

STATEMENT OF COMPANY POLICY **SECURITIES TRADES BY COMPANY PERSONNEL**

The Need for a Policy Statement

Churchill Downs Incorporated (the "Company") has adopted this Policy Statement both to satisfy the Company's obligation to prevent insider trading and to help Company personnel avoid the severe consequences associated with violations of the insider trading laws. The Policy Statement also is intended to prevent even the appearance of improper conduct on the part of anyone employed by or associated with the Company (not just so-called insiders). We have all worked hard over the years to establish a reputation for integrity and ethical conduct, and we cannot afford to have that reputation damaged.

Read this Policy Statement carefully. If you have any questions about this Policy Statement or its application to any proposed transaction, you may obtain additional guidance from Rebecca Reed, Senior Vice President, Senior Counsel and Chief Compliance Officer, whose telephone number is 502-636-4429. Ultimately, however, the responsibility for adhering to this Policy Statement and avoiding unlawful transactions rests with the individual employee.

In general terms, Company policy prohibits:

- The purchase or sale of the Company's securities while aware of material nonpublic information;
- The disclosure of material nonpublic information to others who then trade in the Company's securities;
- Answering questions or providing information about the Company or its affairs to outsiders unless you are specifically authorized to do so. (See the Company's Disclosure Policy.)

Insider trading violations are pursued vigorously by the Securities and Exchange Commission (the "SEC") and U.S. Attorneys and are punished severely. While regulatory authorities concentrate their efforts on individuals who trade or who tip inside information to others who trade, the federal securities laws also impose potential liability on companies and other "controlling persons" if they fail to take reasonable steps to prevent insider trading by company personnel.

The Consequences

The consequences of an insider trading violation can be severe.

Traders and Tippees. Company personnel (or their tippees) who trade on inside information are subject to the following penalties:

- A civil penalty of up to three times the profit gained or loss avoided;
- A criminal fine of up to \$1,000,000 (no matter how small the profit);
- A jail term of up to ten years; and
- Private suits for damages equal to the profit gained or the loss avoided.

An employee who tips information to a person who then trades is subject to the same penalties as the tippee, even if the employee did not trade and did not profit from the tippee's trading.

Control Persons. The Company and its supervisory personnel, if they fail to take appropriate steps to prevent illegal insider trading, are subject to the following penalties:

- A civil penalty of up to \$1,000,000 or, if greater, three times the profit gain or the loss avoided as a result of the employee's violation;
- A criminal penalty of up to \$2,500,000 for the Company and up to \$1,000,000 for the individual supervisor; and
- Private suits for damages equal to the profit gained or the loss avoided.

Company-Imposed Sanctions. An employee's failure to comply with the Company's insider trading policy may subject the employee to Company-imposed sanctions, up to and including dismissal for cause, whether or not the employee's failure to comply results in a violation of law. Needless to say, a violation of law, or even an SEC investigation that does not result in prosecution, can tarnish one's reputation and irreparably damage a career.

Anti-Fraud Provisions. Section 10(b) of the 1934 Act and Rule 10b-5 under the 1934 Act are anti-fraud provisions which prohibit untrue or misleading disclosures by the Company, trading on material nonpublic information and disclosure of material nonpublic information to outsiders who trade in shares of the Company based on such information. Rule 10b-5 under the 1934 Act provides that in making disclosures to the public, the Company may not make any untrue statement of a material fact or, when making a disclosure, omit a material fact necessary in order to make the statement, in light of the circumstances under which it was made, not misleading. Generally, as discussed below, a fact will be considered material if a reasonable investor would consider it important in reaching his or her investment decision. A breach of this obligation may make the Company liable for, among other things, the losses of all persons who trade in its securities in reliance on the disclosure. In light of the magnitude of the potential liability this obligation carries and the difficulty of determining whether a statement or omission is material or misleading, all public statements and press releases should be carefully reviewed for accuracy and completeness prior to release and then released only in compliance with the Company's Disclosure Policy.

Statement of Policy

It is the policy of the Company that no director, officer or other employee of the Company who is aware of material nonpublic information relating to the Company may, directly or through family members or other persons or entities:

- Buy or sell securities of the Company (other than pursuant to a written trading plan that complies with SEC Rule 10b5-1 and is pre-approved by the General Counsel (see *Trading Plans* below) or engage in any other action to take personal advantage of that information; or
- Pass that information to others outside the Company, including family and friends.

In addition, it is the policy of the Company that no director, officer or other employee of the Company who, in the course of working for the Company, learns of material nonpublic information about a company with which the Company does business, including a customer

or supplier of the Company, may trade in that company's securities until the information becomes public or is no longer material.

Transactions that may be necessary or justifiable for independent reasons (such as the need to raise money for an emergency expenditure) are not excepted from the policy. Securities laws do not recognize such mitigating circumstances and, in any event, even the appearance of an improper transaction must be avoided to preserve the Company's reputation for adhering to the highest standards of conduct.

Disclosure of Information to Others. The Company is required under Regulation FD of the federal securities laws to avoid the selective disclosure of material nonpublic information. The Company has established procedures for releasing material information in a manner that is designed to achieve broad public dissemination of the information immediately upon its release. (See the Company's Disclosure Policy.) You may not, therefore, disclose information to anyone outside the Company, including family members and friends, other than in accordance with those procedures. You also may not discuss the Company or its business in an Internet "chat room" or similar internet-based forum.

Material Information. Material information is any information that a reasonable investor would consider important in making a decision to buy, hold, or sell securities. Even if the information by itself would not change an investor's investment decision, it is still material if the investor would consider the information important in altering the "total mix" of information about the Company. Any information that could be expected to affect the Company's stock price, whether it is positive or negative, should be considered material. Some examples of information that ordinarily would be regarded as material are:

- Projections of future earnings or losses or other earnings guidance;
- Earnings that are inconsistent with the consensus expectations of the investment community;
- A pending or proposed merger, acquisition or tender offer;
- A pending or proposed acquisition or disposition of a significant asset;
- A change in dividend policy, the declaration of a stock split or the offering, purchase or redemption of Company securities;
- A change in management;
- Development of a significant new product or process;
- Impending bankruptcy or the existence of severe liquidity problems;
- The gain or loss of a significant customer or supplier;
- Significant litigation; and
- Changes in pricing.

Twenty-Twenty Hindsight. The above list is not exhaustive. Materiality is determined based upon all the facts and circumstances surrounding the particular information. Remember, anyone scrutinizing your transactions will be doing so after the fact, with the benefit of hindsight. As a practical matter, before engaging in any transaction, you should carefully consider how enforcement authorities and others might view the transaction in hindsight.

When Information is "Public." If you are aware of material nonpublic information, you may not trade until the information has been disclosed broadly to the marketplace (such as by press release or SEC filing) and the investing public has had time to absorb the information fully. ***To avoid the appearance of impropriety, as a general rule, information should not be considered fully absorbed by the marketplace until after the second business***

day that the information is released. If, for example, the Company were to make an announcement on a Monday, you should not trade in the Company's securities until Thursday. If an announcement were made on a Friday, Wednesday generally would be the first eligible trading day.

Safeguarding Material Nonpublic Information. If you have access to material nonpublic information, you must be careful with it, both inside and outside of the office.

- Do not discuss material, nonpublic information in public -- not even in a public setting on the Company's premises.
- Do not discuss material nonpublic information on cellular or wireless telephones. These are open airways that can be overheard, deliberately or inadvertently.
- Do not discuss material nonpublic information in Internet chat rooms or message boards and do not post it on Internet Web sites.
- Do not send material nonpublic information by e-mail to anyone, except other directors and employees who need such information to do their work.
- Do not discuss material nonpublic information with friends and family. Even seemingly inadvertent releases of this information can expose the Company, you and your family and friends to civil and criminal penalties. Keep in mind that your friends and family may not fully understand the consequences of disclosing or using material nonpublic information.
- Do not comment on the price or value of Company securities or encourage anyone to buy, sell or hold Company securities.
- Be careful when you are working with written material containing material nonpublic information in public settings, including on public transportation.

Transactions by Family Members. The insider trading policy also applies to family members who reside with you, anyone who lives in your household and any family members who do not live in your household but whose transactions in the Company's securities are directed by you or are subject to your influence or control (such as parents or children who consult with you before they trade in Company securities). You are responsible for the transactions of these other persons and, therefore, should make them aware of the need to confer with you before they trade in the Company's securities.

Transactions Under Company Plans

Stock Option Exercises. The Company's insider trading policy does not apply to the exercise of an employee stock option, or to the exercise of a tax withholding right pursuant to which you elect to have the Company withhold shares subject to an option to satisfy tax withholding requirements. The policy does apply, however, to any sale of stock as part of a broker-assisted cashless exercise of an option, or any other market sale for the purpose of generating the cash needed to pay the exercise price of an option.

Employee Stock Purchase Plan. The Company's insider trading policy does not apply to purchases of Company stock in the employee stock purchase plan resulting from your periodic contribution of money to the plan pursuant to the election you made at the time of your enrollment in the plan. The policy also does not apply to purchases of Company stock resulting from lump sum contributions to the plan, provided that you elected to participate by lump sum payment at the beginning of the applicable enrollment period. The policy does

apply to your election to participate in the plan for any enrollment period and to your sale of Company stock purchased pursuant to the plan.

Additional Prohibited Transactions

The Company considers it improper and inappropriate for any director, officer or other employee of the Company to engage in short-term or speculative transactions in the Company's securities. Therefore, it is the Company's policy that directors, officers and other employees may not engage in any of the following transactions:

Short Sales. Short sales of the Company's securities evidence an expectation on the part of the seller that the securities will decline in value and, therefore, signal to the market that the seller has no confidence in the Company or its short-term prospects. In addition, short sales may reduce the seller's incentive to improve the Company's performance. For these reasons, short sales of the Company's securities are prohibited by this Policy Statement. In addition, Section 16(c) of the Exchange Act prohibits directors and officers from engaging in short sales.

Publicly Traded Options. A transaction in options is, in effect, a bet on the short-term movement of the Company's stock and, therefore, creates the appearance that the director, officer or employee is trading based on inside information. Transactions in options also may focus the attention of directors, officers or employees on short-term performance at the expense of the Company's long-term objectives. Accordingly, transactions in puts, calls or other derivative securities on an exchange or in any other organized market are prohibited by this Policy Statement.

Hedging Transactions. Certain forms of hedging or monetization transactions, such as zero-cost collars and forward sale contracts, allow an employee to lock in much of the value of his or her stock holdings, often in exchange for all or part of the potential for upside appreciation in the stock. These transactions allow the director, officer or employee to continue to own the covered securities, but without the full risks and rewards of ownership. When that occurs, the director, officer or employee may no longer have the same objectives as the Company's other shareholders. Accordingly, hedging and monetization transactions are prohibited by this Policy Statement.

Trading Plans. Notwithstanding the prohibition against insider trading, Rule 10b5-1 and Company policy permit directors, officers and employees in possession of material nonpublic information to transact in the Company's securities regardless of their awareness of inside information if the transaction is made pursuant to a prearranged trading plan ("Trading Plans") that was entered into when the individual was not in possession of material nonpublic information. Company policy requires Trading Plans to be written and to specify the amount of, date on and price at which the securities are to be traded or establish a formula for determining such items. A director, officer or employee who wishes to enter into a Trading Plan must submit the Trading Plan to Rebecca C. Reed, Senior Counsel and Chief Compliance Officer, for approval prior to the adoption of the Trading Plan. Trading Plans may not be adopted during blackout periods or when the director, officer or employee is in possession of material nonpublic information about the Company. A director, officer or employee may amend or replace his or her Trading Plan only during periods when trading is permitted in accordance with this Policy Statement.

Post-Termination Transactions. The Policy Statement continues to apply to your transactions in Company securities even after you have terminated employment. If you are in possession of material nonpublic information when your employment terminates, you may not trade in Company securities until that information has become public or is no longer material.

Company Assistance. Any person who has a question about this Policy Statement or its application to any proposed transaction may obtain additional guidance from Rebecca Reed, Senior Counsel and Chief Compliance Officer, whose telephone number is 502-636-4429. Ultimately, however, the responsibility for adhering to this Policy Statement and avoiding unlawful transactions rests with the individual employee.

Certifications. All employees must certify their understanding of and intent to comply with this Policy Statement.

CERTIFICATION

I certify that:

1. I have read and understand the Company's Statement of Policy -- Securities Trades by Company Personnel dated as of June 7, 2006, and the Pre-Clearance Procedures and Blackout Periods for Officers and Key Employees (collectively, the "insider trading policy"). I understand that the Senior Vice President, Senior Counsel and Chief Compliance Officer is available to answer any questions I have regarding the insider trading policy.
2. Since such period of time that I have been a director, officer or key employee of the Company, I have complied with the insider trading policy.
3. I will continue to comply with the insider trading policy for as long as I am subject to the policy.

Signature: _____

Print name: _____

Date: _____