SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 1998

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 (IRS Employer
incorporation or organization) 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 14, 1998 was 7,516,934 shares.

CHURCHILL DOWNS INCORPORATED

I N D E X

CHURCHILL DOWNS INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

ASSETS	March 31 1998	December 31 1997	March 31 1997
Current assets:			
Cash and cash equivalents	$11,803,389	$9,280,233	$ 7,084,056
Accounts receivable	5,925,377	7,086,889	3,918,264
Prepaid income taxes	969,185	-	870,792
Other current assets	847,493	540,489	1,180,439
Total current assets	19,545,444	16,907,611	13,053,551
Other assets	5,563,557	5,778,430	3,634,018
Plant and equipment	105,348,975	104,554,196	101,086,691
Less accumulated depreciation	(42,203,103)	(41,391,429)	(38,158,464)
	63,145,872	63,162,767	62,928,227
	$88,254,873	$85,848,808	$79,615,796
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$9,960,311	$5,732,783	$9,392,124
Accrued expenses	5,000,182	7,937,575	4,828,996
Dividends payable	-	3,658,468	-
Income taxes payable	-	186,642	-
Deferred revenue	13,718,956	7,344,830	11,477,348
Long-term debt, current portion	79,805	79,805	73,893
Total current liabilities	28,759,254	24,940,103	25,772,361
Long-term debt, due after one year	2,633,164	2,633,164	2,752,969
Outstanding mutuel tickets (payable after one year)	1,767,991	1,625,846	2,011,092
Deferred compensation	893,898	880,098	830,580
Deferred income taxes	2,377,100	2,377,100	2,316,600
Stockholders' equity:			
Preferred stock, no par value; authorized, 250,000 shares; issued, none	-	-	-
Common stock, no par value; authorized, 20 million shares, issued 7,316,934 shares, March 31, 1998 and December 31, 1997 and 7,308,526 shares, March 31, 1997	3,614,567	3,614,567	3,493,042
Retained earnings	48,273,899	49,842,930	42,504,152
Note receivable for common stock	(65,000)	(65,000)	(65,000)
	51,823,466	53,392,497	45,932,194
	$88,254,873	$85,848,808	$79,615,796

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

CHURCHILL DOWNS INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS (LOSSES)
(Unaudited)

	Three Months Ended March 31 1998	1997
Net revenues	$15,385,151	$13,278,864
Operating expenses	15,999,128	14,484,447
Gross loss	(613,977)	(1,205,583)
Selling, general and administrative expenses	2,155,754	1,929,840
Operating loss	(2,769,731)	(3,135,423)
Other income (expense):		
Interest income	189,270	66,380
Interest expense	(104,524)	(80,216)
Miscellaneous income	117,054	130,573
	201,800	116,737
Loss before income tax benefit	(2,567,931)	(3,018,686)
Federal and state income tax benefit	998,900	1,170,000
Net loss	$(1,569,031)	$(1,848,686)
Basic and diluted net loss per share	$ (.21)	$ (.25)
Basic and diluted weighted average shares outstanding	7,316,934	7,308,526

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

CHURCHILL DOWNS INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31 1998	1997
Cash flows from operating activities:		
Net loss	$(1,569,031)	$(1,848,686)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	1,159,106	1,143,522
Deferred compensation	13,800	5,369
Increase (decrease) in cash resulting from changes in operating assets and liabilities:		
Accounts receivable	1,161,512	1,299,972
Prepaid income taxes	(969,185)	(870,792)
Other current assets	(307,004)	(501,218)
Accounts payable	4,227,528	3,989,124
Accrued expenses	(2,937,393)	(3,192,491)
Income taxes payable	(186,642)	(2,510,508)
Deferred revenue	6,374,126	4,965,446
Other assets and liabilities	335,118	25,972
Net cash provided by operating activities	7,301,935	2,505,710
Cash flows from investing activities:		
Additions to plant and equipment, net	(1,120,311)	(1,083,468)
Net cash used in investing activities	(1,120,311)	(1,083,468)
Cash flows from financing activities:		
Decrease in long-term debt, net	-	(172,329)
Dividends paid	(3,658,468)	(2,375,271)
Net cash used in financing activities	(3,658,468)	(2,547,600)
Net increase (decrease) in cash and cash equivalents	2,523,156	(1,125,358)
Cash and cash equivalents, beginning of period	9,280,233	8,209,414
Cash and cash equivalents, end of period	$11,803,389	$ 7,084,056
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$250,000	$92,300
Income taxes	$18,000	$2,190,000

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

CHURCHILL DOWNS INCORPORATED
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the three months ended March 31, 1998 and 1997
(Unaudited)

1. 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 Churchill Downs Incorporated's (the "Company") annual report on Form 10-K. The year end condensed consolidated 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, 1997 for further information. The accompanying condensed 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.

2. 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 condensed consolidated financial statements reflect a disproportionate share of annual net earnings (loss) 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 three months ended March 31, 1998 and 1997, the Company conducted simulcast receiving wagering for 367 and 360 location days, respectively, which includes simulcast wagering at its Sports Spectrum site in Louisville, Kentucky for 75 days in 1998 compared to 72 days in 1997. 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 292 days in 1998 compared to 288 days in 1997. Additionally, the Company conducts simulcast wagering on-track during its Churchill Downs and Hoosier Park live race meets.

3. On March 19, 1998 the Company obtained a commitment from its principal lender to increase its unsecured bank line of credit from $20 million to $50 million. The interest rate is based upon LIBOR plus 50 to 100 additional basis points which is determined by certain Company financial ratios. The line of credit expires March 19, 2000. There were no borrowings outstanding on the line of credit at March 31, 1998, December 31, 1997 or March 31, 1997.

4. Certain prior period financial statement amounts have been reclassified to conform to the current period presentation.

5. Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (SFAS 130). Currently, there are no amounts to be included in the computation of comprehensive income of the Company that are required to be disclosed under the provisions of SFAS 130. As such, total comprehensive income and net income are the same for the three months ended March 31, 1998 and 1997, respectively.

6. In June 1997, the FASB issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" (SFAS 131). The Company will adopt SFAS 131 during the fourth quarter of 1998 as required.

7. In February 1998, the FASB issued Statement of Financial Accounting Standards No. 132, "Employers' Disclosures about Pensions and other Post-retirement Benefits" (SFAS 132). This statement revises employers' disclosures about pensions and other post-retirement plans without changing the measurement or recognition of those plans. The Company will include SFAS 132 disclosures in its 1998 annual report.

8. On March 28, 1998, the Company entered into a stock purchase agreement with TVI Corp., ("TVI") for the purchase of 100% of the stock of Racing Corporation of America ("RCA") for a purchase price of $22.0 million in a combination of cash and common stock of the Company. RCA owns and operates Ellis Park Race Course in Henderson, Kentucky, and the Kentucky Horse Center, a training facility located in Lexington, Kentucky. The sale closed on April 21, 1998 upon final approval from the Kentucky Racing Commission. As part of the transaction, TVI received 200,000 shares of the Company's common stock. The remaining balance of $17.15 million was paid from cash on hand and a draw on the Company's bank line of credit. The acquisition will be accounted for by the Company under purchase method of accounting and will be consolidated during the second quarter of 1998. The results of operations of RCA subsequent to April 20, 1998 will be included in the Company's consolidated results of operations. The purchase is not anticipated to have any material effect on the Company's earnings in 1998.

CHURCHILL DOWNS INCORPORATED
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the three months ended March 31, 1998 and 1997 (continued)
(Unaudited)

9. The following is a reconciliation of the numerator and denominator of the basic and diluted per share computations:

	Three months ended March 31, 1998	1997
Loss (numerator) amounts used for basic and diluted per share computations:	$(1,569,031)	$(1,848,686)
Basic and diluted weighted average shares (denominator) of common stock outstanding per share	7,316,934	7,308,526
Basic and diluted net loss per share	$(.21)	$(.25)

Options to purchase 130,500 and 66,500 shares at March 31, 1998 and 1997 which equate to common stock equivalents of 12,041 and 1,919, respectively, are excluded from the computation since their effect is antidilutive because of the net loss for the periods. In addition, options to purchase 296,032 and 290,500 shares for the quarters ended March 31, 1998 and 1997 were not included in the computation of loss per share common share-assuming dilution because the options' exercise prices were greater than the average market price of the common shares.

CHURCHILL DOWNS INCORPORATED

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

RESULTS OF OPERATIONS

This discussion and analysis includes a forecast of future results of operations. Such a forecast is a "forward-looking statement" under the federal securities laws. Actual results could differ materially from this forecast and there can be no assurance that such forecast of future results will be achieved. Important factors that could cause actual results to differ materially from the presently estimated amounts include: the continued ability of the Company to effectively compete for the country's top horses and trainers necessary to field high-quality horse racing; the continued ability of the Company to grow its share of the interstate simulcast market; a substantial change in allocation of live racing days; the impact of competition from alternative gaming (including riverboat casinos and lotteries) and other sports and entertainment options in those markets in which the Company operates; a decrease in riverboat admissions revenue from the Company's Indiana operations; and the Company's success in its pursuit of strategic initiatives designed to attract new patrons and generate additional revenue for purses and capital investment.

The Company primarily conducts pari-mutuel wagering on Thoroughbred and Standardbred horse racing at its facilities in Kentucky and Indiana. The Company owns and operates Churchill Downs racetrack in Louisville, Kentucky ("Churchill Downs"). Churchill Downs has conducted Thoroughbred racing continuously since 1875, and is internationally known as home of the Kentucky Derby. The Company is also majority owner and operator of Hoosier Park in Anderson, Indiana, which conducts Thoroughbred, Quarter Horse and Standardbred horse racing. The Company conducts simulcast wagering on horse racing year-round at its four Churchill Downs Sports Spectrum facilities ("Sports Spectrum") in Kentucky and Indiana, as well as its racetracks.

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 and the Kentucky Oaks are run. The Kentucky Derby and the Kentucky Oaks are run on the first weekend in May.

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

Kentucky's racetracks, including Churchill Downs and Ellis Park Race Course ("Ellis Park"), which was acquired by the Company during the second quarter of 1998, are subject to the licensing and regulation of the Kentucky Racing Commission ("KRC"), which consists of 11 members appointed by the governor of Kentucky. Licenses to conduct live Thoroughbred race meetings and to participate in simulcasting are approved annually by the KRC based upon applications submitted by the racetracks in Kentucky. Although to some extent Churchill Downs and Ellis Park compete with other racetracks in Kentucky for the awarding of racing dates, the KRC is required by state law to consider and seek to preserve each racetrack's usual and customary live racing dates. Generally, there is no substantial change from year to year in the racing dates awarded to each racetrack. Churchill Downs conducted live racing on 77 days during the year ended December 31, 1997. For 1998, Churchill Downs has received a license to conduct live racing for a total of 71 racing days on approximately the same dates as the prior year's Spring and Fall race meetings. For 1998, Ellis Park has received a license to conduct live racing for a total of 55 racing days. The total number of days on which Churchill Downs and Ellis Park conduct live racing fluctuates annually according to the calendar year. A substantial change in the allocation of live racing days at Churchill Downs or Ellis Park could impact the Company's operations and earnings in future years. The purchase of Ellis Park is not anticipated to have any material effect on earnings in 1998.

Churchill Downs will host Breeders' Cup Day on November 7, 1998. Breeders' Cup Day is sponsored by Breeders' Cup Limited, a tax-exempt organization chartered to promote Thoroughbred racing and breeding. The Breeders' Cup Day races are held annually, featuring $12 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 and the 1998 Breeders' Cup will be the Company's fourth time hosting this event, the most of any racetrack. The Breeders' Cup Day races were held in California in November 1997. Hosting the event in 1998 is expected to have a positive impact on the Company's 1998 results.

In Indiana, licenses to conduct live Standardbred and Thoroughbred race meetings, including Quarter Horse races, and to participate in simulcasting are approved annually by the Indiana Horse Racing Commission ("IHRC"), which consists of 5 members appointed by the governor of Indiana. Licenses are approved annually by the IHRC based upon applications submitted by the Company. Currently, the Company is the only facility in Indiana licensed to conduct live Standardbred, Quarter Horse or Thoroughbred racing and to participate in simulcasting. In 1997, the Company conducted 142 days of live racing, including 85 days of Standardbred racing and 57 days of Thoroughbred racing. Quarter Horse races were also conducted during some Thoroughbred race days. The Company has received a license to conduct live racing in 1998 for a total of 152 racing days, including 94 days of Standardbred racing, and 58 days of Thoroughbred racing (which also includes Quarter Horse races). A substantial change in the allocation of live racing days at Hoosier Park could impact the Company's operations and earnings in future years.

The Company employs approximately 340 full-time employees. Due to the seasonal nature of the Company's live racing business, the number of seasonal and part-time persons employed will vary throughout the year, with peak employment occurring Kentucky Derby week when the Company employs as many as 2,600 persons. During 1997, average employment per pay period was approximately 900 individuals.

The Company generally does not directly compete with other racetracks or simulcast facilities for patrons due to geographic separation of such facilities. However, the Company competes with other sports, entertainment and gaming options, including riverboat casinos and lotteries, for patrons for both live racing and simulcasting. The Company attempts to attract patrons by providing the highest quality racing products in attractive entertainment facilities with well-priced, appealing concession services. The Company is the premier racetrack in Kentucky for both live racing and simulcasting, based upon total handle and attendance, and the only facility in Indiana providing live and simulcast racing.

The development of riverboat gaming facilities began in Indiana pursuant to authorizing legislation passed by the state of Indiana in 1993. Illinois had previously authorized riverboat gaming. 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 Churchill Downs and other racetracks in western and northern Kentucky. However, Churchill Downs reversed this trend in 1997 with the increase in attendance and wagering experienced during its 1997 Spring and Fall Meets, due primarily to an aggressive on-track marketing program, and further expansion of interstate simulcasting.

One, and possibly two, additional riverboats are anticipated to open along the Indiana shore of the Ohio River. In May 1996, the Indiana Gaming Commission ("IGA")awarded a preliminary license to RDI/Caesars World to operate the world's largest riverboat casino in Harrison County, Indiana, just 10 miles from Louisville. A construction permit was issued to RDI/Caesars World by the U.S. Army Corps of Engineers ("Corps") in February 1998, and they have announced that the riverboat will open in the fall of 1998. However, the U.S. Environmental Protection Agency ("EPA") has conducted a separate review of the Corps' decision, and issued a letter critical of some aspects of the Corps' decision-making process. Also, the environmental groups have filed a lawsuit in U.S. District Court for the western district of Kentucky challenging the Corps' decision to issue a construction permit to RDI/Caesars World ("environmental litigation"). It is not known whether the EPA's letter or the environmental litigation will result in further delays for the project. The IGA voted in May 1998 to consider in September 1998 whether to grant a license to open a fifth Indiana riverboat along the Ohio River in either Crawford County or Switzerland County, within 30 or 70 miles, respectively, of Louisville. Prior to the vote in May, the IGA had voted to postpone indefinitely the granting of a fifth license.

The full impact of riverboat casinos on Kentucky racing cannot be accurately determined until all riverboats are open and the markets are fully matured. Studies project that Churchill Downs could experience a material adverse impact on its wagering and attendance in the Louisville market when the RDI/Caesars World riverboat is open and mature. These same studies projected similar declines in western and northern Kentucky but recent experience at Ellis Park and Turfway Park indicates the impact may not be as severe as these studies projected.

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.

Additionally, the Potawatomi Indian Tribe has expressed an interest in establishing a land-based casino in northeastern Indiana and they are attempting to negotiate a compact with the state of Indiana. At this time, proposed changes to the Indian Gaming Regulatory Act could have an impact on compact negotiations between the Potawatomi Tribe and the state of Indiana. The Company continues to anticipate that development of such an Indian casino will negatively impact pari-mutuel wagering activities at its Indiana facilities. However, 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 potential casino sites.

The Company continues to pursue legislation to allow video lottery terminals at its racetrack facilities in Kentucky and Indiana. The integration of alternative gaming products 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 in Kentucky and into Indiana. Alternative gaming in the form of video lottery terminals and slot machines should enable the Company to more effectively compete with Indiana riverboat casinos, and provide new revenue for purse money and capital investment. Currently, the Company 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 horse industry in Indiana presently receives $.65 per $3 admission to riverboats in the state to compensate for the effect of riverboat competition. Riverboat admissions revenue from the Company's Indiana operations increased $1.6 million as a result of the opening of additional riverboats along Lake Michigan since March 31, 1997. The net increase in riverboat admissions revenue, after required purse and marketing expense increases of approximately $1.0 million, is $.6 million. Legislation challenging the allocation of the $.65 subsidy was introduced to the Senate Finance Committee in the recent session of the Indiana General Assembly, but the bill did not pass out of the committee. A change in Hoosier Park's share of the tax would significantly impact funding for operating expenditures and would in all likelihood reemphasize the need for the integration of alternative gaming products at the racetrack in order for it to effectively compete with riverboat casinos.

The Company owned and operated two live racing facilities and four simulcast wagering facilities during the three month period ended March 31, 1998. There was no live racing conducted during the three month periods ended March 31, 1998 and 1997. The chart below summarizes the results of these operations.

	KENTUCKY			INDIANA		
	Three Months Ended March 31 1998	Three Months Ended March 31 1997	Increase (Decrease)	Three Months Ended March 31 1998	Three Months Ended March 31 1997	Increase (Decrease)
Intrastate Simulcast Receiving						
Number of Race Days	58	55	3	-	-	-
Handle	$12,269,151	$12,713,530	-3%	-	-	-
Average Daily Handle	$211,537	$231,155	-8%	-	-	-
Interstate Simulcast Receiving*						
Number of Race Days	75	72	3	292	288	4
Handle	$33,967,297	$30,535,383	11%	$33,536,353	$32,189,879	4%
Average Daily Handle	$452,897	$424,103	7%	$114,851	$111,770	3%
Total handle	$46,236,448	$43,248,913	7%	$33,536,353	$32,189,879	4%
Total average daily handle	$347,642	$340,543	2%	$114,851	$111,770	3%

* The Company's Indiana operations include four separate simulcast wagering facilities.

Total handle in Kentucky and Indiana increased $3.0 million (7%) and $1.3 million (4%), respectively, primarily as a result of conducting 3 and 4 additional days, respectively, of interstate simulcast receiving wagering at the Louisville and Indiana Sports Spectrums during the quarter ended March 31, 1998.

COMPARISON OF THREE MONTHS ENDED MARCH 31, 1998 TO 1997

REVENUES

Net revenues during the three months ended March 31, 1998 increased approximately $2.1 million (16%).

Pari-mutuel revenues increased $.5 million primarily as a result of increased interstate receiving revenues generated from the 3 and 4 additional days of wagering conducted at the Louisville and Indiana Sports Spectrums, respectively, during the first quarter of 1998 versus 1997.

The net increase in riverboat admissions revenue from the Company's Indiana operations was $.6 million as a result of the opening of two additional riverboats along Lake Michigan since March 31, 1997. The riverboat admissions revenue increase of $1.6 million was partially offset by increases of $1.0 million of required purse and marketing expenses associated with the riverboat admission subsidy which are recorded as operating expenses by the Company.

Following is a summary of Net Revenues:

NET REVENUE SUMMARY

	Three Months Ended March 31, 1998	% to Total Revenue	Three Months Ended March 31, 1997	% to Total Revenue	1998 vs 1997 $ Change	1998 vs 1997 % Change
Pari-Mutuel Revenue						
Intrastate Receiving	$1,134,465	7%	$1,168,309	9%	$(33,844)	-3%
Interstate Receiving	9,319,267	61	8,795,980	66	523,287	6
	$10,453,732	68%	$9,964,289	75%	$489,443	5%
Riverboat Admission, Promotion & Purse Revenue	3,810,250	25%	2,181,925	17%	1,628,325	75%
Admission & Seat Revenue	178,594	1	259,375	2	(80,781)	-31
License, Rights, Broadcast & Sponsorship Fees	120,408	1	50,733	-	69,675	137
Concession Commission	122,950	1	159,686	1	(36,736)	-23
Program Revenue	478,888	3	485,262	4	(6,374)	-1
Other	220,329	1	177,594	1	42,735	24
	$15,385,151	100%	$13,278,864	100%	$2,106,287	16%

OPERATING EXPENSES

Total operating expenses increased $1.5 million (10%) during the quarter ended March 31, 1998. The gross loss decreased $.6 million (49%) during the same period.

Purse expense increased $.9 million (21%) with riverboat purses contributing $.8 million (65%) to the total increase. In Kentucky and Indiana, all other 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, intrastate and interstate simulcast purses reflect changes in direct proportion to changes in pari-mutuel revenues for the same categories. The increase in interstate simulcast receiving of $162,000 is directly related to the increase in net revenue for the same category.

Wages and contract labor expenses increased $106,000 (3%). Salary increases resulting from increased business activity and general cost of living increases account for a significant portion of the variance.

Simulcast host fees increased $116,000 as a result of the increase in handle on interstate simulcast receiving wagering at the Louisville and Indiana Sports Spectrums.

Insurance, taxes and license fees increased $256,000 in 1998 due primarily to higher property taxes and use taxes.

Maintenance expenses decreased by $125,000, due primarily to the scheduling of fewer maintenance projects in the first quarter of 1998 versus the first quarter of 1997.

Following is a summary of Operating Expenses:

OPERATING EXPENSE SUMMARY

	Three Months Ended March 31, 1998	% to Total Expenses	Three Months Ended March 31, 1997	% to Total Expense	1998 vs 1997 $ Change	1998 vs 1997 % Change
Purses:						
Intrastate Receiving	$481,877	3%	$499,079	4%	$(17,202)	-3%
Interstate Receiving	2,877,808	18	2,715,544	19	162,264	6
Riverboat	2,014,141	13	1,220,257	8	793,884	65
	$5,373,826	34%	$4,434,880	31%	$938,946	21%
Wages and Contract Labor	3,196,809	20	3,090,920	21	105,889	3
Simulcast Host Fee	2,193,352	14	2,077,515	14	115,837	6
Advertising, Marketing & Publicity	673,164	4	658,092	5	15,072	2
Racing Relations & Services	63,090	-	73,383	1	(10,293)	-14
Totalisator Expense	301,016	2	356,390	2	(55,374)	-16
Audio/Video & Signal Distribution Expense	407,207	2	333,301	2	73,906	22
Program Expense	416,293	2	338,967	2	77,326	23
Depreciation & Amortization	1,159,106	7	1,143,522	8	15,584	1
Insurance, Taxes & License Fees	780,159	5	524,526	4	255,633	49
Maintenance	262,383	2	387,854	3	(125,471)	-32
Utilities	577,406	4	524,666	4	52,740	10
Facility/Land Rent	189,084	1	187,041	1	2,043	1
Other Meeting Expense	406,233	3	353,390	2	52,843	15
	$15,999,128	100%	$14,484,447	100%	$1,514,681	10%

Selling, general and administrative expenses increased by $226,000 (12%) during the three month period ended March 31, 1998 primarily as a result of increased business activity and general cost of living salary increases for the Company's employees.

Interest income of $189,000 in 1998 increased by $123,000 as the result of the additional earnings generated by the Company from its short-term cash investments (cash equivalents) as well as the interest earned on notes receivable from a minority-owned investment.

Significant Changes in the Balance Sheet December 31, 1997 to March 31, 1998

Accounts receivable at March 31, 1998 were $1.2 million lower than at December 31, 1997 primarily due to the collection of 1997 Fall meet simulcasting receivables and purse supplements due from the Commonwealth of Kentucky offset partially by an increase in Indiana riverboat admissions tax receivable.

Prepaid income taxes increased $1.0 million as a result of the estimated income tax benefit (receivable) associated with the quarterly net loss.

Accounts payable increased $4.2 million at March 31, 1998 primarily due to increase in purses payable related to simulcast wagering and riverboat admissions revenue. Purses are paid during the Company's live race meets beginning in the second quarter.

Accrued expenses decreased $2.9 million at March 31, 1998 primarily as a result of payments of expenses incurred during the Fall 1997 live race meet.

Dividends payable decreased by $3.7 million at March 31, 1998 due to the payment of dividends of $3.7 million (declared in 1997) in the first quarter.

Deferred revenue increased by $6.4 million at March 31, 1998 due to advance billings of season box and membership revenue for Kentucky's live race meets and the Derby Expansion Area relating to Kentucky Derby and Oaks races.

SIGNIFICANT CHANGES IN THE BALANCE SHEET MARCH 31, 1997 TO MARCH 31, 1998

Accounts receivable at March 31, 1998 increased by $2 million due primarily to the increase in the Indiana riverboat admissions tax receivable resulting from two additional Indiana riverboats being open after March 31, 1997.

Other assets increased by $1.9 million due primarily to the Company's ownership investment in and loan to BC Racing Group, LLC totaling $2.2 million partially offset by accumulated amortization of organization costs.

The cost of plant and equipment increased by approximately $4.3 million due to the construction of a new on-site simulcast facility at Churchill Downs as well as routine capital spending throughout the Company. This was offset by an increase of $4.0 million in accumulated depreciation.

Deferred revenue increased by $2.2 million due primarily to increased admission and corporate sponsor event ticket prices associated with the Kentucky Derby and Oaks days.

LIQUIDITY AND CAPITAL RESOURCES

The working capital deficiency for the three months ended March 31, 1998 decreased by $3.5 million compared to March 31, 1997 as shown below:

	March 31	
	1998	1997
Working capital deficiency	$(9,213,810)	$(12,718,810)
Working capital ratio	.68 to 1	.51 to 1

The working capital deficiency results from the nature and seasonality of the Company's business. Cash flows provided by operations were $7.3 million and $2.5 million for the three months ended March 31, 1998 and 1997, respectively. The increase of $4.8 in 1998 is primarily the result of timing of income taxes payable and deferred revenue. Management believes cash flows from operations and borrowings during 1998 will be substantially in excess of the Company's disbursements for the year, including capital improvements.

Cash flows used in investing activities were $1.1 million for both the three months ended March 31, 1998 and 1997. Routine capital spending throughout the Company accounted for the cash used in investing for both years.

Cash flows used in financing activities were $3.7 and $2.6 million for the three months ended March 31, 1998 and 1997, respectively. The increase of $1.2 million in 1998 in cash used for financing is primarily the result of an increase in dividends paid of $1.3 million.

IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (SFAS 130). Currently, there are no amounts to be included in the computation of comprehensive income of the Company that are required to be disclosed under the provisions of SFAS 130. As such, total comprehensive income and net income are the same for the three months ended March 31, 1998 and 1997, respectively.

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" (SFAS 131). The Company will adopt SFAS 131 during the fourth quarter of 1998 as required.

In February 1998, the FASB issued Statement of Financial Accounting Standards No. 132, "Employers' Disclosures about Pensions and other Post-retirement Benefits" (SFAS 132). This statement revises employers' disclosures about pensions and other post-retirement plans without changing the measurement or recognition of those plans. The Company will include SFAS 132 disclosures in its 1998 annual report.

SUBSEQUENT EVENTS

On March 28, 1998, the Company entered into a stock purchase agreement with TVI Corp., ("TVI") for the purchase of 100% of the stock of Racing Corporation of America ("RCA") for a purchase price of $22.0 million in a combination of cash and common stock of the Company. RCA owns and operates Ellis Park Race Course in Henderson, Kentucky, and the Kentucky Horse Center, a training facility located in Lexington, Kentucky. The sale closed on April 21, 1998 upon final approval from the Kentucky Racing Commission. As part of the transaction, TVI received 200,000 shares of the Company's common stock. The remaining balance of $17.15 million was paid from cash on hand and a draw on the Company's bank line of credit. The acquisition will be accounted for by the Company under purchase method of accounting and will be consolidated during the second quarter of 1998. The results of operations of RCA subsequent to April 20, 1998 will be included in the Company's consolidated results of operations. The purchase is not anticipated to have any material effect on the Company's earnings in 1998.

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 and Use of Proceeds

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. Exhibits

See exhibit index.

B. Reports on Form 8-K

Churchill Downs Incorporated filed a Current Report on Form 8-K on March 20, 1998 reporting, under Item 5 Other Events, the adoption of a rights plan by Churchill Downs Incorporated.

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

May 14, 1998

\s\Thomas H. Meeker

Thomas H. Meeker
President and Chief Executive Officer
(Principal Executive Officer)

May 14, 1998

\s\ Robert L. Decker

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

May 14, 1998

\s\Vicki L. Baumgardner

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

EXHIBIT INDEX

Numbers		Description	By Reference To
(2)	(a)	Stock Purchase Agreement dated as of March 28, 1998 between Churchill Downs Incorporated and TVI Corp.	Exhibit 2.1 to Current Report on Form 8-K dated April 21, 1998
(2)	(b)	Agreement and Plan of Merger dated as of April 17, 1998 by and among TVI Corp., Racing Corporation of America, Churchill Downs Incorporated and RCA Acquisition Company	Exhibit 2.2 to Current Report on Form 8-K dated April 21, 1998
(3)	(d)	Restated Bylaws as amended	Pages 67 to 76, Report on Form 10-K for the year ended December 31, 1997
(3)	(e)	Articles of Amendment to Articles of Incorporation of Churchill Downs Incorporated	Pages 24-32
(4)		Rights Agreement dated as of March 19, 1998 between Churchill Downs Incorporated and Bank of Louisville	Exhibit 4.1 to Current Report on Form 8-K dated March 19, 1998
(27)		Financial Data Schedule	Page 33

ARTICLES OF AMENDMENT
TO
ARTICLES OF INCORPORATION
OF
CHURCHILL DOWNS INCORPORATED

Pursuant to the provisions of Section 271B.10-060 of the Kentucky Business Corporation Act, the undersigned corporation adopts the following articles of amendment to set forth the preferences, limitations and relative rights of a series of shares of its Preferred Stock, without par value, under Article VII of its Articles of Incorporation.

FIRST: The name of the Corporation is Churchill Downs Incorporated.

SECOND: The text of the amendment determining the terms of the series of shares of the Preferred Stock is as follows:

I. Designation and Number of Shares. This series of the Preferred Stock shall be designated as "Series 1998 Preferred Stock" (the "Series 1998 Preferred Stock"). The number of shares initially issuable as the Series 1998 Preferred Stock shall be 8,000; provided, however, that, if more than a total of 8,000 shares of Series 1998 Preferred Stock shall be issuable upon the exercise of Rights (the "Rights") issued pursuant to the Rights Agreement dated as of March 19, 1998, between the Corporation and Bank of Louisville, as Rights Agent (the "Rights Agreement"), the Board of Directors of the Corporation, shall, if then permitted by the Kentucky Business Corporation Act, direct by resolution or resolutions that Articles of Amendment of the Articles of Incorporation of the Corporation be properly executed and filed with the Secretary of State of Kentucky providing for the total number of shares issuable as Series 1998 Preferred Stock to be increased (to the extent that the Articles of Incorporation then permit) to the largest number of whole shares (rounded up to the nearest whole number) issuable upon exercise of such Rights.

II. Dividends or Distributions.

(a) Subject to the prior and superior rights of the holders of shares of any other series of Preferred Stock or other class of capital stock of the Corporation ranking prior and superior to the shares of Series 1998 Preferred Stock with respect to dividends, the holders of shares of the Series 1998 Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors, out of the assets of the Corporation legally available therefor, (I) annual dividends payable in cash on January 15 of each year, or such other dates as the Board of Directors of the Corporation shall approve (each such date being referred to herein as an "Annual Dividend Payment Date"), commencing on the first Annual Dividend Payment Date after the first issuance of a share or a fraction of a share of Series 1998 Preferred Stock, in the amount of $.01 per whole share (rounded to the nearest cent), less the amount of all cash dividends declared on the

Series 1998 Preferred Stock pursuant to the following clause (ii) since the immediately preceding Annual Dividend Payment Date or, with respect to the first Annual Dividend Payment Date, since the first issuance of any share or fraction of a share of Series 1998 Preferred Stock (the total of which shall not, in any event, be less than zero) and (ii) dividends payable in cash on the payment date for each cash dividend declared on the Common Stock in an amount per whole share (rounded to the nearest cent) equal to the Formula Number (as hereinafter defined) then in effect times the cash dividends then to be paid on each share of Common Stock. In addition, if the Corporation shall pay any dividend or make any distribution on the Common Stock payable in assets, securities or other forms of non-cash consideration (other than dividends or distributions solely in shares of Common Stock), then, in each such case, the Corporation shall simultaneously pay or make on each outstanding whole share of Series 1998 Preferred Stock a dividend or distribution in like kind equal to the Formula Number then in effect times such dividend or distribution on each share of the Common Stock. As used herein, the "Formula Number" shall be 1,000; provided, however, that, if at any time after March 19, 1998, excluding, however, the two-for-one stock split or stock dividend declared by the Corporation on March 19, 1998, the Corpora tion shall (x) declare or pay any dividend on the Common Stock payable in shares of Common Stock or make any distribution on the Common Stock in shares of Common Stock, (y) subdivide (by a stock split or otherwise) the outstanding shares of Common Stock into a larger number of shares of Common

Stock or (z) combine (by a reverse stock split or otherwise) the outstanding shares of Common Stock into a smaller number of shares of Common Stock, then, in each such event, the Formula Number shall be adjusted to a number determined by multiplying the Formula Number in effect immediately prior to such event by a fraction, the numerator of which is the number of shares of Common Stock that are outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that are outstanding immediately prior to such event (and rounding the result to the nearest whole number); and provided further, that, if at any time after March 19, 1998, the Corporation shall issue any shares of its capital stock in a merger, share exchange, reclassification, or change of the outstanding shares of Common Stock, then, in each such event, the Formula Number shall be appropriately adjusted to reflect such merger, share exchange, reclassification or change so that each share of Preferred Stock continues to be the economic equivalent of a Formula Number of shares of Common Stock prior to such merger, share exchange, reclassification or change.

(b) The Corporation shall declare a dividend or distribution on the Series 1998 Preferred Stock as provided in Section II(a) immediately prior to or at the same time it declares a dividend or distribution on the Common Stock (other than a dividend or distribution solely in shares of Common Stock); provided, however, that, in the event no dividend or distribution (other than a dividend or distribution in shares of Common Stock) shall have been declared on the Common Stock during the period between any Annual Dividend Payment Date and the next subsequent Annual Dividend Payment Date, a dividend of $.01 per share on the Series 1998 Preferred Stock shall nevertheless be payable on such subsequent Annual Dividend Payment Date. The Board of Directors may fix a record date for the determination of holders of shares of Series 1998 Preferred Stock entitled to receive a dividend or distribution declared thereon, which record date shall be the same as the record date for any corresponding dividend or distribution on the Common Stock.

(c) Dividends shall begin to accrue and be cumulative on outstanding shares of Series 1998 Preferred Stock from and after the Annual Dividend Payment Date next preceding the date of original issue of such shares of Series 1998 Preferred Stock; provided, however, that dividends on such shares that are originally issued after the record date for the determination of holders of shares of Series 1998 Preferred Stock entitled to receive an annual dividend and on or prior to the next succeeding Annual Dividend Payment Date shall begin to accrue and be cumulative from and after such Annual Dividend Payment Date. Notwithstanding the foregoing, dividends on shares of Series 1998 Preferred Stock that are originally issued prior to the record date for the determination of holders of shares of Series 1998 Preferred Stock entitled to receive an annual dividend on the first Annual Dividend Payment Date shall be calculated as if cumulative from and after the last day of the fiscal quarter next preceding the date of original issuance of such shares. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series 1998 Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding and entitled to receive such dividends.

(d) So long as any shares of the Series 1998 Preferred Stock are outstanding, no dividends or other distributions shall be declared, paid or distributed, or set aside for payment or distribution, on the Common Stock, unless, in each case, the dividend required by this Section II to be declared on the Series 1998 Preferred Stock shall have been declared and paid.

(e) The holders of the shares of Series 1998 Preferred Stock shall not be entitled to receive any dividends or other distributions, except as provided herein.

III. Voting Rights. The holders of shares of Series 1998 Preferred Stock shall have the following voting rights:

(a) Each holder of Series 1998 Preferred Stock shall be entitled to a number of votes equal to the Formula Number then in effect, for each whole share of Series 1998 Preferred Stock held of record on each matter on which holders of the Common Stock or shareholders generally are entitled to vote, multiplied by the maximum number of votes per share which any holder of the Common Stock or shareholders generally then have with respect to such matter (assuming any holding period or other requirement to vote a greater number of shares is satisfied).

(b) Except as otherwise provided herein or by applicable law, the holders of shares of Series 1998 Preferred Stock and the holders of shares of Common Stock shall vote together as one voting group for the election of directors of the Corporation and on all other matters submitted to a vote of shareholders of the Corporation.

(c) If, at the time of any annual meeting of shareholders for the election of directors, the equivalent of two annual dividends (whether or not consecutive) payable on any share or shares of Series 1998 Preferred Stock are in default, the number of directors constituting the Board of Directors of the Corporation shall be increased by two. In addition to voting together with the holders of Common Stock for the election of other directors of the Corporation, the holders of record of the Series 1998 Preferred Stock, voting separately as a voting group to the exclusion of the holders of Common Stock, shall be entitled at said meeting of shareholders (and at each subsequent annual meeting of shareholders), unless all dividends in arrears have been paid or declared and set apart for payment prior thereto, to vote for the election of two directors of the Corporation, the holders of any Series 1998 Preferred Stock being entitled to cast a number of votes per whole share of Series 1998 Preferred Stock equal to the Formula Number. Until the default in payments of all dividends that permitted the election of said directors shall cease to exist, any director who shall have been so elected pursuant to the next preceding sentence may be removed at any time, either with or without cause, only by the affirmative vote of the holders of the shares of Series 1998 Preferred Stock at the time entitled to cast such number of votes as are required by law for the election of any such director at a special meeting of such holders called for that purpose, and any vacancy thereby created may be filled only by the vote of such holders. If and when such default shall cease to exist, the holders of the Series 1998 Preferred Stock shall be divested of the foregoing special voting rights, subject to revesting in the event of each and every subsequent like default in payments of dividends. Upon the termination of the foregoing special voting rights, the terms of office of all persons who may have been elected directors pursuant to said special voting rights shall forthwith terminate to the extent permitted by law, and the number of directors constituting the Board of Directors shall be reduced by two. The voting rights granted by this Section III(C) shall be in addition to any other voting rights granted to the holders of the Series 1998 Preferred Stock in this Section III.

(d) Except as provided herein, in Section XI or by applicable law, holders of Series 1998 Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for authorizing or taking any corporate action.

IV. Certain Restrictions.

(a) Whenever annual dividends or other dividends or distributions payable on the Series 1998 Preferred Stock as provided in Section II are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series 1998 Preferred Stock outstanding shall have been paid in full, the Corporation shall not

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series 1998 Preferred Stock;

(ii) declare or pay dividends on or make any other distribu tions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series 1998 Preferred Stock, except dividends paid ratably on the Series 1998 Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consider ation shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series 1998 Preferred Stock; provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series 1998 Preferred Stock; or

(iv) purchase or otherwise acquire for consideration any shares of Series 1998 Preferred Stock, or any shares of stock ranking on a parity with the Series 1998 Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(b) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (a) of this Section IV, purchase or otherwise acquire such shares at such time and in such manner.

V. Liquidation Rights. Upon the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series 1998 Preferred Stock, unless, prior thereto, the holders of shares of Series 1998 Pre ferred Stock shall have received an amount equal to the accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, plus an amount equal to the greater of $.01 per whole share or an aggregate amount per share equal to the Formula Number then in effect times the aggregate amount to be distributed per share to holders of Common Stock or (b) to the holders of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series 1998 Preferred Stock, except distributions made ratably on the Series 1998 Preferred Stock and all other such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up.

VI. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, share exchange, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash or any other property, then, in any such case, the then outstanding shares of Series 1998 Preferred Stock shall at the same time be similarly exchanged or changed into an amount per whole share equal to the Formula Number then in effect times the aggregate amount of stock, securities, cash or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is exchanged or changed. In the event both this Section VI and Section II appear to apply to a transaction, this Section VI will control.

VII. No Redemption; No Sinking Fund.

(a) The shares of Series 1998 Preferred Stock shall not be subject to redemption by the Corporation or at the option of any holder of Series 1998 Preferred Stock; provided, however, that the Corporation may purchase or otherwise acquire outstanding shares of Series 1998 Preferred Stock in the open market or by offer to any holder or holders of shares of Series 1998 Preferred Stock.

(b) The shares of Series 1998 Preferred Stock shall not be subject to or entitled to the operation of a retirement or sinking fund.

VIII. Ranking. The Series 1998 Preferred Stock shall rank junior to all other series of Preferred Stock of the Corporation, unless the Board of Directors shall specifically determine otherwise in fixing the powers, preferences and relative, participating, optional and other special rights of the shares of such series and the qualifications, limitations and restrictions thereof.

IX. Fractional Shares. The Series 1998 Preferred Stock shall be issuable upon exercise of the Rights issued pursuant to the Rights Agreement in whole shares or in any fraction of a share that is one-thousandth (1/1,000) of a share or any integral multiple of such fraction which shall entitle the holder, in proportion to such holder's fractional shares, to receive divi dends, exercise voting rights, participate in distributions and have the benefit of all other rights of holders of Series 1998 Preferred Stock. In lieu of fractional shares, the Corporation, prior to the first issuance of a share or a fraction of a share of Series 1998 Preferred Stock, may elect (a) to make a cash payment as provided in the Rights Agreement for fractions of a share other than one-thousandth (1/1,000) of a share or any integral multiple thereof or (b) to issue depository receipts evidencing such authorized fraction of a share of Series 1998 Preferred Stock pursuant to an appropriate agreement between the Corporation and a depository selected by the Corporation; provided that such agreement shall provide that the holders of such depository receipts shall have all the rights, privileges and preferences to which they are entitled as holders of the Series 1998 Preferred Stock.

X. Reacquired Shares. Any shares of Series 1998 Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock, without par value, of the Corporation, undesignated as to series, and may thereafter be reissued as part of a new series of such Preferred Stock as permitted by law.

XI. Amendment. None of the powers, preferences and relative, participating, optional and other special rights of the Series 1998 Preferred Stock as provided herein or in the Articles of Incorporation shall be amended in any manner that would alter or change the powers, preferences, rights or privileges of the holders of Series 1998 Preferred Stock so as to affect such holders adversely without the affirmative vote of the holders of at least 66-2/3% of the outstanding shares of Series 1998 Preferred Stock, voting as a separate voting group; provided, however, that no such amendment approved by the holders of at least 66-2/3% of the outstanding shares of Series 1998 Preferred Stock shall be deemed to apply to the powers, preferences, rights or privileges of any holder of shares of Series 1998 Preferred Stock originally issued upon exercise of a Right after the time of such approval without the approval of such holder.

THIRD: This amendment was duly adopted by the Board of Directors of the Corporation without shareholder action on March 19, 1998. Shareholder action was not required.

IN WITNESS WHEREOF, the undersigned has executed these Articles of Amendment as of this 19th day of March, 1998.

CHURCHILL DOWNS INCORPORATED

By:\s\Thomas H. Meeker

Title: President and Chief Executive Officer

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The foregoing instrument was acknowledged before me this 19th day of March, 1998, by Thomas H. Meeker, of CHURCHILL DOWNS INCORPORATED, a Kentucky corporation, on behalf of the corporation.

Notary Public

Commission Expires:_________________

THIS INSTRUMENT PREPARED BY:

\s\Robert A. Heath
- --------------------
Robert A. Heath
WYATT, TARRANT & COMBS
2800 Citizens Plaza
Louisville, Kentucky 40202
(502) 589-5235

5
1,000
U.S. Dollars

3-MOS
DEC-31-1998
JAN-01-1998
MAR-31-1998
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