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Soft Business Levels, Unresolved ADW Issue Prompt Reduction in Churchill's Overnight, Stakes Purses

Soft business levels stemming from the nation's economic slowdown and the unresolved negotiations with horsemen over distribution of the Churchill Downs simulcast signal to national advance deposit wagering ("ADW") outlets have prompted Churchill Downs to announce a 10 percent reduction in overnight purses for the remainder of its Fall Meet and reductions in purses for two of the meet's major stakes races.

Overnight purses will be reduced by 10 percent effective with the racing program on Wednesday, Nov. 12. In addition, purses will be reduced for the 134th running of the Grade II Clark Handicap, which is set for Nov. 28, and the 93rd running of the Falls City Handicap, a Grade II race which will be run on the Nov. 28 Thanksgiving Day program. The Clark Handicap purse will be reduced by \$100,000 to \$400,000-added, and the Falls City purse by \$50,000 to \$150,000-added.

The reduction in stakes purses for the Oct. 26-Nov. 29 Fall Meet is the second announced by Churchill Downs. A reduction of some stakes purses and the cancellation of two stakes events was announced on Aug. 29.

The Churchill Downs simulcast signal has been blocked from national advance deposit wagering outlets since the beginning of Churchill Downs' April 26-July 6 Spring Meet. Those outlets include TwinSpires.com, the official ADW site for Churchill Downs Incorporated. The Kentucky Horsemen's Benevolent and Protective Association ("HBPA") and Kentucky Thoroughbred Association ("KTA") have withheld permission to allow distribution of the track's simulcast signal to those ADW platforms.

"The soft economy has led to a decline of wagering dollars industry-wide and resulted in purse reductions at tracks across the country," said Churchill Downs Incorporated Senior Vice President Kevin Flanery. "The inability to distribute simulcast signals to national ADW platforms has placed additional pressure on purses at Churchill Downs. We apologize to our customers for this inconvenience and will continue to work to obtain the horsemen's consent to distribute the Churchill Downs simulcast signal to those sites."

Churchill Downs, the world's most legendary racetrack, has conducted Thoroughbred racing and presented America's greatest race, the Kentucky Derby, continuously since 1875. Located in Louisville, the flagship racetrack of Churchill Downs Incorporated (NASDAQ Global Select Market: CHDN) also operates Trackside at Churchill Downs, which offers year-round simulcast wagering at the historic track. Churchill Downs will conduct the 135th running of the Kentucky Derby on May 2, 2009. The track's 2008 Fall Meet is scheduled for Oct. 26-Nov. 29. Churchill Downs has hosted the Breeders' Cup World Championships a record six times, and will host the international racing championship again on Nov. 5-6, 2010. Information about Churchill Downs can be found on the Internet at www.churchilldowns.com.

Information set forth in this discussion and analysis contains various "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The Private Securities Litigation Reform Act of 1995 (the "Act") provides certain "safe harbor" provisions for forward-looking statements. All forward-looking statements made in this Quarterly Report on Form 10-Q are made pursuant to the Act. The reader is cautioned that such forward-looking statements are based on information available at the time and/or management's good faith belief with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements. Forward-looking statements speak only as of the date the statement was made. We assume no obligation to update forward-looking information to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information. Forward-looking statements are typically identified by the use of terms such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "might," "plan," "predict," "project," "should," "will," and similar words, although some forward-looking statements are expressed differently. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. Important factors that could cause actual results to differ materially from expectations include: the effect of global economic conditions, including any disruptions in the credit markets; the effect (including possible increases in the cost of doing business) resulting from future war and terrorist activities or political uncertainties; the overall economic environment; the impact of increasing insurance costs; the impact of interest rate fluctuations; the effect of any change in our accounting policies or practices; the financial performance of our racing operations; the impact of gaming competition (including lotteries and riverboat, cruise ship and land-based casinos) and other sports and entertainment options in those markets in which we operate; the impact of live racing day competition with other Florida and Louisiana racetracks within those respective markets; costs associated with our efforts in support of alternative gaming initiatives; costs associated with customer relationship management initiatives; a substantial change in law or regulations affecting pari-mutuel and gaming activities; a substantial change in allocation of live racing days; changes in Illinois law that impact revenues of racing operations in Illinois; the presence of wagering facilities of Indiana racetracks near our operations; our continued ability to effectively compete for the

country's top horses and trainers necessary to field high-quality horse racing; our continued ability to grow our share of the interstate simulcast market and obtain the consents of horsemen's groups to interstate simulcasting; our ability to execute our acquisition strategy and to complete or successfully operate planned expansion projects; our ability to successfully complete any divestiture transaction; our ability to execute on our permanent slot facility in Louisiana and permanent slot facility in Florida; market reaction to our expansion projects; the loss of our totalisator companies or their inability to provide us assurance of the reliability of their internal control processes through Statement on Auditing Standards No. 70 audits or to keep their technology current; the need for various alternative gaming approvals in Louisiana; our accountability for environmental contamination; the loss of key personnel; the impact of natural disasters on our operations and our ability to adjust the casualty losses through our property and business interruption insurance coverage; any business disruption associated with a natural disaster and/or its aftermath; our ability to integrate businesses we acquire, including our ability to maintain revenues at historic levels and achieve anticipated cost savings; the impact of wagering laws, including changes in laws or enforcement of those laws by regulatory agencies; the outcome of pending or threatened litigation, including the outcome of any counter-suits or claims arising in connection with a pending lawsuit in federal court in the Western District of Kentucky styled Churchill Downs Incorporated, et al v. Thoroughbred Horsemen's Group, LLC, Case #08-CV-225-S; changes in our relationships with horsemen's groups and their memberships; our ability to reach agreement with horsemen's groups on future purse and other agreements (including, without limiting, agreements on the sharing of revenues from gaming and advance deposit wagering); the effect of claims of third parties to intellectual property rights; and the volatility of our stock price.