MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the Churchill Downs Incorporated Fourth Quarter Results Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session with instructions following at that time. [Operator Instructions] And as a reminder, this conference is being recorded.

And now I'd like to turn the call over to Julie Koenig, Vice President of Corporate Communications. Please begin.

Julie Koenig Loignon, Vice President, Corporate Communications

Thank you, Tyrone. Good morning and welcome to this Churchill Downs Incorporated conference call to review the company's results for the fourth quarter and full year of 2010. The results were released yesterday afternoon in a news release that has been covered by the financial media.

A copy of this release announcing results and any other financial and statistical information about the period to be presented in this conference call, including any information required by Regulation G, is available at the section of the company's website titled Company News, located at churchilldownsincorporated.com as well as in the website's Investors section. Let me also note that a news release was issued advising of the accessibility of this conference call on a listen-only basis via phone and over the Internet.

As we begin, let me express that some statements made during this call will be forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that include projections, expectations or beliefs about future events or results, or otherwise are not statements of historical facts.

The actual performance of the company may differ materially from what is projected in such forward-looking statements. Investors should refer to statements included and reports filed by the company with the Securities and Exchange Commission for a discussion of additional information concerning factors that could cause our actual results of operations to differ materially from the forward-looking statements made in this call.

The information being provided today is of this date only and Churchill Downs Incorporated expressly disclaims any obligation to release publicly any updates or revisions to these forward-looking statements to reflect any changes in expectations.

I will now turn the call over to Bob Evans, President and Chief Executive Officer. Bob?

Robert L. Evans, President and Chief Executive Officer

Thanks Julie. Good morning, everyone. We've a bigger crowd than normal. Thanks for joining us. I'll make a few general comments about our 2010 fourth quarter and our full year results and then I'll turn it over to our CFO, Bill Mudd. After that, we'll be happy to take your questions.

Overall Q4 was above what we expected with a few unusual items that Bill will discuss. Revenue was up 47%, EBITDA went from a loss of $1.9 million in Q4 2009 to an $8 million gain this year. We reduced our loss – net loss from continuing operations during the fourth quarter by 38%. For the year 2010, net revenues from continuing operations were up 24% and at $585.3 million set an all-time record. EBITDA was up 23% and at $80.4 million also set an all-time record.

Keep in mind that we had some expenses unique to our acquisition of Youbet and Harlow's in 2010 that negatively impacted full year EBITDA. We also realized favorable tax and insurance transactions during 2009 that had a positive impact on EBITDA that year and which were not repeated during 2010. Bottom line, we're pleased with our 2010 EBITDA performance.

Net earnings from continuing operations were up 11% year-over-year. Total net earnings for the year, including discontinued operations, were off 3%, due primarily to losses incurred by our Churchill Downs Entertainment Group that produced The HullabaLOU Music Festival. This Group ceased operations and we moved the financial results to discontinued ops in Q3.

We've discussed in several of these calls over the last two years our strategy to diversify and grow our business, specifically, to manage our racing business on a cost effective and minimal capital basis, to continue to grow Kentucky Oaks and Kentucky Derby Week, to pursue legislation to legalize alternative gaming at Churchill Downs and at Arlington Park, to pursue development opportunities including acquisitions that fit within our strategy, and to grow our online business in terms of both pari-mutuel wagering on Thoroughbred racing and other forms of Internet gaming as they are legalized.

So, I thought rather than talk about that, I thought I'd use this call to comment on the performance of the various segments of our business. Racing at Arlington Park, at Calder and at Fair Grounds continues to struggle. EBITDA of all three racing operations declined in 2010. I think we're getting about all we can get out of these operations. We've got good management teams in place. We're focused on controlling costs and we're very stingy with capital.

While an uptick in the economy, particularly a reduction in unemployment would likely help us, we doubt there is any substantial improvement on the horizon. On the other hand, racing at Churchill Downs Racetrack did better in 2010; EBITDA increased. Some of this was from hosting the Breeders' Cup, which we'll also do again this year, and the balance was from our successful night racing program and the stronger Fall Meet.

Kentucky Oaks and Derby Week did great. We saw new attendance and handle records for the Oaks and we improved both handle and attendance at a very rainy Derby. As for the Oaks and Derby this year, three things to pay attention to. We have a new five-year TV deal with NBC in place. We have a new five-year presenting sponsor deal with Yum! Brands in place, both the TV and presenting sponsor deals were done at improved economics. We have a number of new sponsor deals we will be announcing very soon. You may have just read last week about our new agreement with the luxury timepiece brand Longines, now the Official Timekeeper of the Kentucky Derby.

And three, with the launch this year of our new Opening Night event on the Saturday evening one week prior to Derby, where we are quickly selling out our premium dining room areas for Opening Night and have already sold more tickets in these areas than we would for a normal opening day at Churchill Downs. With those three developments, we hope to be able to continue the EBITDA growth of our most important assets.

In our gaming business, our slots and video poker businesses in Louisiana continued strong in 2010 with EBITDA up 8% over 2009. The Calder Casino's first year performance was a bit disappointing. We're trying some new marketing programs and the early returns are positive, so we hope to improve the Calder Casino's performance in 2011, so far so good. February was our strongest month since we opened a year ago in January with the highest gross gaming revenue to-date.

Harlow's Casino Resort & Hotel in Greenville, Mississippi was only part of the Churchill family for two weeks in 2010, but it did generate $1.2 million of EBITDA. We will be able to share more information on Harlow's performance this year when we announce our Q1 earnings in May.

Did want to mention the strong storm and wind last month that significantly damaged the roof covering Harlow's hotel on February 24th. The gaming floor was not damaged and there has been no disruption to gaming operations and actually we had a couple of good months. We closed the hotel while repairs are underway to about 61 rooms that were affected mostly by water damage. The good news, we are insured and including business interruption insurance with the very low deductible, so we don't expect this development to negatively affect financial performance in 2011.

Overall gaming EBITDA was up 56% in 2010 and with the full year effect of both Calder and Harlow's this year, we expect continued growth in 2011.

Our online business had a solid year in 2010 with the closing of Youbet.com transaction in June, handle was up 78%, revenue was up 69%; and EBITDA up 23% last year. When we announced the Youbet transaction in November of 2009, we said we expected the annualized cost reduction synergies to be about $10 million. As of today that number is now $12.4 million. Obviously, we didn't get the full year effect in 2010, but we will in 2011.

Let me turn this now over to Bill Mudd, who will throw you in on some additional details on the quarter. Bill?

William E. Mudd, Executive Vice President and Chief Financial Officer

Thanks Bob and good morning everyone. As usual, I will review the information as set forth in the tables that are – of the press release. Let's begin by reviewing the segment information, which is contained on the schedule titled Supplemental Information by Operating Unit in the release for both the fourth quarter and the full year.

As a reminder from our previous calls, the discontinued operations section of our financial statements and tables contain the operations of Ellis Park, Hoosier Park, Hollywood Park and now Churchill Downs Entertainment. Unless otherwise noted in my comments, we'll focus on our operational performance from continuing operations for the fourth quarter and the full year.

Before we get started, I would like to highlight a revision in the way we report revenues. Previously pari-mutuel and gaming taxes were presented as an offset to revenues, when they more properly should have been presented as an operating expense. Conversely, free play costs were presented as an operating expense, whereas they more properly should have been presented as a reduction in revenues. This revision had no impact on operating income or cash flows and all periods in our 10-K and earnings statements are presented on a comparable basis.

As Bob mentioned in his opening remarks, our total net revenues from external customers were up 24% for the year and 47% for the fourth quarter 2010 when compared to the same period of 2009.

For the year, our racing operations net revenues from external customers declined by 5% or $17.1 million. According to figures published by the Jockey Club, handle on U.S. Thoroughbred racing contracted 7.3% during 2010. Our racetracks raced 25 fewer days or a 6% reduction and experienced results similar to the industry. Those losses were partly offset by improvements in Derby Week and increase in the number and performance of night racing events at Churchill Downs Racetrack as well as revenues from hosting the Breeders' Cup.

For the fourth quarter, racing operations' external customer revenues were flat, as continued declines in pari-mutuel wagering will offset by the Breeders' Cup. Our online business' external customer net revenues were up 69% for the year and more than doubled in the fourth quarter driven primarily by the acquired ADW operations of Youbet.com. These two operations were consolidated into one platform during the fourth quarter. In addition to the acquired growth, TwinSpires.com grew handle 11% organically through the first 10 months of 2010.

Our gaming business' net external customer revenues nearly doubled for the year, up 98% primarily on the opening of the Calder Casino in January of 2010. Our Fair Grounds' slots and the Louisiana video poker businesses each recognized a 4% top-line growth for the year. In addition, we recognized $2.7 million of net external customer revenues from the two weeks of the Harlow's operation.

For the fourth quarter, our gaming business' net revenue from external customers more than doubled to $34 million. Our Calder Casino generated $16.4 million of revenues but dropped to number three in the market from number two amongst South Florida pari-mutuel gaming operators based on this metric.

According to data published on the Florida Department of Business and Professional Regulation website, we earned our number two position back in the month of February. We are also seeing some favorable seasonality and growth through the first two months of the first quarter with taxable revenue up approximately 22% when compared to the first two months of the fourth quarter.

In the Louisiana, our slots business grew 10% in the quarter versus the prior year while our video poker business saw an increase of 15%. Our other investments net external customer revenues growth of $12.5 million and $5.2 million for the year and fourth quarter respectively are driven by the operations in the United Tote, which was acquired in the second quarter as part of the Youbet acquisition.

Now let's look at the EBITDA performance by segment at the bottom of the statement. Our total year racing operations EBITDA was equivalent to the prior year at $3.4 million gain in Derby Week. Earnings associated with hosting the Breeders' Cup World Championships and lower management fee allocations of $2.5 million were offset by $1.5 million in bad debt write-offs mainly associated with New York City OTB bankruptcy as well as $6.3 million of non-recurring favorable items recognized during 2009.

In the fourth quarter, racing operations EBITDA losses improved $3.5 million year-over-year driven primarily by income associated with the Breeders' Cup that also include games from hosting our first fall night racing event at Churchill Downs racetrack, operating efficiency improvements at our Fair Grounds and Arlington properties.

Our online business segment increased total year EBITDA by $3.3 million versus prior year. Year-over-year gains driven by the Youbet acquisition and organic growth in Twin Spires were partly offset by $2.9 million and cost associated in the period for severance and retention payments $1.5 million in asset impairments primarily driven by the acquisition, $0.5 million in non-cash long-term incentive plan accruals, and an increase in corporate cost allocations of $1.5 million.

For the fourth quarter, our online business EBITDA improved 26% or $0.6 million, gains driven by revenue growth and cost-out efficiencies were muted by severance and retention costs of $0.8 million. Non-cash expenses related to our long-term incentive plans is $0.6 million, and higher corporate allocations of $0.6 million.

Our gaming business total year EBITDA improved 56% or $10.2 million during 2010. Our Calder Casino EBITDA improved $8.8 million year-over-year before corporate allocations. Approximately $2.2 million of this improvement is due to lower pre-opening expenses from 2009 to 2010.

Our Fair Grounds slot EBITDA improved 10% or $1.2 million, while our video poker operations improved 6% or $0.7 million before corporate allocations. The total year results also include $1.2

million of EBITDA related to the operation of Harlow's during the last two weeks of the year. This growth was partly offset by $1.8 million increase in corporate allocations for the segment.

For the fourth quarter, our gaming EBITDA more than tripled to $8.9 million. The Calder Casino generated positive EBITDA of $2.6 million and was up $4.4 million when including the impact of pre-opening losses in 2010.

Our Fair Grounds slot EBITDA grew 20%, or $0.6 million, while our video poker EBITDA grew 19% or $0.5 million. Both of these increases are driven by the revenue growth previously mentioned. Harlow's added $1.2 million in the quarter as previously discussed and gaming segment corporate overhead fees increased by $0.7 million year-over-year.

Our corporate EBITDA loss increased $0.5 million for the year and $0.8 million in the quarter primarily reflects the impact of correcting an actuarial modeling error related to the stock price performance, based Equity Awards Grant as part of Mr. Evans' 2006 employment agreement. As such, we recorded $1.4 million of expense in the fourth quarter to fix this error. Overall, EBITDA improved by $14.9 million for the year and $9.9 million for the quarter.

Now, please turn to the consolidated statements of net earnings and comprehensive earnings. For the full-year, total net revenues grew $114.8 million over 2009. In the fourth quarter, net revenues increased 47% or $43.6 million.

Selling, general, and administrative expenses for the year increased $11.5 million. The primary drivers of this increase include a $3.4 million increase for the operations of our Calder Casino, a net increase of $2.1 million in non-recurring deal cost associated with the Youbet and Harlow's acquisitions. $2.1 million of severance and retention expenses associated with the integration of Youbet.com, $1.6 million of non-cash equity based compensation related to our long-term incentive plan and $1.4 million related to the stock price based performance awards previously mentioned.

SG&A expenses grew $5.1 million in the fourth quarter driven primarily by the full-year impact of compensation expenses plus $2 million related to the second trigger of our long-term incentive compensation plan.

Normally this would have been accrued over the entire year. However, it was not evident we would attain the goals and the plan until the fourth quarter. Additionally, we incurred $1.4 million of the stock price performance based awards correction previously mentioned and $2.1 million of G&A spending from the acquired businesses.

Miscellaneous income net items improved by $1.4 million for the year primarily as a result of a favorable settlement of the third-party for $1.3 million. Our income tax provision line includes the benefit of approximately $1.9 million related to the lobbying expenses we incorrectly treated as non-deductible in previous years. The tax reforms have amended and we expect to receive this refund sometime in the next couple of months.

For the year, net earnings from continuing operations were $19.6 million, up 11%. The discontinued net loss from operations of $5.8 million for the year is primarily related to net results from our discontinued Churchill Downs Entertainment Group. The gain on sale of assets of $2.6 million is driven by the exploration of an indemnity of certain contractual obligations related to the sale of Hollywood Park in 2006. Our fully diluted net earnings per common share from continuing operations for the year came in at $1.26, down $0.01 from the previous year.

Now turning your attention to the consolidated balance sheets and the release. Total assets increased $292 million and is primarily driven by an increase in goodwill of $99 million and other intangible assets of $79 million driven by the assets acquired during the period. Restricted cash increased $26.7 million reflecting the additional receipt of Illinois Horse Racing Equity Trust Fund and restricted cash associated with our ADW customer account balances. Also income taxes receivable increased $11.6 million primarily due to overpayments in 2010 as a result of HullabaLOU losses and usage of Youbet NOLs. We expect to collect this over the next couple of months.

Total liabilities increased to $193.1 million and was primarily driven by an increase of $194 million in long-term debt associated with borrowings for acquisitions. Deferred revenue increased as a result of $16.5 million and Illinois Horse Racing Equity Trust Fund and notes payable to related parties decreased by $24 million reflecting the payment of the Arlington Park land note – there we go.

With that I'll turn it back over to Bob for comments.

Robert L. Evans, President and Chief Executive Officer

Thanks Bill. Tyrone, if there is any questions, we'll be happy to take those now.

QUESTION AND ANSWER SECTION

Operator: Thank you, sir. [Operator Instructions] We have a question from Steve Altebrando of Sidoti & Company. Your line is open.

<Q – Stephen Altebrando>: Hi, guys.

<A – William E. Mudd>: Hi, Steve. Good morning.

<Q – Stephen Altebrando>: Were there any acquisition cost in the quarter for Harlow's, I'm kind of getting to a number of a million based on your filing, is that correct?

<A – William E. Mudd>: No, I'd say in the fourth quarter $0.1 million Steve and for the year $0.8 million.

<Q – Stephen Altebrando>: Okay. And then in terms of the online segment is it possible to break out handle between Twin Spires and Youbet?

<A – William E. Mudd>: It is not possible Steve, and the reason why it's not possible any more is we merged the platforms in the middle of the quarter.

<Q – Stephen Altebrando>: Okay. So but just to be clear in terms of absolute EBITDA there was – it looks like based on your comments about a couple of million dollars in one-time items in ADW in the fourth quarter?

<A – William E. Mudd>: Yes. I would say, for the quarter, in the online space in terms of kind of one-time unusuals there were a couple – there was $800,000 of severance and retention costs related to combining these platforms, that's largely complete at this point. There will be some smaller costs later on, but nothing really material. There was an asset write-off of $200,000 – so that's a million together. And then in addition to that the long-term incentive plan triggered in the fourth quarter, we normally would accrue that over an entire year, that was roughly $600,000. So it's not really an unusual other than the fact that it was four times bigger than it would normaly be.

<Q – Stephen Altebrando>: Okay, that's helpful. And then just lastly any idea about where CapEx should be for 2011 for you guys?

<A – William E. Mudd>: Yes, I think in the last discussion we said that it would be between maintenance capital, it would be between $15 million and $20 million. That's still a good range, but I'd say we'd be at the higher end of the range because we'll spend some capital integrating the two businesses.

<Q – Stephen Altebrando>: Okay, thanks guys.

<A – William E. Mudd>: Yes.

Operator: Thank you. Our next question is from Ryan Worst of Brean Murray. Your line is open.

<Q – Ryan Worst>: Good morning guys.

<A – William E. Mudd>: Good morning, Ryan.

<Q – Ryan Worst>: Could you provide the total handle number for Youbet and Twin Spires combined in the fourth quarter?

<A – William E. Mudd>: In the fourth quarter only?

<Q – Ryan Worst>: Yes.

<A – William E. Mudd>: Let me see here, you know what – yes,167.1 roughly.

<Q – Ryan Worst>: In the fourth quarter?

<A – William E. Mudd>: Yes, 167.1 in the fourth quarter.

<Q – Ryan Worst>: Okay, thanks. And then could you guys talk about just the trends you are seeing in the online segment, and also the cost savings that you realized in 2010? So how much of that $12 million, I think you said $12.4 million was realized in 2010 and just business trends in the segment?

<A – William E. Mudd>: Yes. I'll take that one. First of all, I would say the business trends in the segment, if you look over the year, we literally just got the Oregon number for publish yesterday, so that gives us an idea of what ADW channel shares, as percentage of the industry, has done.

For 2010, it came in about 15.2% which was up about 1.8 points over the prior year of 13.4%. In terms of what we are seeing, it continued to shift that way. The growth in the share year-over-year was stronger in the first half of the year, up about 2.3%, 2.4%. The fourth quarter was the smallest shift to ADW at 0.9% increase. So it decelerated a little bit over the year, but you'll get some lumpiness based on number of race days ran and the shifting of calendars for certain tracks and that sort of thing. So, I don't – I'd look more at long-term trends than shorter term trends. So, let's say that the shift did decline in the second half of the year.

In terms of our share of ADW, if you go back and you look at the first quarter of 2010, before we put the businesses together, we had dropped share by about 3.8%. So we went from somewhere in the 51% kind of range in the first quarter of 2009 to around 47.2% in the first quarter of 2010 as a collective entity, Twin Spires plus Youbet.

And we continued to lose share over the second and third quarter, losing about three points, so the drop did decline, and we dropped another 2.5% in the fourth quarter which – it was an improvement over what we had been doing earlier in the year. So, I feel like we're in the right path. And now that we have the businesses together and you get that first kind of initial group of customers you do lose as a function of putting those platforms together. We have – we're on the right path, and we've fixed all the customers issues related to that.

In terms of thinking about the cost-out number of $12.4 million, we really didn't get started obviously until June 2nd ,and a part of that occurred over the year. If I look at it – when I look at it, Steve, I'd say there is about $5 million of that $12 million that impacted 2010. Obviously, that $5 million of cost out was muted by $2.9 million – excuse me – Ryan, I'm sorry $2.9 million of cost associated with severing and retaining folks, as well as $1.5 million of impairment write-downs as a result of putting those platforms together from redundant technologies.

And then of course you got that $1.5 million increased corporate allocation which, normally that's not a big movement in those corporate allocations, unfortunately for the total year, and especially in the fourth quarter, because of the changing dynamics of the business with all the acquisitions, those numbers are starting to shift around a little bit as we allocate more of our time and effort toward other parts of the business. So, those are the big things that I think affected the walk from 2009 to 2010.

<Q – Ryan Worst>: Sure, sure. So I mean – so it sounds like you – oh, go ahead, Bob, I'm sorry.

<A – Robert L. Evans>: I just wanted to add one thing on this. We've talked about this, gosh, going back a couple years now. But yeah, I'm never comfortable with handle numbers in this business because the EBITDA yield can vary pretty greatly based upon where the bettor is geographically, what state they live in and how close to a racetrack do they live, and also based upon what racetrack they're betting on. So, we manage the business based upon pursuing the maximum amount of EBITDA, not necessarily chasing the maximum amount of handle dollars.

<Q – Ryan Worst>: Okay. So I mean what's the kind of direction of the yield? Is your yield improving on that business or at least staying constant?

<A – William E. Mudd>: No, when you're saying yield, Ryan, you're saying EBITDA as a percentage of handle?

<Q – Ryan Worst>: Or net revenue as a percent of handle.

<A – William E. Mudd>: Well, net revenue as a percent of handle is relatively locked because that's based on kind of the takeout rate; so that doesn't change. Yes, I would say that the...

<Q – Ryan Worst>: I guess I wouldn't talk about yield after track fees and licensing fees or...

<A – William E. Mudd>: Yeah, yeah, I mean as you go forward, I would say that the cost, the kind of the marginal cost of taking bets is not fixed, but I would say it's a very stable number. And the amount of what I would call overhead to run the platform going into 2011 is shrinking as a result of combining the two platforms. So taking an extra bet once you kind of get the platform established, the only marginal cost associated with that is marketing and customer loyalty type programs.

<Q – Ryan Worst>: Okay. So what was the growth in overall just ADW handle for the industry? Was there a...

<A – William E. Mudd>: Yeah, well it increased, I think it's like $1.65 billion to like $1.73 billion, Ryan, I'm trying to remember off the top of my head, unfortunately I don't have percentages in front of me. If you look at ADW as a share of the industry, if you go back to 2008, it was about 5% of the bets were placed via the online segment, grew to about 6.5% in 2009 and it's 7% in 2010. So it continues to grow as a share, as a percentage of the overall industry wagering.

<Q – Ryan Worst>: Okay. And then...

<A – Robert L. Evans>: I would also just caution on this that there isn't a single source where you can go and get complete ADW industry handle numbers. We piece this together as best we can, we may or may not be 100% accurate, there's just no way to know for sure.

<A – William E. Mudd>: Yeah, I mean, most of it's out of the Oregon Racing Commission, but we also have – we have to pick some up from New York and from other public filings.

<Q – Ryan Worst>: Yes. And then Bill, did you guys have any stock comp expense in the fourth quarter or what was that?

<A – William E. Mudd>: Yeah there was, in the fourth quarter, there was $2 million of – $2.2 million total actually of, what I would call long-term incentive plan cost.

<A – Robert L. Evans>: Plus the error.

<A – William E. Mudd>: Yeah. And that would normally be accrued over – that $2 million would normally be accrued, Ryan, over the entire year because we didn't hit the trigger, it only hit in the fourth quarter. So the year is completely accurate and there is probably no unusual for the year. But if you look at the quarter, we took a full year's worth of that incentive pay in the fourth quarter – so the fourth quarter obviously had four times more than what it would normally have.

<Q – Ryan Worst>: Okay. So that would have normally had about 25% of that $2.2 million in the quarter?

<A – William E. Mudd>: Yeah. I can't do the math for you, but, yeah.

<Q – Ryan Worst>: Yeah. Okay and then...

<A – William E. Mudd>: The other thing Ryan before you go on, there is another $1.4 million, I want to make sure this is very clear, of stock price performance based awards. And when these were granted back in 2006, we had to get an actuary to give us a – basically a model of how much expense to book based on 65,000 or so iterations, of modeling to say how many times would that trigger hit, and over what period would you accrue that expense.

Well as we got in to this 2010 employment agreement numbers, there was a disconnect. There was a pricing disconnect for us. And as part of that, we found an error from the 2006 agreement. That cost should have been accrued over a number of quarters between 2007 and '08. And with that correction, we booked $1.4 million of expense in the fourth quarter to fix that error.

<Q – Ryan Worst>: Right. Okay. And then Bill, you mentioned something about a tax refund, I missed that. Seemed like it was like $11.7 million that you expect to receive over the next couple months?

<A – William E. Mudd>: Yeah. I – well there is the $11.7 million, we're talking about the balance sheet and the change in the income tax receivable number.

<Q – Ryan Worst>: Okay.

<A – William E. Mudd>: So we make estimated payments, and obviously make a big second quarter estimated payment because of the Derby revenues and associated profitability. And at that point, we hadn't forecasted a loss in HullabaLOU. So...

<Q – Ryan Worst>: Okay.

<A – William E. Mudd>: ...or the ability to utilize Youbet net operating losses. So what that resulted in is we paid about $9 million in tax – too much tax. So we'll get a refund of about $9 million over the next couple of months. In addition, we'll get another $2 million in refunds associated with going back and amending returns for lobbying expenses that we'd previously categorized as non-deductible that should have been deductible. So we'll get another $2 million back for that; so we'll expect to get about $11 million in cash between those two items over the next couple months.

<Q – Ryan Worst>: Excellent. And then any update on the Riverboat subsidy? You have $40.5 million on the balance sheet, when I guess would you expect to receive that?

<A – William E. Mudd>: Ryan, that is a great question and one that I don't think anyone in this world could answer definitively. We – there's a core process going on and I can take you through it, but I would probably get it half right, and you probably wouldn't be much smarter than what you are now.

So we just continued to vigorously defend that bill. And obviously, there is a lot of money to take with over $40 million in our balance sheet for our horsemen and our Arlington property. So with that, it's still going to be a while before you can see any of that money or using that money.

<Q – Ryan Worst>: Okay. What percent would you guys get of that and...

<A – William E. Mudd>: I don't have the exact numbers, Ryan, but I think we'll get around $16.5 million.

<Q – Ryan Worst>: Okay.

<A – William E. Mudd>: And they'll get the balance – the first account. Actually, it's about $24 million and $16 million roughly, about 60-40.

<Q – Ryan Worst>: Okay. Great, thanks.

<A – William E. Mudd>: Thanks Ryan.

Operator: [Operator Instructions]. Our next question is from Anil Gupta of Imperial Capital. Your line is open.

<Q – Anil Gupta>: Good morning guys. Thanks for taking the question.

<A – William E. Mudd>: Good morning, Anil.

<Q – Anil Gupta>: How are you?

<A – William E. Mudd>: Good.

<Q – Anil Gupta>: Just a real quick industry question, so there seem to be more and more attention being placed on online gambling legislation. There was a couple of states who have been in the press recently about potential legislation and that sort of thing.

Just broadly speaking, how do you think Churchill Downs benefits from the potential legalization of online gambling either on a state-by-state basis or nationally? And just hypothetically, how do you think Churchill Downs – how quickly does the business gets set up and how do you see yourselves benefiting from online legalization?

<A – Robert L. Evans>: Anil, Bob. In one sentence, if and when Internet gaming in whatever form it may take, it's legalized at the state and/or federal level, we would intend to play in those businesses to the extent that we're successful in getting a license in the state or at the federal level to do so. So we're very much wired into this both on the political side as well as on the business side. And I don't want to talk about specific plans, but just in terms of intent, we would expect to play competitively in wherever state or at the federal level this gets legalized, whenever that may happen. So that's all I can tell you at this point, but we'll be there when it occurs.

<Q – Anil Gupta>: Okay. Thanks. And then just quickly, I think this was asked a little bit earlier, but any trends you could talk about on the online business through January and February of 2011? Are you happy with the way things are performing? Is it a little bit more challenged or any color you could provide there?

<A – William E. Mudd>: Yeah, this is Bill, Anil. I would say that it's very difficult to say definitively how we feel about it. I think we're doing well when you consider that the industry is down about 8% through the first two months. There's been a number of major winter disruptions over the period and more cancellations than we've historically seen. So I'm not happy with the – what I would call the growth rate or shrinkage rate, if you will, of handle over the two months except when you compare it versus the industry. And when you look at that, it doesn't feel bad at all.

<Q – Anil Gupta>: Okay. Thanks a lot.

Operator: Thank you sir. I'm showing no further questions at this time. I'd like to turn the call over to Mr. Evans for any closing remarks.

Robert L. Evans, President and Chief Executive Officer

All right, thanks Tyrone, and thanks everyone for joining us. For those of you that are coming, hope to see you at the Oaks and Derby, and we'll be together on this phone call second week of May I guess it will be to do the first quarter update. So thanks very much for joining us today. Goodbye.

Operator: Ladies and gentlemen, thank you for your participation in today's conference. This concludes the program. You may now disconnect and have a wonderful day.