

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: September 30, 1997

OR

() TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

for the transition period from _____ to _____

Commission file number 0-1469

CHURCHILL DOWNS INCORPORATED
(Exact name of registrant as specified in its charter)

KENTUCKY

61-0156015

(State or other jurisdiction of
incorporation or organization)

(IRS Employer
Identification No.)

700 CENTRAL AVENUE, LOUISVILLE, KY 40208
(Address of principal executive offices)
(Zip Code)

(502) 636-4400
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No _____

The number of shares outstanding of registrant's common stock at November 1, 1997 was 3,658,468 shares.

Page 1 of 39

CHURCHILL DOWNS INCORPORATED

I N D E X

PAGES

PART I. FINANCIAL INFORMATION

ITEM 1. Condensed Consolidated Financial Statements (Unaudited)

Condensed Consolidated Balance Sheets, September 30, 1997,
December 31, 1996 and September 30, 1996 3

Condensed Consolidated Statements of Operations for the
nine and three months ended September 30, 1997 and 1996 4

Condensed Consolidated Statements of Cash Flows for the
nine months ended September 30, 1997 and 1996 5

Condensed Notes to Consolidated Financial Statements 6-7

ITEM 2. Management's Discussion and Analysis of Financial
Condition and Results of Operations 8-19

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk (Not Applicable)	20
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PART II. OTHER INFORMATION AND SIGNATURES

ITEM 6. Exhibits and Reports on Form 8-K	20
--	----

Signatures	21
------------	----

Exhibit Index	22
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Exhibits	23-39
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CHURCHILL DOWNS INCORPORATED

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

ASSETS	September 30 1997	December 31 1996	September 30 1996
	-----	-----	-----
Current assets:			
Cash and cash equivalents	\$11,030,692	\$ 8,209,414	\$ 9,546,648
Accounts receivable	11,627,361	5,218,236	3,152,738
Other current assets	548,464	679,221	263,007
	-----	-----	-----
Total current assets	23,206,517	14,106,871	12,962,393
Other assets	5,803,188	3,739,906	3,822,956
Plant and equipment	104,059,771	100,025,412	99,743,493
Less accumulated depreciation	(40,227,530)	(37,143,223)	(36,141,096)
	-----	-----	-----
	63,832,241	62,882,189	63,602,397
	-----	-----	-----
	\$92,841,946	\$80,728,966	\$80,387,746
	=====	=====	=====
 LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$10,532,273	\$ 7,575,573	\$11,755,821
Accrued expenses	6,096,346	5,802,330	5,272,632
Dividends payable	-	2,375,271	-
Income taxes payable	2,605,534	2,510,508	2,569,508
Deferred revenue	7,778,630	6,511,902	1,825,689
Long-term debt, current portion	79,805	73,893	70,097
	-----	-----	-----
Total current liabilities	27,092,588	24,849,477	21,493,747
Long-term debt, due after one year	2,827,191	2,925,298	2,885,784
Outstanding mutuel tickets (payable after one year)	2,702,221	2,031,500	2,564,265
Deferred compensation	884,000	825,211	817,562
Deferred income taxes	2,316,600	2,316,600	2,415,500
Stockholders' equity:			
Preferred stock, no par value; authorized, 250,000 shares; issued, none	-	-	-
Common stock, no par value; authorized, 10 million shares, issued 3,658,468 shares, September 30, 1997, 3,654,264 shares, December 31, 1996 and September 30, 1996	3,613,697	3,493,042	3,493,013
Retained earnings	53,470,649	44,352,838	46,851,050
Deferred compensation costs	-	-	(68,175)
Note receivable for common stock	(65,000)	(65,000)	(65,000)
	-----	-----	-----
	57,019,346	47,780,880	50,210,888
	-----	-----	-----
	\$92,841,946	\$80,728,966	\$80,387,746
	=====	=====	=====

The accompanying notes are an integral part of the condensed consolidated financial statements.

CHURCHILL DOWNS INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
for the nine and three months ended September 30, 1997 and 1996
(Unaudited)

	Nine Months Ended September 30		Three Months Ended September 30	
	1997	1996	1997	1996
	-----	-----	-----	-----
Net revenues	\$90,488,275	\$81,690,754	16,827,607	\$ 15,200,752
Operating expenses	69,391,492	62,875,236	17,803,197	16,424,909
	-----	-----	-----	-----
Gross earnings (loss)	21,096,783	18,815,518	(975,590)	(1,224,157)
Selling, general and administrative expenses	6,421,807	5,403,696	2,029,680	1,558,273
Operating income (loss)	14,674,976	13,411,822	(3,005,270)	(2,782,430)
Other income and expense:				
Interest income	349,286	214,924	152,446	120,293
Interest expense	(255,930)	(238,515)	(107,220)	(292)
Miscellaneous, net	289,479	296,244	90,835	171,441
	-----	-----	-----	-----
	382,835	272,653	136,061	291,442
	-----	-----	-----	-----
Earnings (loss) before income tax provision (benefit)	15,057,811	13,684,475	(2,869,209)	(2,490,988)
Federal and state income tax (provision) benefit	(5,940,000)	(5,490,000)	1,050,000	910,000
	-----	-----	-----	-----
Net earnings (loss)	\$9,117,811	\$8,194,475	\$(1,819,209)	\$ (1,580,988)
	=====	=====	=====	=====
Net earnings (loss) per share (based on weighted average shares outstanding of 3,656,820 and 3,747,195 nine months ended, respectively and 3,656,794 and 3,704,721, three months ended, respectively)	\$2.49	\$2.19	\$(.50)	\$(.43)
	=====	=====	=====	=====

The accompanying notes are an integral part of the condensed consolidated financial statements.

CHURCHILL DOWNS INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
for the nine months ended September 30, 1997 and 1996
(Unaudited)

	Nine Months Ended September 30	
	1997	1996
Cash flows from operating activities:		
Net earnings	\$ 9,117,811	\$ 8,194,475
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	3,340,076	3,441,832
Increase (decrease) in cash resulting from changes in operating assets and liabilities:		
Accounts receivable	(796,921)	(1,053,837)
Other current assets	130,757	286,813
Income taxes payable	95,026	1,520,000
Deferred revenue	(4,345,476)	(4,272,852)
Accounts payable	2,956,700	5,238,313
Accrued expenses	294,016	1,961,750
Other assets and liabilities	597,959	864,853
Net cash provided by operating activities	11,389,948	16,181,347
Cash flows from investing activities:		
Additions to plant and equipment, net	(4,034,359)	(2,292,030)
Purchase of minority-owned investment	(2,187,500)	-
Net cash used in investing activities	(6,221,859)	(2,292,030)
Cash flows from financing activities:		
Decrease in long-term debt, net	(92,195)	(3,465,295)
Dividend paid	(2,375,271)	(1,892,302)
Common stock issued	120,655	112,941
Common stock repurchased	-	(4,954,201)
Net cash used in financing activities	(2,346,811)	(10,198,857)
Net increase in cash and cash equivalents	2,821,278	3,690,460
Cash and cash equivalents, beginning of period	8,209,414	5,856,188
Cash and cash equivalents, end of period	<u>\$11,030,692</u>	<u>\$ 9,546,648</u>
Supplemental Disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 115,290	\$ 261,182
Income taxes	\$ 5,823,674	\$ 3,770,000
Schedule of Non-cash Operating Activities:		
Invoicing for 1998 Kentucky Derby and Oaks	\$ 5,612,204	-

The accompanying notes are an integral part of the condensed consolidated financial statements.

CHURCHILL DOWNS INCORPORATED

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the nine months ended September 30, 1997 and 1996
(Unaudited)

1. Because of the seasonal nature of the Company's business, revenues and operating results for any interim quarter are not indicative of the revenues and operating results for the year and are not necessarily comparable with results for the corresponding period of the previous year. The accompanying consolidated financial statements reflect a disproportionate share of annual net income as the Company normally earns a substantial portion of its net earnings in the second quarter of each year during which the Kentucky Derby and Kentucky Oaks are run. The Kentucky Derby and Kentucky Oaks are run on the first weekend in May.

During the nine months ended September 30, 1997 and 1996 the Company conducted simulcast receiving wagering for 1,071 and 1,044 location days, respectively, which includes simulcast wagering at its Sports Spectrum site in Louisville, Kentucky for 167 days in 1997 compared to 160 days in 1996. Through its subsidiary, Hoosier Park L.P. ("Hoosier Park"), the Company conducted simulcast wagering at its racetrack in Anderson, Indiana and at three simulcast wagering facilities located in Merrillville, Ft. Wayne and Indianapolis, Indiana for a total of 904 days during the nine month period compared to 884 days in 1996. Additionally, the Company conducts simulcast wagering on-track during its Churchill Downs and Hoosier Park live race meets.

2. The accompanying condensed consolidated financial statements are presented in accordance with the requirements of Form 10-Q and consequently do not include all of the disclosures normally required by generally accepted accounting principles or those normally made in the Company's annual report on Form 10-K. The year end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles. Accordingly, the reader of this Form 10-Q may wish to refer to the Company's Form 10-K for the period ended December 31, 1996 for further information. The accompanying consolidated financial statements have been prepared in accordance with the registrant's customary accounting practices and have not been audited. In the opinion of management, all adjustments necessary for a fair presentation of this information have been made and all such adjustments are of a normal recurring nature.

3. The Company has an unsecured \$20,000,000 bank line of credit with various options for the interest rate, none of which are greater than the bank's prime rate. The line of credit expires January 31, 1998. There were no borrowings outstanding at September 30, 1997, December 31, 1996 and September 30, 1996.

4. Certain balance sheet and statement of operations items have been reclassified in the prior year to conform to current period presentation.

CHURCHILL DOWNS INCORPORATED

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the nine months ended September 30, 1997 and 1996 (continued)
(Unaudited)

5. On January 22, 1992, the Company acquired certain assets of Louisville Downs, Incorporated for \$5,000,000. In conjunction with this purchase, the Company withheld \$1,000,000 from the amount due to the sellers to offset certain costs related to the remediation of environmental contamination associated with underground storage tanks at the site. Substantially, all of the \$1,000,000 hold back has been utilized as of September 30, 1997. The Company awaits a ruling from the Commonwealth of Kentucky on whether the remediation is complete.

It is not anticipated that the Company will have any material liability as a result of compliance with environmental laws with respect to any of the Company's property. Compliance with environmental laws has not otherwise affected development and operation of the Company's property and the Company is not otherwise subject to any material compliance costs in connection with federal or state environmental laws.

6. During the nine month period ended September 30, 1997, the Company issued 4,204 shares of its common stock to employees under its Stock Purchase Plan for total proceeds of \$120,655.

7. In February 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share" (SFAS 128). SFAS 128 is designed to improve the EPS information provided in financial statements by simplifying the existing computational guidelines. SFAS 128 is effective for financial statements issued for periods ending after December 15, 1997. The Company does not expect adoption of this standard will have a material impact on its future or previously reported earnings per share.

8. In June 1997, the FASB issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (SFAS 130). SFAS 130 establishes standards for reporting and display of comprehensive income and its components (revenues, expenses, gains and losses) in a full set of general-purpose financial statements. SFAS 130 is effective for financial statements issued for periods ending after December 15, 1997. The Company does not expect adoption of this standard will have a material impact on its financial statements.

9. In July 1997, BC Racing Group, LLC (BC), of which a wholly-owned subsidiary of the Company is a 24% owner, purchased Dueling Grounds racecourse for \$11 million at a Federal Bankruptcy Court sale after having purchased underlying mortgage notes to the property from the mortgagee at a discount. Located in Franklin, Kentucky, just north of Nashville, Tennessee, Dueling Grounds opened in 1991, conducting short race meets and year-round simulcasting. The Company will account for its investment in BC of \$2,187,500 under the equity method of accounting.

CHURCHILL DOWNS INCORPORATED

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (Continued)

RESULTS OF OPERATIONS

This discussion and analysis contains both historical and forward-looking information. The forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements regarding riverboat competition and alternative gaming legislation may be significantly impacted by certain risks and uncertainties described herein, and in the Company's annual report on Form 10-K for the year ended December 31, 1996.

The Company's principal business is conducting pari-mutuel wagering on Thoroughbred and Standardbred horse races. The Kentucky Derby and Kentucky Oaks, which are run on the first weekend in May of each year, continue to be the Company's outstanding attractions. The Spring Thoroughbred meet average daily attendance and handle increased by 2 and 4 percent, respectively, in Kentucky. Derby weekend accounted for approximately 30% of total on-track pari-mutuel wagering and 34% of total on-track attendance for the 1997 Spring Meet at Churchill Downs compared to 30% and 35%, respectively, in 1996.

The Company, through its subsidiary, Hoosier Park, L.P. ("Hoosier Park"), is majority owner and operator of Indiana's only pari-mutuel racetrack, Hoosier Park in Anderson, Indiana. Hoosier Park conducted live Standardbred racing beginning April 24, 1997 and ending on August 24, 1997. Hoosier Park also conducted live Thoroughbred racing in the third quarter beginning September 12, 1997 through the end of September 1997 and will continue the Thoroughbred meet through November 29, 1997. Average daily attendance and daily handle figures for the 1997 Standardbred race meet were down by 13 and 15 percent, respectively, compared to the 1996 Standardbred race meet.

Because of the seasonal nature of the Company's business, revenues and operating results for any interim quarter are not indicative of the revenues and operating results for the year and are not necessarily comparable with results for the corresponding period of the previous year. During the second quarter of 1997, the Company earned a substantial portion of its expected net income for the year from the running of the Kentucky Derby and the Kentucky Oaks.

The Company's primary sources of income are commissions and fees earned from pari-mutuel wagering on live and simulcast horse races. Other significant sources of income include admissions and seating, concession commissions (primarily for the sale of food and beverage items), riverboat admission tax supplement, and license, rights and broadcast and sponsorship fees.

CHURCHILL DOWNS INCORPORATED

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (Continued)

In Kentucky, licenses to conduct Thoroughbred race meetings and to participate in simulcasting are approved annually by the Kentucky Racing Commission (KRC) based upon applications submitted by the racetracks in Kentucky, including the Company. Based on gross figures for on-track pari-mutuel wagering and attendance, the Company is the leading Thoroughbred racetrack in Kentucky. The Company conducted live racing from April 26 through June 29, 1997, and has been granted a license to conduct live racing during the period October 26 through November 29, 1997 for a total of 77 racing days in Kentucky compared to 78 racing days in 1996. The Company has received approval from the KRC to conduct live racing in Kentucky from April 25, 1998 through June 28, 1998 (Spring Meet) and from November 1, 1998 through November 28, 1998 (Fall Meet) for a total of 70 racing days.

The Company will host Breeders' Cup Day on November 7, 1998. Breeders' Cup Limited is a tax-exempt organization chartered to promote Thoroughbred racing and breeding. The Breeders' Cup Day races are held annually, featuring \$11 million in purses, for the purpose of determining Thoroughbred champions in seven different events. Racetracks across the United States compete for the privilege of hosting the Breeders' Cup Day races each year. The Breeders' Cup Day races were held in California in November 1997. Hosting the event in 1998 may have a positive impact on the Company's 1998 results.

In Indiana, licenses to conduct live Standardbred and Thoroughbred race meetings and to participate in simulcasting are approved annually by the Indiana Horse Racing Commission (IHRC) based upon applications submitted by the Company. Currently, the Company is the only facility in Indiana licensed to conduct live Standardbred or Thoroughbred race meetings and to participate in simulcasting. In Indiana the Company has been granted a license to conduct live racing in 1997 for a total of 143 racing days, including 85 days of Standardbred racing from April 24 through August 24, 1997, and 58 days of Thoroughbred racing from September 12 through November 29, 1997. In 1996, the Company conducted live racing for a total of 132 racing days, including 80 days of Standardbred racing and 52 days of Thoroughbred racing. The Company will submit an application for 1998 live racing days in Indiana to the IHRC during the fourth quarter and no significant changes in racing dates for 1998 are expected.

With the advent of whole card simulcasting, the Company conducts interstate simulcasting year-round on multiple racing programs each day from around the nation. For 1997, the Company has been granted a license to operate simulcast receiving locations in Kentucky and Indiana for all dates from January 1 through December 31 and intends to receive simulcasting on all days it is economically feasible. The number of receiving days in Kentucky and Indiana has increased seven and twenty days, respectively, in 1997 compared to 1996. Hoosier Park is continuing to evaluate sites and may ultimately be supported by a fourth whole card simulcasting facility in Indiana. An increase in the number of days or facilities would be expected to enhance operating results.

Because the business of the Company is seasonal, the number of persons employed will vary throughout the year. Approximately 600 individuals are employed on a permanent year-round basis. During the second quarter, approximately 2,600 persons were employed by the Company at all of its locations.

CHURCHILL DOWNS INCORPORATED

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (Continued)

There are currently four riverboat casinos operating on the Ohio River along Kentucky's border -- two in the southeastern Indiana cities of Lawrenceburg and Rising Sun, one in southwestern Indiana in Evansville and one at Metropolis, Illinois.

Direct competition with these riverboats has negatively impacted wagering at racetracks in western and northern Kentucky. Churchill Downs experienced small increases in attendance and wagering during its 1997 Spring Meet, due primarily to an aggressive on-track marketing program, and further expansion of both intertrack and interstate simulcasting.

Two additional riverboats are anticipated to open along the Indiana shore of the Ohio River. Caesars World has been licensed to open the nation's largest riverboat casino in Harrison County, Indiana, just 10 miles from Louisville. Developers of this project are currently awaiting issuance of a permit from the Army Corps of Engineers. A license to open a fifth Indiana riverboat along the Ohio River in either Crawford County or Switzerland County, within 30 and 70 miles, respectively of Louisville, is also under consideration by the Indiana Gaming Commission.

In addition to those riverboats operating along the Ohio River, five riverboat casinos have opened along the Indiana shore of Lake Michigan near the Company's Sports Spectrum in Merrillville, Indiana. The Company's pari-mutuel wagering activities at the Merrillville facility have been adversely impacted by the opening of these Lake Michigan riverboats.

Studies project that once all riverboats are open and mature, Churchill Downs could experience as much as a 30% decline in on-track wagering and a 20% decline in the Louisville, Kentucky, Sports Spectrum business.

Additionally, the Potawatomi Indian Tribe has expressed an interest in establishing land-based casino operations in southwestern Michigan and northeastern Indiana, while the Miami Indian Tribe has expressed an interest in establishing a land-based casino near the Company's Merrillville Sports Spectrum. The Company continues to anticipate that such operations will negatively impact pari-mutuel wagering activities at its Indiana facilities. The extent of the impact is unknown at this time due, in part, to the uncertain geographic distances between the Company's operations and the number of potential casino sites.

Churchill Downs' Board of Directors passed a resolution in June 1996, instructing the Company's management to aggressively pursue alternative forms of gaming at its racetrack facilities in Louisville. The integration of alternative gaming products at the racetrack is one of four core business strategies developed by the Company to position itself to compete in this changing environment. Implementing these strategies, the Company has successfully grown its live racing product by strengthening its flagship operations, increasing its share of the interstate simulcast market, and geographically expanding its racing operations into Indiana. Alternative gaming in the form of video lottery terminals and slot

CHURCHILL DOWNS INCORPORATED

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (Continued)

machines would enable Churchill Downs to effectively compete with Indiana riverboat casinos, and provide new revenue for purse money and capital investment. Currently, Churchill Downs is working with members of the Kentucky horse industry to establish a consensus for a plan to operate video lottery terminals exclusively at Kentucky's racetracks.

The Company owned and operated two live racing facilities and four simulcast wagering facilities during the nine month periods ended September 30, 1997 and 1996. The chart below summarizes attendance and wagering handle for the operations in 1997 and 1996 for the nine month periods:

	KENTUCKY			INDIANA		
	Nine Months Ended September 30 1997	Nine Months Ended September 30 1996	Increase (Decrease)	Nine Months Ended September 30 1997	Nine Months Ended September 30 1996	Increase (Decrease)
ON-TRACK						
Number of Race Days	47	48	(1)	100	89	11
Attendance	687,533	685,228	-	119,068	118,928	-
Handle	\$96,580,365	\$95,077,056	2%	\$7,187,996	\$7,728,249	-7%
Average Daily Attendance	14,628	14,276	2%	1,191	1,336	-11%
Average Daily Handle	\$2,054,901	\$1,980,772	4%	\$71,880	\$86,834	-17%
Per Capita Handle	\$140.47	\$138.75	1%	\$60.37	\$64.98	-7%
INTERTRACK/SIMULCAST-HOST(SENDING)						
Number of Race Days	47	48	(1)	100	89	11
Handle	\$315,413,060	\$284,048,671	11%	\$15,690,932	\$6,118,208	156%
Average Daily Handle	\$6,710,916	\$5,917,681	13%	\$156,909	\$68,047	131%
INTERTRACK/SIMULCAST-RECEIVING*						
Number of Race Days	167	160	7	904	884	20
Attendance	378,100	361,018	5%	**	**	**
Handle	\$102,716,114	\$ 97,848,742	5%	\$102,126,265	\$105,617,223	-3%
Average Daily Attendance	2,264	2,256	-	**	**	**
Average Daily Handle	\$615,067	\$611,555	1%	\$112,972	\$119,476	-5%
Per Capita Handle	\$271.66	\$271.04	-	**	**	**
Total Handle	\$514,709,539	\$476,974,469	8%	\$125,005,193	\$119,463,680	5%

* The Company's Indiana operations include four separate simulcast wagering facilities.
** Attendance figures are not kept for the off-track wagering facilities in Indiana.

CHURCHILL DOWNS INCORPORATED

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (Continued)

Total handle in Kentucky increased approximately \$37.7 million (8%) primarily as a result of a \$31.4 million (11%) increase in simulcast-host handle. The Company's live races at Churchill Downs were transmitted to a record number of outlets across the nation for the 1997 Spring Meet.

In Indiana, total handle increased approximately \$5.5 million (5%) primarily as a result of a 156% increase in simulcast-host handle. The number of live race days in Indiana increased by 11 days and were transmitted to more outlets across the nation for the nine-months ended September 30, 1997. Conversely, on-track average daily attendance and average daily handle figures decreased by 11% and 17%, respectively.

COMPARISON OF NINE MONTHS ENDED SEPTEMBER 30, 1997 TO 1996

NET REVENUES

Net revenues during the nine months ended September 30, 1997 increased approximately \$8.8 million (11%). Approximately \$2.4 million of the total net revenue increase was the result of increased simulcast-receiving pari-mutuel revenues at Churchill Downs generated from Kentucky operations. This increase was partially offset by a \$180,000 decline in simulcast-receiving revenues in Indiana. The construction of an on-site simulcast wagering facility at Churchill Downs used during live racing in Kentucky as well as growth at the Sports Spectrum wagering facility during non-live racing times generated the positive variance for Kentucky operations. Simulcast-host revenues contributed \$602,000 to the increase in total net revenues, with the Company's live races being transmitted to a record number of outlets.

License, rights, broadcast and sponsorship revenues increased due to new corporate sponsors during the Spring Meet at Churchill Downs including sponsors for three steeplechase races held for the first time since the late 1800's. Concession revenues declined \$473,000 (22%) as a result of concession price reductions as part of the Company's aggressive on-track marketing program. Derby expansion area revenues increased as additional space was added for corporate sponsors for the Kentucky Derby and Oaks days.

Riverboat admissions revenue from the Company's Indiana operations increased \$6.5 million as a result of the opening of additional riverboats along the Ohio River and Lake Michigan since June 30, 1996. The net increase in riverboat admissions revenue, after required purse and marketing expenses of approximately \$4.8 million, is \$1.7 million.

CHURCHILL DOWNS INCORPORATED

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (Continued)

Following is a summary of Net Revenues:

NET REVENUE SUMMARY

	Nine Months Ended September 30 1997	% of Net Revenue	Nine Months Ended September 30 1996	% of Net Revenue	1997 VS. 1996 \$ Change	1996 % Change
Pari-Mutuel Revenue:						
On-track	13,679,913	15%	\$14,057,689	17%	(\$377,776)	-3%
Intertrack-Host	4,646,898	5	4,906,386	6	(259,488)	-5
Simulcast-Receiving	29,809,989	33	27,590,212	34	2,219,777	8
Simulcast Host	9,165,465	10	8,563,103	10	602,362	7
	\$57,302,265	63%	\$55,117,390	67%	\$2,184,875	4%
Admission & Seat Revenue	11,016,414	12	10,975,351	13	41,063	-
License, Rights, Broadcast & Sponsorship Revenue	5,925,759	7	5,517,677	7	408,082	7
Concession Commission	1,678,846	2	2,152,271	3	(473,425)	-22
Program Revenue	2,256,058	3	2,457,357	3	(201,299)	-8
Riverboat Admissions Revenue	9,137,345	10	2,622,436	4	6,514,909	248
Derby Expansion Area	1,337,620	1	1,128,270	1	209,350	19
Other	1,833,968	2	1,720,002	2	113,966	7
	\$90,488,275	100%	\$81,690,754	100%	\$8,797,521	11%

CHURCHILL DOWNS INCORPORATED

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (Continued)

OPERATING EXPENSES

In Kentucky and Indiana, purse expense varies directly with pari-mutuel revenues and is calculated as a percentage of the related revenue and may change from year to year pursuant to contract or statute. Accordingly, on-track, intertrack and simulcast purses reflect changes in direct proportion to changes in pari-mutuel revenues for the same categories. The increase in riverboat purses of \$3.3 million is directly related to the \$6.5 million increase in riverboat admissions revenue.

Wages and contract labor increased \$1.4 million. In addition to volume wage increases, general wage increases, including a new pari-mutuel clerks union contract in Kentucky which increased mutuel clerks' wages, account for a significant portion of the variance. The increase in the base-wage scale for pari-mutuel clerks throughout 1997 replaced the previous bonus provision which was triggered and accounted for in the fourth quarter. Also contributing to the increase is a revised contract with the crowd management vendor in Kentucky and security changes at the Louisville Sports Spectrum.

Advertising, marketing and publicity expenses increased \$628,000 which includes an increase in the Churchill Downs direct marketing expenses as part of the aggressive marketing plan initiated during the live racing meet.

Simulcast host fees increased primarily as a result of expansion of whole-card wagering during the Spring live racing meet.

Audio, video and signal distribution expense increases of \$411,000 represent costs associated with sending the Company's live racing products to a greater number of sites and additional equipment for enhanced and expanded areas for whole-card wagering in Kentucky.

The insurance, taxes and license fees decrease of \$207,000 was achieved by lower insurance costs in both Kentucky and Indiana.

Derby expansion area expenses increased in relation to increased space sold Derby weekend.

CHURCHILL DOWNS INCORPORATED

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (Continued)

Following is a summary of Operating Expenses:

OPERATING EXPENSE SUMMARY						
	Nine Months Ended September 30 1997	% of Operating Expenses	Nine Months Ended September 30 1996	% of Operating Expenses	1997 VS. \$ Change	1996 % Change
Purses:						
On-track	\$7,621,597	11%	\$7,744,028	12%	(\$122,431)	-2%
Intertrack-Host	2,174,146	3	2,262,831	4	(88,685)	-4
Simulcast- Receiving	9,542,075	14	9,260,501	15	281,574	3
Simulcast-Host	4,669,537	7	3,784,605	6	884,932	23
Riverboat	4,701,220	7	1,434,248	2	3,266,972	228
	\$28,708,575	42%	\$24,486,213	39%	\$4,222,362	17%
Wages and Contract Labor						
	13,569,389	19	12,204,758	19	1,364,631	11
Advertising, Marketing & Publicity						
	3,584,782	5	2,956,313	5	628,469	21
Racing Relations & Services						
	1,295,212	2	1,275,411	2	19,801	2
Totalisator Expense						
	1,119,758	2	1,152,965	2	(33,207)	-3
Simulcast Host Fee						
	5,906,651	8	5,725,570	9	181,081	3
Audio/Video & Signal Distribution Expense						
	1,606,604	2	1,195,419	2	411,185	34
Program Expense						
	1,737,891	2	1,785,020	3	(47,129)	-3
Depreciation & Amortization						
	3,340,076	5	3,441,832	6	(101,756)	-3
Insurance, Taxes & License Fees						
	1,819,475	3	2,026,870	3	(207,395)	-10
Maintenance						
	1,418,404	2	1,394,005	2	24,399	2
Utilities						
	1,832,697	3	2,005,167	3	(172,470)	-9
Derby Expansion Area						
	598,798	1	436,323	1	162,475	37
Facility/Land Rent						
	611,078	1	645,913	1	(34,835)	-5
Other meeting expense						
	2,242,102	3	2,143,457	3	98,645	5
	\$69,391,492	100%	\$62,875,236	100%	\$6,516,256	10%

CHURCHILL DOWNS INCORPORATED

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (Continued)

Selling, general and administrative expenses increased by \$1,018,000 during the nine month period ended September 30, 1997 which only represents a one-half percent increase as a percentage of net revenues. Several new positions were added for 1997 to support base business growth and to align the Company's organizational structure to support strategic growth initiatives.

The interest income increase of \$134,000 represents the additional earnings generated by the Company from its short-term cash investments.

COMPARISON OF THREE MONTHS ENDED SEPTEMBER 30, 1997 TO THREE MONTHS ENDED
SEPTEMBER 30, 1996

Net losses for the three months ended September 30, 1997 of \$1,819,000 were higher by approximately \$238,000 compared to the same three months last year totaling \$1,581,000 as a result of a slight increase in the Company's selling, general and administrative expenses, for the same reasons as described above for the nine months ended, additional interest expense of \$107,000 offset partially by an increase in interest income of \$32,000 and a decrease in miscellaneous income. The difference in the effective tax rates for the three months ended September 30, 1997 and 1996 are due to a slight revision of the estimated annual tax rate.

COMPARISON OF THREE MONTHS ENDED SEPTEMBER 30, 1997 TO THREE MONTHS ENDED
JUNE 30, 1997

The decrease in net earnings (loss) for the three months ended September 30, 1997 totaling \$1,819,000 from the net earnings for the three months ended June 30, 1997 of \$12,785,706 is primarily the result of live racing income generated at Churchill Downs during the Kentucky Derby and the Kentucky Oaks weekend and the rest of the 1997 Spring meet. Live racing in Kentucky begins in the second quarter during which the Company earns a substantial portion of its net earnings. No live racing is conducted in Kentucky during the third quarter.

CHURCHILL DOWNS INCORPORATED

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (Continued)

SIGNIFICANT CHANGES IN THE BALANCE SHEET SEPTEMBER 30, 1997 TO DECEMBER 31, 1996

The cash and cash equivalent balances at September 30, 1997 were \$2.8 million higher than December 31, 1996 due to the cash generated during 47 live race days at Churchill Downs, including the Kentucky Derby and Oaks weekend. Cash balances during May and June are historically at the highest levels of the year, and they decrease as the year progresses due to normal business operations.

Accounts receivable at September 30, 1997 were \$6.4 million higher than December 31, 1996 due primarily to the invoicing for the 1998 Kentucky Derby and Oaks races late in the third quarter of 1997 versus invoicing for the 1997 Kentucky Derby and Oaks races early in the fourth quarter in 1996 which was substantially received by December 31, 1996.

Other assets at September 30, 1997 were \$2.1 million higher than December 31, 1996 due primarily to the Company's 24% ownership investment in BC Racing Group, LLC totaling \$2.2 million.

Plant and equipment increased by \$4 million due to the construction of a new on-site simulcast facility as well as routine capital spending throughout the Company. This was offset by approximately \$3.1 million in depreciation expense.

The accounts payable and accrued expenses increase of \$3.3 million is primarily the increase in simulcast settlement liabilities and the increase in purses payable which are due to the overall increase in simulcast wagering and riverboat admissions revenue.

Dividends payable decreased by \$2.4 million at September 30, 1997 due to the payment of dividends (declared in 1996) in the first quarter of 1997.

The deferred revenue increase of \$1.3 million represents the admission and seat revenue received in advance at September 30 for the 1997 Fall race meet which will be recognized in the fourth quarter of 1997.

CHURCHILL DOWNS INCORPORATED

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (Continued)

SIGNIFICANT CHANGES IN THE BALANCE SHEET SEPTEMBER 30, 1997 TO SEPTEMBER 30, 1996

Cash and cash equivalents increased \$1.5 million in 1997 over 1996 based upon the increased earnings of the Company.

The accounts receivable increase of \$8.5 million includes \$5.6 million of the invoicing for the 1998 Kentucky Derby and Oaks races late in the third quarter of 1997 versus invoicing for the 1997 Kentucky Derby and Oaks races early in the fourth quarter in 1996. The Indiana riverboat admissions tax receivable of \$4.3 million increased by \$2 million.

Other assets at September 30, 1997 were \$2 million higher in 1997 over 1996 due primarily to the Company's 24% ownership investment in BC Racing Group, LLC.

Plant and equipment increased by approximately \$4.3 million due to the construction of a new on-site simulcast facility as well as routine capital spending throughout the Company during the past twelve months. Plant and equipment additions were offset by approximately \$4.1 million in depreciation expense.

The deferred revenue increase of \$6 million is primarily the result of the invoicing of the 1998 Kentucky Derby and Oaks tickets.

LIQUIDITY AND CAPITAL RESOURCES

This working capital deficiency for the nine months ended September 30, 1997 decreased by approximately \$4.6 million compared to September 30, 1996 as shown below:

	SEPTEMBER 30	
	1997	1996
	----	----
Working capital surplus (deficiency)	\$ (3,886,071)	\$(8,531,354)
Working capital ratio	.86 to 1	.60 to 1

This decrease reflects the improved liquidity of the Company consistent with its continually improving financial performance.

CHURCHILL DOWNS INCORPORATED

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (Continued)

Cash flows provided by operations were \$11,390,000 and \$16,181,000 for the nine months ended September 30, 1997 and 1996, respectively. The decrease of \$4,791,000 is primarily the result of the timing of payment of accounts payable, income taxes payable and accrued expense balances. Management believes cash flows from operations during 1997 will be substantially in excess of the Company's disbursements for the year.

The Company has a \$20,000,000 unsecured line-of-credit available with \$20 million available at September 30, 1997 to meet working capital and other short-term requirements. Management believes that the Company has the ability to obtain additional long-term financing should the need arise.

RECENT ACCOUNTING DEVELOPMENTS

In February 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share" (SFAS 128). SFAS 128 is designed to improve the EPS information provided in financial statements by simplifying the existing computational guidelines. SFAS 128 is effective for financial statements issued for periods ending after December 15, 1997. The Company does not expect adoption of this standard will have a material impact on its future or previously reported earnings per share.

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (SFAS 130). SFAS 130 establishes standards for reporting and display of comprehensive income and its components (revenues, expenses, gains and losses) in a full set of general-purpose financial statements. SFAS 130 is effective for financial statements issued for periods ending after December 15, 1997. The Company does not expect adoption of this standard will have a material impact on its financial statements.

CHURCHILL DOWNS INCORPORATED

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Not Applicable

ITEM 2. CHANGES IN SECURITIES

Not Applicable

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not Applicable

ITEM 5. OTHER INFORMATION

Not Applicable

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

A. See exhibit index.

B. During the quarter ending September 30, 1997, no Form 8-Ks were filed by the Company.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CHURCHILL DOWNS INCORPORATED

November 14, 1997

/S/THOMAS H. MEEKER

Thomas H. Meeker
President and Chief Executive Officer

November 14, 1997

/S/ROBERT L. DECKER

Robert L. Decker
Senior Vice President, Finance
(Chief Financial Officer)

November 14, 1997

/S/VICKI L. BAUMGARDNER

Vicki L. Baumgardner, Vice President
and Treasurer
(Principal Accounting Officer)

EXHIBIT INDEX

NUMBERS	DESCRIPTION	BY REFERENCE TO
3 (a)	Amended and Restated Articles of Incorporation of Churchill Downs Incorporated	Pages 23-29
3 (b)	Restated Bylaws of Churchill Downs Incorporated	Pages 30-39

AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF CHURCHILL DOWNS INCORPORATED

ARTICLE I

NAME

The name of the corporation shall be Churchill Downs Incorporated.

ARTICLE II

PURPOSE AND POWERS

The nature of the business to be conducted by the corporation and its objects and purposes shall be the improvement of livestock, particularly thoroughbred horses, by giving exhibitions of contests of speed and races between horses for premiums, purses and other awards. In the furtherance and in the accomplishment of the objects and purposes enumerated, the corporation shall have the power to establish, maintain, purchase or otherwise acquire suitable race tracks located in or without the Commonwealth of Kentucky, with all necessary buildings and improvements and land for the purpose of establishing race tracks; to give or conduct on said race tracks public exhibitions of speed or races between horses for premiums, purses and other awards made up from fees or otherwise, and to charge the public for admission thereto and to the said race tracks; to engage in the registering of bets on exhibitions of speed or races at paid race tracks and premises in such manner as may be authorized or permitted by law; to operate restaurant, cafes, lunch counters and stands for the sale of food and other refreshments to persons on said premises; to purchase and hold title to such real estate as may be necessary or deemed to be necessary to fully carry out the several purposes for which the corporation is formed; to borrow money and give security therefor; to acquire, hold, mortgage, pledge or dispose of the shares, bonds, securities and other evidences of indebtedness of any domestic or foreign corporation and the securities issued by the corporation and the securities issued by the United States or by the Commonwealth of Kentucky or any governmental subdivision thereof to adopt through its Board of Directors a corporate seal and to alter name at the pleasure of the Board of Directors; to make bylaws through its Board of Directors not inconsistent with the law; and to transact any or all lawful business for which corporations may be incorporated.

The corporation shall have the power to purchase shares of the capital stock of the corporation to the extent of unreserved and unrestricted earned surplus and capital surplus of the corporation.

ARTICLE III

DURATION

The corporation shall have perpetual existence.

Page 23 of 39

ARTICLE IV

REGISTERED OFFICE AND AGENT

Until otherwise designated as provided by law, the location and Post Office address of the registered office of the corporation and its principal place of business shall be:

700 Central Avenue
Louisville, Kentucky 40208

ARTICLE V

REGISTERED AGENT

Until otherwise designated as provided by law, the name and Post Office

address of the authorized agent of the corporation upon whom process shall be served shall be:

Alexander M. Waldrop
700 Central Avenue
Louisville, Kentucky 40208

ARTICLE VI

DEBT LIMITATION

There shall be no limit on the amount of indebtedness which the corporation may incur.

ARTICLE VII

CAPITAL STOCK

The corporation shall be authorized to issue 10,000,000 shares of common stock of no par value (the "Common Stock"), and 250,000 shares of preferred stock of no par value in such series and with such rights, preferences and limitations, including voting rights, as the Board of Directors may determine (the "Preferred Stock").

A. THE COMMON STOCK. Shares of the Common Stock may be issued from time to time as the Board of Directors shall determine and on such terms and for such consideration as shall be fixed by the Board of Directors.

B. THE PREFERRED STOCK.

1. Shares of the Preferred Stock may be issued from time to time in one or more series as may from time to time be determined by the Board of Directors of the corporation. Each series shall be distinctly designated. All shares of any one series of the Preferred Stock shall be alike in every particular,

except that there may be different dates from which dividends (if any) thereon shall be cumulative, if made cumulative. The relative preferences, participating, optional and other special rights of each such series, and limitations thereof, if any, may differ from those of any and all other series at any time outstanding. The Board of Directors of the corporation is hereby expressly granted authority to fix by resolution or resolutions adopted prior to the issuance of any shares of each particular series of the Preferred Stock, the designation, relative preferences, participating, optional and other special rights and limitations thereof, if any, of such series, including but without limiting the generality of the foregoing, the following:

[a] The distinctive designation of, and the number of shares of the Preferred Stock which shall constitute the series, which number may be increased (except as otherwise fixed by the Board of Directors) or decreased (but not below the number of shares thereof then outstanding) from time to time by action of the Board of Directors;

[b] The rate and times at which, and the terms and conditions upon which dividends, if any, on shares of the series may be paid, the extent of preference or relation, if any, of such dividend to the dividends payable on any other class or classes of stock of the corporation, or on any series of the Preferred Stock or of any other class of Stock of the corporation, and whether such dividends shall be cumulative or non-cumulative;

[c] The right, if any, of the holders of shares of the series to convert the same into, or exchange the same for, shares of any other class or classes of stock of the corporation, or of any series of the Preferred Stock and the terms and conditions of such conversion or exchange;

[d] Whether shares of the series shall be subject to redemption and the redemption price or prices and the time or times at which, and the terms and conditions upon which shares of the series may be redeemed;

[e] The rights, if any, of the holders of shares of the series upon voluntary or involuntary liquidation, merger, consolidation, distribution or sale of assets, dissolution or winding up of the corporation;

[f] The terms of the sinking fund or redemption or purchase account, if any, to be provided for shares of the series; and

[g] The voting powers, if any, of the holders of shares of the series which may, without limiting the generality of the foregoing, include the right, voting as a series by itself or together with other series of the Preferred Stock as a class, to vote more or less than one vote per share on any or all matters voted upon by the stockholders and to elect one or more directors of the corporation in the event there shall have been a default in the payment of dividends on any one or more series of the Preferred Stock or under such other circumstances and upon such conditions as the Board of Directors may fix.

C. OTHER PROVISIONS.

1. The relative preferences, rights and limitations of each Series of Preferred Stock in relation to the preferences, rights and limitations of each other series of Preferred Stock shall, in each case,

be as fixed from time to time by the Board of Directors in the resolution or resolutions adopted pursuant to authority granted in this Article VII, and the consent by class or series vote or otherwise, of the holders of the Preferred Stock of such of the series of the Preferred Stock as are from time to time outstanding shall not be required for the issuance by the Board of Directors of any other series of Preferred Stock whether the preferences and rights of such other series shall be fixed by the Board of Directors as senior to, or on a parity with, the preferences and rights of such outstanding series, or any of them; provided, however, that the Board of Directors may provide in such resolution or resolutions adopted with respect to any series of Preferred Stock that the consent of the holders of a majority (or such greater proportion as shall be therein fixed) of the outstanding shares of such series voting thereon shall be required for the issuance of any or all other Series of Preferred Stock.

2. Subject to the provisions of Subparagraph 1 of this Paragraph C, shares of any series of Preferred Stock may be issued from time to time as the Board of Directors shall determine and on such terms and for such consideration as shall be fixed by the Board of Directors.

ARTICLE VIII

VOTING RIGHTS OF COMMON STOCK

In stockholders' meetings each holder of Common Stock shall be entitled to one vote for each share of Common Stock standing in his name on the books of the corporation, except that in the election of directors, each holder of Common Stock shall have as many votes as results from multiplying the number of shares held by him by the number of directors to be elected. Such votes may be divided among the total number of directors to be elected or distributed among any lesser number in such proportion as the holder may determine.

The presence in person or by proxy of the holders of a majority of the outstanding Common Stock of the corporation shall constitute a quorum at all stockholders' meetings.

ARTICLE IX

PREEMPTIVE RIGHTS

No holder of any shares of Common Stock of the corporation, whether now or hereafter authorized, issued or outstanding, shall be entitled to a preemptive right to acquire unissued or treasury shares or securities convertible into such shares or carrying a right to subscribe to or acquire shares or any rights or options to purchase shares of the corporation.

ARTICLE X

DIRECTORS

The business and affairs of the corporation shall be managed by or under the direction of a Board of Directors consisting of not less than nine (9) nor more than twenty-five (25) directors, the exact number of directors to be determined by affirmative vote of a majority of the entire Board of Directors except that

at the time this new Article X is adopted, the number of directors shall be fixed at seventeen (17). The directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as possible, of one-third of the total number of directors constituting the entire Board of Directors.

At the 1984 annual meeting of stockholders, the seventeen (17) directors elected will not be elected to a specific class of directors. Following the 1984 annual meeting of stockholders, the Board of Directors will initially determine which directors will be designated and serve as Class I, Class II and Class III directors, respectively. Upon such determination by the Board of Directors, Class I directors shall serve for a one-year term expiring in 1985, Class II directors for a two-year term expiring in 1986, and Class III directors for a three-year term expiring in 1987. At each succeeding annual meeting of Stockholders beginning in 1985, successors to the class of directors whose term expires at that annual meeting shall be elected for a three-year term. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case will a decrease in the number of directors shorten the term of any incumbent director. A director shall hold office until the annual meeting of the year in which his term expires and until his successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office. Any vacancy on the Board of Directors that results from an increase in the number of directors may be filled by a majority of the Board of Directors then in office, and any other vacancy occurring in the Board of Directors may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director. Any director elected to fill a vacancy not resulting from an increase in the number of directors shall have the same remaining term as that of his predecessor.

Notwithstanding the foregoing, whenever the holders of any one or more classes or series of Preferred Stock issued by the corporation shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of these Articles of Incorporation applicable thereto, and such directors so elected shall not be divided into classes pursuant to this Article X unless expressly provided by such terms.

Any director or the entire Board of Directors may be removed from office without cause by the affirmative vote of eighty percent (80%) of the votes entitled to be cast by the holders of all then outstanding shares of voting stock of the corporation, voting together as a single class; PROVIDED, HOWEVER, that no individual director shall be removed without cause (unless the Board of Directors or the class of directors of which he is a member be removed) in case the votes cast against such removal would be sufficient, if voted cumulatively for such director, to elect him to the class of directors of which he is a member.

Notwithstanding any other provision of these Articles or the bylaws of the corporation and notwithstanding the fact that a lesser percentage or separate class vote may be specified by law, these Articles or the bylaws of the corporation, the affirmative vote of the holders of not less than eighty percent (80%) of the votes entitled to be cast by the holders of all then outstanding shares of voting stock of the corporation, voting together as a single class, shall be required to amend or repeal, or adopt any provisions

inconsistent with, this Article X, unless such action has been previously approved by a three-fourths vote of the whole Board of Directors.

ARTICLE XI

ELIMINATION OF DIRECTOR LIABILITY

No director of the corporation shall be personally liable to the corporation or its stockholders for monetary damages for a breach of his duties as a director except for liability:

[a] For any transaction in which the director's personal financial interest is in conflict with the financial interest of the corporation or its stockholders;

[b] For acts or omissions not in good faith or which involve intentional misconduct or are known to the director to be a violation of law;

[c] For distributions made in violation of the Kentucky Revised Statutes; or

[d] For any transaction from which the director derives an improper personal benefit.

If the Kentucky Revised Statutes are amended after approval by the stockholders of this Article to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the corporation shall be eliminated or limited to the fullest extent permitted by the Kentucky Revised Statutes, as so amended. Any repeal or modification of this Article XI by the stockholders of the corporation shall not adversely affect any right or protection of a director of the corporation existing at the time of such repeal or modification.

ARTICLE XII

SPECIAL MEETING OF SHAREHOLDERS

Special meetings of the shareholders of the corporation may be called only by:

[a] The Board of Directors; or

[b] The holders of not less than sixty-six and two thirds percent (66 2/3%) of all shares entitled to cast votes on any issue proposed to be considered at the proposed special meeting upon such holders signing, dating and delivering to the corporation's Secretary one or more written demands for the meeting, including a description of the purpose or purposes for which the meeting is to be held.

It is hereby certified that on this date I am the duly elected and qualified Senior Vice President, Administration, General Counsel and Secretary of Churchill Downs Incorporated and that on the 19th day of June, 1997, the foregoing Restated Articles of Incorporation of the Company were amended to add the provisions of the foregoing Article XII thereto, in the manner as set forth in the Certificate delivered herewith and that the foregoing Restated Articles of Incorporation were approved by action of the Board of Directors.

CHURCHILL DOWNS INCORPORATED

/s/Alexander M. Waldrop

Alexander M. Waldrop, Senior Vice President,
Administration, General Counsel and Secretary

RESTATED BYLAWS OF
CHURCHILL DOWNS INCORPORATED

ARTICLE I

OFFICE AND SEAL

SECTION 1. OFFICES. The principal office of the Corporation in the State of Kentucky shall be located at 700 Central Avenue, Louisville, Kentucky. The Corporation may have such other offices, either within or without the State of Kentucky, as the business of the Corporation may require from time to time.

SECTION 2. THE CORPORATE SEAL. The Seal of the Corporation shall be circular in form, mounted upon a metal die suitable for impressing same upon paper, and along the upper periphery of the seal shall appear the word "Churchill Downs" and along the lower periphery thereof the word "Kentucky". The center of the seal shall contain the word "Incorporated".

ARTICLE II

STOCKHOLDERS MEETINGS AND RECORD DATES

SECTION 1. ANNUAL MEETING. The date of the annual meeting of the stockholders for the purpose of electing directors and for the transaction of such other business as may come before the meeting shall be established by the Board of Directors, but shall not be later than 180 days following the end of the Corporation's fiscal year. If the election of Directors shall not be held on the day designated for any annual meeting, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the stockholders to be held as soon thereafter as may be convenient.

SECTION 2. SPECIAL MEETINGS. Special meetings of the stockholders may be called by the President, the Chairman of the Board or by holders of not less than 33-1/3% of all the shares entitled to vote at the meeting, or by a majority of the members of the Board of Directors.

SECTION 3. PLACE OF MEETING. The Board of Directors may designate any place within or without the State of Kentucky as the place of meeting for any annual meeting of stockholders, or any place either within or without the State of Kentucky as the place of meeting for any special meeting called by the Board of Directors.

If no designation is made, or if a special meeting be called by other than the Board of Directors, the place of meeting shall be the principal office of the Corporation in the State of Kentucky.

SECTION 4. NOTICE OF MEETINGS. Written notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) nor more than sixty (60) days before the date of the meeting, either

Page 30 of 39

personally or by mail, by or at the direction of the President, or the Secretary, or the officer or persons calling the meeting, to each stockholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope addressed to the stockholder at his address as it appears on the records of the Corporation, with first class postage thereon prepaid.

SECTION 5. RECORD DATE. The Corporation's record date shall be fixed by the Board of Directors for the determination of stockholders entitled to notice of or to vote at a meeting of stockholders, or stockholders entitled to receive any distribution. When a determination of stockholders entitled to vote at any meeting of stockholders has been made as provided herein, such determination shall apply to any adjournment thereof.

SECTION 6. VOTING LISTS AND SHARE LEDGER. The Secretary shall prepare a complete list of the stockholders entitled to vote at any meeting, or any adjournment thereof, arranged in alphabetical order, with the address of and the

number of shares held by each stockholder, which list shall be produced and kept open at the meeting and shall be subject to the inspection of any stockholder during the meeting. The original share ledger or stock transfer book, or a duplicate thereof kept in this State, shall be PRIMA FACIE evidence as to the stockholders entitled to examine such list or share ledger or stock transfer book, or the stockholders entitled to vote at any meeting of stockholders or to receive any dividend.

SECTION 7. QUORUM. A majority of the outstanding shares entitled to vote, represented in person or by proxy, shall constitute a quorum at any meeting of stockholders. The stockholders present at a duly organized meeting can continue to do business at any adjourned meeting, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

SECTION 8. PROXIES. At all meetings of stockholders, a stockholder may vote by proxy. An appointment of a proxy shall be executed in writing by the stockholder or by his duly authorized attorney-in-fact and be filed with the Secretary of the Corporation before or at the time of the meeting.

SECTION 9. NATURE OF BUSINESS. At any meeting of stockholders, only such business shall be conducted as shall have been brought before the meeting by or at the direction of the Board of Directors or by any stockholder who complies with the procedures set forth in this Section 9.

No business may be transacted at any meeting of stockholders, other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) otherwise properly brought before such meeting of stockholders by or at the direction of the Board of Directors, or (C) in the case of any annual meeting of stockholders or a special meeting called for the purpose of electing directors, otherwise properly brought before such meeting by any stockholder (I) who is a stockholder of record on the date of the giving of the notice provided for in this Section 9 and on the record date for the determination of stockholders entitled to vote at such meeting of stockholders and (ii) who complies with the notice procedures set forth in this Section 9.

In addition to any other applicable requirements, for business to be properly brought before any annual meeting of stockholders by a stockholder, or for a nomination of a person to serve as a Director, to be made by a stockholder, such stockholder must have given timely notice thereof in proper written form

to the Secretary.

To be timely, a stockholder's notice to the Secretary must be delivered or mailed to and be received at the principal executive offices of the Corporation (a) in the case of the annual meeting of stockholders, not less than ninety(90) nor more than one hundred and twenty (120) days prior to the anniversary date of the immediately preceding annual meeting of stockholders; PROVIDED, HOWEVER, that in the event that the annual meeting of stockholders is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the stockholder, in order to be timely, must be so received not later than the close of business on the tenth (10th) day following the day on which notice of the date of the annual meeting of stockholders was mailed or public disclosure of the date of such meeting was made, whichever first occurs; and (b) in the case of a special meeting of stockholders called for the purpose of electing directors, not later than the close of business on the tenth (10th) day following the day on which notice of the date of the special meeting of stockholders was mailed or public disclosure of the date of such meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice to the Secretary must set forth as to each matter (including nominations) such stockholder proposes to bring before the meeting of stockholders (a) a brief description of the business desired to be brought before the meeting and the reasons for conducting the business at the meeting, (b) the name and record address of such stockholder, (c) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder as of the record date for the meeting (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice, (d) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business, (e) as to each person whom the stockholder proposes to nominate for election as a director (i) the name, age, business address and residence address of the person and (ii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by the person as of the record date for the meeting (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice, (f) any other information which would be required to be disclosed in a proxy statement or other filings required to be made in connection with the solicitations of proxies for the proposal (including, if applicable, with respect to the election of directors) pursuant to Section 14 of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder if such stockholder were engaged in such solicitation, and (g) a representation that such stockholder intends to appear in person or by proxy at the meeting to bring such business before the meeting. Any notice concerning the nomination of a person for election as a director must be accompanied by a written consent of the proposed nominee to being named as a nominee and to serve as a director if elected.

No business shall be conducted and no person shall be eligible for election as a Director at any annual meeting of stockholders or a special meeting of stockholders called for the purpose of electing directors except business or nominations brought before such meeting in accordance with the procedures set forth in this Section 9; PROVIDED, HOWEVER, that, once business has been properly brought before the meeting in accordance with such procedures, nothing in this Section 9 shall be deemed to preclude discussion by any stockholder of any such business. If the chairman of the meeting of stockholders determines that business was not properly brought before such meeting, or a nomination was not properly

made, as the case may be, in accordance with the foregoing procedures, the chairman shall declare to the meeting that (a) the business was not properly brought before the meeting and such business shall not be transacted, or, if applicable, (b) the nomination was defective and such defective nomination shall be disregarded.

ARTICLE III

DIRECTORS

SECTION 1. GENERAL POWERS. The business and affairs of the Corporation shall be managed by a Board of Directors.

SECTION 2. NUMBER AND TENURE. The Board of Directors shall consist of thirteen (13) members but the number may be increased or decreased by amendment of this Bylaw. The Directors shall be divided into three classes, consisting of four (4) Class I Directors, five (5) Class II Directors and four (4) Class III Directors. At the 1995 annual meeting of shareholders, one (1) Class I director shall be elected for a term of two (2) years, five (5) Class II directors shall be elected for a term of three (3) years, and one (1) Class III director shall be elected for a term of one (1) year. Thereafter, each director shall hold office for a term of three (3) years (or in the case of the Class I director elected in 1995, a term of two (2) years; or in the case of the Class III director elected in 1995, a term of one (1) year or until his successor shall have been elected and qualifies for the office, whichever period is longer. Except for any individual who is serving as Chairman of the Board of Directors at the time of nomination of directors, a person shall not be qualified for election as a Director unless he shall be less than seventy-two (72) years of age on the date of election. Each Director other than the Chairman of the Board of Directors shall become a Director Emeritus upon expiration of his current term following the date the Director is no longer qualified for election as a Director due to age. Directors Emeritus may attend all regular and special meetings of the Board of Directors and shall serve in an advisory capacity without a vote in Board actions.

SECTION 3. REGULAR MEETINGS. A regular meeting of the Board of Directors shall be held without other notice than this bylaw, immediately after, and at the same place as, the annual meeting of stockholders. The Board of Directors may provide, by resolution, the time and place, either within or without the State of Kentucky, for the holding of additional regular meetings without other notice than such resolution.

SECTION 4. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by or at the request of the President, the Chairman of the Board or the majority of the Board of Directors. The person or persons authorized to call special meetings of the Board of Directors may fix any place, either within or without the State of Kentucky, as the place for holding any special meeting of the Board of Directors.

SECTION 5. NOTICE. Notice of any special meeting of the Board of Directors shall be given by notice delivered personally, by mail, by telegraph or by telephone. If mailed, such notice shall be given at least five (5) days prior thereto and such mailed notice shall be deemed to have been delivered upon the earlier of receipt or five (5) days after it is deposited in the United States mail in a sealed envelope so addressed, with first class postage thereon prepaid. If notice is given by telegram, it shall be delivered at

least twenty-four (24) hours prior to the special meeting and such telegram notice shall be deemed to have been delivered when the telegram is delivered to the telegraph company. Personal notice and notice by telephone shall be given at least twenty-four (24) hours prior to the special meeting and shall be deemed delivered upon receipt. Any Director may waive notice of any meeting. The attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, except when a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

SECTION 6. QUORUM. A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, provided that if less than a majority of the Directors are present at said meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.

SECTION 7. MANNER OF ACTING. The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

SECTION 8. VACANCIES. Any vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining Directors though less than a quorum of the Board of Directors. A Director elected to fill a vacancy shall serve until the next annual meeting of the stockholders.

SECTION 9. INFORMAL ACTION. Any action required or permitted to be taken of the Board of Directors or of a committee of the Board, may be taken without a meeting if a consent, in writing, setting forth action so taken shall be signed by all of the Directors, or all of the members of the committee, as the case may be. Members of the Board of Directors or any committee designated by the Board may participate in a meeting of such Board or committee by means of conference telephone or similar communications equipment whereby all persons participating in the meeting can hear or speak to each other at the same time. Participation in a meeting pursuant to this section shall constitute presence in person at the meeting.

SECTION 10. NOMINATION OF DIRECTORS. Only persons who are nominated in accordance with the procedures set forth in Section 9 of Article II of these Bylaws shall be eligible for election as Directors of the Corporation, except as may be otherwise provided in the Restated Articles of Incorporation with respect to the right of holders of preferred stock of the Corporation to nominate and elect a specified number of Directors in certain circumstances.

ARTICLE IV

COMMITTEES OF THE BOARD

SECTION 1. COMMITTEES. The Board of Directors shall have authority to establish such committees as it may consider necessary or convenient for the conduct of its business. All committees so established shall keep minutes of every meeting thereof and such minutes shall be submitted at the next regular meeting of the Board of Directors at which a quorum is present, and any action taken by the Board with respect thereto shall be entered in the minutes of the Board. Each committee so established shall elect

a Chairman of the committee.

SECTION 2. THE EXECUTIVE COMMITTEE. The Board of Directors shall appoint and establish an Executive Committee composed of the Chairman of the Board, as an ex officio, nonvoting member and up to six (6) other Directors who shall be appointed by the Board annually. The Executive Committee shall have and may exercise when the Board of Directors is not in session, all of the authority of the Board of Directors that may lawfully be delegated; provided, however, the Executive Committee shall not have the power to enter into any employment agreement with an officer of the Corporation, without the specific approval and ratification of the Board of Directors. A majority in membership of the Executive Committee shall constitute a quorum.

SECTION 3. THE AUDIT COMMITTEE. The Board of Directors shall appoint and establish an Audit Committee composed of the Chairman of the Board, as an ex officio, nonvoting member and up to four (4) Directors, none of whom shall be officers, who shall be appointed by the Board annually. The Audit Committee shall make an examination every twelve months into the affairs of the Corporation and report the results of such examination in writing to the Board of Directors at the next regular meeting thereafter. Such report shall state whether the Corporation is in sound condition and whether adequate internal audit controls and procedures are being maintained and shall include recommendations to the Board of Directors regarding such changes in the manner of doing business or conducting the affairs of the Corporation as shall be deemed advisable.

SECTION 4. THE COMPENSATION COMMITTEE. The Board of Directors shall appoint and establish a Compensation Committee to be composed of the Chairman of the Board, as an ex officio, nonvoting member and up to four (4) Directors who shall be appointed by the Board annually. Each member of the Compensation Committee shall be a director who is not, during the one year prior to service or during such service, granted or awarded equity securities pursuant to any executive compensation plan of the Company. It shall be the duty of the Compensation Committee to administer the Corporation's Supplemental Benefit Plan, the Amended and Restated Incentive Compensation Plan (1993), the 1993 Stock Option Plan and any shareholder approved employee stock purchase or thrift plan, including without limitation, matters relating to the amendment, administration, interpretation, employee eligibility for and participation in, and termination of, the foregoing plans. It shall further be the duty of the Compensation Committee to review annually the salaries paid to all executive officers of the Corporation and make all decisions relating to executive compensation after considering the recommendations of the CEO (on all but CEO compensation) and to exercise any other authorities relating to compensation that the Board may lawfully delegate to it; provided, however, the Compensation Committee shall not have the power to enter into any employment agreement with an officer of the Corporation without the specific approval and ratification of the Board of Directors.

SECTION 5. THE RACING COMMITTEE. The Board of Directors shall appoint and establish a Racing Committee to be composed of the Chairman of the Board, as an ex officio, nonvoting member and up to four (4) Directors who shall be appointed by the Board annually. The Racing Committee shall be responsible for and shall have the authority to obligate the Corporation with respect to matters concerning the Corporation's contracts and relations with horsemen, jockeys and others providing services relating to the conduct of horse racing, including the authority to approve and cause the Corporation to enter into contracts with organizations representing horsemen and/or commit to provide benefits or services

by the Corporation to horsemen and others.

SECTION 6. NOTICE OF COMMITTEE MEETINGS. Notice of all meetings by the committees established in this Article shall be given in accordance with the special meeting notice section, Article III, Section 5, of these Bylaws.

ARTICLE V

OFFICERS

SECTION 1. CLASSES. The officers of the Corporation shall be a Chairman of the Board, a President, one or more Vice Presidents, a Secretary, a Treasurer and such other officers and agents as may be provided by the Board and elected in accordance with the provisions of this Article. Any of the offices may be combined in one person in accordance with the provisions of law. The Chairman of the Board of Directors shall be a member of the Board but none of the other officers is required to be a member of the Board.

SECTION 2. ELECTION AND TERM OF OFFICE. The officers of the Corporation shall be elected annually by the Board of Directors at the first meeting of the Board held after each annual meeting of stockholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as convenient. Vacancies may be filled or new offices created and filled at any meeting of the Board of Directors. Each officer shall hold office until his successor shall have been duly elected and shall have qualified or until his death or until he shall resign or shall have been removed from office in the manner hereinafter provided.

SECTION 3. REMOVAL. Any officer elected by the Board of Directors may be removed by the President whenever in his judgment the best interest of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed and shall be subject always to supervision and control of the Board of Directors. Election or appointment of an officer or agent shall not of itself create contractual rights.

SECTION 4. CHAIRMAN OF THE BOARD. The Chairman of the Board of Directors shall call to order and preside at all stockholders' meetings and at all meetings of the Board of Directors. He shall perform such other duties as he may be authorized to perform by the Board of Directors.

SECTION 5. PRESIDENT. The President shall be the chief executive officer of the Corporation and as such shall in general supervise and control all of the business operations and affairs of the Corporation. In the absence of the Chairman of the Board of Directors, or in the event of the death or incapacity of the Chairman, the President shall perform the duties of the Chairman until a successor Chairman is elected or until the incapacity of the Chairman terminates. The President shall have full power to employ and cause to be employed and to discharge and cause to be discharged all employees of the Corporation, subject always to supervision and control of the Board of Directors. When authorized so to do by the Board of Directors, he shall execute contracts and other documents for and in behalf of the Corporation. Unless otherwise ordered by the Board of Directors, the President shall have full power and authority on behalf of the Corporation to attend, act and vote at any meeting of stockholders of any

corporation in which this Corporation may hold stock. He shall perform such other duties as may be specified in the Bylaws and such other duties as he may be authorized to perform by the Board of Directors.

SECTION 6. EXECUTIVE VICE PRESIDENT. In the case of the death of the President or in the event of his inability to act, the Executive Vice President designated by the Board shall perform the duties of the President and, when so acting, shall have all the powers of and be subject to all restrictions upon the President. The Executive Vice President shall perform such other duties as from time to time may be assigned by the President or by the Board of Directors.

SECTION 7. TREASURER. The Treasurer, subject to the control of the Board of Directors, and together with the President, shall have general supervision of the finances of the Corporation. He shall have care and custody of and be responsible for all moneys due and payable to the Corporation from any source whatsoever and deposit such moneys in the name of the Corporation in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of these Bylaws. The Treasurer shall have the care of, and be responsible for all securities, evidences of value and corporate instruments of the Corporation, and shall supervise the officers and other persons authorized to bank, handle and disburse its funds, informing himself as to whether all deposits are or have been duly made and all expenditures duly authorized and evidenced by proper receipts and vouchers. He shall cause full and accurate books to be kept, showing the transactions of the Corporation, its accounts, assets, liabilities and financial condition, which shall at all times be open to the inspection of any Director, and he shall make due reports to the Board of Directors and the stockholders, and such statements and reports as are required of him by law. Subject to the Board of Directors, he shall have such other powers and duties as are incident to his office and not inconsistent with the Bylaws, or as may be assigned to him at any time by the Board.

SECTION 8. SECRETARY. The Secretary shall attend all meetings of the Board of Directors, make a record of the business transacted and record same in one or more books kept for that purpose. The Secretary shall see that the Stock Transfer Agent of the Corporation keeps proper records of all transfers, cancellations and reissues of stock of the Corporation and shall keep a list of the stockholders of the Corporation in alphabetical order, showing the Post Office address and number of shares owned by each. The Secretary shall also keep and have custody of the seal of the Corporation and when so directed and authorized by the Board of Directors shall affix such seal to instruments requiring same. The Secretary shall be responsible for authenticating records of the Corporation and shall perform such other duties as may be specified in the Bylaws or as he may be authorized to perform by the Board of Directors.

SECTION 9. VICE PRESIDENTS. There may be additional Vice Presidents elected by the Board of Directors who shall have such responsibilities, powers and duties as from time to time may be assigned by the President or by the Board of Directors.

ARTICLE VI

CONTRACTS, LOANS, CHECKS AND DEPOSITS

SECTION 1. CONTRACTS AND AGREEMENTS. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or agreement or execute and deliver any

instruments in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

SECTION 2. LOANS. No loans shall be contracted on behalf of the Corporation, and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

SECTION 3. CHECKS, DRAFTS, ORDERS, ETC. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents, of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

SECTION 4. DEPOSITS. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies, or other depositories as the Board of Directors may select.

ARTICLE VII

CERTIFICATES FOR SHARES AND THEIR TRANSFER

SECTION 1. CERTIFICATES FOR SHARES. Certificates representing shares of the Corporation shall be in such form as may be determined by the Board of Directors. Such certificates shall be signed by the President or Vice President and by the Secretary or an assistant Secretary and may be sealed with the seal of the Corporation of a facsimile thereof. All certificates surrendered to the Corporation for transfer shall be canceled, and no new certificate shall be issued until the former certificate for all like number of shares shall have been surrendered and canceled, except that in case of a lost, destroyed or mutilated certificate, a new one may be issued therefor upon such terms and indemnity to the Corporation as the Board of Directors may prescribe.

SECTION 2. TRANSFER OF SHARES. Transfer of shares of the Corporation shall be made only on the books of the Corporation by the registered holder thereof or by his attorney authorized by power of attorney duly executed and filed with the Secretary of the Corporation, and on surrender for cancellation of the certificate for such shares. The person in whose name shares stand on the books of the Corporation shall be deemed the owner thereof for all purposes as regards the Corporation.

ARTICLE VIII

FISCAL YEAR

The fiscal year of the Corporation shall begin on the 1st day of January and end on the 31st day of December.

ARTICLE IX

WAIVER OF NOTICE

Whenever any notice is required to be given under the provisions of these Bylaws, or under the provisions of the Articles of Incorporation, or under the provisions of the corporation laws of the State of Kentucky, waiver thereof in writing, signed by the person, or persons, entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE X

INDEMNIFICATION OF OFFICERS AND DIRECTORS

The Corporation shall indemnify and may advance expenses to all Directors, officers, employees, or agents of the Corporation, and their executors, administrators or heirs, who are, were or are threatened to be made a defendant or respondent to any threatened, pending or completed action, suit or proceedings (whether civil, criminal, administrative or investigative) by reason of the fact that he is or was a Director, officer, employee or agent of the Corporation, or while a Director, officer, employee or agent of the Corporation, is or was serving the Corporation or any other legal entity in any capacity at the request of the Corporation (hereafter a "Proceeding"), to the fullest extent that is expressly permitted or required by the statutes of the Commonwealth of Kentucky and all other applicable law.

In addition to the foregoing, the Corporation shall, by action of the Board of Directors, have the power to indemnify and to advance expenses to all Directors, officers, employees or agents of the Corporation who are, were or are threatened to be made a defendant or respondent to any Proceeding, in such amounts, on such terms and conditions, and based upon such standards of conduct as the Board of Directors may deem to be in the best interests of the Corporation.

ARTICLE XI

FIDELITY BONDS

The Board of Directors shall have authority to require the execution of fidelity bonds by all or any of the officers, agents and employees of the Corporation in such amount as the Board may determine. The cost of any such bond shall be paid by the Corporation as an operating expense.

ARTICLE XII

AMENDMENT OF BYLAWS

The Board of Directors may alter, amend or rescind these Bylaws, subject to the right of the stockholders to repeal or modify such actions.

[TYPE] EX-27

5
1
U.S. Dollars

9-MOS

	DEC-31-1997	JAN-01-1997	SEP-30-1997
1			
			11,030,692
			0
			11,627,361
			115,621
			0
			23,206,517
			104,059,771
			40,227,530
			92,841,946
27,092,588			0
			3,613,697
0			0
			53,405,649
92,841,946			90,488,275
			90,488,275
			69,391,492
			75,813,299
			(638,765)
			0
			255,930
			15,057,811
			5,940,000
9,117,811			0
			0
			0
			9,117,811
			2.49
			2.49