

CHURCHILL DOWNS INCORPORATED

AUDIT COMMITTEE CHARTER

Rev. February 23, 2016

Purpose

The Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Churchill Downs Incorporated (the “Company”) shall assist the Board in overseeing (1) the integrity of the financial statements of the Company; (2) the systems of internal controls over financial reporting which management has established; (3) the independence and performance of the Company’s internal and independent auditors; (4) the Company’s compliance with financial, accounting, legal and regulatory requirements; (5) the effectiveness of the Enterprise Risk Management (“ERM”) function; and (6) and reporting and other responsibilities as defined in this document.

Authority

The audit committee has the authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Appoint, compensate, and oversee the work of the independent public accounting firm employed by the organization.
- Resolve disagreements between management and the auditor regarding financial reporting.
- Pre-approve all audit and non-audit services. The Committee may delegate preapproval authority to a member, provided that decisions of such member shall be presented to the full Committee at its next scheduled meeting.
- Retain independent counsel, accountants, or others to advise the committee or assist in the proceedings of an investigation.
- Seek any information it requires from employees - all of whom are directed to cooperate with the committee’s requests - or external parties.
- Meet with company officers, external auditors, or outside counsel, as necessary.

Composition

Members of the Committee will be appointed by the Board and shall be independent of management and the Company, as defined by the listing requirements of Securities and Exchange Commission (“SEC”) and the rules of the NASDAQ Stock Market. The Committee shall be comprised of not less than three (3) Directors, each of whom, as determined by the Board, shall be financially literate. In addition, one member of the Committee shall be designated as a “financial expert” as defined by the SEC.

Meetings

The Committee shall meet at least four (4) times per year, in conjunction with the filing of the quarterly Form 10Q's and annual filing of the Form 10K. All committee members are expected to attend each meeting, in person or via teleconference. These meetings may be combined with regularly scheduled meetings, or more frequently as circumstances may require. The Committee may ask members of management or others to attend the meetings and provide pertinent information as necessary. In addition, the Committee will hold private meetings with auditors and executive sessions.

A quorum of Committee members shall be present at any meeting at which final action or approval is to be taken or made. A majority of the total number of members then currently on the Committee shall constitute a quorum of the Committee for purposes of each meeting. All actions of the Committee shall be taken by a majority vote of the quorum of members present at the meeting in person or by telephone or other means of remote communication approved by the Committee chairperson.

Responsibilities

It is the overriding responsibility of the Committee to oversee management, the independent auditors and the internal auditors. It is the responsibility of management to ensure that adequate internal controls over financial reporting are in place and that the financial reports are completed in conformity with accounting principles generally accepted in the United States of America ("GAAP"). In carrying out its role of oversight, the Committee has the following responsibilities:

Financial Statements

- Review with management and the independent auditors significant accounting and reporting issues, complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand the impact on the financial statements.
- Review with management and the independent auditors any serious difficulties or disputes with management encountered during the audit.
- Review the interim and annual financial statements and related footnotes, and consider whether these items are complete, consistent with information known to the committee members and reflect appropriate accounting principles.
- Review with management and the independent auditors matters which are required to be discussed by Public Company Accounting Oversight Board ("PCAOB") Auditing Standard ("AS") 16 *Communications with Audit Committees*.

- Oversee the preparation, review and approve the annual report of the Committee as required by the rules of the SEC. Include in the annual Proxy Statement for the Company a report of the Committee in accordance with the Proxy Rules promulgated by the SEC.
- Inquire of the CEO and CFO regarding the “quality of earnings” of the Company from a subjective as well as an objective standpoint.
- Review and approve related-party transactions.

Internal Control

- Consider the effectiveness of the company’s internal control system including information technology security and control.
- Understand the scope of internal and external auditors’ review of internal control over financial reporting, and obtain reports on significant findings, recommendations and management’s responses.

Internal Audit

- Review the internal audit charter.
- Approve decisions regarding the appointment and removal of the chief audit executive. Ensure there are no unjustified restrictions or limitations and review and concur in the appointment, replacement or dismissal of the chief audit executive.
- Approve the annual audit plan and all major changes to the plan. Review internal audit’s performance relative to its plan.
- Review the internal audit budget, resource plan, activities and organizational structure of the internal audit function with the chief audit executive.
- At least once per year, review the performance of the chief audit executive and concur with the annual compensation and salary adjustment.
- Review the effectiveness of the internal audit function including conformance with The Institute of Internal Auditors' the Definition of Internal Auditing, Code of Ethics and the International Standards for Professional Practice of Internal Auditing.
- On a regular basis, meet separately with the chief audit executive to discuss any matters that the committee or internal audit believes should be discussed privately.

External Audit

- Review the independent auditor's proposed audit scope and approach including coordination of audit efforts with internal audit.
- Review and evaluate the performance of the independent auditors and review with the full Board any proposed discharge of the independent auditors.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the Company including non-audit services, and by discussing the relationships with the auditors.
- At least annually, obtain and review a report by the independent auditor describing the firm's internal quality-control procedures. Additionally, review any material issues raised by the most recent internal quality-control review or peer review of the firm or any inquiry or investigation by governmental or professional authorities, within the past five years, and any steps taken to deal with any such issues.
- Ascertain that the lead (or concurring) audit partner from any public accounting firms performing audit services serves in that capacity for no more than five consecutive fiscal years of the Company.

Compliance

- Oversee the operations and effectiveness of the Company's compliance program as it relates to compliance with SEC, state gaming and other legal requirements
- Oversee compliance with the Company's Anti-Money Laundering policies and procedures.
- Review with General Counsel and internal audit any legal and regulatory matters that, in the opinion of management, may have a material impact on the financial statements, related company compliance policies and programs and reports received from regulators.
- Periodically review the Company's Code of Conduct to ensure that it is adequate and up-to-date. Review with internal audit and General Counsel the results of their review of the monitoring of compliance with the Company's Code of Conduct.
- Review procedures for the confidential, anonymous submission (by internal or external parties) and the receipt, retention, and treatment of complaints received by the Company regarding suspected fraud, questionable accounting or auditing matters, and internal control issues. Review any submissions that have been received, the current status and the resolution if one has been reached.

Enterprise Risk Management (“ERM”)

- Assist the Board in overseeing the Company’s ERM process including providing input with regards to the risk identification and monitoring process.
- Review with management significant financial and other risk exposures and the steps management has taken to prevent, detect and monitor such exposures.

Reporting and Other Responsibilities

- Regularly report to the Board about Committee activities, issues and related recommendations.
- Annually prepare a report to the shareholders, describing the Committee’s composition, responsibilities and how those responsibilities were discharged. The report should include a statement that the Committee has:
 - reviewed and discussed the audited financial statements with management;
 - discussed with the independent auditors the matters required by the PCAOB;
 - reviewed the written disclosure from the independent auditors regarding their independence; and
 - recommended to the Board that the audited financial statements be filed with the SEC.
- Conduct executive sessions with the independent auditors, CEO, CFO, internal auditors, General Counsel and anyone else as desired by the Committee.
- Review the Committee’s charter annually, reassess the adequacy of the charter and recommend any proposed changes to the Board. Consider changes that are necessary as a result of new laws or regulations.
- Annually undertake an evaluation of the Committee’s effectiveness. The performance evaluation shall be conducted in such a manner as the Committee deems appropriate. The results of the assessment including any recommendations shall be reported to the Board.
- The Committee will perform such other functions as assigned by law, the Company’s charter or bylaws, or the Board.