumulated funds were appropriated by the state.

On July 10, 2013, the Governor of Illinois signed Illinois House Bill 214 into law, providing for the release of $23.0 million of funds collected from the tenth riverboat licensee since its opening during 2011. In 2013, Arlington received $7.9 million as its share of the proceeds, of which $3.6 million was designated for Arlington purses. The remaining $4.2 million was recognized as miscellaneous other income in our Consolidated Statements of Comprehensive Income in 2013. No additional proceeds related to future funds of the tenth riverboat are expected to be distributed to Illinois racetracks under the provisions of House Bill 214.

NOTE 23—SUBSEQUENT EVENTS

On February 17, 2016, we entered into an amendment to the Fourth Amended and Restated Credit Agreement which amends certain provisions of the credit agreement including extending the maturity of both the Senior Secured Credit Facility and the Term Loan (collectively the “Facilities”) through February 2021, coterminous with one another. The maximum aggregate commitment for the Senior Secured Credit Facility remains at $500 million and the unamortized Term Loan of $188.75 million was refinanced as part of this amendment and restatement.

On February 24, 2016, our Board of Directors authorized the repurchase of up to $150.0 million of our common stock in a stock repurchase program. The new program replaced the prior $150.0 million plan which was in effect at December 31, 2015 and which had unused authorization of $11.9 million. Repurchases may be made at management’s discretion from time to time on the open market (either with or without a 10b5-1 plan) or through privately negotiated transactions. The repurchase program has no time limit and may be suspended for periods or discontinued at any time.

NOTE 24—QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

(in thousands, except per common share data)	For the Year Ended December 31, 2015			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter(1)
Net revenue	$250,910	$409,239	$279,765	$272,387
(Loss) income from operations	(1,558)	55,044	4,203	7,508
Basic net (loss) income per common share	$ (0.09)	$ 3.12	$ 0.24	$ 0.44
Diluted net (loss) income per common share	$ (0.09)	$ 3.10	$ 0.24	$ 0.43

(in thousands, except per common share data)	For the Year Ended December 31, 2014			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net revenue	$167,141	$303,472	$173,483	$168,122
(Loss) income from operations	(700)	57,333	3,531	(13,807)
Basic net (loss) income per common share	$ (0.04)	$ 3.23	$ 0.21	$ (0.81)
Diluted net (loss) income per common share	$ (0.04)	$ 3.21	$ 0.20	$ (0.81)

(1) Refer to Note 12—Director and Employee Benefit Plans for discussion of an out of period adjustment during the fourth quarter of 2015.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
of Churchill Downs Incorporated

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Churchill Downs Incorporated and its subsidiaries at December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 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 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 1 to the consolidated financial statements, in 2015, the Company changed the manner in which it classifies deferred tax assets and liabilities, debt issuance costs and loan origination fees on the balance sheet.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Louisville, Kentucky
February 24, 2016

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in our reports that we filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

As required by the Securities and Exchange Commission Rule 13a-15(e), we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2015. Based upon the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There has been no change in our internal controls over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect our internal control over financial reporting. Our process for evaluating controls and procedures is continuous and encompasses constant improvement of the design and effectiveness of established controls and procedures

We have begun the integration of Big Fish Games into our accounting systems and processes which we expect to complete in 2016. As part of the business integration activities, we will further align and streamline the operation of the financial reporting systems and control environment in 2016.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting of Churchill Downs, Incorporated, as defined in Rules 13a-15(f) or 15d-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of Churchill Downs, Incorporated internal control over financial reporting based upon the framework in the *Integrated Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon our evaluation under the framework in the *Internal Control-Integrated Framework (2013)* management has concluded that Churchill Downs, Incorporated internal control over financial reporting was effective as of December 31, 2015.

/s/ William C. Carstanjen	/s/ Marcia A. Dall	/s/ Scott M. Graff
William C. Carstanjen Chief Executive Officer February 24, 2016	Marcia A. Dall Executive Vice President and Chief Financial Officer February 24, 2016	Scott M. Graff Vice President and Controller February 24, 2016

Our independent auditor, PricewaterhouseCoopers LLP, a registered public accounting firm, has issued an attestation report on our internal control over financial reporting which appears under Item 8, Financial Statements of this Annual Report on Form 10-K.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information with respect to our outside directors, audit committee and Section 16(a) beneficial ownership reporting compliance is incorporated by reference to the definitive proxy statement Form 14(a) to be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2015.

We have adopted a Code of Ethics that applies to our Chief Executive Officer, Chief Financial Officer and principal financial officers. This Code of Ethics is available on our corporate website, www.churchilldownsincorporated.com, under the "Investors" heading and is also available to shareholders upon request.

Executive Officers of the Registrant

Name	Age as of 12/31/2015	Principal Occupation for the Past Five Years and Position with Churchill Downs Incorporated
William C. Carstanjen	48	Chief Executive Officer since August 2014; President and Chief Operating Officer from March 2011 to August 2014; Chief Operating Officer from January 2009 to March 2011.
William E. Mudd	44	President and Chief Operating Officer since October 2015; President and Chief Financial Officer from August 2014 to October 2015; Executive Vice President and Chief Financial Officer from October 2007 to August 2014.
Marcia A. Dall	52	Executive Vice President and Chief Financial Officer since October 2015; Executive Vice President and Chief Financial Officer of Erie Indemnity Company from March 2009 through October 2015.
Paul J. Thelen	48	President, Big Fish Games since the acquisition in December 2014; Founder and CEO, Big Fish Games 2012 through 2014; Chief Strategy Officer at Big Fish Games, 2008 through 2012.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item with respect to executive compensation is incorporated by reference to the information statement on Form 14(a) to be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2015.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

The information required by this item with respect to security ownership of certain beneficial owners and management and related shareholder matters is incorporated by reference to the definitive proxy statement on Form 14(a) to be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2015.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item with respect to certain relationships with our outside directors is incorporated by reference to the definitive proxy statement on Form 14(a) to be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2015.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required herein is incorporated by reference from the section of our Proxy Statement titled "Independent Public Accountants," pursuant to instruction G(3) of the General Instructions to Form 10-K.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULE

			Pages
(a)	(1)	Consolidated Financial Statements The following financial statements of Churchill Downs Incorporated for the years ended December 31, 2015, 2014 and 2013 are included in Part II, Item 8:	
		Report of Independent Registered Public Accounting Firm	111
		Consolidated Balance Sheets	69
		Consolidated Statements of Comprehensive Income	70
		Consolidated Statements of Shareholders' Equity	71
		Consolidated Statements of Cash Flows	72
		Notes to Consolidated Financial Statements	74
	(2)	Schedule II—Valuation and Qualifying Accounts	116
		All other schedules are omitted because they are not applicable, not significant or not required, or because the required information is included in the consolidated financial statements or notes thereto.	
	(3)	For the list of required exhibits, see exhibit index.	117
(b)		Exhibits See exhibit index.	117
(c)		All financial statements and schedules except those items listed under Items 15(a)(1) and (2) above are omitted because they are not applicable or not required, or because the required information is included in the consolidated financial statements or notes thereto.	

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/ William C. Carstanjen

William C. Carstanjen
Chief Executive Officer
(Principal Executive Officer)
February 24, 2016

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

/s/ William C. Carstanjen	/s/ William E. Mudd	/s/ Marcia A. Dall
William C. Carstanjen Chief Executive Officer February 24, 2016 (Principal Executive Officer)	William E. Mudd President and Chief Operating Officer February 24, 2016	Marcia A. Dall Executive Vice President and Chief Financial Officer February 24, 2016 (Principal Financial and Accounting Officer)
/s/ Robert L. Evans	/s/ Ulysses L. Bridgeman	/s/ Craig J. Duchossois
Robert L. Evans February 24, 2016 (Chairman of the Board)	Ulysses L. Bridgeman February 24, 2016 (Director)	Craig J. Duchossois February 24, 2016 (Director)
/s/ Richard L. Duchossois	/s/ Robert L. Fealy	/s/ Aditi J. Gokhale
Richard L. Duchossois February 24, 2016 (Director)	Robert L. Fealy February 24, 2016 (Director)	Aditi J. Gokhale February 24, 2016 (Director)
/s/ Daniel P. Harrington	/s/ G. Watts Humphrey, Jr.	/s/ James F. McDonald
Daniel P. Harrington February 24, 2016 (Director)	G. Watts Humphrey, Jr. February 24, 2016 (Director)	James F. McDonald February 24, 2016 (Director)
/s/ R. Alex Rankin		
R. Alex Rankin February 24, 2016 (Director)		

CHURCHILL DOWNS INCORPORATED
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

	Balance Beginning of Year	Acquired Balances	Charged to Expense	Deductions	Balance End of Year
Allowance for doubtful accounts:					
2015	$ 4,246	$ —	$ 1,265	$ (1,750)	$ 3,761
2014	$ 4,338	$ —	$ 1,710	$ (1,802)	$ 4,246
2013	$ 1,885	$ —	$ 3,785	$ (1,332)	$ 4,338

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Deferred income tax asset valuation allowance:				
2015	$ 1,274	$ (222)	$ —	$ 1,052
2014	$ 1,213	$ 75	$ (14)	$ 1,274
2013	$ 1,334	$ 168	$ (289)	$ 1,213

EXHIBIT INDEX

Numbers		Description	By Reference To
2	(a)	Purchase Agreement dated as of September 10, 2010 among Churchill Downs Incorporated, SWG Holdings, LLC and HCRH, LLC	Exhibit 10.1 to Current Report on Form 8-K filed September 13, 2010
	(b)	Agreement and Plan of Merger, dated as of November 12, 2014, by and among Churchill Downs Incorporated, Ocean Acquisition Corp., Big Fish Games, Inc., and the security holders' agent party thereto	Exhibit 2.1 to Current Report on Form 8-K filed November 13, 2014
	(c)	Shareholder Agreement, dated as of November 12, 2014, by and between Churchill Downs Incorporated and Paul J. Thelen	Exhibit 2.2 to Current Report on Form 8-K filed November 13, 2014
3	(a)	Amended and Restated Articles of Incorporation of Churchill Downs Incorporated, as amended July 3, 2012	Exhibit 3.1 to Current Report on Form 8-K filed July 10, 2012
	(b)	Amended and Restated Bylaws of Churchill Downs Incorporated, as amended July 3, 2012	Exhibit 3.1 to Current Report on Form 8-K filed July 10, 2012
4	(a)	Rights Agreement, dated as of March 19, 2008 by and between Churchill Downs Incorporated and National City Bank	Exhibit 4.1 to Current Report on Form 8-K filed March 17, 2008
	(b)	Second Amended and Restated Credit Agreement dated December 22, 2009, among Churchill Downs Incorporated, the guarantors party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A., as agent and collateral agent, with PNC Bank, National Association, as Syndication Agent, and Fifth Third Bank, U.S. Bank, National Association and Wells Fargo Bank, National Association, as Documentation Agents	Exhibit 10.1 to Current Report on Form 8-K filed December 29, 2009
	(c)	Amendment No. 1 to the Second Amended and Restated Credit Agreement, dated November 1, 2010 among Churchill Downs Incorporated, the guarantors party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A., as agent and collateral agent, with PNC Bank, National Association, as Syndication Agent, and Fifth Third Bank, U.S. Bank, National Association and Wells Fargo Bank, National Association, Documentation Agents	Exhibit 10.1 to Current Report on Form 8-K filed November 1, 2010
	(d)	Third Amendment and Restated Credit Agreement, dated May 17, 2013 among Churchill Downs Incorporated, the guarantors party thereto, the Lenders party thereto and JP Morgan Chase Bank, N.A., as agent and collateral agent, with PNC Bank, National Association, as Syndication Agent, and Fifth Third Bank, U.S. Bank, National Association and Wells Fargo Bank, National Association, Documentation Agents	Exhibit 10(a) to Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2013.

Numbers		Description	By Reference To
	(e)	Amendment and Restatement Agreement dated December 1, 2014 with Fourth Amended and Restated Credit Agreement	Exhibit 4(e) to Annual Report on Form 10-K for the fiscal year ended December 31, 2014
	(f)	First Supplemental Indenture dated as of December 15, 2015, among Churchill Downs Incorporated, the Guarantors party hereto, U.S. Bank National Association, as trustee.	Exhibit 4.1 Current Report on Form 8-K filed December 15, 2015
	(g)	Registration Rights Agreement dated as of December 15, 2015 by and among Churchill Downs Incorporated, The Guarantors party hereto and the representatives of the initial purchasers.	Exhibit 4.2 Current Report on Form 8-K filed December 15, 2015
10	(a)	Churchill Downs Incorporated Amended and Restated Supplemental Benefit Plan dated December 1, 1998*	Exhibit 10(a) to Annual Report on Form 10-K for the fiscal year ended December 31, 1998
	(b)	Churchill Downs Incorporated 2003 Stock Option Plan*	Exhibit 4(e) to the Registration Statement on Form S-8 dated June 20, 2003 (No. 333-106310)
	(c)	Fourth Amended and Restated Churchill Downs Incorporated 1997 Stock Option Plan*	Exhibit 10(a) to Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2002
	(d)	Amended and Restated Lease Agreement dated January 31, 1996	Exhibit 10(i) to Annual Report on Form 10-K for the fiscal year ended December 31, 1995
	(e)	Churchill Downs Incorporated Amended and Restated Deferred Compensation Plan for Employees and Directors*	Exhibit 10(a) to Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2001
	(f)	Form of Shareholder'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
	(g)	Lease Agreement between the City of Louisville, Kentucky and Churchill Downs Incorporated dated January 1, 2003	Exhibit 2.1 to Current Report on Form 8-K filed January 6, 2003
	(h)	Form of Restricted Stock Agreement*	Exhibit 10.1 to Current Report on Form 8-K filed November 30, 2004
	(i)	Stock Redemption Agreement dated as of October 19, 2004, between Churchill Downs Incorporated and Brad M. Kelley	Exhibit 10.2 to Current Report on Form 8-K filed October 25, 2004
	(j)	Churchill Downs Incorporated Amended and Restated Convertible Promissory Note dated March 7, 2005	Exhibit 10.1 to Current Report on Form 8-K filed March 11, 2005
	(k)	2005 Churchill Downs Incorporated Deferred Compensation Plan, as amended*	Exhibit 10.1 to Current Report on Form 8-K filed June 21, 2005
	(l)	Reinvestment Agreement dated as of September 23, 2005, among Bay Meadows Land Company, LLC, Stockbridge HP Holdings Company, LLC, Stockbridge Real Estate Fund II-A, LP, Stockbridge Real Estate Fund II-B, LP, Stockbridge Real Estate Fund II-T, LP, Stockbridge Hollywood Park Co-Investors, LP and Churchill Downs Investment Company	Exhibit 10.3 to Current Report on Form 8-K filed September 29, 2005

Numbers	Description	By Reference To
(m)	2006 Amendment to 2005 Churchill Downs Incorporated Deferred Compensation Plan*	Exhibit 10.1 to Current Report on Form 8-K filed June 8, 2006
(n)	Churchill Downs Incorporated 2007 Omnibus Stock Incentive Plan*	Exhibit A to Schedule 14A filed April 30, 2007
(o)	Amendment to Churchill Downs Incorporated 2005 Deferred Compensation Plan Adopted June 28, 2007*	Exhibit 10(b) to Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2007
(p)	Amended and Restated Terms and Conditions of Performance Stock Awards Issued Pursuant to the Churchill Downs Incorporated 2007 Omnibus Stock Incentive Plan	Exhibit 10.1 to Current Report on Form 8-K filed December 19, 2008
(q)	First Amendment to the Churchill Downs Incorporated Amended and Restated Incentive Compensation Plan (1997), effective November 14, 2008*	Exhibit 10 (vv) to Annual Report on Form 10-K for the fiscal year ended December 31, 2008
(r)	2005 Churchill Downs Incorporated Deferred Compensation Plan (As Amended as of December 1, 2008)*	Exhibit 10 (ww) to Annual Report on Form 10-K for the fiscal year ended December 31, 2008
(s)	Churchill Downs Incorporated Executive Severance Policy (Amended Effective as of November 12, 2008)*	Exhibit 10 (xx) to Annual Report on Form 10-K for the fiscal year ended December 31, 2008
(t)	Agreement and Sale of Purchase, dated as of November 30, 2009, between The Duchossois Group, Inc. and Arlington Park Racecourse, LLC	Exhibit 10.1 to Current Report on Form 8-K filed December 4, 2009
(u)	Promissory Note, dated as of December 3, 2009, made by Arlington Park Racecourse, LLC to The Duchossois Group, Inc.	Exhibit 10.2 to Current Report on Form 8-K filed December 4, 2009
(v)	Dissolution Agreement for TrackNet Media Group, LLC by and between Churchill Downs Incorporated and MI Developments, Inc, entered May 14, 2010	Exhibit 99.1 to Current Report on Form 8-K dated May 19, 2010
(w)	Amended and Restated Employment Agreement dated as of September 27, 2010, by and between Churchill Downs Incorporated and Robert L. Evans	Exhibit 10(a) to Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2010
(x)	Form of Churchill Downs Incorporated Restricted Stock Agreement*	Exhibit 10(ll) to Annual Report on Form 10-K for the fiscal year ended December 31, 2011
(y)	Limited Liability Company Agreement of Miami Valley Gaming & Racing, LLC, dated as of March 1, 2012, among Miami Valley Gaming & Racing, LLC, Churchill Downs Incorporated, MVGR, LLC (a wholly-owned subsidiary of Churchill Downs Incorporated), Delaware North Companies Gaming & Entertainment, Inc. and DNC Ohio Gaming, Inc. (a wholly-owned subsidiary of Delaware North Companies Gaming & Entertainment, Inc.)	Exhibit 10.1 to Current Report on Form 8-K filed March 5, 2012

Numbers	Description	By Reference To
(z)	Asset Purchase Agreement, dated as of March 1, 2012, between Miami Valley Gaming & Racing LLC; Lebanon Trotting Club, Inc.; Miami Valley Trotting, Inc.; Keith Nixon Jr. and John Carlo	Exhibit 10.2 to Current Report on Form 8-K filed March 5, 2012
(aa)	Indenture dated as of December 16, 2013 by and among Churchill Downs Incorporated, the Guarantors, and US Bank National Association	Exhibit (4.1) to Current Report on Form 8-K dated December 16, 2013.
(bb)	Registration Rights Agreement dated December 16, 2013 by and among Churchill Downs Incorporated, the Guarantors and the representatives of the initial purchasers	Exhibit (4.2) to Current Report on Form 8-K dated December 16, 2013.
(cc)	Churchill Downs Incorporated Executive Annual Incentive Plan	Exhibit A of the Proxy Statement for a Meeting of Shareholders of Churchill Downs Incorporated held June 14, 2012.
(dd)	Amendment to the Churchill Downs Incorporated 2007 Omnibus Stock Incentive Plan	Exhibit B of the Proxy Statement for a Meeting of Shareholders of Churchill Downs Incorporated held June 14, 2012.
(ee)	Form of Executive Change in Control, Severance and Indemnity Agreement dated as of August 27, 2014 executed between Churchill Downs Incorporated and Robert L. Evans, William C. Carstanjen, William E. Mudd, and Alan K. Tse*	Exhibit 10.1 to Current Report on Form 8-K filed August 28, 2014
(ff)	Form of Executive Change in Control, Severance and Indemnity Agreement dated as of February 9, 2015 executed between Churchill Downs Incorporated and Robert L. Evans, William C. Carstanjen, William E. Mudd, and Alan K. Tse*	Exhibit 10.1 to Current Report on Form 8-K filed February 12, 2015
(gg)	Form of Executive Change in Control, Severance and Indemnity Agreement dated as of October 12, 2015 executed between Churchill Downs Incorporated and Marcia A. Dall*	Exhibit 10.1 to Current Report on Form 8-K filed February 12, 2015
(hh)	First Amendment to the Executive Change in Control, Severance and Indemnity Agreement By and Between Churchill Downs Incorporated and Robert L. Evans*	Exhibit 10.1 to Current Report on Form 8-K filed July 14, 2015
(ii)	Form of Churchill Downs Incorporated Restricted Stock Unit Agreement	Exhibit 10.1A to Current Report on Form 8-K filed September 28, 2015
(jj)	First Amendment to Shareholder Agreement, dated as of October 23, 2015, by and between Churchill Downs Incorporated and Paul J. Thelen	Exhibit 10.1B to Current Report on Form 8-K filed September 28, 2015
(kk)	Stock Repurchase Agreement, dated November 19, 2015, between Churchill Downs Incorporated and the Duchossois Group, Inc.	Exhibit 10.1 to Current Report on Form 8-K filed November 5, 2015

Numbers		Description	By Reference To
	(ll)	First Amendment to Shareholder's Agreement, dated November 19, 2015 between Churchill Downs Incorporated and The Duchossois Group, Inc.	Stock Repurchase Agreement, dated November 19, 2015, between Churchill Downs Incorporated and the Duchossois Group, Inc.
	(mm)	First Amendment to Shareholder's Agreement, dated November 19, 2015 between Churchill Downs Incorporated and The Duchossois Group, Inc.	Exhibit 10.2 to Current Report on Form 8-K filed November 19, 2015
14		Churchill Downs Incorporated Code of Ethics as of December 31, 2003	Exhibit 14 to Annual Report on Form 10-K for the fiscal year ended December 31, 2003
21		Subsidiaries of the Registrant	Exhibit 21 to Annual Report on Form 10-K for the fiscal year ended December 31, 2014
23		Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm	Exhibit 23 to Annual Report on Form 10-K for the fiscal year ended December 31, 2014
31	(a)	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Exhibit 31(a) to Annual Report on Form 10-K for the fiscal year ended December 31, 2014
	(b)	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Exhibit 31(b) to Annual Report on Form 10-K for the fiscal year ended December 31, 2014
32		Certification of Chief Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished pursuant to Rule 13a-14(b))	Exhibit 32 to Annual Report on Form 10-K for the fiscal year ended December 31, 2014
101	INS	XBRL Instance Document	
101	SCH	XBRL Taxonomy Extension Schema Document	
101	CAL	XBRL Taxonomy Extension Calculation Linkbase Document	
101	DEF	XBRL Taxonomy Extension Definition Linkbase Document	
101	LAB	XBRL Taxonomy Extension Label Linkbase Document	
101	PRE	XBRL Taxonomy Extension Presentation Linkbase Document	

* Management contract or compensatory plan or arrangement.

DIRECTORS AND EXECUTIVE OFFICERS

Directors

Ulyssess L. Bridgeman, Jr.
Owner & President
Manna, Inc. & EJR, Inc.

William C. Carstanjen
Chief Executive Officer
Churchill Downs Incorporated

Craig J. Duchossois
Chief Executive Officer & Director
The Duchossois Group, Inc.

Richard L. Duchossois
Founder & Chairman
The Duchossois Group, Inc.

Robert L. Evans
Chairman of the Board
Churchill Downs Incorporated
President, Tenlane Farm, LLC

Robert L. Fealy
Managing Director
Limerick Investments, LLC

Aditi J. Gokhale
Former Chief Marketing Officer
Shutterstock, Inc.

Daniel P. Harrington
President & CEO
HTV Industries, Inc.

G. Watts Humphrey, Jr.
Lead Independent Director,
Churchill Downs Incorporated
President, GWH Holdings, Inc.
Chairman, IPEG
Owner, Shawnee Farm

James F. McDonald
Investor, Partner and Founder of
Several Private Businesses

R. Alex Rankin
Chairman, Sterling G. Thompson Co.
President, Upson Downs Farm, Inc.

Executive Officers

William C. Carstanjen
Chief Executive Officer

William E. Mudd
President & Chief Operating Officer

Marcia A. Dall
Executive Vice President & Chief
Financial Officer

Paul J. Thelen
President, Big Fish Games, Inc.

Directors Emeriti

Charles W. Bidwill, Jr.
Catesby W. Clay
J. David Grissom
Thomas H. Meeker
Carl F. Pollard
Darrell R. Wells

Corporate Office
Churchill Downs Incorporated
600 N. Hurstbourne Parkway
Suite 400
Louisville, KY 40222

Stock Information
Churchill Downs Incorporated is traded on the NASDAQ Global Market under the ticker symbol "CHDN."

Annual Meeting
The Annual Meeting of Shareholders will convene at 9:00 a.m. local time Wed., 4/27 at 24 Gideon Putnam Rd.
The Gideon Putnam Hotel
Saratoga Springs, NY 12866

Transfer Agent and Registrar
American Stock Transfer & Trust Company, LLC
59 Maiden Lane, Plaza Level
New York, NY 10038
Tel: (877) 715-0510

Other Information
Copies of our 2015 Form 10-K and other filings with the Securities and Exchange Commission may be obtained without charge by contacting our corporate office or through our website:
www.churchilldownsincorporated.com

CHURCHILL DOWNS
INCORPORATED

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