

CHURCHILL DOWNS Inc  
Form DEF 14A  
March 16, 2017

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

(Rule 14a-101)

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a)**

**of the Securities Exchange Act of 1934**

(Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement  
Definitive Proxy Statement  
Definitive Additional Materials  
Soliciting Material Pursuant to §240.14a-12

**Confidential, for Use of the Commission Only (as permitted by  
Rule 14a-6(e)(2))**

**CHURCHILL DOWNS INCORPORATED**

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.



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CHURCHILL DOWNS INCORPORATED

600 N. HURSTBOURNE PARKWAY, STE. 400

LOUISVILLE, KENTUCKY 40222

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON APRIL 25, 2017**

*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 Four Seasons Hotel Miami, located at 1435 Brickell Avenue, Miami, Florida 33131, on Tuesday, April 25, 2017, at 9:00 a.m. Eastern Daylight Savings Time, for the following purposes:

- I. To elect the two (2) Class III 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 2017 (Proposal No. 2);
- III. To approve the performance goals used for performance-based awards under the Churchill Downs Incorporated Executive Annual Incentive Plan (Proposal No. 3);
- IV. To conduct an advisory vote on executive compensation (Proposal No. 4);
- V. To conduct an advisory vote on the frequency of holding future advisory votes 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 March 2, 2017, 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 vote by telephone or over the Internet, or by requesting and promptly signing and returning a Proxy Card.

By Order of the Board of Directors.

BRADLEY K. BLACKWELL

*Senior Vice President,*

*General Counsel and Secretary*

March 16, 2017

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE  
ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 25, 2017**

The Company's Proxy Statement for the 2017 Annual Meeting of Shareholders and the Annual Report to Shareholders for the fiscal year ended December 31, 2016 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 25, 2017**

The Board of Directors (the Board of Directors or Board ) of Churchill Downs Incorporated ( Company, CDI, or CHDN ) is soliciting proxies to be voted at the 2017 Annual Meeting of Shareholders to be held on Tuesday, April 25, 2017, at 9:00 a.m. Eastern Daylight Saving Time (the Annual Meeting ), at the **Four Seasons Hotel Miami, 1435 Brickell Avenue, Miami, Florida 33131**, and any adjournments thereof. Certain officers and directors of the Company and persons acting under their instruction may 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 Notice of Internet Availability of Proxy Materials (the Notice ) was first mailed on or about March 16, 2017.

*Voting Rights*

Only holders of record of the Company's Common Stock, no par value ( Common Stock ), on March 2, 2017, are entitled to notice of and to vote at the Annual Meeting. On that date, **16,430,884** 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.

Whether or not you plan to attend the meeting in person, to ensure the presence of a quorum, please vote over the Internet or by telephone as instructed in these materials as promptly as possible. 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 two 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 2017; (iii) for the approval of the performance goals used for performance-based awards under the Churchill Downs Incorporated Executive Annual Incentive Plan; (iv) 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; (v) for the advisory approval of once every year as the preferred frequency for advisory votes on executive compensation; 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 Tuesday, April 25, 2017 at 9:00 a.m., Eastern Daylight Saving Time, at the Four Seasons Hotel Miami, located at 1435 Brickell Avenue, Miami, Florida 33131.

#### *How are we distributing our proxy materials?*

In accordance with the rules and regulations adopted by the SEC, instead of mailing a printed copy of our proxy materials to each shareholder of record (the "full set delivery" option), we are furnishing proxy materials to our shareholders over the Internet (the "notice only" option). 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. Although the Company has previously used the "full set delivery" option, we believe the "notice only" process expedites shareholders' receipt of proxy materials and reduces the costs and environmental impact of our Annual Meeting. On March 16, 2017, we began mailing a Notice to our shareholders containing instructions on how to access this Proxy Statement and our 2016 Annual Report on Form 10-K and vote online, as well as instructions on how to receive paper copies of these documents for shareholders who so select. This Proxy Statement and the 2016 Annual Report 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 Thursday, March 2, 2017 (the "Record Date"). On that date, 16,430,884 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 two (2) Class III 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 2017 (Proposal No. 2);
3. To approve the performance goals used for performance-based awards under the Churchill Downs Incorporated Executive Annual Incentive Plan (Proposal No. 3);
4. 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. 4); and
5. To conduct an advisory vote on the frequency of holding future advisory votes on executive compensation (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 two (2) 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 2017.
3. **FOR** the proposal to approve the performance goals used for performance-based awards under the Churchill Downs Incorporated Executive Annual Incentive Plan.
3. **FOR** the proposal to approve, on a non-binding advisory basis, executive compensation.
4. **FOR** the proposal to conduct an advisory vote once every year to approve the 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.proxypush.com/chdn](http://www.proxypush.com/chdn). 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 24,



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2017. When you access the website, follow the instructions to create an electronic voting instruction form.

**By Submitting a Proxy by Telephone.** To submit a proxy using the telephone, call 1-866-284-6863 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 24, 2017.

**By Submitting a Proxy by Mail.** If you have requested and received a proxy card by mail, mark your proxy card, sign and date it, and return it in the prepaid envelope that was provided or return it to: Proxy Tabulator for Churchill Downs Incorporated, P.O. Box 8016, Cary, North Carolina 27512-9903. To be valid, your proxy by mail must be received by 11:59 p.m., Eastern Daylight Saving Time, on April 24, 2017.

**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 24, 2017;

Executing and mailing a later-dated proxy card that is received prior to 11:59 p.m., Eastern Daylight Saving Time, on April 24, 2017; or

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 11:59 p.m., Eastern Daylight Saving Time, on April 24, 2017;

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 11:59 p.m., Eastern Daylight Saving Time, on April 24, 2017; or

Voting in person at the Annual Meeting.

### Security Ownership of Certain Beneficial

#### Owners and Management

The following table sets forth information as of March 2, 2017 (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 **16,430,884** shares of Common Stock outstanding as of March 2, 2017. 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
CDI Holdings LLC	2,003,373	12.19
845 Larch Avenue		
Elmhurst, IL 60126		
Three Bays Capital LP and affiliates	1,540,627 <sup>(1)</sup>	9.38
222 Berkeley Street, 19th Floor		
Boston, MA 02116		
BlackRock, Inc. and affiliates	1,248,323 <sup>(2)</sup>	7.60
55 East 52nd Street		
New York, NY 10055		
The Vanguard Group, Inc. and affiliates	1,024,018 <sup>(3)</sup>	6.23
100 Vanguard Blvd.		
Malvern, PA 19355		
Ulysses L. Bridgeman, Jr.	4,040 <sup>(4)</sup>	*
Craig J. Duchossois	2,036,596 <sup>(5)</sup>	12.39
Richard L. Duchossois	2,176,592 <sup>(6)</sup>	13.25
Robert L. Evans	128,217 <sup>(7)</sup>	0.78
Robert L. Fealy	14,887 <sup>(8)</sup>	*
Aditi J. Gokhale	1,543 <sup>(9)</sup>	*
Daniel P. Harrington	247,223 <sup>(10)</sup>	1.50
G. Watts Humphrey, Jr.	55,676 <sup>(11)</sup>	0.34
R. Alex Rankin	9,476 <sup>(12)</sup>	*
William C. Carstanjen	123,552 <sup>(13)</sup>	0.75
William E. Mudd	72,961 <sup>(14)</sup>	0.44
Marcia A. Dall	2,910 <sup>(15)</sup>	*
Paul J. Thelen	159,583 <sup>(16)</sup>	0.97
13 Directors and Executive Officers as a Group	3,029,883 <sup>(17)</sup>	18.44

\* Less than 0.1%

- (1) Three Bays Capital LP and its affiliates own beneficial interest of 9.38%. The 9.38% 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) BlackRock, Inc. and its affiliates own beneficial interest of 7.60%. The 7.60% is held by the following: (a) BlackRock (Netherlands) B.V., (b) BlackRock Advisors, LLC, (c) BlackRock Asset Management Canada Limited, (d) BlackRock Asset Management Ireland Limited, (e) BlackRock Asset Management Schweiz AG, (f) BlackRock Financial Management, Inc., (g) BlackRock Fund Advisors, (h) BlackRock Institutional Trust Company, N.A., (i) BlackRock Investment Management (Australia) Limited, (j) BlackRock Investment Management (UK) Ltd, (k) BlackRock Investment Management, LLC. All are related entities.
- (3) The Vanguard Group, Inc. and its subsidiaries and affiliates own beneficial interest of 6.23%. The 6.23% 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.
- (4) Includes 1,157 deferred stock units, which Mr. Bridgeman has elected to defer pursuant to the Company's deferred compensation plan. Also includes 2,883 restricted shares, over which Mr. Bridgeman has neither voting nor dispositive power until immediately following his resignation or retirement from the Board, awarded by the Company for his board service.
- (5) 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 CDI Holdings, LLC, a wholly-owned subsidiary of The Duchossois Group, Inc., and 3,373 shares owned by The Chamberlain 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, 2,003,373 shares are also listed as beneficially owned by Mr. Richard L. Duchossois. Figure illustrated includes 10,901 deferred stock units, which Mr. Craig J. Duchossois has elected to defer pursuant to the Company's deferred compensation plan. Also includes 4,676 restricted shares, over which Mr. Craig J. Duchossois has neither voting nor dispositive power until immediately following his resignation or retirement from the Board, awarded by the Company for his board service.
- (6) 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 CDI Holdings, LLC, a wholly-owned subsidiary of The Duchossois Group, Inc., and 3,373 shares owned by The Chamberlain Group, Inc. Mr. Richard L. Duchossois also shares voting and investment power with respect to 165,947 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, 2,003,373 shares are also listed as beneficially owned by Mr. Craig J. Duchossois. Figure illustrated includes 2,596 deferred stock units, which Mr. Duchossois has elected to defer pursuant to the Company's deferred compensation plan. Also includes 4,676 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.
- (7) Includes 874 restricted shares, over which Mr. Evans has neither voting nor dispositive power until immediately following his resignation or retirement from the Board, awarded by the Company for his board service.
- (8) Includes 10,211 deferred stock units, which Mr. Fealy has elected to defer pursuant to the Company's deferred compensation plan. Also includes 4,676 restricted shares, over which Mr. Fealy has neither voting nor dispositive power until immediately following his resignation or retirement from the Board, awarded by the Company for his board service.
- (9) Includes 1,543 restricted shares, over which Ms. Gokhale has neither voting nor dispositive power until immediately following her resignation or retirement from the Board.

- (10) Mr. Harrington shares voting and investment power with respect to 233,300 shares held by TVI Corp. He specifically disclaims beneficial ownership of these shares. Figure illustrated includes 9,247 deferred stock units, which Mr. Harrington has elected to defer pursuant to the Company's deferred compensation plan. Also includes 4,676 restricted shares, over which Mr. Harrington has neither voting nor dispositive power until immediately following his resignation or retirement from the Board, awarded by the Company for his board service.
- (11) Includes 4,676 restricted shares, over which Mr. Humphrey has neither voting nor dispositive power until immediately following his resignation or retirement from the Board, awarded by the Company for his board service.
- (12) Includes 4,676 restricted shares, over which Mr. Rankin has neither voting nor dispositive power until immediately following his resignation or retirement from the Board, awarded by the Company for his board service.
- (13) Excludes 20,000 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, 2017, at which time the 20,000 shares shall vest without restriction. Excludes 13,555 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, 2017, at which time 9,743 units shall vest without restriction, and December 31, 2018, at which time the remaining 3,812 units shall vest without restriction. Excludes 12,897 restricted stock units, tied to Mr. Carstanjen's continued service to the Company, awarded under the Company's 2016 Omnibus Stock Incentive Plan over which Mr. Carstanjen has neither voting nor dispositive power until December 31, 2017, at which time 4,299 units shall vest without restriction, December 31, 2018, at which time 4,299 units shall vest without restriction, and December 31, 2019, at which time the remaining 4,299 units shall vest without restriction. Excludes 36,194 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, at which time the performance period ends with regard to 11,862 performance stock units, December 31, 2018, at which time the performance period ends with regard to 11,437 performance stock units, and December 31, 2019, at which time the performance period ends with regard to 12,895 performance stock units.
- (14) Excludes 15,000 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, 2017, at which time the 15,000 shares shall vest without restriction. Excludes 5,874 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, 2017, at which time 4,222 units shall vest without restriction, and December 31, 2018, at which time the remaining 1,652 units shall vest without restriction. Excludes 5,481 restricted stock units, tied to Mr. Mudd's continued service, awarded under the Company's 2016 Omnibus Stock Incentive Plan over which Mr. Mudd has neither voting nor dispositive power until December 31, 2017, at which time 1,827 units shall vest without restriction, December 31, 2018, at which time 1,827 units shall vest without restriction, and December 31, 2019, at which time the remaining 1,827 units shall vest without restriction. Excludes 15,577 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, at which time the performance period ends with regard to 5,140 performance stock units, December 31, 2018, at which time the performance period ends with regard to 4,956 performance stock units, and December 31, 2019, at which time the performance period ends with regard to 5,481 performance stock units.
- (15) Excludes 3,667 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, 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. Excludes 2,218 restricted stock units, tied to

Ms. Dall's continued service, awarded under the Company's 2007 Omnibus Stock Incentive Plan over which Ms. Dall has neither voting nor dispositive power until December 31, 2017, at which time 1,109 units shall vest without restriction, and December 31, 2018, at which time the remaining 1,109 units shall vest without restriction. Excludes 3,387 restricted stock units, tied to Ms. Dall's continued service, awarded under the Company's 2016 Omnibus Stock Incentive Plan over which Ms. Dall has neither voting nor dispositive power until December 31, 2017, at which time 1,129 units shall vest without restriction, December 31, 2018, at which time 1,129 units shall vest without restriction, and December 31, 2019, at which time the remaining 1,129 units shall vest without restriction. Excludes 6,713 performance stock units awarded under the Company's executive long term incentive compensation plan over which Ms. Dall has neither voting nor dispositive power until December 31, 2018, at which time the performance period ends with regard to 3,328 performance stock units, and December 31, 2019, at which time the performance period ends with regard to 3,385 performance stock units.

- (16) Excludes 5,874 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, 2017, at which time the 4,222 shares shall vest without restriction, and December 31, 2018, at which time the remaining 1,652 shares shall vest without restriction. Excludes 3,354 restricted stock units, tied to Mr. Thelen's continued service, awarded under the Company's 2016 Omnibus Stock Incentive Plan over which Mr. Thelen has neither voting nor dispositive power until December 31, 2017, at which time the 1,118 shares shall vest without restriction, December 31, 2018, at which time 1,118 shares shall vest without restriction, and December 31, 2019, at which time the remaining 1,118 shares shall vest without restriction. Excludes 26,898 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, at which time the performance period ends with regard to 10,280 performance stock units, December 31, 2018, at which time the performance period ends with regard to 9,912 performance stock units, and December 31, 2019, at which time the performance period ends with regard to 6,706 performance stock units.
- (17) 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.

<b>Name and Age</b>	<b>Position(s) With Company and Term of Office</b>
William C. Carstanjen <sup>(1)</sup> 49	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 <sup>(2)</sup> 45	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 <sup>(3)</sup> 53	Executive Vice President and Chief Financial Officer since October 2015
Paul J. Thelen <sup>(4)</sup> 49	President, Big Fish Games since December 2014

- (1) Prior to joining the Company, Mr. Carstanjen was employed at General Electric Company ( GE ). 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 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. Ms. Dall is a Certified Public Accountant.
- (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 two (2) persons identified below to serve in Class III of the Board of Directors and to hold office for a term of three (3) years expiring at the 2020 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 (3) year term. Currently the Board of Directors is comprised of ten (10) directors, with three (3) directors in Class I, four (4) directors in Class II and three (3) directors in Class III. The Company has a mandatory retirement age policy in the Corporate Governance Guidelines 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. No directors in Class III will have met the mandatory retirement age at the Annual Meeting.

The Nominating and Governance Committee has recommended, and the Board has approved, the nomination of the two (2) persons named in the following table for election as directors in Class III. The nominees currently serve as members of Class III and have agreed to serve if re-elected. Ms. Gokhale is not standing for election as a director at the Annual Meeting. The Board is currently in the process of identifying a director to fill the vacancy that will be created in Class III.

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 III.

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 III DIRECTORS NAMED BELOW.



*Election of Directors*

The following table sets forth information relating to the Class III 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 2020 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**

**Principal Occupation<sup>(1)</sup>**

**Company**

**and Certain Directorships<sup>(2)</sup>**

**Class III Nominated for Terms Expiring in 2020**

Robert L. Fealy  65  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; Immediate Past Chairman and Founding Board Member, Illinois Venture Capital Association; Director, Illinois Venture Capital Association PAC; Entrepreneurial Partner and Advisor, Chicago Ventures; Chairman of the Board of Trustees, University of Cincinnati Foundation; Member, University of Cincinnati Business Advisory Council; Chairman, Chicago Children s Choir; Trustee and Co-Chair of the Capital Campaign of The Morton Arboretum; Partner, Social Venture Partners; Co-Founder, Live Grit LLC; and Co-Founder, Aluminate, Inc.
Daniel P. Harrington  61  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) Except as noted with respect to Mr. Fealy, 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 directors, other directorships or positions considered significant by them.

The Board of Directors has no reason to believe that any of 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 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 II and Class I 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<sup>(1)</sup>****and Certain Directorships<sup>(2)</sup>****Class II Terms Expiring in 2019**

<p>William C. Carstanjen</p> <p>49</p> <p>Director since 2015</p>	<p>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 &amp; 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.</p>
<p>Ulysses L. Bridgeman, Jr.</p> <p>63</p> <p>Director since 2012</p>	<p>Mr. Bridgeman is the owner and President of Manna, Inc. and ERJ Inc. which currently oversee the administration and operation of 123 Chili's Restaurants in ten states, and 260 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 &amp; 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 the West End School; the James Graham Brown Foundation; the Naismith Basketball Hall of Fame; and the Meijer Board. He is a Past Chairman and current member of the Board of Trustees at the University of Louisville. He served as Past Chairman of the Board of the Louisville Free Public Library, and has previously served as a Director for the Board of Directors of Fifth Third Bank as well as the PGA Foundation.</p>

**Name, Age and**

**Positions with**

**Principal Occupation<sup>(1)</sup>**

**Company**

**and Certain Directorships<sup>(2)</sup>**

Richard L. Duchossois

95

Director since 2000

Mr. Duchossois is the founder and former 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 Duchossois Group, Inc.

R. Alex Rankin

61

Director since 2008

Mr. Rankin is the Chairman of the Board of Sterling G. Thompson Company, LLC (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). He is also a Director of Glenview Trust Company and a member of The Jockey Club. 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.

Name, Age and

Positions with

Principal Occupation<sup>(1)</sup>

Company

and Certain Directorships<sup>(2)</sup>**Class I Terms Expiring in 2018**

Craig J. Duchossois

72

Director since 2000

Mr. Duchossois serves as the Chairman and Chief Executive Officer 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; 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

64

Director since 2006

Mr. Evans served as the non-executive Chairman of the Board of the Company from September 2015 to July 2016. 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**

**Principal Occupation<sup>(1)</sup>**

**Company**

**and Certain Directorships<sup>(2)</sup>**

G. Watts Humphrey, Jr.

72

Director since 1995

Mr. Humphrey was named Chairman of the Board of Directors of the Company in July 2016. 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 the Independent Chairman 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.

*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 may 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, James F. McDonald, Thomas H. Meeker, Carl F. Pollard, and Darrell R. Wells.

Director Compensation for Fiscal Year Ended December 31, 2016

Members of the Board of Directors received an increase in retainer and meeting fees, as well as stock awards, approved and effective at the April 27, 2016 meeting of the Board of Directors. Beginning on April 27, 2016, each non-employee director receives the following compensation (all fees shown are annual fees, except for meeting fees):

	Retainer Fee	Meeting Fees**	Stock Awards	Chairman Fee	Non-Chairman Fee
Board of Directors	\$ 60,000	\$ 2,000	\$ 125,000*		
Compensation Committee		\$ 2,000		\$ 25,000	\$ 12,500
Nominating and Governance Committee		\$ 2,000		\$ 20,000	\$ 10,000
Audit Committee		\$ 2,000		\$ 35,000	\$ 15,000

\* Each non-employee director receives a grant of restricted share units, with an aggregate grant date fair value of \$125,000.

\*\* Directors who do not reside in Louisville may request reimbursement for their travel expenses.

In 2016, we provided the following compensation to our non-employee directors:

Name	Fees earned or paid in cash (\$)	Stock Awards (\$) <sup>(3)</sup>	Total (\$)
Ulysses L. Bridgeman, Jr.	77,016 <sup>(1)</sup>	125,000	202,016
Craig J. Duchossois	80,206 <sup>(1)</sup>	125,000	205,206
Richard L. Duchossois	77,016 <sup>(1)</sup>	125,000	202,016
Robert L. Evans	52,258 <sup>(2)</sup>	125,000	177,258
Robert L. Fealy	80,275 <sup>(1)</sup>	125,000	205,275
Aditi J. Gokhale	82,396 <sup>(1)</sup>	125,000	207,396
Daniel P. Harrington	115,723 <sup>(1)</sup>	125,000	240,723
G. Watts Humphrey, Jr.	101,896	125,000	226,896
James F. McDonald	19,000	-0-	19,000 <sup>(4)</sup>
R. Alex Rankin	121,723	125,000	246,723

(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 2016, Mr. Craig J. Duchossois, Mr. Fealy, and Mr. Harrington deferred all of their 2016 directors' fees into a deferred share account under the plan. Ms. Gokhale deferred all of her 2016 directors' fees into a mutual fund account. Mr. Bridgeman deferred 50% of his 2016 directors' fees into a deferred share account under the plan. As of December 31, 2016, Mr. Fealy had 10,119 deferred shares, Mr. Craig Duchossois had 10,804 deferred shares, Mr. Richard Duchossois had 2,573 deferred shares, Mr. Harrington had 9,165 deferred shares, and Mr. Bridgeman had 1,146 deferred shares under the plan.

(2) Mr. Evans did not receive compensation as a member of the Board of Directors until April 1, 2016, six months following his retirement as an executive of the Company.

(3)

## Edgar Filing: CHURCHILL DOWNS Inc - Form DEF 14A

On April 27, 2016, each non-employee director received a grant of restricted stock units, valued in the amount of \$125,000, 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 did not receive a grant of restricted stock units in 2016 for his Board service due to his position in 2016 as an executive officer of the Company. As of December 31, 2016, Mr. Bridgeman had 2,858 restricted stock units, Mr. Craig Duchossois had 4,634 restricted stock units, Mr. Richard Duchossois had 4,634 restricted stock units, Mr. Evans had 867 restricted stock units, Mr. Fealy had 4,634 restricted stock units, Ms. Gokhale had 1,529 restricted stock units, Mr. Harrington had 4,634 restricted stock units, Mr. Humphrey had 4,634 restricted stock units, and Mr. Rankin had 4,634 restricted stock units.

(4) Mr. McDonald retired as a member of the Board of Directors on April 27, 2016.

*Share Ownership Guidelines*

As memorialized in the Corporate Governance 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 2017 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 <sup>(1)</sup>	Shares Owned <sup>(2)</sup>	Value of Shares <sup>(3)</sup>	Met Guidelines
Ulysses L. Bridgeman, Jr.	5x	4,004	\$ 602,401	
Craig J. Duchossois	5x	2,033,084	\$ 305,877,487	
Richard L. Duchossois	5x	2,173,154	\$ 326,951,019	
Robert L. Evans	5x	128,209	\$ 19,289,044	
Robert L. Fealy	5x	14,754	\$ 2,219,739	
Aditi J. Gokhale	5x	1,529	\$ 230,038	*
Daniel P. Harrington	5x	247,009	\$ 37,176,044	
G. Watts Humphrey, Jr.	5x	55,634	\$ 8,370,135	
R. Alex Rankin	5x	9,434	\$ 1,419,345	

= Met guidelines.

\* = Has not yet met guidelines.

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

(2) Calculated as of December 31, 2016 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) Fair market value based on CHDN closing stock price of \$150.45 as of December 30, 2016.



### 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*

G. Watts Humphrey, Jr. is the 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 executive sessions of the independent directors after each Board meeting, annual performance evaluations of the Chief Executive Officer by the independent directors, and separate roles for the Chief Executive Officer and Chairman of the Board of Directors.

#### *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.

#### *Board Meetings and Committees*

Five (5) meetings of the Board of Directors were held during the last fiscal year. All directors attended each of the five (5) meetings of the Board of Directors and the meetings of the committee(s) on which they served in 2016. 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 27, 2016.

The Board has determined that all of the directors of the Company who served during any part of the last completed fiscal year 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 2016.

Director Name	Board of Directors	Executive Committee	Audit Committee	Compensation Committee	Nominating and Governance Committee
Ulysses L. Bridgeman					
William C. Carstanjen					
Craig J. Duchossois					
Richard L. Duchossois					
Robert L. Evans					
Robert L. Fealy					Chairman
Aditi J. Gokhale					
Daniel P. Harrington			Chairman		
G. Watts Humphrey, Jr. <sup>(c)</sup>	Chairman	Chairman	«	«	«
R. Alex Rankin				Chairman	
<b>Number of meetings in 2016</b>	<b>5</b>	<b>0</b>	<b>4</b>	<b>3</b>	<b>2</b>

= Member

© = Chairman of the Board

« = Ex-officio Member

#### 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 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, Ulysses L. Bridgeman, Jr., Aditi J. Gokhale, 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 SEC.

Four (4) 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 SEC. 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 and may form and delegate authority to subcommittees when it deems appropriate. Furthermore, the Committee has a special Subcommittee comprised of two 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 Daniel P. Harrington and R. Alex Rankin.

During 2016, the Compensation Committee was composed of three (3) independent directors: R. Alex Rankin, who serves as Chairman, Craig J. Duchossois, and Daniel P. Harrington.

Three (3) meetings of the Compensation Committee were held during the last fiscal year. Members of management attended the meetings. The agenda for the meetings were determined by the Chairman of the Compensation Committee with management's input prior to the meetings.

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 other 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.

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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 2016 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 director or 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 Board of Directors or 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 2016, 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 Robert L. Fealy, who serves as Chairman, Ulysses L. Bridgeman Jr., Richard L. Duchossois, and R. Alex Rankin.

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 2017**

**(Proposal No. 2)**

On February 28, 2017, 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, 2017. 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 2017.

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 2017.

### **Independent Public Accountants**

#### *Audit Fees*

The audit fees incurred by the Company for services provided by PwC (i) for the year ended December 31, 2015, were \$2,000,700 and (ii) for the year ended December 31, 2016, were \$2,069,500. 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 2015 and 2016, 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 2015, were \$40,850, and (ii) in 2016, were \$48,082. 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 Inform, PwC's accounting research software, which amounted to \$3,750 in 2015 and \$3,600 in 2016. 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 2016.



**Proposal to Approve the Material Terms of the Performance Goals Used  
for Performance-Based Awards Under the  
Churchill Downs Incorporated Executive Annual Incentive Plan  
(Proposal No. 3)**

At the Annual Meeting, our shareholders will be asked to approve the material terms of the performance measures used for incentive compensation awarded under the Churchill Downs Incorporated Executive Annual Incentive Plan (the Plan), in accordance with Section 162(m) of the Internal Revenue Code (Section 162(m)). Our shareholders approved the Plan in 2012 and the Plan has been effective since January 1, 2013. Shareholders are being asked to approve the material terms of the performance measures under the Plan so that certain compensation paid under the Plan may qualify as performance-based compensation under Section 162(m), assuming other applicable regulatory requirements are satisfied. Shareholders are not being asked to approve an amendment to any provision of the Plan.

The Plan will allow the Plan Committee (as defined below) to utilize specified financial or operational measures (as more fully described below) when determining awards under the Plan. Section 162(m) limits the deduction for federal income tax purposes of compensation for the chief executive officer and the three other most highly compensated executive officers (other than the chief financial officer) as of the last day of a company's taxable year (collectively, the 162(m) covered employees) to \$1 million per year, unless such compensation qualifies as performance-based compensation under Section 162(m). Various requirements must be satisfied in order for compensation paid to the 162(m) covered employees to qualify as performance-based compensation within the meaning of Section 162(m). One such requirement is that the compensation must be paid based upon the attainment of performance measures established by a committee of board members, or a subcommittee thereof, meeting the definition of outside director as defined in Section 162(m). In addition, the measures established by such a committee must be based upon performance measures, the material terms of which are approved by the shareholders. Under Section 162(m), shareholder approval of the material terms of the performance measures must be obtained every five years.

We are accordingly requesting our shareholders to approve the material terms of the performance measures for the Plan in accordance with Section 162(m). If shareholders do not approve the material terms of the performance measures for the Plan in accordance with Section 162(m), then the Compensation Committee of the Board will re-evaluate the compensation program in order to continue to provide compensation to attract, retain and motivate its executive officers.

The following is a description of the material terms of the performance measures and certain other terms of the Plan. This description is qualified in its entirety by reference to the Plan, a copy of which has been included as Exhibit A to this Proxy Statement.

**Material Terms of the Performance Measures**

*Eligible Participants*

Under the terms of the Plan, executive officers of the Company are eligible to participate in the Plan. The Plan Committee, in its discretion, will approve the executive officers to whom awards may from time to time be granted under the Plan. As of March 16, 2017, four officers were eligible to participate in the Plan.

*Award Limits*

Under the terms of the Plan, the maximum performance-based bonus payable to any participant with respect to any one calendar year shall not exceed \$5,000,000.

*Performance Measures*

Under the Plan, the performance goals applicable to a particular award will be determined by the Plan Committee at the time of grant. To the extent necessary for an award to be qualified performance-based

compensation under Section 162(m), the performance measures will be based on one or more of the following business criteria (which may be determined by reference to the Company as a whole or by reference to any one or more of its subsidiaries, operating divisions or other operating units): stock price; total shareholder returns; sales or revenues (whether in general, by type of product or service or by type of customer); gross earnings; pre-tax income; operating income; earnings before interest and/or taxes; earnings before interest, taxes, depreciation, and/or amortization; operating cash flow; free cash flow; net income; earnings per share; return measures (including pre-tax or after-tax, before or after depreciation and amortization) relating to return on assets, capital, investment, equity, sales or revenue; economic profit; economic value added; cost reductions and savings; productivity; market share; wagering handle; customer attendance measures; customer or employee satisfaction; financial ratios as provided in credit agreements of the Company and its affiliates; working capital targets, including net working capital, inventory, accounts payable and accounts receivable measured in absolute terms or as turnover metrics (e.g., relative to sales or cost of goods sold, including number of days); completion of acquisitions of business or companies; completion of divestitures and asset sales; achievement of specified legislative or regulatory outcomes; completion of other material projects; or any combination of the preceding business criteria.

Each goal may be stated in absolute terms or may be expressed relative to performance in a specified prior period or to the performance of other specified enterprises. In addition, the Plan Committee may utilize as an additional performance measure (to the extent consistent with Section 162(m)) the attainment by a participant of one or more personal objectives and/or goals that the Plan Committee deems appropriate, including, but not limited to, implementation of Company policies, negotiation of significant corporate transactions, development of long-term business goals or strategic plans for the Company, or the exercise of specific areas of managerial responsibility. To the extent specified by the Plan Committee in the bonus formula or pursuant to action taken by the Plan Committee at the time the bonus formula for the performance period is established, the Plan Committee may adjust the measurement of specified performance goals to exclude items of gain, loss or expense that are determined to be extraordinary or unusual in nature, infrequent in occurrence, related to a corporate transaction (including, without limitation, a disposition or acquisition) or related to a change in accounting principles, all as determined in accordance with standards published by the Financial Accounting Standards Board (or any predecessor or successor body) from time to time. In addition, equitable adjustments will be made to any performance goal related to Company stock (e.g., earnings per share) to reflect changes in corporate capitalization, including, without limitation, stock splits and reorganizations.

### **Summary Description of the Plan**

#### *Purpose*

The purpose of the Plan is to provide performance-based cash bonus compensation for participants based on the attainment of one or more performance goals or targets that are related to the success of the Company, and that are established from time to time by the Plan Committee, as part of an integrated compensation program.

#### *Administration*

The Plan will be administered by the Compensation Committee of the Board of Directors, or such other committee established by the Board (the Plan Committee ). In any case, the Plan Committee shall consist exclusively of two or more members intended to be outside directors within the meaning of Section 162(m). As soon as practicable after the end of each performance period, the Plan Committee will make a determination in writing with regard to the attainment of the performance targets for such performance period and will calculate the possible payout of incentive awards for each participant. The Plan Committee will have the power and authority to interpret the Plan and reduce or eliminate for any reason the payout that would otherwise be payable to a participant based on the established target award and bonus formula.

#### *Award Types*

The Plan will provide cash award opportunities for eligible participants to be earned over the applicable performance period.

*Plan Term*

The Plan will continue in effect until terminated by the Board. Notwithstanding the foregoing, the Plan will continue in effect only to the extent bonus payments may be properly characterized as performance-based compensation under Section 162(m).

*New Plan Benefits*

The value of the performance-based awards granted under the Plan is subject to performance objectives established by the Plan Committee and is, therefore, not determinable. Please see the 2016 Summary Compensation Table for the value of payouts received under the Plan by each of our named executive officers for performance in 2016.

*Vote Required*

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

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE APPROVAL OF THE MATERIAL TERMS OF THE PERFORMANCE GOALS USED FOR PERFORMANCE-BASED AWARDS UNDER THE CHURCHILL DOWNS INCORPORATED EXECUTIVE ANNUAL 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 MATERIAL TERMS OF THE PERFORMANCE GOALS USED FOR PERFORMANCE-BASED AWARDS UNDER THE CHURCHILL DOWNS INCORPORATED EXECUTIVE ANNUAL INCENTIVE PLAN.

**Advisory Vote on Executive Compensation**

**(Proposal No. 4)**

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 will consider the shareholders' expressed preference on the frequency of voting on the Company's executive compensation program at the Annual Meeting for purposes of determining the frequency of such votes going forward.

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 SEC, 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.

#### **Advisory Vote on the Frequency of Holding Future**

##### **Advisory Votes on Executive Compensation**

##### **(Proposal No. 5)**

The Dodd-Frank Act enables the Company's shareholders to vote, on an advisory and non-binding basis, on how frequently they would like to cast an advisory vote on the compensation of the Company's named executive officers. The Company will hold an advisory vote on named executive officer compensation at least once every three years. By voting on this proposal, shareholders may indicate whether they would prefer an advisory vote on named executive officer compensation once every one, two, or three years. Company shareholders may also, if they wish, abstain from voting on this proposal.

After careful consideration of the frequency alternatives, the Board believes that conducting advisory votes on named executive officer compensation on an annual basis is appropriate for the Company and its shareholders at this time.

The Company's shareholders are not voting to approve or disapprove of the Board's recommendation. Instead, the voting provides shareholders with four choices with respect to this proposal: every year, every two years, every three years or shareholders may abstain from voting on the proposal. The option of every year, every two years or every three years that receives the highest number of votes cast by shareholders will be considered by the Company as the shareholders' recommendation as to the frequency of future advisory votes on executive compensation.

The Board will carefully consider the outcome of the vote when making future decisions regarding the frequency of future advisory votes on named executive officer compensation. However, because this vote is

advisory and not binding, the Board of Directors and Compensation Committee may decide that it is in the best interests of the Company and its shareholders to hold an advisory vote more or less frequently than the alternative that has been selected by our shareholders.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE OPTION OF ONCE EVERY YEAR AS THE PREFERRED FREQUENCY FOR ADVISORY VOTES ON EXECUTIVE COMPENSATION.

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 OF ONCE EVERY YEAR AS THE PREFERRED FREQUENCY FOR ADVISORY VOTES ON EXECUTIVE COMPENSATION.

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## Compensation Discussion and Analysis

### *Executive Summary*

Churchill Downs Incorporated is an industry-leading provider of horseracing, casino gaming, online account wagering on 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 2016 Summary Compensation Table on page 42). 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 multi-year performance periods. 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 2016 for reconciliation of these metrics to their most directly comparable GAAP measures, and the discussion of Long-Term Incentives beginning on page 36):

**Adjusted EBITDA** Adjusted EBITDA used for compensation purposes in fiscal year 2016 was \$358.2 million, a 4.7% increase compared to fiscal year 2015 Adjusted EBITDA for compensation purposes of \$342.1 million;

**Cash Flow Metric** Cash Flow Metric for compensation purposes in fiscal year 2016 was \$222.2 million, a 4.8% decrease compared to fiscal year 2015 Cash Flow Metric of \$233.4 million; and

**Total Shareholder Return** Total Shareholder Return from December 31, 2015 to December 31, 2016 was 7.1%.

As illustrated in the following chart, the Company's stock price has increased to \$150.45 per share as of December 30, 2016 from \$52.13 per share as of December 31, 2011.

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*Executive Compensation Philosophy and Core Principles*

**What We Do**

Executive Stock Ownership Guidelines  
Clawback Policy on Performance-based Incentives  
Performance-based Awards Vesting over Multi-year Periods  
Capped Bonus Payments under Annual Incentive Plan  
Payouts Tied to Individual and Company Performance  
Use of an Independent Compensation Consultant

**What We Don't Do**

× Employment Agreements  
× Re-pricing of SARs or Stock Options  
× Excise Tax Gross-ups upon Change in Control  
× Excessive Perquisites

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.

*2016 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 2016, the Company provided shareholders a say-on-pay advisory vote on its executive compensation program, as disclosed in the Company's 2016 proxy statement. At the 2016 Annual Meeting, approximately 86% of our shareholders voting on the proposal expressed support for the compensation of our NEOs as disclosed in the 2016 proxy statement. The Compensation Committee considered the results of the 2016 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 the substantial changes made to the program in 2015, and therefore did not make any changes to the executive compensation program in response to the 2016 say-on-pay vote.

*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 report. 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. Since March 2015, the Committee has retained Frederic W. Cook & Co., Inc. (FW Cook) as its independent compensation consultant. The scope of the engagement of FW Cook includes:

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 annual and long-term incentive programs;

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 developments; and

Assisting the Committee in evaluating future equity grants and cash compensation for the NEOs, including the CEO.

FW Cook did not provide 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 FW Cook's independence in light of the SEC requirements and NASDAQ listing standards and determined that FW Cook's work did not raise 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:

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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 lead to adjustments in compensation and program offerings. The compensation peer group was selected to represent a reasonable match to the Company in terms of size and business characteristics. The group consists of public, similarly sized gaming companies (including traditional gaming, casinos, and internet/software gaming to reflect the Company's diverse operations), where the median revenue and market capitalization approximate the Company's revenue and market capitalization. The Company periodically reviews the peer group and makes adjustments, as necessary, to ensure its continued appropriateness as a market reference for informing executive compensation levels. The current peer group used for these reviews are: Activision Blizzard, Inc. (ATVI); Blucora Inc. (BCOR); Boyd Gaming Corporation (BYD); Choice Hotels International Inc. (CHH); Electronic Arts Inc. (EA); Glu Mobile Inc. (GLUU); ILG Inc. (ILG); Isle of Capri Casinos, Inc. (ISLE); MGM Resorts International (MGM); Penn National Gaming, Inc. (PENN); Pinnacle Entertainment Inc. (PNK); RealNetworks Inc. (RNWK); Scientific Games Corp (SGMS); Take-Two Interactive Software, Inc. (TTWO); Tropicana Entertainment Inc. (TPCA); Wynn Resorts, Limited (WYNN); and Zynga Inc. (ZNGA).

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 2016, 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 intended to be 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.

In 2016, the following adjustments were made to the base salaries for the Company's NEOs:

Name	Position	2015 Base Salary (\$) <sup>(1)</sup>	Percentage Change	Salary Change (\$)	2016 Base Salary (\$) <sup>(2)</sup>
William C. Carstanjen	Chief Executive Officer	1,000,000	0.0%	-0-	1,000,000
William E. Mudd	President & COO	600,000	2.8%	16,500	616,500
Marcia A. Dall	EVP & CFO	525,000	0.0%	-0-	525,000
Paul J. Thelen	President, Big Fish Games	489,038	5.3%	25,962	515,000

(1) Annual rate of base compensation shown as of December 31, 2015.

(2) Annual rate of base compensation shown as of December 31, 2016. Actual salaries paid in 2016 are shown in the Summary Compensation Table on page 42.

#### *Executive Annual Incentive Plan*

Bonus awards or incentive compensation paid with respect to 2016 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 2016 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 2016, 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.

**2016 Performance Goals.** For 2016, 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 2016 Summary Compensation Table on page 42. 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:

#### Overall

Achieve adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA) goals as approved by the Committee;

#### Racing

Increase the financial performance of big events (i.e., Kentucky Derby, Kentucky Oaks, Arlington Million, etc.);

Complete projects on time and on budget, and manage overall budgets to reduce cost (without impacting the customer experience);

Continue to work on innovative approaches to improve customer experience and engagement;

#### Gaming

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Successfully re-develop, construct and open current projects and properties;

Assess and pursue opportunities to acquire accretive gaming properties;

Twinspires

Continue to invest in and grow our advanced deposit wagering businesses;

Assess and pursue opportunities to expand our online gaming profile;

Successfully transition Twinspires team from California to Kentucky, on time and on budget;

Big Fish Games

Continue to develop, invest in, and grow new and existing titles;

Refine and implement competitive retention policies to retain quality employees;

Assess and pursue opportunities to acquire accretive mobile and online gaming assets;

Other

Develop technology-driven cost out opportunities for all subsidiaries; and

Build pipeline and execute acquisitions, if feasible, consistent with current plan.

**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 target and maximum opportunities are determined by the Committee based on internal pay equity considerations, market data, 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, after considering recommendations from 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 2016, 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 (\$)	Maximum Target Incentive Award as a Percentage of Salary	Maximum Target Incentive Award in (\$)
William C. Carstanjen	Chief Executive Officer	133%	1,330,000	266%	2,660,000
William E. Mudd	President & COO	100%	616,500	200%	1,233,000
Marcia A. Dall	EVP & CFO	75%	393,750	150%	787,500
Paul J. Thelen	President, Big Fish Games	80%	412,000	160%	824,000

**2016 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 2016 of \$185 million, which was required to be achieved before any incentives were eligible to be paid under the EAIP for 2016. The Compensation Committee certified that actual Adjusted EBITDA for compensation purposes for 2016 exceeded this threshold and that executives were eligible for payouts under the EAIP for 2016.

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In evaluating 2016 performance, the Compensation Committee considered (i) record revenue (\$1.3 billion, an increase of 7.9%), net income (\$108.1 million, an increase of 65.8%), diluted net income per share (\$6.42, an increase of 73.0%), and Adjusted EBITDA for compensation purposes (\$358.2 million, an increase of 4.7%); (ii) record attendance and all sources handle for Kentucky Derby and Oaks week; (iii) strong organic growth from our Calder, Miami Valley Gaming and Oxford casino properties, as well as the 25% acquisition of Saratoga's Black Hawk Casino in Colorado and completing the sale of sixty-one acres of property owned by

Calder, for a sale price of \$26.5 million; (iv) the growth of TwinSpires.com handle to \$1.1 billion, up 13.7% compared to 2015, and 13.1 percentage points above industry growth for 2016; and (v) the growth of Big Fish Games bookings to \$486.2 million, up 7.3% compared to 2015. The Compensation Committee determined that these achievements contributed to benefits being realized by the Company's shareholders.

The amounts earned by the NEOs for 2016 under the EAIP are reflected in the 2016 Summary Compensation Table on page 42 in the column labeled Non-Equity Incentive Plan Compensation. As noted above, the Company exhibited strong overall financial performance in 2016, exceeding most of the performance goals while missing the Big Fish performance goals. The NEOs were viewed by the Committee to be the primary parties responsible for the actual performance relative to the performance goals established with respect to 2016. The Compensation Committee, after considering the Company's overall performance, as well as considering the performance of Big Fish as it relates to Mr. Thelen, awarded the NEOs EAIP awards as shown in the table on page 42. As such, the NEOs were awarded an EAIP award at the following percentage of their target incentive award: Mr. Carstanjen 100% (\$1,330,000), Mr. Mudd 100% (\$616,500), Ms. Dall 100% (\$393,750), and Mr. Thelen 70% (\$288,400). 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, 2016.

#### *Long-Term Incentives*

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

In 2015, 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. The purpose of the ELTI Plan is to provide participants 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. 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. No individual will have an automatic right to participate in the ELTI Plan. The ELTI Plan was initially adopted pursuant to the 2007 Omnibus Stock Incentive Plan and is now administered under the 2016 Omnibus Stock Incentive Plan beginning in 2017. A summary of the 2016 terms and applicable award opportunities, granted by the Committee to the NEOs, is provided below.

During the beginning of 2016, the Company's CEO recommended employees to the Committee for participation in the ELTI Plan for 2016 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), Performance Share Units (PSU), or both. To pursue the key objective of linking executive compensation with Company performance, the Committee delivered at least 50% of the 2016 awards as PSUs (Mr. Thelen was awarded two-thirds (2/3) of his 2016 award as PSUs).



The Committee approved the 2016 NEO awards (for the 36-month performance period of January 1, 2016 through December 31, 2018) under the ELTI Plan on February 23, 2016. The 2016 awards are as follows:

Executive Officer	RSUs		PSUs		Total	
	#	\$ <sup>1</sup>	#	\$ <sup>2</sup>	#	\$
William C. Carstanjen	11,437	\$ 1,500,077	11,437	\$ 1,612,846	22,874	\$ 3,112,923
William E. Mudd	4,956	\$ 650,029	4,956	\$ 698,895	9,912	\$ 1,348,924
Marcia A. Dall	3,328	\$ 436,500	3,328	\$ 469,315	6,656	\$ 905,815
Paul J. Thelen	4,956	\$ 650,029	9,912	\$ 1,397,790	14,868	\$ 2,047,819

- (1) The market value of the time-vesting RSUs, in the above table, was calculated utilizing the closing price of CHDN as of February 23, 2016 (\$131.16) multiplied by the total number of time-vesting RSUs granted.
- (2) The grant date fair value for the PSUs (\$141.02/unit as of February 23, 2016) in the above table was calculated based on the probable achievement of the performance goals and 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 PSU awards in the table above, performance will be based on the following three Performance Measures during the 36-month period from January 1, 2016 through December 31, 2018 (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 with adjustments as described further below;
- 2) Cash Flow Metric ( Cash Flow Metric ) (50% weight). Cumulative Cash Flow (i.e. the sum of the free cash flows from the annual periods ending December 31 of each of 2016, 2017 and 2018, respectively, where the Cash Flow Metric goals are set at the beginning of each of those three periods) will also be derived from the Company's consolidated financial statements with adjustments as described further below;
- 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 Cash Flow Metric 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 pre-established Performance Measure. 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 RSU awards, the vesting schedule shall be: one third (1/3) will vest on each of December 31, 2016, December 31, 2017 and December 31, 2018, 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.

During 2016, the Company changed its definition of Adjusted EBITDA to exclude changes in Big Fish Games deferred revenue for financial reporting purposes. For compensation purposes, Adjusted EBITDA targets under the 2015 and 2016 awards were set prior to this change and, therefore, performance for these awards will be evaluated based on the definition in place at the time of the establishment of the awards.

Adjusted EBITDA as defined in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in the 10K for Fiscal Year 2016. For compensation purposes, the Committee has determined it is appropriate to include gains on sale of properties that are disposed of pursuant to the long-term strategic plan for the Company, such as the Calder land sale, in the calculation of Adjusted EBITDA.

	<b>2015</b>	<b>2016</b>
As reported in 2016 10-K	\$ 302.5	\$ 334.5
Changes in Big Fish Games Deferred Revenue	\$ 39.6	\$ 0
Calder Land Sale	N/A	\$ 23.7
Adj. EBITDA for Compensation Purposes	\$ 342.1	\$ 358.2

Cash Flow Metric defined as Cash Flows from Operating Activities in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations in the 10K for Fiscal Year 2016 plus distributions of capital from equity investments less capital maintenance expenditures. For compensation purposes, the Committee has determined it is appropriate to include the net cash from sale of properties that are part of the long-term strategic plan for the Company, such as the Calder land sale, in the calculation of the cash flow metric.

	<b>2015</b>	<b>2016</b>
Cash Flow from Operating Activities	\$ 264.5	\$ 334.5
Distributions of Capital from Equity Investments	\$ 0	\$ 0.7
Capital Maintenance Expenditures	\$ (31.1)	\$ (30.9)
Calder Land Sale	N/A	\$ 25.6
Cash Flow Metric	\$ 233.4	\$ 222.2

Total Shareholder Return defined as the Company's stock price as of the end of the measurement period plus the value of dividends paid divided by the Company's stock price as of the beginning of the measurement period. The Company's Total Shareholder Return for the period July 1, 2015 through December 31, 2016 was 21.2%, and for period January 1, 2016 through December 31, 2016 was 7.1%.

### 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 all other executive officers should own shares valued at an amount equal to three times (3x) the executive's base salary.

In 2016, 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 <sup>(1)</sup>	Value of Shares <sup>(2)</sup>	Multiple of Salary <sup>(3)</sup>
William C. Carstanjen	6x	123,552	\$ 18,588,398	18
William E. Mudd	4x	72,961	\$ 10,976,982	17
Marcia A. Dall	3x	2,910	\$ 437,809	-0-
Paul J. Thelen	3x	159,583	\$ 24,009,262	46

(1) Calculated as of December 31, 2016 and represents shares of Common Stock owned outright.

(2) Based on CHDN closing stock price of \$150.45 as of December 30, 2016.

(3) Calculated using the base salary information illustrated on page 34. 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 30 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 46, 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. Mr. Thelen's severance benefits are not provided in a Change in Control Agreement, but rather through his executed offer letter.

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 47.

*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, 2016.

**Compensation Committee of the Board of Directors:**

R. Alex Rankin, Chairman

Craig J. Duchossois

Daniel P. Harrington

## 2016 Summary Compensation Table

The following table provides information regarding compensation earned by our Chief Executive Officer, President & Chief Operating Officer, Executive Vice President & Chief Financial Officer, and our other executive officer (sometimes referred to in this proxy statement as the Named Executive Officers or NEOs).

Name and Principal Position	Year	Base Salary (\$)	Bonus (\$)	Stock Awards (\$) <sup>(1)</sup>	Option Awards (\$)	Non-Equity Incentive	All Other Compensation (\$) <sup>(3)</sup>	Total (\$)
						Plan Compensation (\$) <sup>(2)</sup>		
<b>William C. Carstanjen</b> Chief Executive Officer	2016	1,000,000	-0-	3,112,923	-0-	1,330,000	14,338	5,457,261
	2015	726,000	-0-	6,547,309	-0-	1,300,000	14,012	8,587,321
	2014	511,539	-0-	-0-	-0-	750,000	19,435	1,280,974
<b>William E. Mudd</b> President and Chief Operating Officer	2016	612,692	-0-	1,348,924	-0-	616,500	38,204	2,616,320
	2015	553,846	-0-	3,405,523	-0-	700,000	33,186	4,692,555
	2014	462,500	-0-	-0-	-0-	500,000	35,385	997,885
<b>Marcia A. Dall</b> <sup>(4)</sup> Executive Vice President and Chief Financial Officer	2016	525,000	250,000	905,815	-0-	393,750	141,004	2,215,569
	2015	100,962	200,000	770,000	-0-	-0-	528	1,071,490
<b>Paul J. Thelen</b> President, Big Fish Games	2016	515,000	-0-	2,047,819	-0-	288,400	7,506	2,858,725
	2015	489,038	-0-	2,322,046	-0-	391,230	8,867	3,211,181

- (1) In accordance with the SEC executive compensation disclosure rules, the amounts shown in 2016 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, in connection with service-based RSUs and PSUs granted pursuant to the ELTI Plan to each of our NEOs in 2016. The grant date fair value for the PSUs (\$141.02/unit as of February 23, 2016) was calculated based on the probable satisfaction of the performance conditions at the time of grant and applying 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. Assuming the highest level of performance is achieved for the PSUs, the maximum value of the 2016 PSUs at the grant date would be as follows: Mr. Carstanjen \$4,032,115; Mr. Mudd \$1,747,238; Ms. Dall \$1,091,250; and Mr. Thelen \$3,494,475.
- (2) Amounts in this column represent payments for performance under the Executive Annual Incentive Plan ( EAIP ). Mr. Carstanjen, Mr. Mudd, Ms. Dall, and Mr. Thelen received their 2016 EAIP awards in February 2017. 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 2016, 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. Carstanjen include \$92 for family meals related to a Jockey Club meeting in Saratoga, New York. Allowances for Mr. Mudd include \$3,293 for family to attend the Eclipse Awards, Arlington Million, Breeders' Cup and Japan Cup. Allowances for Ms. Dall include \$108,249 for relocation expenses.
- (4) Ms. Dall received a sign-on bonus of \$250,000, paid on the first pay period of 2016, pursuant to the terms of Ms. Dall's September 18, 2015 offer letter.

**All Other Compensation****For Fiscal Year Ended December 31, 2016**

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
<b>William C. Carstanjen</b>	<b>10,600</b>	<b>2,296</b>	<b>1,350</b>	<b>92</b>	<b>14,338</b>
<b>William E. Mudd</b>	<b>32,477</b>	<b>1,308</b>	<b>1,126</b>	<b>3,293</b>	<b>38,204</b>
<b>Marcia A. Dall</b>	<b>29,000</b>	<b>823</b>	<b>2,932</b>	<b>108,249</b>	<b>141,004</b>
<b>Paul J. Thelen</b>	<b>6,589</b>	<b>412</b>	<b>505</b>	<b>-0-</b>	<b>7,506</b>

- (a) This amount includes Company contributions to both 401(k) and deferred compensation accounts.
- (b) Mr. Carstanjen, Mr. Mudd and Ms. Dall receive group life coverage equal to two times base salary with a \$3 million 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. 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 2016 Summary Compensation Table on page 42.

## Grants of Plan-Based Awards

For Fiscal Year Ended December 31, 2016

The grants in the following table are generally described in the Compensation Discussion and Analysis, beginning on page 30.

Name	Grant Date	Estimated Future Payout under Non-Equity Incentive Plan Awards <sup>(1)</sup>			Estimated Future Payout under Equity Incentive Plan Awards <sup>(2)</sup>			All Other Stock Awards: Number of Shares of Stock or Units (#) <sup>(3)</sup>	Grant Date Fair Value of Stock Awards (\$)
		Threshold (\$)	Target (\$)	Max (\$)	Threshold (#)	Target (#)	Max (#)		
William C. Carstanjen	02/23/2016	665,000	1,330,000	2,660,000	5,719	11,437	22,874	11,437	1,612,846
	02/23/2016								1,500,077
William E. Mudd	02/23/2016	308,250	616,500	1,233,000	2,478	4,956	9,912	4,956	698,895
	02/23/2016								650,029
Marcia A. Dall	02/23/2016	196,875	393,750	787,500	1,664	3,328	6,656	3,328	469,315
	02/23/2016								436,500
Paul J. Thelen	02/23/2016	206,000	412,000	824,000	4,956	9,912	19,824	4,956	1,397,790
	02/23/2016								650,029

(1) Represents annual incentive bonus opportunities under the EAIP for each of the NEOs. See Executive Annual Incentive Plan beginning on page 34. Actual bonus payments for 2016 are listed under Non-Equity Incentive Plan Compensation in the Summary Compensation Table on page 42.

(2) Represents the PSUs granted under the ELTI Plan to each of the NEOs, which vest based on the Company's performance with respect to Adjusted EBITDA for compensation purposes and the cash flow metric over the 2016-2018 performance period. 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 37.

(3) Represents RSUs granted under the ELTI Plan to each of the NEOs, which are scheduled to vest in 1/3 increments on each of December 31, 2016, 2017 and 2018, subject generally to the NEO's continued employment through the applicable vesting date.



## Outstanding Equity Awards at Fiscal Year-End

For Fiscal Year Ended December 31, 2016

Name	Option Awards				Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(1)</sup>	Stock Awards	Equity Incentive Plan
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date			Equity Incentive Plan Awards; Number of Unearned Shares, Units or Rights That Have Not Vested (#)	Equity Incentive Plan Awards; Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested (\$) <sup>(1)</sup>
William C. Carstanjen	-0-	-0-	N/A	N/A	13,555 <sup>(2)</sup>	2,039,349	23,299 <sup>(4)</sup>	1,784,638
William E. Mudd	-0-	-0-	N/A	N/A	5,874 <sup>(2)</sup>	883,743	10,096 <sup>(4)</sup>	1,518,943
Marcia A. Dall	-0-	-0-	N/A	N/A	2,218 <sup>(2)</sup>	333,698	3,328 <sup>(4)</sup>	500,698
Paul J. Thelen	-0-	-0-	N/A	N/A	5,874 <sup>(2)</sup>	883,743	20,192 <sup>(4)</sup>	3,037,886

- (1) Based on the closing price of our Common Stock on the NASDAQ Global Market at December 30, 2016 of \$150.45 per share.
- (2) Represent awards under the ELTI Plan consisting of RSUs for continued employment for periods from July 1, 2015 through December 31, 2018. The 13,555 RSUs for Mr. Carstanjen vest as follows: 9,743 units on December 31, 2017 and 3,812 units on December 31, 2018. The 5,874 RSUs for Mr. Mudd vest as follows: 4,222 units on December 31, 2017 and 1,652 units on December 31, 2018. The 2,218 RSUs for Ms. Dall vest as follows: 1,109 units on December 31, 2017 and 1,109 units on December 31, 2018. The 5,874 RSUs for Mr. Thelen vest as follows: 4,222 units on December 31, 2017 and 1,652 units on December 31, 2018.
- (3) Represents restricted shares awarded under the 2007 Omnibus Stock Incentive Plan in connection with Mr. Carstanjen's, Mr. Mudd's, and Ms. Dall's continued employment. The 20,000 restricted shares for Mr. Carstanjen vest on December 31, 2017. The 15,000 restricted shares for Mr. Mudd vest on December 31, 2017. The 3,667 restricted shares for Ms. Dall vest as follows: 1,833 shares on December 31, 2017 and 1,834 shares on December 31, 2018.
- (4) Represent awards under the ELTI Plan consisting of PSUs for certain performance periods from July 1, 2015 through December 31, 2018. The 23,299 PSUs for Mr. Carstanjen are subject to vesting upon meeting the performance criteria at the end of the following performance periods: 11,862 units on December 31, 2017 and 11,437 units on December 31, 2018. The 10,096 PSUs for Mr. Mudd are subject to vesting upon meeting the performance criteria at the end of the following performance periods: 5,140 units on December 31, 2017 and 4,956 units on December 31, 2018. The 3,328 PSUs for Ms. Dall are subject to vesting upon meeting the performance criteria on December 31, 2018. The 20,192 PSUs for Mr. Thelen are subject to vesting upon meeting the performance criteria at the end of the following performance periods: 10,280 units on December 31, 2017 and 9,912 units on December 31, 2018.

## Option Exercises and Stock Vested

For Fiscal Year Ended December 31, 2016

	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$) <sup>(1)</sup>	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) <sup>(1)</sup>
William C. Carstanjen	-0-	-0-	29,744	4,474,985
William E. Mudd	4,500	432,599	16,722	2,515,825
Marcia A. Dall	-0-	-0-	2,943	430,273
Paul J. Thelen	-0-	-0-	4,222	635,200

(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, 2016

Name	Executive Contributions in Last Fiscal Year (\$) <sup>(1)</sup>	Registrant Contributions in Last Fiscal Year (\$) <sup>(2)</sup>	Aggregate Earnings (Losses) in Last Fiscal Year (\$)	Aggregate Withdrawals Distributions (\$)	Aggregate Balance at Last Fiscal Year End (\$) <sup>(3)</sup>
William C. Carstanjen	-0-	-0-	-0-	-0-	-0-
William E. Mudd	30,635	21,877	36,046	-0-	408,479
Marcia A. Dall	157,500	18,400	7,278	-0-	183,178
Paul J. Thelen	-0-	-0-	-0-	-0-	-0-

(1) The amounts in this column are also included in the 2016 Summary Compensation Table on page 42 in the salary column or the non-equity incentive plan compensation column.

(2) The amounts in this column are also included in the 2016 Summary Compensation Table on page 42 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	2016 (\$)	Previous Years (\$)	Total
William C. Carstanjen	-0-	-0-	-0-
William E. Mudd	52,512	239,601	292,112
Marcia A. Dall	175,900	-0-	175,900
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.

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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, 2016 is listed in the table below.

Name	Cash Severance Payment	Acceleration & Continuation of Equity Awards <sup>(1)</sup>	Total Benefits
<b>William C. Carstanjen</b>			
Involuntary or good reason termination	\$ 3,499,860	\$ 5,544,684	\$ 9,044,544
Change in control without termination	-0-	5,544,684	5,544,684
Death or Disability	1,330,000 <sup>(2)</sup>	8,553,684	9,883,684
Involuntary or good reason termination within 2 years CIC	4,664,860	8,553,684 <sup>(3)</sup>	13,218,544
<b>William E. Mudd</b>			
Involuntary or good reason termination	\$ 1,854,254	\$ 2,402,687	\$ 4,256,941
Change in control without termination	-0-	2,402,687	2,402,687
Death or Disability	616,500 <sup>(2)</sup>	4,659,437	5,275,937
Involuntary or good reason termination within 2 years CIC	2,470,754	4,659,437 <sup>(3)</sup>	7,130,191
<b>Marcia A. Dall</b>			
Involuntary or good reason termination	\$ 1,382,879	\$ 834,396	\$ 2,217,275
Change in control without termination	-0-	834,396	834,396
Death or Disability	393,750 <sup>(2)</sup>	1,110,221	1,503,971
Involuntary or good reason termination within 2 years CIC	1,842,254	1,386,096 <sup>(3)</sup>	3,228,350
<b>Paul J. Thelen</b>			
Involuntary or good reason termination	\$ 949,754	\$ 3,921,630	\$ 4,871,384
Change in control without termination	-0-	3,921,630	3,921,630
Death or Disability	-0-	3,921,630	3,921,630
Involuntary or good reason termination within 2 years CIC	949,754	3,921,630 <sup>(3)</sup>	4,871,384

(1) Represents the market value as of December 31, 2016 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 30, 2016, of \$150.45 per share.

(2) 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.

(3) Represents one hundred percent (100%) of all unvested restricted stock awards, RSU and PSU awards granted under the 2007 Omnibus Stock Incentive Plan 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 without cause or due to good reason, 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, the Key Executive 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<sup>th</sup>) 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<sup>(1)</sup>

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 <sup>(2)</sup>	4,096 <sup>(3)(4)</sup>	\$ 43.74	899,772 <sup>(5)</sup>
Equity compensation plans not approved by security holders	-0-	-0-	-0-
<b>Total</b>	<b>4,096</b>	<b>\$ 43.74</b>	<b>899,772</b>

- (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 ), the Churchill Downs Incorporated 2007 Omnibus Stock Incentive Plan ( 2007 Plan ), the Churchill Downs Incorporated 2016 Omnibus Stock Incentive Plan ( 2016 Plan ) and certain stock options and restricted stock awards granted to the prior 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 2016 Plan allows the Compensation Committee the flexibility to design compensatory awards that are responsive to the Company's needs. Awards under the 2016 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, 4,096 shares of Common Stock of the Company are issuable upon the exercise of outstanding options granted under the 2007 Plan, zero (0) shares of Common Stock of the Company are issuable upon the exercise of outstanding options granted under the 2016 Plan, and zero (0) shares of Common Stock of the Company are issuable upon the exercise of outstanding options granted to the prior CEO of the Company as a part of his employment agreement. The total does not include 192,219 (which excludes the 2015, 2016 and 2017 PSU awards provided under the ELTI Plan) outstanding shares of Common Stock which have been awarded under the Restricted Stock Plan, the 2007 Plan, and the 2016 Plan, as of December 31, 2016, 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 end and, therefore, none are included in this total for the Stock Purchase Plan.
- (5) Of this total, as of December 31, 2016, 232,414 shares of Common Stock of the Company remained available for future issuance under the Stock Purchase Plan and 667,358 shares of Common Stock of the Company remained available for future issuance under the 2016 Plan. Stock awards under the 2016 Plan will be counted against the maximum number of shares as to which stock awards may be granted on a

ratio of 1-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.

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, the Ohio State Racing Commission, and the Maryland 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 SEC 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 SEC.

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 four (4) 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 2016; 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, 2016.

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 2016 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 2016, the Committee selected PwC to be reappointed as independent auditors for the calendar year 2016. The Committee also reviewed and pre-approved the 2016 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

Ulysses L. Bridgeman, Jr.

Aditi J. Gokhale

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 SEC 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 two (2) Form 4s on behalf of Ulysses L. Bridgeman reporting two instances of dividends in the form of stock; the Company filed late two (2) Form 4s on behalf of Craig J. Duchossois reporting two instances of dividends in the form of stock; the Company filed late one (1) Form 4 on behalf of Richard L. Duchossois reporting two instances of dividends in the form of stock; the Company filed late two (2) Form 4s on behalf of Robert L. Fealy reporting two instances of dividends in the form of stock; the Company filed late one (1) Form 4 on behalf of Aditi J. Gokhale reporting one instance of dividends in the form of stock; the Company filed late two (2) Form 4s on behalf of Daniel P. Harrington 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 two (2) Form 4s on behalf of James F. McDonald reporting two instances of dividends in the form of stock; the Company filed late one (1) Form 4 on behalf of R. Alex Rankin 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 restricted stock unit award; the Company filed late one (1) Form 4 on behalf of William E. Mudd reporting one instance of a restricted stock unit award; the Company filed late one (1) Form 4 on behalf of Marcia A. Dall reporting one instance of a restricted stock unit award; and the Company filed late two (2) Form 4(s) on behalf of Paul J. Thelen reporting two instances of restricted stock unit awards.

### **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 or Notice 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 or Notice 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 or Notice, please notify your broker. You may direct your written request for a copy of the Proxy Statement or Notice to Churchill Downs Incorporated, Attn: Paula Chumbley, 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 or Notice), 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 2018 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 16, 2017. Pursuant to the Company's Amended and Restated Bylaws, proposals of shareholders intended to be presented at the Company's 2018 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 2018 annual meeting of shareholders of the Company must be received in writing by the Company at its principal executive offices no later than January 25, 2018, and no sooner than December 26, 2017. 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

G. Watts Humphrey, Jr.  
*Chairman*  
Bradley K. Blackwell  
*Senior Vice President and  
General Counsel*

*Louisville, Kentucky*

*March 16, 2017*

PLEASE VOTE BY TELEPHONE OR OVER THE INTERNET

IF YOU CANNOT BE PRESENT IN PERSON

**EXHIBIT A**

**CHURCHILL DOWNS INCORPORATED  
EXECUTIVE ANNUAL INCENTIVE PLAN**

**Effective as of January 1, 2013**

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**CHURCHILL DOWNS INCORPORATED**

**EXECUTIVE ANNUAL INCENTIVE PLAN**

**Effective as of January 1, 2013**

**1. PURPOSE**

The Churchill Downs Incorporated Executive Annual Incentive Plan (the "Plan"), as set forth herein, sets forth the terms and conditions pursuant to which certain cash bonuses may be payable to certain key executives of the Company. The Plan implements certain recommendations of the Compensation Committee of the Board regarding compensation of the Participants, and particularly certain recommendations regarding cash bonuses. The Plan is subject, in its entirety, to approval by the Company's stockholders, consistent with the requirements of applicable Treasury Regulations promulgated pursuant to Code Section 162(m) relating to qualified performance-based compensation. The purpose of the Plan, as herein stated, is to provide performance-based cash bonus compensation for Participants based on the attainment of one or more performance goals or targets that are related to the success of the Company, and that are established from time to time by the Compensation Committee, as part of an integrated compensation program.

**2. DEFINITIONS**

The following words and phrases as used herein shall have the following meanings, unless a different meaning is plainly required by the context:

- (a) "Board" or "Board of Directors" shall mean the board of directors of the Company.
- (b) "Bonus Formula" shall mean the formula pursuant to which bonuses payable to Participants for each Performance Period are determined, based on the extent to which the performance goal or goals set forth therein have been achieved during the Performance Period, which formula can be revised at the discretion of the Compensation Committee.
- (c) "Code" shall mean the Internal Revenue Code of 1986, as amended, or any successor thereto.
- (d) "Compensation Committee" shall mean the Compensation Committee of the Board of Directors, or such other committee established by the Board, in any case consisting exclusively of two or more Outside Directors, to act as the administration committee with respect to the Plan.
- (e) "Company" shall mean Churchill Downs Incorporated or any successor or successors thereto.
- (f) "Designated Beneficiary" shall mean the person, if any, specified in writing by the Participant to receive any payments due to the Participant in the event of the Participant's death. In the event no person is specified by the Participant, the Participant's estate shall be deemed to be the Designated Beneficiary.
- (g) "Effective Date" shall mean January 1, 2013.
- (h) "Outside Director" shall mean a member of the Board of Directors who is treated as an outside director for purposes of Code Section 162(m).
- (i) "Participant" shall mean each executive officer of the Company as the Compensation Committee shall select from time to time to participate in the Plan for a particular Performance Period.
- (j) "Performance-Based Bonus" shall mean the cash bonus payable to a Participant under Section 6(a).

(k) **Performance-Based Compensation Rules** shall mean those provisions of Code Section 162(m) and regulations promulgated thereunder that provide the rules pursuant to which compensation that is paid to executives on the basis of performance is exempt from the limitations on deductibility applicable to certain compensation paid to executives in excess of \$1,000,000.

(l) **Performance Period** shall mean a calendar year or any other period (not to exceed a year) with respect to which a Bonus Formula is established.

### 3. PARTICIPATION

Each executive officer of the Company as the Compensation Committee shall select from time to time to participate in the Plan for a particular Performance Period shall be a Participant in the Plan for that Performance Period.

### 4. TERM OF PLAN

Subject to approval of the Plan by the stockholders of the Company, the Plan shall be in effect as of the Effective Date, and shall continue until terminated by the Board of Directors. Notwithstanding the foregoing, the Plan shall only continue in effect to the extent bonus payments may properly be characterized as performance-based compensation under the Performance-Based Compensation Rules. The material features of the Plan shall be disclosed to the Company's stockholders, and the continuation of the Plan shall be subject to the approval of the Company's stockholders, in each case to the extent required under the Performance-Based Compensation Rules.

### 5. BONUS ENTITLEMENT

(a) **Achievement of Performance Goals.** A Participant shall be entitled to receive a bonus with respect to a Performance Period in accordance with the provisions of Section 6 of the Plan only after certification in writing by the Compensation Committee that the performance goals, consistent with the provisions of Section 6, and as set forth in the Bonus Formula applicable for such Performance Period, have been satisfied. Unless a different payment date is established by the Compensation Committee with respect to a Performance Period, the bonus payment with respect to a Performance Period shall be payable to the Participant on or before March 15 of the year following the end of such Performance Period. Except as may be otherwise provided by the Compensation Committee, at its discretion, no bonus payment shall be made to any Participant who is not employed by the Company as of the date of such payment.

(b) **Stockholder Approval Requirement.** Notwithstanding anything to the contrary contained herein, no bonus shall be payable under the Plan without the prior disclosure of the material terms of the Plan to the stockholders of the Company and the approval of the Plan by such stockholders, in each case to the extent and in the manner required under the Performance-Based Compensation Rules.

### 6. DETERMINATION OF PERFORMANCE-BASED COMPENSATION BONUS

(a) **Performance-Based Bonus.** Each Participant, or the Designated Beneficiary of a deceased Participant, shall be entitled to a bonus with respect to a Performance Period that is equal to the amount determined by reference to the Bonus Formula applicable for such Performance Period; provided, however, that any bonus payment may be reduced or eliminated at the discretion of the Compensation Committee, as provided in Section 6(d) below.

(b) **Performance Goals.** The bonus payable to a Participant for a Performance Period shall be derived from the Bonus Formula for that Performance Period depending on the attainment of one or more performance goals or targets as are specified for the Bonus Formula, which performance goals or targets shall be based on one or more of the following business criteria (which may be determined for these purposes either by reference to the Company as a whole or by reference to any one or more of its subsidiaries, operating divisions or other operating units): stock price, total shareholder returns, sales or revenues, whether in general, by type of product or service, or by type of customer, gross earnings, pretax income, operating income, earnings before interest and/or taxes, earnings before interest, taxes, depreciation, and/or amortization, operating cash flow, free cash flow, net income, earnings per share, return measures, including pre-tax or after-tax, before or after depreciation and amortization: return on assets, capital, investment, equity, sales or revenue, economic profit, economic value added, cost reductions and savings, productivity, market share, racing handle, customer attendance measures, customer or employee satisfaction, financial ratios as provided in credit agreements of the Company and its Affiliates, working capital targets, including net working capital, inventory, accounts payable, and accounts receivable measured in absolute terms or as turnover metrics (e.g., relative to sales or cost of goods sold, including number of days), completion of acquisitions of business or companies, completion of divestitures and asset sales, achievement of specified legislative or regulatory outcomes, completion of other material projects or any combination of the preceding business criteria. The foregoing performance goals may be stated in absolute terms or may be expressed relative to performance in a specified prior period or to the performance of other specified enterprises. In addition, the Compensation Committee may utilize as an additional performance measure (to the extent consistent with the Performance-Based Compensation Rules) the attainment by a Participant of one or more personal objectives and/or goals that the Compensation Committee deems appropriate, including, but not limited to, implementation of Company policies, negotiation of significant corporate transactions, development of long-term business goals or strategic plans for the Company, or the exercise of specific areas of managerial responsibility. In all cases, the Compensation Committee shall establish the Bonus Formula for each Performance Period no later than 90 days after the beginning of the Performance Period (or no later than the end of the first 25% of the Performance Period if the Performance Period is less than a full year), and shall establish such Bonus Formula in a manner that is consistent with the Performance-Based Compensation Rules. For purposes of the limitations on payments set forth in Section 6(c), below, a Performance-Based Bonus potentially payable with respect to a Performance Period shall be considered to be a Performance-Based Bonus payable with respect to the calendar year within which such Performance Period ends. The use of a Performance Period that is less than a full year shall not require any reduction to the limitations on maximum permitted bonus payments under the Plan. To the extent specified by the Compensation Committee in a Bonus Formula or by other action taken by the Compensation Committee at the time the Bonus Formula for a Performance Period is established, the measurement of specified performance goals may be subject to adjustment to exclude items of gain, loss or expense that are determined to be extraordinary or unusual in nature, infrequent in occurrence, related to a corporate transaction (including, without limitation, a disposition or acquisition) or related to a change in accounting principles, all as determined in accordance with standards published by the Financial Accounting Standards Board (or any predecessor or successor body) from time to time. In addition, equitable adjustments will be made to any performance goal related to Company stock (e.g., earnings per share) to reflect changes in corporate capitalization, including, without limitation, stock splits and reorganizations.

(c) **Maximum Permissible Performance-Based Bonus.** Notwithstanding anything contained in the Plan to the contrary, for each Participant, the maximum Performance-Based Bonus payable with respect to any one calendar year shall not exceed \$5,000,000. For these purposes, each Performance-Based Bonus payable with respect to a Performance Period shall be considered as paid with respect to the calendar year which ends simultaneously with such Performance Period, or within which such Performance Period ends.

(d) **Committee Discretion.** Notwithstanding the determination of a Participant's bonus or bonuses under the provisions of this Section 6 (without regard to this Section 6(d)), the Compensation Committee may, at its sole discretion and at any time prior to the time a particular bonus is paid, reduce the amount of or totally eliminate any such bonus or bonuses to the extent the Compensation Committee determines that such reduction or elimination is appropriate under such facts and circumstances as the Compensation Committee deems relevant. In no event shall the Compensation Committee have the authority to increase the amount of any Participant's bonus or bonuses as determined under the provisions of the Plan.



## 7. PLAN ADMINISTRATION COMMITTEE

(a) **Powers.** The Compensation Committee shall have the power and duty to do all things necessary or convenient to effect the intent and purposes of the Plan and not inconsistent with any of the provisions hereof, whether or not such powers and duties are specifically set forth herein, and, by way of amplification and not limitation of the foregoing, the Compensation Committee shall have the power to:

(i) provide rules and regulations for the management, operation and administration of the Plan, and, from time to time, to amend or supplement such rules and regulations;

(ii) construe the Plan, which construction, as long as made in good faith, shall be final and conclusive upon all parties hereto; and

(iii) correct any defect, supply any omission, or reconcile any inconsistency in the Plan in such manner and to such extent as it shall deem expedient to carry the same into effect, and it shall be the sole and final judge of when such action shall be appropriate.

The resolution of any questions with respect to payments and entitlements pursuant to the provisions of the Plan shall be determined by the Compensation Committee, and all such determinations shall be final and conclusive.

(b) **Indemnity.** No member of the Compensation Committee shall be directly or indirectly responsible or under any liability by reason of any action or default by him as a member of the Compensation Committee, or the exercise of or failure to exercise any power or discretion as such member. No member of the Compensation Committee shall be liable in any way for the acts or defaults of any other member of the Compensation Committee, or any of its advisors, agents or representatives. The Company shall indemnify and save harmless each member of the Compensation Committee against any and all expenses and liabilities arising out of his own membership on the Compensation Committee.

(c) **Participant Information.** The Company shall furnish to the Compensation Committee in writing all information the Company deems appropriate for the Compensation Committee to exercise its powers and duties in administration of the Plan. Such information shall be conclusive for all purposes of the Plan and the Compensation Committee shall be entitled to rely thereon without any investigation thereof; provided, however, that the Compensation Committee may correct any errors discovered in any such information.

(d) **Inspection of Documents.** The Compensation Committee shall make available to each Participant and his Designated Beneficiary, for examination at the principal office of the Company (or at such other location as may be determined by the Compensation Committee), a copy of the Plan and such of its records, or copies thereof, as may pertain to any benefits of such Participant and beneficiary under the Plan.

## 8. EFFECTIVE DATE, TERMINATION AND AMENDMENT

(a) **Effective Date of the Plan.** Subject to stockholder approval of the Plan, the Plan shall be effective as of the Effective Date.

(b) **Amendment and Termination of the Plan.** The Plan may be terminated or revoked by the Board at any time and amended by the Board from time to time, provided that neither the termination, revocation or amendment of the Plan may, without the written approval of the Participant, reduce the amount of a bonus payment that has been determined by the Compensation Committee to be due and payable, but has not yet been paid; and provided further that no modification to the Plan that would increase the amount of any bonus payable hereunder beyond the amount determined pursuant to Section 6 of the Plan shall be effective without (i) approval by the Compensation Committee, (ii) disclosure to the stockholders of the Company of such modification, and (iii) approval of such modification by the stockholders of the Company in a separate vote that takes place prior to the payment of any bonuses under such modified Plan provisions. The Plan may also be modified or amended by the Compensation Committee, as it deems appropriate, in order to comply with the Performance-Based Compensation Rules.

9. MISCELLANEOUS PROVISIONS

(a) Unsecured Creditor Status. A Participant entitled to a bonus payment hereunder shall rely solely upon the unsecured promise of the Company, as set forth herein, for the payment thereof, and nothing herein contained shall be construed to give to or vest in a Participant or any other person now or at any time in the future, any right, title, interest, or claim in or to any specific asset, fund, reserve, account, insurance or annuity policy or contract, or other property of any kind whatever owned by the Company, or in which the Company may have any right, title, or interest, now or at any time in the future.

(b) Other Company Plans. It is agreed and understood that any benefits under this Plan are in addition to any and all benefits to which a Participant may otherwise be entitled under any other contract, arrangement, or voluntary pension, profit sharing or other compensation plan of the Company, whether funded or unfunded, and that this Plan shall not affect or impair the rights or obligations of the Company or a Participant under any other such contract, arrangement, or voluntary pension, profit sharing or other compensation plan, including any other bonus plan or arrangement as may currently be in place or as may be established hereafter.

(c) Separability. If any term or condition of the Plan shall be invalid or unenforceable to any extent or in any application, then the remainder of the Plan, with the exception of such invalid or unenforceable provision, shall not be affected thereby, and shall continue in effect and application to its fullest extent.

(d) Continued Employment. Neither the establishment of the Plan, any provisions of the Plan, nor any action of the Compensation Committee shall be held or construed to confer upon any Participant the right to a continuation of employment by the Company. The Company reserves the right to dismiss any employee (including a Participant), or otherwise deal with any employee (including a Participant) to the same extent as though the Plan had not been adopted.

(e) Incapacity. If the Compensation Committee determines that a Participant or Beneficiary is unable to care for his affairs because of illness or accident, or is a minor, any benefit due such Participant or Beneficiary under the Plan may be paid to his spouse, child, parent, or any other person deemed by the Compensation Committee to have incurred expense for such Participant or Beneficiary (including a duly appointed guardian, committee, or other legal representative), and any such payment shall be a complete discharge of the Company's obligation hereunder.

(f) Jurisdiction. The Plan shall be construed, administered, and enforced according to the laws of the Commonwealth of Kentucky, except to the extent that such laws are preempted by the Federal laws of the United States of America.

(g) Withholding. The Participant or the Designated Beneficiary shall make appropriate arrangements with the Company for satisfaction of any federal, state or local income tax withholding requirements and Social Security or other tax requirements applicable to the accrual or payment of benefits under the Plan. If no other arrangements are made, the Company may provide, at its discretion, for any withholding and tax payments as may be required.

(h) Interpretation. The Plan is intended to pay compensation only on the attainment of the performance goals set forth in the Bonus Formula for the applicable Performance Period, in a manner that will exempt such compensation from the limitations on the deduction of certain compensation payments under Code Section 162(m). To the extent that any provision of the Plan would cause a conflict with the conditions required for such an exemption or would cause the administration of the Plan to fail to satisfy the applicable requirements for the performance-based compensation exemption under Code Section 162(m), such provision shall be deemed null and void to the extent permitted by applicable law.

IN WITNESS WHEREOF, and as evidence of the adoption of the Plan, the Board has caused this document to be signed by a duly authorized officer this day of \_\_\_\_\_, 2012.

CHURCHILL DOWNS INCORPORATED

By:

Its:

**ANNUAL MEETING OF CHURCHILL DOWNS INCORPORATED**

**Date:** April 25, 2017  
**Time:** 9:00 A.M. (Local Time)  
**Place:** Four Seasons Hotel Miami, 1435 Brickell Avenue, Miami, Florida 33131  
**Please make your marks like this: Use dark black pencil or pen only**

Board of Directors Recommends a Vote **FOR** proposals 1, 2, 3, and 4 and **1 YEAR** on proposal 5.

					<b>Directors Recommend</b>
<b>1: Election of Class III Directors</b>					
	<b>For</b>		<b>Withhold</b>		
01 Robert L. Fealy					<b>For</b>
02 Daniel P. Harrington					<b>For</b>
<b>2: To ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for fiscal year 2017.</b>	<b>For</b>	<b>Against</b>	<b>Abstain</b>		<b>For</b>
<b>3: To approve the performance goals used for performance-based awards under the Churchill Downs Incorporated Executive Annual Incentive Plan.</b>					<b>For</b>
<b>4: To approve, on a non-binding advisory basis, executive compensation.</b>					<b>For</b>
<b>5: Frequency of advisory vote on executive compensation.</b>	<b>1 year</b>	<b>2 years</b>	<b>3 years</b>	<b>Abstain</b>	<b>1 Year</b>

**Authorized Signatures - This section must be completed for your Instructions to be executed.**

Please Sign Here

Please Date Above

Please Sign Here

Please Date Above

Please sign exactly as your name(s) appears on your stock certificate. If held in joint tenancy, all persons should sign. Trustees, administrators, etc., should include title and authority. Corporations should provide full name of corporation and title of authorized officer signing the proxy.

**Annual Meeting of Churchill Downs Incorporated**

**to be held on Tuesday, April 25, 2017**

**for Holders as of March 2, 2017**

**This proxy is being solicited on behalf of the Board of Directors**

**VOTE BY:**

**INTERNET**

Go To  
**[www.proxypush.com/chdn](http://www.proxypush.com/chdn)**  
Cast your vote online.  
View Meeting Documents.

**TELEPHONE**

**866 284-6863**

**OR**

Use any touch-tone telephone.  
**Have your Proxy Card/Voting Instruction Form ready.**  
Follow the simple recorded instructions.

**MAIL**

**OR**

Mark, sign and date your Proxy Card/Voting Instruction Form.  
Detach your Proxy Card/Voting Instruction Form.  
Return your Proxy Card/Voting Instruction Form in the postage-paid envelope provided.

The undersigned hereby appoints R. Alex Rankin and Ulysses L. Bridgeman, Jr., and each or either of them, as the true and lawful attorneys of the undersigned, with full power of substitution and revocation, and authorizes them, and each of them, to vote all the shares of capital stock of Churchill Downs Incorporated which the undersigned is entitled to vote at said meeting and any adjournment thereof upon the matters specified and upon such other matters as may be properly brought before the meeting or any adjournment thereof, conferring authority upon such true and lawful attorneys to vote in their discretion on such other matters as may properly come before the meeting and revoking any proxy heretofore given.

THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED AS DIRECTED OR, IF NO DIRECTION IS GIVEN, SHARES WILL BE VOTED FOR THE ELECTION OF THE DIRECTORS IN ITEM 1 AND FOR THE PROPOSALS IN ITEMS 2, 3, AND 4, AND FOR 1 YEAR IN ITEM 5.

**All votes must be received by 11:59 P.M., Eastern Time, April 24, 2017.**

**PROXY TABULATOR FOR**

**CHURCHILL DOWNS INCORPORATED**

**P.O. BOX 8016**

**CARY, NC 27512-9903**

**EVENT #**

**CLIENT #**

**OFFICE #**

**Proxy Churchill Downs Incorporated**

**Annual Meeting of Shareholders**

**April 25, 2017, 9:00 a.m. (Eastern Daylight Time)**

**This Proxy is Solicited on Behalf of the Board of Directors**

The undersigned appoints R. Alex Rankin and Ulysses L. Bridgeman, Jr. (the Named Proxies ) and each of them as proxies for the undersigned, with full power of substitution, to vote the shares of common stock of Churchill Downs Incorporated, a Kentucky corporation ( the Company ), the undersigned is entitled to vote at the Annual Meeting of Shareholders of the Company to be held at the Four Seasons Hotel Miami, 1435 Brickell Avenue, Miami, Florida 33131, on Tuesday, April 25, 2017 at 9:00 a.m. (EDT) and all adjournments thereof.

The purpose of the Annual Meeting is to take action on the following:

1. Election of Class III Directors
2. To ratify the appointment of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for fiscal year 2017.
3. To approve the performance goals used for performance-based awards under the Churchill Downs Incorporated Executive Annual Incentive Plan.
4. To approve, on a non-binding advisory basis, executive compensation.
5. Frequency of advisory vote on executive compensation.
6. Transact such other business as may properly come before the Annual Meeting or any adjournment or postponement of the Annual Meeting.

The two directors up for re-election are: Robert L. Fealy and Daniel P. Harrington.

The Board of Directors of the Company recommends a vote FOR all nominees for director and FOR each proposal, and 1 YEAR on proposal 5.

**This proxy, when properly executed, will be voted in the manner directed herein. If no direction is made, this proxy will be voted FOR all nominees for director, FOR each proposal and 1 YEAR on proposal 5. In their discretion, the Named Proxies are authorized to vote upon such other matters that may properly come before the Annual Meeting or any adjournment or postponement thereof.**

**You are encouraged to specify your choice by marking the appropriate box (SEE REVERSE SIDE) but you need not mark any box if you wish to vote in accordance with the Board of Directors recommendation. The Named Proxies cannot vote your shares unless you sign and return this card.**

**To attend the meeting and vote your shares in person,  
please mark this box.**