

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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

For the quarterly period ended: September 30, 1995

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 (I.R.S 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 November 9, 1995 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	SEPTEMBER 30 1995	DECEMBER 31 1994	SEPTEMBER 30 1994
	-----	-----	-----
Current assets:			
Cash and cash equivalents	\$ 3,597,668	\$ 2,521,033	\$ 6,323,603
Accounts receivable	1,226,462	2,277,218	862,856
Other current assets	814,263	741,560	710,660
	-----	-----	-----
Total current assets	5,638,393	5,539,811	7,897,119
Other assets	4,821,299	5,058,524	5,920,339
Racing plant and equipment	97,137,205	89,537,701	84,794,379
Less accumulated depreciation	(33,121,064)	(29,960,196)	(29,162,379)
	-----	-----	-----
	64,016,141	59,577,505	55,632,000
	-----	-----	-----
	\$74,475,833	\$70,175,840	\$69,449,458
	=====	=====	=====
 LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Notes payable	\$ 425,213	\$ 722,235	\$ 6,078,458
Accounts payable	7,358,218	4,567,292	5,684,132
Accrued expenses	1,577,186	2,347,668	1,865,193
Dividends payable	--	1,891,759	--
Income taxes payable	1,636,008	--	1,015,308
Deferred revenue	1,428,016	6,142,111	3,972,602
	-----	-----	-----
Total current liabilities	12,424,641	15,671,065	18,615,693
Notes payable	7,088,059	7,961,079	1,105,772
Outstanding mutuel tickets (payable to Commonwealth of Kentucky after one year)	2,517,399	1,523,600	1,923,794
Deferred compensation	1,056,554	690,178	768,546
Deferred income taxes	2,248,000	2,248,000	2,684,000
Minority interest	163,800	78,771	220,910
Stockholders' equity:			
Preferred stock, no par value; authorized, 250,000 shares; issued, none			
Common stock, no par value; authorized, 10,000,000 shares, issued 3,784,605 shares, September 30, 1995 and 3,783,318 shares, December 31, 1994 and September 30, 1994	3,504,388	3,437,911	3,437,911
Retained earnings	45,878,858	39,175,627	41,371,398
Deferred compensation costs	(340,866)	(545,391)	(613,566)
Note receivable for common stock	(65,000)	(65,000)	(65,000)
	-----	-----	-----
	48,977,380	42,003,147	44,130,743
	-----	-----	-----
	\$74,475,833	\$70,175,840	\$69,449,458
	=====	=====	=====

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

CHURCHILL DOWNS INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
for the nine months ended September 30, 1995 and 1994
(Unaudited)

NINE MONTHS ENDED SEPTEMBER 30

	1995	1994
Gross meeting revenues	\$71,169,949	\$49,910,373
Direct meeting expenses	45,057,468	28,203,308
	-----	-----
Gross profit from meetings	26,112,481	21,707,065
Selling, general and administrative	14,901,988	11,330,570
	-----	-----
Operating income	11,210,493	10,376,495
	-----	-----
Other income & expense:		
Interest income	165,085	188,504
Interest expense	(405,801)	(125,344)
Miscellaneous, net	203,454	217,710
	-----	-----
Total other income (expense)	(37,262)	280,870
	-----	-----
Earnings before income taxes	11,173,231	10,657,365
Federal and state income taxes	4,470,000	4,187,000
	-----	-----
Net earnings	6,703,231	6,470,365
Retained earnings, beginning of period	39,175,627	34,901,033
Retained earnings, end of period	\$45,878,858	\$41,371,398
Net earnings per share (based on	=====	=====
weighted average shares outstanding of		
3,785,494 and 3,776,166 respectively)	\$ 1.77	\$ 1.71
	=====	=====

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

CHURCHILL DOWNS INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
for the three months ended September 30, 1995 and 1994
(Unaudited)

	THREE MONTHS ENDED SEPTEMBER 30	
	1995	1994
Gross meeting revenues	\$13,222,206	\$ 7,515,621
Direct meeting expenses	11,900,121	7,063,385
	-----	-----
Gross profit from meetings	1,322,085	452,236
Selling, general and administrative	4,894,309	3,476,306
	-----	-----
Operating loss	(3,572,224)	(3,024,070)
	-----	-----
Other income and expense:		
Interest income	68,142	78,871
Interest expense	(49,069)	(102,430)
Miscellaneous income	105,447	93,167
	-----	-----
Total other income	124,520	69,608
	-----	-----
Earnings before income taxes	(3,447,704)	(2,954,462)
Federal and state income taxes	(1,273,000)	(1,160,000)
	-----	-----
Net loss	(2,174,704)	(1,794,462)
	-----	-----
Retained earnings, beginning of period	48,053,562	43,165,860
	-----	-----
Retained earnings, end of period	\$45,878,858	\$41,371,398
	=====	=====
Net loss per share (based on weighted average shares outstanding of 3,786,119 and 3,777,587 respectively)	\$(0.57) =====	\$(0.48) =====

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

CHURCHILL DOWNS INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
for the nine months ended September 30, 1995 and 1994
(Unaudited)

	NINE MONTHS ENDED SEPTEMBER 30,	
	1995	1994
	-----	-----
Cash flows from operating activities:		
Net income	\$ 6,703,231	\$ 6,470,365
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,476,628	2,318,000
Increase (decrease) in cash resulting from changes in operating assets and liabilities:		
Accounts receivable	1,050,756	2,853,346
Other current assets	(72,703)	(27,906)
Income taxes payable	1,636,008	(477,432)
Deferred revenue	(4,714,095)	(4,162,135)
Accounts payable and accrued expenses	2,020,444	1,102,839
Other	1,637,571	2,032,323
Net cash provided by operating activities	----- 11,737,840	----- 10,109,400
Cash flows from investing activities:		
Sale of investments	--	600,000
Acquisition of Anderson Park, Inc. net of note payable of \$1,100,000	--	(850,000)
Additions to racing plant and equipment, net	(7,599,504)	(18,566,882)
Net cash used in investing activities	----- (7,599,504)	----- (18,816,882)
Cash flows from financing activities:		
(Decrease) increase in bank notes payable, net	(1,170,042)	5,800,334
Dividends paid	(1,891,659)	(1,886,965)
Net cash provided by(used in)financing activities	----- (3,061,701)	----- 3,913,369
Net increase (decrease) in cash and cash equivalents	1,076,635	(4,794,113)
Cash and cash equivalents, beginning of period	----- 2,521,033	----- 11,117,716
Cash and cash equivalents, end of period	----- \$3,597,668	----- \$ 6,323,603
Supplemental Disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 355,610	\$69,051
Income taxes	\$2,790,000	\$3,172,000

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

CHURCHILL DOWNS INCORPORATED
CONDENSED NOTES TO FINANCIAL STATEMENTS
for the nine months ended September 30, 1995 and 1994
(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 on the first Saturday in May.

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. Accordingly, the reader of this Form 10-Q may wish to refer to the Company's Form 10-K for the year ended December 31, 1994 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 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. in return for an 87% general partnership interest.

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 September 30, 1995 was 6.85%. Borrowings are payable on January 31, 1997. There was \$6.0 million outstanding at September 30, 1995 and September 30, 1994.

5. On January 22, 1992, the Company acquired certain assets of Louisville Downs 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, 1995. The Kentucky Petroleum Underground Storage Tank Assurance Fund has approved the remediation as one qualifying for assistance from the fund, thereby making additional funds available from that service.

CHURCHILL DOWNS INCORPORATED
CONDENSED NOTES TO FINANCIAL STATEMENTS
for the nine months ended September 30, 1995 and 1994
(Unaudited)

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 of 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 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

For many years, the Company has conducted live Spring and Fall race meetings for Thoroughbred horses in 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. 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 28% of total on-track pari-mutuel wagering and 32% of total on-track attendance, for the 1995 Spring Meet. For the first time, the Derby day races were simulcast in state. 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%	2%
Intertrack/simulcast receiving	7%	18%

In Kentucky, licenses to conduct Thoroughbred race meetings and to participate in 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 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.

CHURCHILL DOWNS INCORPORATED

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

In Kentucky, the company has been granted a license to conduct live racing during the period from April 29, 1995 through July 4, 1995, and from October 29, 1995 through November 25, 1995, for a total of 74 racing days compared to 73 racing days in 1994. In Indiana, the Company commenced live racing on September 1, 1994 and conducted live racing 54 days during the year ended December 31, 1994. For 1995, the Company has received a license to conduct live racing for a total of 146 racing days, including 104 days of Standardbred racing from April 1, 1995 through August 20, 1995, and 42 days of Thoroughbred racing from September 1, 1995 through October 28, 1995.

The Company operated two live racing facilities and conducted simulcast wagering at four locations during the nine month period ended September 30, 1995. The Company began its operations in Indiana on September 1, 1994. The chart below summarizes the results of these operations.

	KENTUCKY			INDIANA		
	Nine Months Ended Sept 30, 1995	Nine Months Ended Sept 30, 1994	Increase (Decrease)	Nine Months Ended Sept 30, 1995	Nine Months Ended Sept 30, 1994	Increase (Decrease)
ON-TRACK						
Number of Race Days	50	49	2%	126	23	448%
Attendance	731,731	729,782	0%	204,114	71,236	187%
Handle	\$94,879,612	\$98,055,351	-3%	\$20,492,181	\$5,638,343	263%
Average daily attendance	14,635	14,894	-2%	1,620	3,097	-48%
Average daily handle	\$1,897,592	\$2,001,130	-5%	\$162,636	\$245,145	-34%
Per capita handle	\$129.67	\$134.36	-3%	\$100.40	\$79.15	27%
INTERTRACK/SIMULCAST HOST (SENDING)*						
Number of Race Days	50	49	2%	108	N/A	
Handle	\$149,662,366	\$107,272,111	40%	\$7,802,709		
Average daily handle	\$2,993,247	\$2,189,227	37%	\$72,247		
INTERTRACK/SIMULCAST RECEIVING						
Number of Race Days	163	168	-3	542**	N/A	
Attendance	377,254	344,013	10%	225,091		
Handle	\$89,630,038	\$71,644,350	25%	\$63,046,805		
Average daily attendance	2,314	2,048	13%	415		
Average daily handle	\$549,878	\$426,454	29%	\$116,323		
Per capita handle	\$237.59	\$208.36	14%	\$280.09		

* Includes common/commingle pools only.

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

CHURCHILL DOWNS INCORPORATED

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

The number of receiving days is increasing because of increasing acceptance of simulcasting by the horse industry and patrons. For 1995, 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 around on multiple racing programs each day from around the nation. An increase in the number of days is expected to enhance operating results.

Churchill Downs, through its subsidiary, Hoosier Park, L.P., is majority owner and operator of Indiana's only pari-mutuel racetrack, Hoosier Park at Anderson. Start-up costs incurred in Indiana during the first nine months of 1995 include improvements to Hoosier Park in anticipation of the track's inaugural Thoroughbred meet this Fall. Hoosier Park has conducted two Harness race meets, as well as simulcast wagering, during its first full year of operation. Since January, the Company also has opened off-track wagering facilities in Merrillville and Fort Wayne, Indiana. A third facility, in downtown Indianapolis opened October 25, 1995. Although the Company may apply for a fourth location, the license for a fourth Indiana site has been surrendered to the Indiana Horse Racing Commission.

Because the business of the Company is seasonal, the number of persons employed will vary throughout the year. Approximately 225 individuals are employed on a permanent year-round basis. During the live race meetings, as many as 2,100 persons are employed.

Expenses resulting from the first full year of operation of the Sports Spectrum training center, a slight decline in profit margins due to a shift from wagering on live racing to interstate simulcast wagering, start-up costs and delays in opening the Company's off-track wagering facilities in Indiana and lower than expected profits from operations in Indiana have impacted year to date net income. In addition, Churchill Downs will not host the Breeders' Cup this November as it did in 1994.

CHURCHILL DOWNS INCORPORATED

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

COMPARISON OF NINE MONTHS ENDED SEPTEMBER 30, 1995 TO 1994

Gross pari-mutuel revenue during the nine months ended September 30, 1995 increased \$18,253,778. The Company's subsidiary Hoosier Park L.P. generated 80 percent, or \$13,585,798 of the increase in pari-mutuel revenue which when combined with admissions, concessions, programs, and other revenue totalled \$15,417,933 in increased revenues. This is largely due to the live Standardbred race meet which ran April 1, 1995 through August 20, 1995 and the live Thoroughbred meet which began August 26 and continued through October 28, 1995 at Hoosier Park in Anderson, Indiana. This facility opened September 1, 1994 with live Standardbred racing for 54 days. Beginning January 1, 1995 at Hoosier Park, January 25 in Merrillville, Indiana and April 26 in Ft. Wayne, Indiana whole card simulcasting was conducted for a total of 542 operating days. Simulcasting has been well received in Indiana with an average daily handle of \$116,323.

The advent of whole card simulcasting in the state of Kentucky helped increase intertrack/simulcast receiving revenue by \$2,459,000. Whole card simulcasting was also largely responsible for the increase in program revenue due to 2 or more programs and racing forms being sold per day. Revenues from the Derby Expansion Area, referred to as Marquee Village, were up 20% largely due to the addition of a covered seating area near the racetrack's first turn. Other income increased primarily due to income from stall rental. The backside of Churchill Downs racetrack facility was closed during the first quarter of 1994 for maintenance and repair for the first time in several years.

	OPERATING REVENUE SUMMARY					
	Nine Months Ended Sept. 30, 1995	% To Total Revenue	Nine Months Ended Sept. 30, 1994	% To Total Revenue	1995 VS 1994 \$	% Change
Pari-Mutuel Revenue:						
On-track	\$16,456,238	23%	\$15,433,760	31%	\$1,022,478	7%
Intertrack-Host	4,383,123	6%	3,559,638	7%	823,485	23%
Simulcast Receiving	20,800,392	29%	6,039,361	12%	14,761,031	244%
Simulcast Host	5,911,418	8%	4,264,634	9%	1,646,784	39%
	47,551,171	66%	29,297,393	59%	18,253,778	62%
Admission & Seat Revenue	11,089,122	16%	10,377,969	21%	711,153	7%
License, Rights, Broadcast & Sponsorship Fees	5,425,232	8%	4,952,772	10%	472,460	10%
Concession Commission	2,096,468	3%	1,630,049	3%	466,419	29%
Program Revenue	2,257,842	3%	1,200,766	2%	1,057,076	88%
Derby Expansion Area	998,940	2%	832,050	2%	166,890	20%
Other	1,751,174	2%	1,619,374	3%	131,800	8%
	\$71,169,949	100%	\$49,910,373	100%	\$21,259,576	43%

CHURCHILL DOWNS INCORPORATED

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

Direct meeting expenses increased \$16,854,160 during the nine month period. This increase is primarily due to the live and simulcasting operations at Hoosier Park combined with the opening of the Merrillville and Ft. Wayne off-track wagering facilities. The largest single increase in meet expenses are the higher purses which are a direct result of increased handle from whole card simulcasting 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. Whole card simulcasting and Hoosier Park operations were also primarily responsible for increased wages, advertising and marketing, audio, video and signal distribution, program sales and other. Wages and contract labor increased due to additional days and hours of operation related to whole card simulcasting at Sports Spectrum and Hoosier Park. The simulcast host fee is the amount paid to the host track in exchange for receiving the tracks races. This new expense is based on handle, and is directly related to the \$14.8 million increase in simulcasting revenue. Other meet expense rose by \$654,804, primarily due to expenses at the Indiana operations.

MEETING EXPENSE SUMMARY

	Nine Months Ended Sept. 30, 1995	% To Total Expense	Nine Months Ended Sept.30, 1994	% To Total Expense	1995 VS. 1994 \$ Change	1994 % Change
Purses:						
On-track	\$8,862,830	20%	\$8,104,826	28%	\$758,004	9%
Intertrack-Host	2,032,000	5%	1,573,946	5%	458,054	29%
Simulcast-Receiving	6,426,782	14%	2,737,140	10%	3,689,642	135%
Simulcast-Host	3,088,528	7%	2,174,963	8%	913,565	42%
	<u>\$20,410,140</u>	<u>46%</u>	<u>\$14,590,875</u>	<u>51%</u>	<u>\$5,819,265</u>	<u>40%</u>
Wages and Contract Labor	11,374,990	25%	7,026,077	25%	4,348,913	62%
Advertising, Marketing & Publicity	1,325,905	3%	1,640,961	6%	(315,056)	-19%
Racing Relations & Services	1,070,354	2%	1,026,906	4%	43,448	4%
Totalisator Expense	707,819	2%	403,079	1%	304,740	76%
Simulcast Host Fee	3,807,240	8%	--	--	3,807,240	--
Audio/Video & Signal Distribution Expense	1,696,638	4%	813,691	3%	882,947	109%
Program Expense	1,532,121	3%	723,306	3%	808,815	112%
Spectrum Training Center	408,486	1%	--	--	408,486	--
Derby expansion area	404,478	1%	313,920	1%	90,558	29%
Other meeting expense	2,319,297	5%	1,664,493	6%	654,804	39%
	<u>\$45,057,468</u>	<u>100%</u>	<u>\$28,203,308</u>	<u>100%</u>	<u>\$16,854,160</u>	<u>60%</u>
	=====	=====	=====	=====	=====	=====

CHURCHILL DOWNS INCORPORATED

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

Selling, general and administrative expenses rose \$3,571,418. Wages, benefits, payroll taxes and contract labor were higher primarily due to Hoosier Park and personnel additions principally related to the growth in simulcast operations. Depreciation and insurance increases are due primarily to the addition of the Hoosier Park facility. Marketing and community relations expense has increased due to the extensive promotion efforts surrounding the Dan Patch Invitational, the feature race of Hoosier Park's Standardbred meet and the introduction of Indiana's first Thoroughbred meet, featuring the inaugural Indiana Derby. The Company also incurred various marketing expenses related to the opening of the downtown Indianapolis off-track wagering facility. Taxes and license fees have increased primarily due to property taxes at Hoosier Park. Professional fees are up \$197,393 which is primarily attributable to legal and accounting expenses incurred at Hoosier Park. In 1994, business development expenses were principally related to the Company's unsuccessful efforts to obtain a racing license in Virginia.

SELLING, GENERAL AND ADMINISTRATIVE

	Nine Months Ended Sept. 30, 1995	% To Total Expense	Nine Months Ended Sept. 30, 1994	% To Total Expense	1995 VS. 1994 \$	% Change
Wages, Benefits, Payroll, Taxes and Contract Labor	\$ 4,233,365	28%	\$ 3,548,730	31%	\$ 684,635	19%
Depreciation and Amortization	3,401,628	23%	2,240,095	20%	1,161,533	52%
Insurance	1,272,427	9%	1,068,786	9%	203,641	19%
Maintenance	1,128,888	8%	1,226,058	11%	(97,170)	-8%
Utilities	1,544,668	10%	1,183,321	11%	361,347	31%
Marketing & Community Relations	1,001,570	7%	255,526	2%	746,044	292%
Taxes and License Fees	660,047	4%	246,804	2%	413,243	167%
Professional Fees	525,948	4%	328,555	3%	197,393	60%
Business Development	169,152	1%	576,453	5%	(407,301)	-71%
Other	964,295	6%	656,242	6%	308,053	47%
	<u>\$14,901,988</u>	<u>100%</u>	<u>\$11,330,570</u>	<u>100%</u>	<u>\$3,571,418</u>	<u>32%</u>
	=====	====	=====	====	=====	====

CHURCHILL DOWNS INCORPORATED

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

Other income decreased by \$37,675 due to reduced income on investments resulting from lower average invested cash requirements associated with the construction of Hoosier Park and the Merrillville and Ft. Wayne simulcast facilities. Interest expense increased in 1995 as a result of borrowing against the Company's line of credit after normal cash reserves were used for the Indiana facilities.

OTHER INCOME AND EXPENSE

	Nine Months Ended Sept. 30, 1995	% To Total Expense	Nine Months Ended Sept.30, 1994	% To Total Expense	1995 VS. 1994 \$	1995 VS. 1994 %
Interest Income	\$ 165,085	45%	\$ 188,504	46%	\$ (23,419)	-12%
Miscellaneous, Net	203,454	55%	217,710	54%	\$ (14,256)	- 7%
	<u>\$ 368,539</u>	<u>100%</u>	<u>\$ 406,214</u>	<u>100%</u>	<u>\$ (37,675)</u>	<u>- 9%</u>
Interest Expense	<u>\$ 405,801</u>	<u>100%</u>	<u>\$125,344</u>	<u>100%</u>	<u>\$280,457</u>	<u>224%</u>

COMPARISON OF THE THREE MONTHS ENDED SEPTEMBER 30, 1995 TO THE THREE MONTHS ENDED SEPTEMBER 30, 1994:

Gross revenues from operations increased \$5.7 million due largely to a full quarter of Indiana operations. Hoosier Park and its off-track wagering facilities generated a total of \$6.6 million in revenue in the third quarter, an increase of \$5.1 million for the period. Likewise, activity at the Sports Spectrum in Louisville increased by \$600,000 for the quarter compared to prior year.

Operating expenses increased \$4.8 million due primarily to wages at the Indiana operations coupled with higher purses and simulcast host fees, both of which are directly related to pari-mutuel revenue. These three expenses totalled \$3.7 million of the increase during the quarter. Selling, and general administrative costs increased \$1.5 million primarily due to the expenses incurred at Hoosier Park, including salaries, taxes, depreciation and marketing expenses.

COMPARISON OF THREE MONTHS ENDED SEPTEMBER 30, 1995 TO THREE MONTHS ENDED JUNE 30, 1995

Revenues and expenses are always lower in the third quarter compared to the second quarter due to the seasonality of the business. Gross revenues from race meetings totalled \$13.2 million, down \$36.1 million primarily due to no live racing at Churchill Downs. Similarly, direct meet expenses dropped by \$13.9 million during the quarter. Meet expenses remained high as a percent of revenue due to the continuation of Hoosier Park's live meet throughout the third quarter. Hoosier Park's margins, being a first year operation, are not as favorable as those at Churchill Downs.

CHURCHILL DOWNS INCORPORATED

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

Selling, general and administrative costs for the third quarter of 1995 were \$4.9 million, down from \$5.9 million in the quarter ended June 30, 1995. The increases in the second quarter were largely due to expenses associated with the Kentucky Derby, opening of the Ft. Wayne OTB operation and the start of the Standardbred meet at Hoosier Park. Selling, general and administrative expenses for the year of \$14.9 million are averaging \$4.9 million per quarter.

SIGNIFICANT CHANGES IN THE BALANCE SHEET-DECEMBER 31, 1994 TO SEPTEMBER 30, 1995

The cash balances at September 30, 1995 were \$1,076,635 higher than December 31, 1994 due to the cash generated during 50 live race days at Churchill Downs, principally Kentucky Derby and Oaks weekend, and 126 live race days at Hoosier Park.

Accounts receivable at September 30, 1995 were \$1,050,756 lower than on December 31, 1994. All Kentucky Oaks and Derby ticket receivables, invoiced in November and partially outstanding at December 31, had been collected as of September 30, 1995.

Racing plant & equipment increased during the quarter, primarily due to continued investment at Hoosier park in preparation for the 1995 Thoroughbred meet and the opening of the OTB facilities in Ft. Wayne and downtown Indianapolis, Indiana. Hoosier Park held its 1995 harness meet between April 1 and August 20, 1995 and began running Indiana's first Thoroughbred meet in September 1995.

Accounts payable and accrued expenses at September 30, 1995 were \$2,020,444 higher than at December 31, 1994 due to horsemen's balances for the live race meeting at Hoosier Park and expenses related to the operation and construction of our Indiana facilities. Additionally, purses payable have increased due to the increase in whole card simulcasting.

Deferred revenue is lower at September 30 due to the significant amount of admission and seat revenue that was received in advance and recognized as income for the May 1995 Kentucky Derby and Oaks.

At December 31, 1994 the Company had dividends payable of \$1,891,759 related to the annual dividend payment payable on January 15, 1995 which was declared at the November 17, 1994 Board of Directors meeting.

Income taxes payable at September 30, 1995 relate to the estimated expense due for the nine month period. Due to the seasonality of the business related to the Spring race meeting, the second quarter of the year is the highest in earnings and related taxes.

CHURCHILL DOWNS INCORPORATED

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

SIGNIFICANT CHANGES IN THE BALANCE SHEET-SEPTEMBER 30, 1994 TO SEPTEMBER 30,
1995

Cash balances at September 30, 1995 are \$2,725,935 below September 30, 1994 principally due to payments for construction for the training facility at the Sports Spectrum property and the wagering facilities in northern and central Indiana.

Accounts receivable at September 30, 1995 were up due to interstate simulcasting and the increased number of outlets for the spring race meeting.

Racing plant & equipment increased during the year by \$12,342,826. The Company's Indiana facilities accounted for the majority of the increase. Capital improvements at the Sports Spectrum training operation plus improvements at Churchill Downs were responsible for \$2.7 million.

Accounts payable and accrued expenses increased by \$1,386,079 primarily due to the amount payable related to the construction and operation of our Indiana facilities and the settlement liability related to whole card simulcasting. Deferred revenue is down \$2,544,586 to the advance sales of tickets for the 1994 Breeders' Cup Day, which was held at Churchill Downs last year.

LIQUIDITY AND CAPITAL RESOURCES

Working capital for the nine months ended September 30, 1995 and September 30, 1994 is as follows:

	SEPTEMBER 30,	
	1995	1994
	----	----
Working capital	\$(6,786,249)	\$(10,718,574)
Working capital ratio	.45 to 1	.42 to 1

The working capital deficiency is primarily a result of nature and seasonality of the Company's business. Cash flows provided by operations were \$11,737,840 for the nine months ended September 30, 1995; \$11,399,973 for the twelve months ended December, 1994; and \$10,109,400 for the nine months ended September 30, 1994. Management believes cash flows from operations during 1995 and funds available under the company's unsecured line of credit will be sufficient to fund dividend payments and additions and improvements to the racing plant and equipment which are expected to be between \$8,000,000 and \$10,000,000. The primary capital improvement in 1995 has been the addition of Thoroughbred racing facilities at Hoosier Park. Hoosier Park hosted its first Thoroughbred race meet for 42 days from September 1, 1995 through October 28, 1995.

CHURCHILL DOWNS INCORPORATED

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

Cash flow from operations funded \$850,000 of the Anderson Park, Inc. stock purchase in January 1994. Similarly, cash flow from operations and, as necessary, funds available under the unsecured line of credit used to fund the construction of the Hoosier Park racing facility in Anderson, Indiana. The Company has funded the construction of three additional satellite wagering facility sites approved by the Indiana Horse Racing Commission and \$3.8 million to construct improvements to allow for Thoroughbred racing at Hoosier Park. The satellite facilities at Merriville and Ft. Wayne opened in January and April 1995 respectively. The third site, in downtown Indianapolis, opened in October 1995.

The Company has a \$20,000,000 unsecured line-of-credit available with \$14 million available at September 30, 1995 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.

CHURCHILL DOWNS INCORPORATED

PART II. OTHER INFORMATION

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

- A. Not applicable
- B. During the quarter ending September 30, 1994, 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 admendment to be signed on its behalf by the undersigned hereunto duly authorized.

November 14, 1995

/S/THOMAS H. MEEKER
Thomas H. Meeker
President

November 14, 1995

/S/VICKI L. BAUMGARDNER
Vicki L. Baumgardner, Treasurer
(Principal Financial and
Accounting Officer)

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