

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: March 31, 1996

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  
(State or other jurisdiction of  
incorporation or organization)

61-0156015  
(I.R.S 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 May 10, 1996 was 3,784,605 shares.

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CHURCHILL DOWNS INCORPORATED

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CHURCHILL DOWNS INCORPORATED  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Unaudited)

ASSETS	March 31 1996	December 31 1995	March 31 1995
	-----	-----	-----
Current assets:			
Cash and cash equivalents	\$ 7,305,232	\$ 5,856,188	\$ 4,347,999
Refundable income taxes	1,186,350	--	1,189,992
Accounts receivable	957,397	2,098,901	1,014,082
Prepaid expenses and other current assets	675,686	549,820	948,899
	-----	-----	-----
Total current assets	10,124,665	8,504,909	7,500,972
Other assets	4,498,318	4,632,044	5,002,391
Plant and equipment	98,144,122	97,451,463	92,466,674
Less accumulated depreciation	(34,115,683)	(33,101,934)	(30,984,865)
	-----	-----	-----
	64,028,439	64,349,529	61,481,809
	-----	-----	-----
	\$78,651,422	\$77,486,482	\$73,985,172
	=====	=====	=====
 LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Notes payable	\$ 5,070,097	\$ 70,097	\$ 9,343,121
Accounts payable	8,715,251	6,517,508	7,202,391
Accrued expenses	3,358,596	3,310,882	1,189,927
Dividends payable	--	1,892,302	--
Income Taxes Payable	--	1,049,508	--
Deferred revenue	10,796,479	6,098,541	9,769,565
	-----	-----	-----
Total current liabilities	27,940,423	18,938,838	27,505,004
Notes payable	351,079	6,351,079	1,198,059
Outstanding mutuel tickets (payable to Common- wealth of Kentucky after one year)	2,413,548	2,256,696	1,522,658
Deferred compensation	882,762	871,212	1,041,929
Deferred income taxes	2,415,500	2,415,500	2,248,000
Minority interest	--	--	104,000
Stockholders' equity:			
Preferred stock, no par value; authorized, 250,000 shares; issued, none			
Common stock, no par value; authorized, 10MM shares, issued 3,784,605 shares, March 31, 1996 and 3,783,318 shares, December 31, 1995 and 3,773,930 shares, March 31, 1995	3,504,388	3,504,388	3,504,388
Retained earnings	41,413,247	43,486,460	37,403,350
Deferred compensation costs	(204,525)	(272,691)	(477,216)
Note receivable for common stock	(65,000)	(65,000)	(65,000)
	-----	-----	-----
	44,648,110	46,653,157	40,365,522
	-----	-----	-----
	\$78,651,422	\$77,486,482	\$73,985,172
	=====	=====	=====

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

CHURCHILL DOWNS INCORPORATED  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND  
CHANGES IN RETAINED EARNINGS  
for the three months ended March 31, 1996 and 1995  
(Unaudited)

	THREE MONTHS ENDED MARCH 31	
	1996	1995
Net revenues	\$11,550,753	\$ 8,612,607
Operating expenses	13,220,218	9,945,737
	(1,669,465)	(1,333,130)
Gross profit (loss)		
Selling, general and administrative expenses	1,773,867	1,529,744
Operating loss	(3,443,332)	(2,862,874)
Other income and expense:		
Interest income	44,003	29,976
Interest expense	(96,198)	(154,594)
Miscellaneous, net	47,314	69,215
	(4,881)	(55,403)
Loss before income tax benefit	(3,448,213)	(2,918,277)
Federal and state income taxes	1,375,000	1,146,000
Net loss	\$(2,073,213)	\$(1,772,277)
Retained earnings, beginning of period	43,486,460	39,175,627
Retained earnings, end of period	\$41,413,247	\$37,403,350
Net loss per share (based on weighted average shares outstanding of 3,786,062 and 3,784,832, respectively)	\$ (.55)	\$ (.47)

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

CHURCHILL DOWNS INCORPORATED  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
for the three months ended March 31, 1996 and 1995  
(Unaudited)

	1996	1995
Cash flows from operating activities:		
Net loss	\$(2,073,213)	\$( 1,772,277)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	1,147,680	1,100,444
Increase (decrease) in cash resulting from changes in operating assets and liabilities:		
Prepaid income taxes	(1,186,350)	(1,189,992)
Accounts receivable	1,141,504	1,263,137
Prepaid expenses and other current assets	(125,866)	(207,339)
Deferred revenue	4,697,938	3,979,205
Accounts payable, accrued expenses, and other	1,432,516	1,476,316
Other assets	(204)	(238,876)
Net cash provided (used) by operating activities	5,034,005	4,410,618
Cash flows from investing activities:		
Additions to racing plant and equipment, net	(692,659)	(2,928,973)
Net cash used in investing activities	(692,659)	(2,928,973)
Cash flows from financing activities:		
Increase (decrease) in bank notes payable, net	(1,000,000)	2,236,980
Dividend paid	(1,892,302)	(1,891,659)
Net cash provided (used) in financing activities	(2,892,302)	345,321
Net increase (decrease) in cash and cash equivalents	1,449,044	1,826,966
Cash and cash equivalents, beginning of period	5,856,188	2,521,033
Cash and cash equivalents, end of period	\$7,305,232	\$4,347,999

Supplemental Disclosures of cash flow information:

Cash paid during the period for:

Interest	\$ 168,700	\$ 121,965
Income taxes	\$ 500,000	\$ --

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

CHURCHILL DOWNS INCORPORATED  
CONDENSED NOTES TO FINANCIAL STATEMENTS  
for the three months ended March 31, 1996 and 1995  
(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 Company normally earns a substantial portion of its net income in the second quarter of each year during which the Kentucky Derby is run. The Kentucky Derby is run on the first Saturday in May.

During the three months ended March 31, 1996 the Company conducted simulcast receiving wagering for 367 location days. The Company operated simulcast wagering at its Sports Spectrum site for 67 days during the quarter, compared to 68 days in 1995. Through its subsidiary, Hoosier Park L.P., the Company conducted simulcast wagering at its racetrack in Anderson, Indiana and at three simulcast wagering facilities located in Merrville, Ft. Wayne and Indianapolis for a total of 300 days compared to 134 days in 1995 when only two facilities were operating.

2. The accompanying 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, 1995 for further information. The accompanying 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. On January 26, 1994 the Company through its wholly owned subsidiary Churchill Downs Management Company (CDMC) purchased Anderson Park, Inc. (API") for approximately \$1,950,000. API owned an Indiana Standardbred racing license and was in the process of constructing a racing facility in Anderson, Indiana. Subsequently, the facility was completed and, contemporaneously with the commencement of operations on September 1, 1994 the net assets of API were contributed to a newly formed partnership, Hoosier Park, L.P. (HPLP) in return for an 87% general partnership interest.

In December 1995, the Company entered into a Partnership Interest Purchase Agreement with Conseco HPLP, L.L.C. ("Conseco") for the sale of 10% of the Company's partnership interest in HPLP to Conseco. The purchase price for the 10% partnership interest will be \$218,000 and the transaction also includes the acquisition of a 10% interest in the debt owed by HPLP to CDMC at face value of debt at the date of the closing (approximately \$2,530,000). The purchase is subject to the approval of the Indiana Horse Racing Commission (IHRC). Following the purchase, Conseco and Pegasus will be limited partners of HPLP and Anderson will continue to be the sole general partner of HPLP. Such a sale is not anticipated to have any material effect on operations in 1996.

CHURCHILL DOWNS INCORPORATED  
CONDENSED NOTES TO FINANCIAL STATEMENTS  
for the three months ended March 31, 1996 and 1995 (cont'd)  
(Unaudited)

From the date of the closing of the initial option transaction through December 31, 1998, Conesco will have an option to purchase from Anderson an additional 47% partnership interest in HPLP. The purchase price of the additional partnership interest will be \$22,156,000 of which approximately \$6,222,000 will be allocated to the purchase of the partnership interest and approximately \$15,934,000 will be allocated to the acquisition of debt owed by HPLP to CDMC. This purchase is also subject to the approval of the IHRC. Following this purchase, Conesco will be the sole general partner of HPLP, and Anderson and Pegasus, a 13% limited partner, will be limited partners of HPLP. CDMC will continue to have a long-term management agreement with HPLP pursuant to which CDMC has operational control of the day-to-day affairs of Hoosier Park and its related simulcast operations.

4. 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 rate in effect at March 31, 1996 was 6.375%. Borrowings are payable on January 31, 1997. There was \$5.0 million outstanding at March 31, 1996 and \$9.0 million outstanding at March 31, 1995.

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. All of the \$1,000,000 hold back has been utilized as of December 31, 1995.

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

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

CHURCHILL DOWNS INCORPORATED

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

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 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, 1995.

For many years, the Company has conducted live Spring and Fall race meetings for Thoroughbred horses in Kentucky. 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. In 1995, Derby weekend accounted for approximately 21% of total on-track pari-mutuel wagering and 25% of total on-track attendance for the Company's Kentucky operations. For the first time in 1995, the Derby day races were simulcast to all racetracks and simulcast facilities in the state of Kentucky. In 1988, the Company began to participate in intertrack simulcasting as a host track for all of its live races except those run on Kentucky Derby Day. In 1989, the Company commenced operations as a receiving track for intertrack simulcasting. During November 1991, the Company began interstate simulcasting for all of the live races with the receiving locations participating in the Company's mutuel pool. In July 1994, the Company began to participate in whole card simulcasting, whereby the Company began importing whole race cards or programs from host tracks located outside the state for pari-mutuel wagering purposes. Whole card simulcasting has created a major new wagering opportunity for patrons of the Company in both Kentucky and Indiana.

The Company's principal sources of income are commissions from on-track pari-mutuel wagers, commissions from intertrack and fees from interstate simulcast wagers, admissions and seating, concession commissions (primarily for the sale of food and beverages), and license, rights, broadcast and sponsorship fees. The Company's primary source of income is pari-mutuel wagering. The Company retains the following amounts on specific revenue streams as a percentage of handle:

	KENTUCKY	INDIANA
On-track pari-mutuel wagers	15%	19%
Intertrack host	9%	--
Interstate/simulcast host	5%	3%
Intertrack/simulcast receiving	7%	18%

In Kentucky, licenses to conduct Thoroughbred race meetings and to participate in intertrack simulcasting are approved annually by the Kentucky Racing Commission 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. In Kentucky, the Company has been granted a license to conduct live racing during the period from April 27, 1996, through June 30, 1996, and from October 27, 1996, through November 30, 1996, for a total of 78 racing days.

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 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 received a license to conduct live racing for a total of 133 racing days, including 80 days of Standardbred racing from April 25, 1996 through September 2, 1996, and 53 days of Thoroughbred racing from September 20, 1996 through November 30, 1996.



CHURCHILL DOWNS INCORPORATED

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION (continued)

The company operated as a receiving track for intertrack/simulcasting as follows:

INTERTRACK/SIMULCAST RECEIVING

	Three Months 1996 -----	Three Months 1995 -----	Increase (DECREASE) -----
KENTUCKY	67 SIMULCAST DAYS	68 SIMULCAST DAYS	(1) DAY
-----	-----	-----	-----
Attendance	152,310	167,010	(14,700)
Handle	\$40,332,802	\$38,371,523	\$1,961,279
Average daily attendance	2,273	2,456	(183)
Average daily handle	\$601,982	\$564,287	\$37,695
Per capita handle	\$264.81	\$229.76	\$35.05
INDIANA	300 SIMULCAST DAYS	134 SIMULCAST DAYS	166 DAYS
-----	-----	-----	-----
Attendance	102,169	75,733	26,436
Handle	\$35,242,965	\$22,059,377	\$13,183,588
Average daily attendance	341	565	(224)
Average daily handle	\$117,810	\$164,622	\$(46,812)
Per capita handle	\$344.95	\$291.28	\$ 53.67

The number of receiving days is increasing because of additional off-track wagering facilities being opened in Indiana. During the first quarter 1995, simulcast wagering was only being conducted at Hoosier Park in Anderson, Indiana and beginning January 25, 1995 at Merrillville, Indiana. Two additional simulcast facilities were opened during 1995, one in Ft. Wayne on April 25, 1995, and the other in Indianapolis, Indiana in October 1995. Simulcast wagering was conducted at all four facilities throughout the first quarter of 1996. For 1996, the Company has been granted a license as a receiving track for any and all possible dates from January 1 through December 31 and intends to receive simulcasting on all possible days. With the advent of whole card simulcasting, the Company conducts interstate simulcasting virtually year-round on multiple racing programs each day from around the nation. An increase in the number of days is expected to enhance operating results. Hoosier Park will ultimately be supported by four simulcast facilities operating year-round showing races originating from Hoosier Park's facility in Anderson, Indiana and conducting whole card simulcasting similar to that conducted at the Churchill Downs Sports Spectrum in Louisville.

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 live race meetings, as many as 2,600 persons are employed.

CHURCHILL DOWNS INCORPORATED

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION (continued)

COMPARISON OF THREE MONTHS ENDED MARCH 31, 1996 TO 1995

Net revenue during the three months ended March 31, 1996 increased \$2,938,146. Indiana operations contributed 86%, or \$2,537,368 to the total increase, with simulcast receiving showing the largest increase at \$2,257,736. During this period, all of the Indiana OTB facilities were operational as compared to two facilities during the same period in 1995.

Concession commission and program revenue both show increases due largely to the Indiana operations. Indiana had four simulcast facilities operating in 1996 compared to only two in 1995. The increase in other revenue is due to the portion of Indiana riverboat admissions tax that is payable to horse racing per Indiana state law.

	Three Months Ended March 31, 1996	NET REVENUE SUMMARY			1996 VS 1995	
		% To Total REVENUE	Three Months Ended March 31, 1995	% To Total Revenue	\$ Change	% Change
Pari-Mutuel Revenue						
Intertrack/Simulcast- Receiving	\$10,152,396	88%	\$7,544,404	88%	\$2,607,992	35%
Admission & Seat Revenue	344,704	3%	308,763	4%	35,941	12%
License, Rights, Broadcast & Sponsorship Fees	113,736	1%	106,068	1%	7,668	7%
Concession Commission	201,849	2%	128,825	1%	73,024	57%
Program Revenue	533,374	4%	368,080	4%	165,294	45%
Other	204,694	2%	156,467	2%	48,227	31%
	-----	----	-----	-----	-----	-----
	\$11,550,753	100%	\$8,612,607	100%	\$2,938,146	34%
	=====	=====	=====	=====	=====	=====

CHURCHILL DOWNS INCORPORATED

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION (continued)

Operating expenses increased \$3,274,481 during the quarter. The negative gross margin which is typical for the first quarter of the year improved in percentage terms by 1% to (14.5%) in 1996 from (15.5%) in 1995. This is principally due to revenue increases at the Sports Spectrum. These revenues, although at lower margins, have leveraged some of the operating expenses which do not vary directly with handle. Changes in specific expense categories follow.

Purse expense increased \$755,708 as a direct result of the increased handle from whole card simulcasting with Indiana increasing \$664,179. 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.

Wages increased \$409,625 primarily due to Indiana operations increasing \$252,650. The increase in Indiana is the result of two additional off-track betting parlors in operation during the quarter when compared to last year. The majority of the \$348,972 increase in Advertising, Marketing and Publicity can also be attributed to the marketing of the additional wagering facilities. Approximately \$300,000 was spent as part of an intensive marketing campaign in Indiana with approximately \$150,000 being spent in each of the Fort Wayne and Hoosier Park (Anderson, Indiana) areas. Response to the marketing efforts was positive and the goal is to maintain increased handle as marketing support is reduced.

Audio, Video and Signal Distribution expense increased \$58,324 due primarily to the two additional facilities in Indiana. Totalisator and Simulcast Host Fee expenses increased for the quarter \$131,238 and \$586,374, respectively. These expenses are related to the operation of the off-track wagering facilities in both Kentucky and Indiana. Totalisator expense is generated based on total wagers taken at the facilities. Simulcast Host Fees are paid to the track whose live races are being simulcast at the facilities. As total wagers increase, these expenses, along with purses, increase accordingly. In Kentucky simulcast host fees increased relative to combined handle as a result of a shift in wagering from in-state to out-of-state racing cards. This was primarily the result of winter weather conditions in Kentucky which required racing in Kentucky to be canceled several times throughout the quarter. This shift translates to slimmer margins because no simulcast fees are paid on in-state racing, and in-state purses are calculated at a lower rate.

Program expenses increased \$137,223 for the quarter. This is primarily attributed to higher paper cost in Kentucky which resulted in an increase of \$65,180 and the addition of two Indiana facilities as compared to the same period in 1995. Indiana margins on programs have improved somewhat from the prior year while Kentucky margins have declined.

Maintenance and Utilities increased \$198,946 and \$246,030, respectively. Maintenance at the Kentucky facilities represents \$172,642 of the increase due to additional maintenance in the areas of pest control, fire protection and general maintenance. These expenses are normally incurred prior to the beginning of a race meeting and are considered by management to be a timing fluctuation. General maintenance at the Indiana Facilities increased approximately \$26,000. Utilities increased overall due to the unseasonably cold winter temperatures and the additional two facilities in Indiana.

The decrease in Insurance, Taxes and License Fees can be attributed to savings generated in Kentucky by a change in insurance carriers partially offset by the insurance requirements for the two additional OTB facilities in Indiana. Facility rent in 1996 is attributable to the Indianapolis simulcast facility. Other meet expenses are primarily due to expense related to the additional Indiana facilities and partly due to the timing of expenses related to the preparations for live racing in both Kentucky and Indiana.

CHURCHILL DOWNS INCORPORATED  
 ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND  
 RESULTS OF OPERATION (continued)

	OPERATING EXPENSE SUMMARY					
	Three Months Ended March 31, 1996	% To Total Expense	Three Months Ended March 31, 1995	% To Total Expense	1996 VS. 1995 \$ Change	1995 % Change
Purses Intertrack and Simulcast-Receiving	\$3,258,188	25%	\$2,502,480	25%	\$ 755,708	30%
Wages, Contract Labor, Taxes and Benefits	2,611,589	20%	2,201,964	22%	409,625	19%
Advertising, Marketing & Publicity	514,439	4%	165,467	2%	348,972	211%
Racing Relations & Services	45,723	0%	68,579	1%	(22,856)	-33%
Totalizator Expense	266,379	2%	135,141	1%	131,238	97%
Simulcast Host Fee	2,086,009	16%	1,499,635	15%	586,374	39%
Audio/Video & Signal Distribution Expense	273,855	2%	215,531	2%	58,324	27%
Program Expense	429,467	3%	292,244	3%	137,223	47%
Depreciation & Amortization	1,147,680	9%	1,100,444	11%	47,236	4%
Insurance, Taxes & License Fees	517,892	4%	535,482	5%	(17,590)	-3%
Maintenance	419,931	3%	220,985	2%	198,946	90%
Utilities	640,644	5%	394,614	4%	246,030	62%
Derby Expansion Area	199,431	1%	172,224	2%	27,207	16%
Facility Rent	190,554	1%	--	0%	190,554	100%
Other meeting expense	618,437	5%	440,947	5%	177,490	40%
	----- \$13,220,218 =====	----- 100% =====	----- \$ 9,945,737 =====	----- 100% =====	----- \$3,274,481 =====	----- 33% =====

CHURCHILL DOWNS INCORPORATED

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION (continued)

Selling, general and administrative expenses rose \$244,123. Wages, benefits, payroll taxes, and contract labor increased by \$135,000 in Indiana primarily due to increased staffing in marketing, public relations, operations and finance plus general wage and benefit increases in both Kentucky and Indiana. Other overhead expenses, which include professional fees, business development, meals and travel increased marginally over 1995.

Interest expense is down \$58,396 as positive cash flow from operations has allowed the Company to continue paying down its line of credit. As of May 7, 1996 \$5,000,000 outstanding balance on the line of credit has been completely retired.

SIGNIFICANT CHANGES IN THE BALANCE SHEET DECEMBER 31, 1995 TO MARCH 31, 1996

The increase in cash balances reflect the collection of advance ticket sales for the Kentucky Derby and Oaks, as well as cash balances maintained for operations at the Company's Indiana locations.

Accounts receivable at December 31, 1995 were \$1,141,504 higher than at March 31, 1996 due to the Fall meeting purse supplement due from the State and simulcasting receivables which were received in early January, 1996, partially offset by collection of advance ticket sales for the Kentucky Derby.

Plant and equipment increased \$692,659 as a result of routine capital spending throughout the Company. There were no major capital projects during the quarter.

Accounts payable and accrued expenses were higher at March 31, 1996, due primarily to the purse liability related to whole card simulcasting.

Deferred revenue is higher at March 31, due to the significant amount of admission and seat revenue that had been received in advance for the May 1996 Kentucky Derby and Oaks.

Notes payable are \$1,000,000 lower at March 31, 1996 as positive cash flow has allowed the Company to reduce its outstanding amount of credit.

CHURCHILL DOWNS INCORPORATED

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION (continued)

SIGNIFICANT CHANGES IN THE BALANCE SHEET MARCH 31, 1995 TO MARCH 31, 1996

Cash and cash equivalents increased from March 31, 1995 to March 31, 1996 by \$2,957,233 due to the declining need for cash to finance Indiana operations and the lack of any major construction projects.

Plant & equipment increased during the year by \$2,546,630, net of depreciation. The Company's Indiana off-track wagering facilities and Thoroughbred improvements at Hoosier Park accounted for the majority of these additions.

Accounts payable and accrued expenses increased by \$3,681,529 primarily due to the settlement liability related to whole card simulcasting, and the purses payable related to the overall increase in simulcast wagering plus purses and trade payables for the two additional off-track wagering facilities in Indiana.

Notes payable have decreased by \$5,120,004 due to the Company's receipt of ticket revenue related to the 1996 Kentucky Derby and Kentucky Oaks which has been applied, in part, to the outstanding line of credit.

LIQUIDITY AND CAPITAL RESOURCES

Working capital for the three months ended March 31, 1996 and March 31, 1995 is as follows:

	MARCH 31	
	1996	1995
Working capital (deficiency)	\$(17,815,758)	\$(20,004,032)
Working capital ratio	.36 to 1	.27 to 1

Working capital is primarily a result of the nature and seasonality of the Company's business. Cash flows provided by operations were \$5,034,005 for the three months ended March 31, 1996, \$16,540,123 for the twelve months ended December 31, 1995, and \$4,410,618 for the three months ended March 31, 1995. Management believes cash flows from operations during 1996 and funds available under the Company's unsecured line of credit will be sufficient to fund dividend payments (historically about \$1,900,000) and additions and improvements to the racing plant and equipment which are expected to be approximately \$3,000,000.

The Company has a \$20,000,000 unsecured line of credit available with \$15 million available at March 31, 1996 to meet working capital and other short-term requirements. As of May 7, 1996 the full \$20,000,000 line of credit is available to the Company. Management believes that the Company has the ability to obtain additional long-term financing should the need arise.

CHURCHILL DOWNS INCORPORATED

PART II. OTHER INFORMATION

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

- A. Not applicable
- B. During the quarter ending March 31, 1996, no Form 8-K's were filed by the Company.

SIGNATURES

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

CHURCHILL DOWNS INCORPORATED

May 15, 1996

/s/Thomas H. Meeker

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Thomas H. Meeker  
President

May 15, 1996

/s/Vicki L. Baumgardner

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



U.S. DOLLARS

3-MOS  
 DEC-31-1996  
 JAN-01-1996  
 MAR-31-1996  
 1  
 7,305,232  
 0  
 957,397  
 35,000  
 0  
 10,124,665  
 98,144,122  
 34,115,683  
 78,651,422  
 27,940,423  
 0  
 0  
 3,504,388  
 41,143,722  
 78,651,422  
 11,550,753  
 11,550,753  
 13,220,218  
 14,994,085  
 91,317  
 35,000  
 96,198  
 (3,448,213)  
 1,375,000  
 0  
 0  
 0  
 0  
 (2,073,213)  
 (\$0.55)  
 (\$0.55)