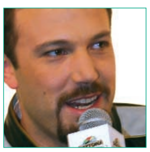
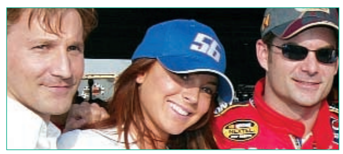
THE FACE

ISC
A MOTORSPORTS ENTERTAINMENT COMPANY





OF AMERICAN MOTORSPORTS

International Speedway Corporation **49th Annual Report 2005**

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THE FACE

OF AMERICAN MOTORSPORTS

For almost 60 years, NASCAR racing has steadily grown in popularity and, over the last decade, firmly established itself as one of America's most popular spectator sports. While NASCAR's expanding fan base spans social and economic lines and includes many notable celebrities and entertainers, ISC's primary focus remains the same—provide ticket-buying fans an exciting and memorable race day experience. They truly are the face of American motorsports.

PLANNING

Vision, Commitment and Support

2005 was a very strong year and we are excited for what lies ahead for ISC.

To our fellow Shareholders,

International Speedway Corporation ("ISC" or the "Company") posted another year of record financial results, highlighted by growth in all major revenue categories. Increased television and media rights fees contributed substantially to top line growth. In addition, marketing partner spending posted a double-digit year-over-year increase as corporations continue to realize the significant benefits of joining with ISC to reach consumers nationwide. We also capitalized on strong consumer demand in 2005 that led to increased admissions at many of our non-sold out events, which helped drive attendance-related revenue.

Lesa France Kennedy
President

The NASCAR racing industry flourished in 2005 and continues to offer significant opportunities for future growth. Driven by the exciting on-track competition that is a hallmark of NASCAR racing, fan and media awareness increased substantially in 2005. Contributing to this growth was Nextel and other partners' aggressive national marketing campaigns and significant at-track presence. Also fueling consumer and corporate demand was the second year of NASCAR's Chase for the NEXTEL Cup. The 2005 Chase was a solid success, highlighted by increased overall viewership for the ten events as well as more season-long awareness for the sport. We believe these and other positive trends will result in higher attendance and corporate-related revenue for ISC over the long-term, and we will continue to lead by example within the motorsports entertainment industry.

NASCAR racing posted another year of strong television results, with average household viewership for the NEXTEL Cup series up seven percent over 2004. Even more notable, NASCAR's Busch and Craftsman Truck series experienced a 22 and 19 percent increase in viewership, respectively, over the prior year.

Late in 2005, NASCAR announced its combined eight-year broadcast rights agreements with FOX, ABC, ESPN, TNT and Speed Channel to air the NEXTEL Cup, Busch and Craftsman Truck series beginning in 2007. The combined agreements represent one of the most significant increases in recent

James C. France
Chief Executive Officer

major sports rights agreements, totaling approximately $4.5 billion and resulting in a 40 percent increase in the average annual rights fee over the current agreements.

We continue with our external development efforts near Seattle, Washington and on Staten Island, New York. These two areas of the country represent significant long-term growth opportunities for the Company, and we remain focused on our goal of racing in these markets within the next several years.

In 2005, we announced the creation of Motorsports Authentics, our joint venture with Speedway Motorsports, Inc. ("SMI"). Motorsports Authentics, through its recent acquisitions of Action Performance and Team Caliber, is a leader in manufacturing, marketing and distribution of motorsports licensed merchandise. Licensed merchandise is one of the few remaining fragmented businesses in the motorsports industry. We believe we can leverage the significant at-track expertise of ISC and SMI to create a successful business to manufacture and distribute quality merchandise for fans while generating revenue growth for Motorsports Authentics, as well as the teams, competitors and facility operators.

ISC has a long track record of successful capital investments, which have created important growth opportunities. We completed several noteworthy projects during 2005 that enhance the fan experience and create incremental revenue for the Company. These projects have met with great success,

William C. France
Chairman of the Board

beginning with Daytona International Speedway's NEXTEL FANZONE in February, the June unveiling of Michigan International Speedway's renovated Fan Plaza and related improvements, and culminating with the new Turn 1 Tower and facility lighting at Homestead-Miami Speedway for the 2005 NASCAR Ford Championship Weekend in November.

As a leader in motorsports entertainment, ISC will continue to play a major role in the continued success of the racing industry. We are excited for the near and long-term prospects of our company, and remain committed to building shareholder value.

Thank you for your continued support of ISC, and we will see you at the races!

ENTERTAINMENT

Varied, Diverse and Successful

NASCAR racing has experienced steady growth over its nearly 60 years of existence.

NASCAR's popularity began with the first sanctioned races on the sands of Daytona Beach in the late 1940s and progressed to the first Daytona 500 in 1959. RJ Reynolds' entry into the sport through Winston's sponsorship in the 1970s paved the way for corporations to promote the sport's growth. The fortunate timing of a winter storm in the Northeast and CBS's first flag-to-flag broadcast of the Daytona 500 in 1979 captured the interest of a nation. Popular drivers like Richard Petty, Cale Yarborough, Dale Earnhardt and Darrell Waltrip became household names. This steady and consistent growth pattern took a sharp turn upward in the mid 1990s.

In 1995, International Speedway Corporation ("ISC" or the "Company") owned three motorsports facilities in the Southeast and had an equity interest in Watkins Glen International in upstate New York. Event admissions accounted for over half of the company's total revenue, and ISC was on the verge of a significant growth trend.

The five years that followed marked a period of industry consolidation and new market development. ISC rapidly expanded its portfolio of events and facilities by merging with Penske Motorsports to gain access to key markets. ISC also broke ground on its development projects in the Kansas City and Chicago markets. Finally, the Company acquired or purchased the remaining interest in Watkins Glen, Phoenix International Raceway, Homestead-Miami Speedway and Richmond International Raceway. This period also saw a marked increase in grandstand and suite capacity at ISC's facilities to match the sport's skyrocketing popularity.

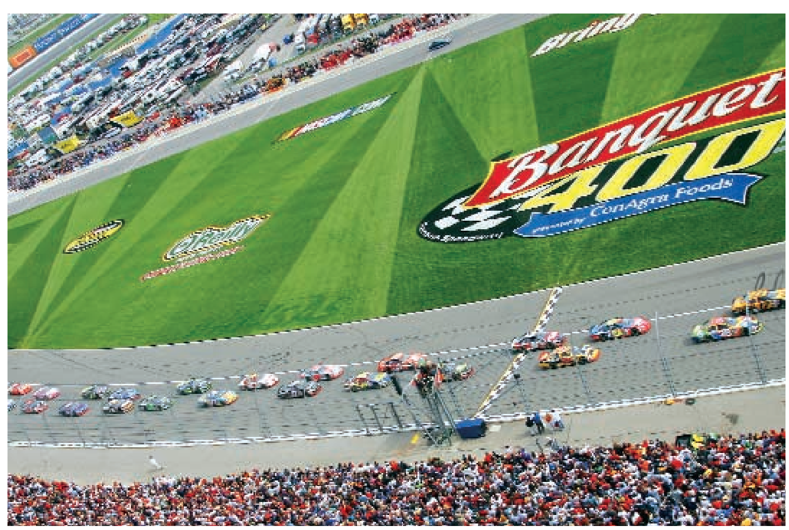
OUTSTANDING AND HIGH-DEMAND EVENTS

By 2000, NASCAR had announced its groundbreaking domestic broadcast rights agreement with FOX/FX and NBC/TNT. For the first time in history, the rights to all the NASCAR NEXTEL Cup and Busch series events were consolidated into a single property and marketed to broadcasters. The agreements, which began in 2001, provided continuity from week to week for fans and

significantly raised the sport's awareness. In addition, the rights agreements provided ISC and the industry with significant revenue and cash flow stability and visibility. In the same year, Chicagoland Speedway and Kansas Speedway hosted their first NEXTEL Cup events in front of capacity crowds.

In the few years that followed, several key industry developments helped to further drive fan and media awareness for the sport. ISC capitalized on NASCAR's race realignment initiative to add NEXTEL Cup races in key underserved markets like Los Angeles and Phoenix, further expanding the sport's fan base in this underserved region. In addition, Nextel's entry as the Cup series sponsor in 2004 marked a watershed in the sport's history. Building upon the outstanding foundation established by RJR's Winston brand, Nextel expanded the sport's reach by aggressively marketing to a younger fan base and paved the way for other technology companies to enter the sport. Finally, the introduction of the NASCAR Chase for the NEXTEL Cup added a new dynamic to the racing season that not only raised the sport's profile in the latter months of the year, but resulted in significantly increased fan and media awareness all season long.

ISC has now completed fiscal 2005 and solidified its position as a market leader with major facilities across the U.S., outstanding and high-demand events throughout the entire racing season, and the ability to reach consumers in major markets. Our revenue has evolved to a more diversified base with over 45 percent primarily related to television/media rights and corporate partner spending, which provides increased cash flow and earnings visibility. Looking forward, we expect to further capitalize on the growth of NASCAR's popularity by capturing a greater share of consumer spending for our events and providing a premium value to our customers. In addition, while our business has evolved and pioneered industry change, we will continue to leverage our expertise, accomplishments and core competencies to capitalize on complementary growth opportunities in event entertainment.



ISC has now completed fiscal 2005 and solidified its position as a market leader with major facilities across the U.S.

PERFORMANCE

Intense, Focused and Non-stop

Full year revenues increased 14 percent over 2004.

ISC's record results for 2005 were driven primarily by an incremental NEXTEL Cup weekend as Martinsville Speedway was acquired in July 2004. In addition, fiscal 2005 results include the positive net impact of realigning a NEXTEL Cup date from Darlington Raceway to Phoenix. On a comparable event basis, revenue and earnings increased more than ten percent over 2004, led by a 17 percent industry-wide increase in NASCAR NEXTEL Cup and Busch series broadcast revenue, double digit increases in combined corporate sponsorship and hospitality spending, and higher attendance-related revenue.

Phoenix's realigned NEXTEL Cup and Busch events in the spring were a highlight of 2005. Lighting was installed at the facility in time for the April

weekend, allowing both events to run at night and creating an experience uniquely different from the facility's fall weekend. The Busch race posted strong attendance results, and the Subway Fresh 500 hosted a sold-out crowd for the first NEXTEL Cup race in Phoenix "under the lights." The success of this weekend demonstrates the growing NASCAR fan base in this region of the country. We believe the realigned NEXTEL Cup races in Phoenix and Los Angeles will help cultivate that fan base over the longer term.

We continued to generate strong growth in corporate sponsorships for 2005. Our entire NEXTEL Cup entitlement inventory was sold once again.

BROADER MEDIA COVERAGE

More importantly, however, we signed significant multi-track, multi-year agreements with several high-profile companies including The Home Depot, Texas Instruments, Office Depot, Crown Royal and AAA. In addition, Ford extended its position as the title sponsor of the NASCAR Ford Championship Weekend at Homestead-Miami through at least 2009. Ford recognizes the significant benefits of its weekend sponsorship, which has helped create greater brand awareness for the auto manufacturer.

The Company grew attendance-related revenue for its comparable events over the prior year, driven by increased attendance at many of the company's non-sold out events as well as moderate price increases over the prior year. The continued growth in admissions underscores the increasing popularity of NASCAR racing driven by the many initiatives put in place over the last few years.

In addition to race realignment, Nextel's sponsorship of the Cup series continues to generate significant media and fan awareness as they aggressively market racing and ancillary events such as the NEXTEL Tribute to America pre-race celebration at the Daytona 500. Nextel's merger with Sprint also creates a significant marketing platform to further drive awareness, and opens the door for opportunities to leverage their technology and expertise to enhance the race experience for fans.

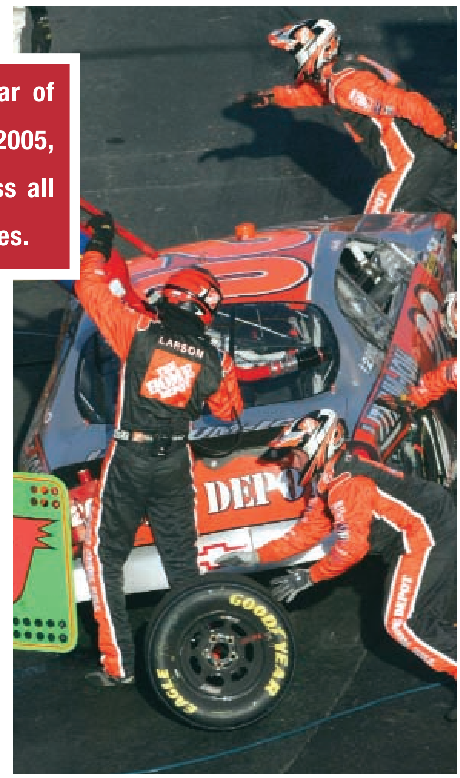
The NASCAR Chase for the NEXTEL Cup continued to drive increased fan and media excitement for NASCAR's premier racing series. For 2005, the Chase posted increased average household viewership and ratings over 2004. Even more importantly, the overall ratings results for the 2005 Chase for the NEXTEL Cup were 15 percent ahead of 2003 results, the final year the Cup champion was decided under the old format. These results demonstrate the continued positive impact the new format has on the sport.

NASCAR's Busch and Craftsman Truck series also experienced significant increases in popularity due to broader media coverage and the growing popularity of drivers. Both series posted strong television viewership growth in 2005. In addition, attendance for comparable ISC-hosted Busch and Craftsman Truck events posted three and nine percent increases, respectively, over the prior year. In 2005, the Busch Series traveled to Mexico City for the first-ever NASCAR points race held on foreign soil. The event was a resounding success with over 100,000 fans in attendance. In addition, the race helped generate significant awareness within the U.S.-Hispanic and more specifically, the Mexican-American fan base, a key demographic target in NASCAR's diversity initiative and an important segment of the population for ISC, given our presence in key markets such as Phoenix, Los Angeles and Miami.

We also continued to see positive trends in our non-NASCAR support events throughout 2005. The IRL IndyCar Series posted a 16 percent increase in average household viewership over the prior year. In addition, the Grand American Road Racing Association and its Rolex Sports Car series continued to generate increased media and fan awareness. The 2005 season was highlighted by more than a 15 percent increase in attendance for comparable events at our facilities, consistent television coverage on SPEED, and the series' first ever visit to Mexico City. This year, the 44th running of the Grand American Rolex 24 at Daytona International Speedway continued to build off the strong momentum as auto racing stars, including several NASCAR NEXTEL Cup and Busch series celebrities, competed in the legendary endurance race at the World Center of Racing. We remain very encouraged by the continued success of this growing series.

Motorsports entertainment continued to prosper during 2005. This success is the product of broad industry initiatives designed to raise fan and media awareness, coupled with ISC's leadership in producing the best possible entertainment option for consumers nationwide and establishing ourselves as the partner of choice for major corporate advertisers and sponsors.

ISC posted another year of record results in fiscal 2005, driven by growth across all major revenue categories.



EXPERIENCE

Wide-spread, Growing and Strong

Ticket-buying fans are the foundation of our business.

Consumer Marketing

Over the last several years, we have implemented numerous strategic initiatives designed to drive fan retention. For example, we have improved ticket pricing structures at several facilities to reduce the number of sales tiers and simplify the ticket purchase process for our fans. In addition, we have put together attractive multi-day ticket packages at several facilities, which help drive attendance for support events. We also continue to explore opportunities across our portfolio to enhance our advanced sales process through coordination of renewal and on-sale dates, and providing pre-sale opportunities to loyal customers. Lastly, we conduct

targeted direct-to-consumer marketing at all of our facilities to promote sales and renewals in a highly personalized manner while creating up- and cross-sell opportunities.

These efforts have been successful at driving attendance for NEXTEL Cup and support events at our facilities. Highlights include record attendance for Richmond's spring and fall Busch series events. Our efforts also contributed to Talladega Superspeedway's sold-out spring NEXTEL Cup event and, as of the week prior to the landfall of Hurricane Katrina, advanced ticket sales for the facility's fall event were also trending ahead of 2004. Lastly, Darlington sold-out its May NEXTEL Cup race, the earliest sellout since 1997 when the track had 10,000 fewer seats.

We also continue to capitalize on co-marketing initiatives with our corporate partners to reach consumers through channels not normally available to us.

For example, in 2005, we partnered with Gatorade for a multi-track promotion that offered fans an opportunity to join the celebration at Gatorade Victory Lane. This program allowed us to promote our events in our events. Over the past year, we also installed targeted outbound capabilities to improve consumer outreach for increased ticket renewal and sales calls.

In 2005, ISC re-branded our Internet ticketing platform and launched *Racetickets.com*. The new platform is an intuitive online destination for fans to purchase tickets to their favorite ISC-hosted NEXTEL Cup, Busch and Craftsman Truck series races, as well as ARCA, IRL and Grand American Road Racing Association events. Visitors still have the ability to view 3-D sightlines of their seats and research events and facility information prior to attending a race weekend. In addition, shoppers can opt in to receive regular newsletters and special notices with exclusive ticket offers, on-sale dates and the latest event information. Our goal is to establish *Racetickets.com* as the preeminent online destination for race fans to purchase tickets and travel packages. We believe this represents an important opportunity to drive long-term incremental revenue for the Company.

TECHNOLOGY-BASED INITIATIVES INCREASE ADMISSIONS AND IMPROVE SERVICE

4,000 grocery and convenient stores in the primary trading areas of Daytona, Talladega, Richmond, Michigan International Speedway and Chicagoland, generating significant awareness for these premier events.

Complementing our consumer marketing efforts, we continue to leverage technology-based initiatives to increase admissions and improve customer service. Our state-of-the-art contact center handles increased call volumes during the initial on-sale dates, as well as call overflow from our individual facility ticket offices. In 2005, the ISC call center answered 80 percent of all inbound phone calls to all our facility ticket offices, and sold over one million tickets to

We have also begun to offer comprehensive travel packages to select ISC events through *Racetickets.com* and our contact center. The travel packages include hotel accommodations, a multi-day admission ticket, and transportation to and from the events. Fans also enjoy access to special hospitality areas and infield pre-race activities, souvenir gifts and more. Our travel group hosted guests for 16 NEXTEL Cup weekends in 2005, including the Daytona 500. Because we are able to manage more of the fan experience surrounding an event, we can ensure our guests have a truly memorable time from the moment they arrive at their hotel to the time they leave for home. In addition, travel package sales generate incremental revenue for the Company by driving attendance to support events, and increasing food, beverage and merchandise revenue.

Enhanced Fan Amenities

Once we attract fans, we focus on providing a premium race-day experience that will keep them returning year after year. Over the last few years, ISC has strategically upgraded our facilities to enhance amenities and provide an unsurpassed guest experience. This initiative was undertaken with a financial as well as operational perspective, focusing our efforts on developing innovative revenue opportunities to generate acceptable returns on our investments.

In February 2005, Daytona's NEXTEL FANZONE debuted to rave reviews and quickly became the hottest amenity upgrade during Speedweeks. The FANZONE area provides guests with unique behind-the-scenes

We also continue to capitalize on co-marketing initiatives with our corporate partners to reach consumers through channels not normally available to us.

access from rooftop and garage window viewing areas in a festive atmosphere with live entertainment, merchandise points of sale and upscale cuisine at The Bistro. FANZONE passes, which were purchased in addition to event admissions, were sold in the thousands throughout Speedweeks. For the Daytona 500, the passes retailed for $85 and were sold out.

Building upon the success in Daytona, ISC developed other projects across its portfolio in 2005 designed to enhance the fan experience. In June, Michigan showcased its renovated Fan Plaza, which contains new ticket gates, vendor and display areas, several new concession stands and a suite/club structure that peaks high above the main grandstand near the start/finish line that contains approximately 870 new club seats and 16 luxury suites. Fan response to the improvements was overwhelmingly positive as all the capacity was sold out.

At Homestead-Miami, we installed lighting and constructed a new Turn 1 tower structure that houses 16 state-of-the-art luxury suites and approximately

Building upon the success in Daytona, ISC developed other projects across its portfolio in 2005 designed to enhance the fan experience.

870 club seats. This project was completed in time for the 2005 NASCAR Ford Championship Weekend in November and also sold out.

Several additional renovation projects are scheduled for Phoenix, California Speedway, Darlington and Talladega. In Phoenix, we are replacing 14,000 bleacher-style seats behind Turns 3 and 4 with upgraded grandstands behind Turn 1, providing improved sightlines and a more premium experience for our fans. In addition, we are replacing an aging suite building with modern luxury suites along the top of the new grandstands behind Turn 1. We are also adding a 100-person premier club called Octane atop the Turn 1 grandstands, which will provide guests with an elite setting to experience racing in style.

At California, we have announced plans to renovate and expand the facility's front midway area. The new plaza will feature a full-service outdoor café with cuisine by celebrity chef Wolfgang Puck, in addition to a town center, retail store and concert stage. Other highlights include shade features, modified entry gates, expanded hospitality areas, radio broadcast locations, giant video walls, leisure areas and grass and water accents. This project is a direct result of fan feedback, and further demonstrates our commitment to providing a premium entertainment environment for our guests.

At Darlington, we will be removing approximately 3,500 grandstand seats behind Turn 2 and replacing them with a new 6,500-seat grandstand structure behind Turn 1. Other improvements at this legendary facility include upgrades of several luxury suites and enhanced infield amenities for our competitors and guests. Finally, in Talladega, we announced plans to repave the 2.6-mile oval in time for that facility's fall NEXTEL Cup weekend. Talladega's racing surface has not been repaved since 1979, and we believe the newly paved racing surface will enhance the thrilling on-track competition that is a tradition of Talladega.

Corporate Partnerships

Through industry consolidation in the late 1990s and expansion into new markets like Chicago and Kansas City, ISC has built itself into the largest sports facility operator with an ownership interest in 12 major stadiums across the country. The 400-mile trading areas surrounding our facilities enable our corporate partners to reach over 80 percent of the nation's population and two-thirds of the top U.S. media markets. In addition, the Company hosts major motorsports events from January through November, generating consistent consumer awareness for sponsors and advertisers across the entire race season.

ISC boasts more Fortune 500 partners than any other facility operator. We have grown from 170 corporate partners in 2000, including 65 multi-facility partners, to almost 470 for 2005, including more than 125 multi-facility partners. In addition, five years ago ISC sold less than 80 official status categories across its portfolio. In 2005, the number of official status categories increased to more than 175, including the official High-Definition TV, Drive-Through Restaurant and Auto Insurance, to name a few.

Complementing our nationwide footprint, ISC's centralized sales and marketing approach has allowed us to significantly grow this important component of revenue. Our approach is driven by two fundamental objectives. The first is to increase the number of official partners by pursuing non-traditional motorsports advertisers like technology and financial services. Second, we focus on partnership management, which improves renewal and up-sell opportunities by helping sponsors maximize their return on investment, including facilitating business-to-business opportunities with other ISC partners.

Lastly, through a concept we call "The Power of One," our partners can leverage ISC's in-house media properties such as MRN Radio, NEXTEL Vision, Racing One Magazine, and *Racingone.com / Racinguno.com* to complement their position through production services, media activation and promotion leading up to and during an event.

Television and Media Rights

NASCAR racing once again posted improved television viewership results in 2005, highlighted by record viewership for the NEXTEL Cup and Busch series. Over 400 million viewers tuned in to watch NASCAR's three premier series last year as the NEXTEL Cup, Busch and Craftsman Truck series posted average annual household viewership increases of seven, 22 and 19 percent, respectively.

The 2005 season began with an outstanding Daytona 500, which tied the 2002 Daytona 500 for the highest-rated NEXTEL Cup event by posting a 10.9 rating on FOX. The following week, California's Auto Club 500 also generated outstanding viewership, becoming the second highest rated non-Daytona 500 NEXTEL Cup event in history. Several other ISC events during 2005 also posted record viewership results.

The increased television viewership is a result of the ongoing growth in fan and media awareness of NASCAR racing due to Nextel and other sponsors' promotion of the Cup series, the benefits of race realignment and the entrance of the Chase for the NEXTEL Cup. In addition, exciting on-track competition and increased sponsor promotion and popularity of drivers has helped raise awareness for Busch and Craftsman Truck series. Finally, improved broadcasting, strong promotional support and ancillary programming by the networks have helped the sport continually reach new fans nationwide. NASCAR's current broadcast agreements with FOX/FX and NBC/TNT enter their final year in 2006, and television rights fees are expected to increase approximately 15 percent for the industry as compared to 2005.

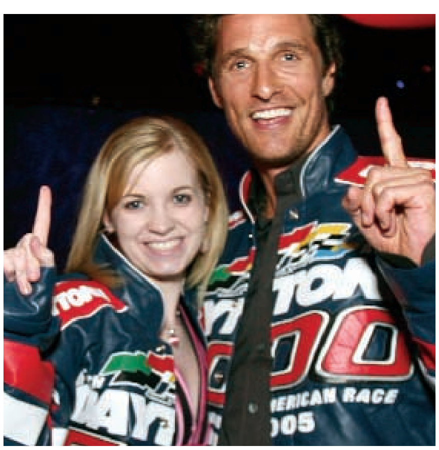
Looking ahead, NASCAR has reached new combined eight-year agreements with FOX, ABC/ESPN and TNT beginning in 2007 for the domestic broadcast and related rights for its NEXTEL Cup, Busch and Craftsman Truck series. The agreements are expected to total approximately $4.5 billion, which results in an approximate $560 million gross average annual rights fee. This amount represents more than 40 percent increase over the current annual contract average of approximately $400 million. NASCAR's new agreements reflect one of the most significant increases in recent sports broadcast rights deals.

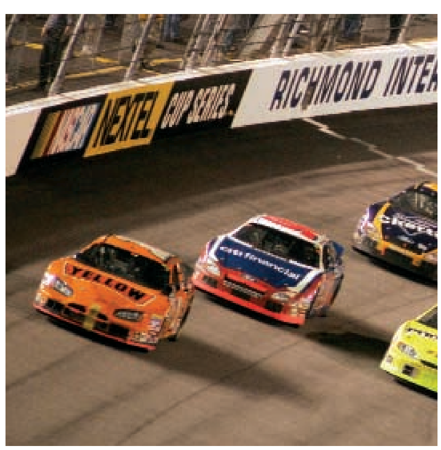
We believe NASCAR's new broadcast rights agreements provide long-term strategic benefits for the sport. Over the past several years, there has been a shift of major sports programming from network to cable. While cable broadcasters can support a higher investment through subscriber fees not available to networks, these broadcasts reach fewer households than network broadcasts. NASCAR's decision to keep approximately two-thirds of the NEXTEL Cup event schedule on network television is critical to the sport's future growth. The structure should continue to drive

increased fan and media awareness for all three racing series. This will help fuel long-term attendance and corporate-related revenues for ISC.

We also welcome the chance to re-establish the sport's broadcast relationship with ESPN, which we believe will result in further exposure for NASCAR racing. The Busch series will significantly benefit from the improved continuity of its season-long presence on ESPN. In addition, the Craftsman Truck series will continue to be aired on FOX's SPEED Channel. We also believe the sport as a whole will benefit from the increased ancillary programming, including nightly and weekly NASCAR-branded programming and promotions, similar to what ESPN does with the other major sports.

Of course the most significant benefit of the new contracts is the substantial increase in earnings and cash flow visibility for the entire industry. We expect to use these incremental cash flows to drive value for all ISC shareholders through prudent long-term capital investment strategies.





EXPOSURE

Up Close, Personal and Unique

ISC is expanding its consumer and corporate base.

Expanding Fan Base

We continue to make progress in our development efforts in the Metro New York and Seattle areas. On Staten Island, we are proceeding with site improvements to enhance the marketability of our 677-acre parcel on the western shore. We are also progressing through the regulatory process while meeting with local civic organizations and governmental groups to build awareness and support for our project. We are encouraged by the recent endorsements we have received from several local organizations on Staten Island, including the Staten Island Economic Development Council, Mariners' Harbor Civic Association and Staten Island Fraternal Order of

Police, to name a few. We look forward to additional public support as we continue to promote the merits of our project. We expect to complete the regulatory process in the first half of 2007, and target racing in the next several years.

In the Pacific Northwest, we announced our financing proposal for a $345 million motorsports facility in Kitsap County, approximately 20 miles outside downtown Seattle. The financing plan proposes a public-private partnership where ISC, through its subsidiary Great Western Sports Inc., will pay $166 million, or nearly half of the project costs. Kitsap, Pierce and Mason Counties would form a tri-county Public Speedway Authority (PSA) to issue bonds that will help finance construction of the track. These bonds would be repaid through state and local taxes generated by the project.

Washington state legislation is required to create the public financing mechanism for construction of the facility. While the Company has secured significant local support, we believe it was in the best long-term interest of the project not to introduce the necessary legislation in the shortened session of the 2006 Washington Legislature as it was already facing a full agenda of action items. ISC is currently evaluating all of its options, including introducing the legislation in the full 2007 session, and will decide on the best course of action for the project by mid-2006.

Both development projects will further build fan and media awareness, particularly in these two key regions of the country, which in turn will lead to long-term admissions and corporate revenue growth.

Beyond our development plans, we have also implemented diversity initiatives to grow our fan base by specifically targeting minority motorsports fans in key markets throughout our portfolio. At Homestead-Miami, California and Phoenix, we have launched outreach programs targeting a broader Hispanic fan base through Spanish-language radio broadcasts and advertising, Latin American-themed entertainment and cuisine options during events, and bi-lingual operators to help fans obtain event information and purchase tickets and merchandise. Our Internet racing news and merchandise platform, *Racingone.com*, has launched a Spanish-language version, *Racinguno.com*. We also have a Spanish-language website for Homestead-Miami, and expect to roll out similar sites for California and Phoenix. We also employ bilingual operators at our contact center, which handles incoming calls for all our motorsports facilities.

Finally, the company remains well-positioned to capitalize on acquisition opportunities to further expand its portfolio of events and facilities. While the timing of these acquisitions is difficult to predict, our solid cash balance, modest debt level and available credit facility provide the flexibility to capitalize on opportunities that may arise.

Growth of Complementary Businesses

Given our leadership position and significant expertise in motorsports entertainment, we have begun to implement strategies designed to capture more consumer discretionary spending by capitalizing on business opportunities that complement our core competencies.

In the early 1990s, ISC's subsidiary Americrown began to provide mobile concessions, catering and merchandising operations for our race events. Over the years, Americrown has leveraged its significant expertise and resources to further expand its menu and product offerings, provide high quality service in ISC's new and expanded club and other hospitality areas, and capitalize on other initiatives designed to enhance the fan's race day experience. For 2006, a primary focus for Americrown will be to further streamline its merchandising strategy through more effective purchasing and inventory management, as well as achieve incremental operational efficiencies in its trackside retail model.

ISC's broadcast subsidiary, MRN Radio, has experienced strong growth over the last several years. The network increased its listening audience by adding new affiliates and strengthening its presence in several key markets to help drive fan awareness. Some of these markets include Los Angeles, Chicago, Houston, Dallas, Phoenix, Portland, Philadelphia and Miami.

The broader audience and increased awareness of NASCAR racing has helped fuel MRN's success. Overall gross advertising revenue has increased over the last three years at a compound annual rate of nearly ten percent. In addition, MRN has added incremental revenue categories by offering radio and video production services, as well as advertising sales on NEXTEL Vision. NEXTEL Vision broadcasts live racing action on large screen video displays at nearly all the NEXTEL Cup facilities, providing a valuable advertising medium for sponsors.

One of the most significant initiatives undertaken to capitalize on opportunities in complementary businesses was the creation of Motorsports Authentics in 2005. Merchandising is one of the few remaining fragmented businesses in motorsports and we believe it is important for strong, well-run companies to manage the production and sales of licensed merchandise. As such, ISC and Speedway Motorsports, Inc. ("SMI") entered into an unprecedented partnership, forming a 50/50 joint venture, Motorsports Authentics, to consolidate the licensed motorsports merchandise business.

ISC and SMI collectively promote nearly three-quarters of the events in NASCAR's three national touring series, including the premier NEXTEL Cup. We believe we can capitalize on operating synergies by approaching merchandise operations as a combined entity. Late in calendar 2005, Motorsports Authentics acquired the assets of Action Performance and Team Caliber, becoming a leader in design, promotion, marketing and distribution of motorsports licensed merchandise. The joint venture has licenses for exclusive and non-exclusive distribution with teams competing in NASCAR and other sanctioned racing series.

Under the leadership and guidance of Motorsports Authentics' management committee and the recently hired President, the Motorsports Authentics business will be able to more rapidly execute its turn around strategy, return to profitability and capitalize on future growth opportunities.

Over the longer term, we plan to leverage the combined significant merchandising expertise and trackside presence of both ISC and SMI to help manage close relationships with the teams, drivers and sponsors; develop and sell top quality products at a competitive price; strengthen relationships with retailers through proper channel management and on-time deliveries supported by integrated marketing plans; and expand revenue growth and develop new cross promotional platforms to better leverage the motorsports licensing industry. We are pleased to partner with SMI on this joint venture and look forward to its future success.

We possess the financial flexibility to capitalize on opportunities that may arise.

COMMITMENT

To the Fans, Competitors and Business Partners

ISC is an established leader in motorsports entertainment.

We are committed to building upon our success by capitalizing on business opportunities that complement our core competencies. In addition, our financial position and long-term growth initiatives will enable ISC to contribute to and benefit from the continued growth in popularity of NASCAR racing. We are excited about the future of the Company and look forward to another successful year in 2006. As always, we remain committed to continue generating long-term value for our shareholders.

MOTORSPORTS ENTERTAINMENT

Coast to Coast

AMERICROWN®

MRN RADIO®

- Existing ISC Facility
- Strategic Affiliate
- External Expansion Targets

Selected Financial Data

The following table sets forth our selected financial data as of and for each of the last five fiscal years in the period ended November 30, 2005. You should read the selected financial data set forth below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the accompanying notes included elsewhere in this report.

	For the Year Ended November 30,				
	2001	2002	2003	2004	2005
	(In Thousands, Except Per Share Data)				
Income Statement Data:					
Revenues:					
Admissions, net	$ 205,552	$ 205,754	$ 203,699	$ 222,545	$ 234,768
Motorsports related	221,552	241,666	265,209	334,943	408,514
Food, beverage and merchandise	69,612	69,516	74,075	83,236	87,269
Other	5,181	7,230	6,072	7,124	9,578
Total revenues	501,897	524,166	549,055	647,848	740,129
Expenses:					
Direct expenses:					
Prize and point fund monies and NASCAR sanction fees	78,464	87,388	96,882	119,322	136,816
Motorsports related	92,500	94,375	97,771	113,073	134,395
Food, beverage and merchandise	37,800	37,614	41,467	52,285	56,773
General and administrative	75,887	76,266	82,403	90,307	95,987
Depreciation and amortization	49,659	38,184	40,860	44,443	50,893
Homestead-Miami Speedway track reconfiguration	-	-	2,829	-	-
Total expenses	334,310	333,827	362,212	419,430	474,864
Operating income	167,587	190,339	186,843	228,418	265,265
Interest income	3,406	1,187	1,789	4,053	4,860
Interest expense	(26,505)	(24,276)	(23,179)	(21,723)	(12,693)
Loss on early redemption of debt	-	-	-	(4,988)	-
Equity in net income from equity investments	2,935	1,907	2,553	2,754	3,516
Minority interest	992	-	-	-	-
Income from continuing operations before income taxes and cumulative effect of accounting change	148,415	169,157	168,006	208,514	260,948
Income taxes	61,592	65,945	66,041	82,218	101,876
Income from continuing operations before cumulative effect of accounting change	86,823	103,212	101,965	126,296	159,072
Income (loss) from discontinued operations (1)	810	(60,962)	3,483	(6,315)	289
Gain on sale of discontinued operations	-	-	-	36,337	-
Cumulative effect of accounting change (2)	-	(453,228)	-	-	-
Net income (loss)	$ 87,633	$ (410,978)	$ 105,448	$ 156,318	$ 159,361
Basic Earnings per share:					
Income from continuing operations before cumulative effect of accounting change	$ 1.64	$ 1.95	$ 1.92	$ 2.38	$ 2.99
Income (loss) from discontinued operations (1)	0.01	(1.15)	0.07	(0.12)	0.01
Gain on sale of discontinued operations	-	-	-	0.68	-
Cumulative effect of accounting change (2)	-	(8.55)	-	-	-
Net income (loss)	$ 1.65	$ (7.75)	$ 1.99	$ 2.94	$ 3.00
Diluted earnings per share:					
Income from continuing operations before cumulative effect of accounting change	$ 1.64	$ 1.94	$ 1.92	$ 2.37	$ 2.99
Income (loss) from discontinued operations (1)	0.01	(1.14)	0.06	(0.11)	-
Gain on sale of discontinued operations	-	-	-	0.68	-
Cumulative effect of accounting change (2)	-	(8.54)	-	-	-
Net income (loss)	$ 1.65	$ (7.74)	$ 1.98	$ 2.94	$ 2.99
Dividends per share	$ 0.06	$ 0.06	$ 0.06	$ 0.06	$ 0.06
Weighted average shares outstanding:					
Basic	52,996,660	53,036,552	53,057,077	53,084,437	53,128,533
Diluted	53,076,828	53,101,535	53,133,282	53,182,776	53,240,183
Balance Sheet Data (at end of period):					
Cash and cash equivalents	$ 71,004	$ 109,263	$ 223,973	$ 160,978	$ 130,758
Working (deficit) capital	(28,471)	12,100	(104,761)	149,879	14,887
Total assets	1,702,146	1,155,971	1,303,792	1,619,510	1,797,069
Long-term debt	402,477	309,606	75,168	369,315	368,387
Total debt	411,702	315,381	308,131	376,820	369,022
Total shareholders' equity	1,035,422	622,325	726,465	881,738	1,039,955

(1) Reflects the accounting for discontinued operations of North Carolina Speedway ("North Carolina"), which was sold on July 1, 2004, and Nazareth Speedway ("Nazareth") which is currently held for sale. The loss from discontinued operations in fiscal 2002 includes the adoption of Statement of Financial Accounting Standard ("SFAS") No. 142, which resulted in a non-cash after-tax charge of approximately $64.0 million. The loss from discontinued operations in fiscal 2004 includes the non-cash after-tax impairment of Nazareth's long-lived assets of approximately $8.6 million. The discontinued operations in fiscal 2005 includes the subsequent non-cash after-tax write-up of certain grandstand assets at Nazareth, which will be relocated to and used at Darlington Raceway ("Darlington") in fiscal 2006, of approximately $471,000.

(2) Reflects the adoption of SFAS No. 142, which resulted in a non-cash after-tax charge of approximately $453.2 million in the first quarter of fiscal 2002. Included in this charge is approximately $3.4 million associated with our equity investment in Raceway Associates, LLC ("Raceway Associates").

General

The general nature of our business is a motorsports themed amusement enterprise; furnishing amusement to the public in the form of motorsports themed entertainment. We derive revenues primarily from (i) admissions to motorsports events and motorsports themed amusement activities held at our facilities, (ii) revenue generated in conjunction with or as a result of motorsports events and motorsports themed amusement activities conducted at our facilities, and (iii) catering, concession and merchandising services during or as a result of these events and amusement activities.

"Admissions" revenue includes ticket sales for all of our racing events, activities at DAYTONA USA and other motorsports activities and amusements.

"Motorsports related revenue" primarily includes television, radio and ancillary rights fees, promotion and sponsorship fees, hospitality rentals (including luxury suites, chalets and the hospitality portion of club seating), advertising, track rentals and royalties from licenses of our trademarks. Our revenues from corporate sponsorships are paid in accordance with negotiated contracts, with the identities of sponsors and the terms of sponsorship changing from time to time. NASCAR contracts directly with certain network providers for television rights to the entire NASCAR NEXTEL Cup and NASCAR Busch series schedules. NASCAR's current broadcast contracts with NBC Sports, Turner Sports, FOX and its FX cable network extend through 2006 (see "Future Trends in Operating Results" discussing subsequent years broadcast contracts). Event promoters share in the television rights fees in accordance with the provision of the sanction agreement for each NASCAR NEXTEL Cup and NASCAR Busch series event. Under the terms of this arrangement, NASCAR retains 10% of the gross broadcast rights fees allocated to each NASCAR NEXTEL Cup or NASCAR Busch series event as a component of its sanction fees and remits the remaining 90% to the event promoter. The event promoter pays 25% of the gross broadcast rights fees allocated to the event as part of awards to the competitors.

"Food, beverage and merchandise revenue" includes revenues from concession stands, direct sales of souvenirs, hospitality catering, programs and other merchandise and fees paid by third party vendors for the right to occupy space to sell souvenirs and concessions at our facilities.

Direct expenses include (i) prize and point fund monies and NASCAR sanction fees, (ii) motorsports related expenses, which include labor, advertising, costs of competition paid to sanctioning bodies other than NASCAR and other expenses associated with the promotion of all of our motorsports events and activities, and (iii) food, beverage and merchandise expenses, consisting primarily of labor and costs of goods sold.

Critical Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management continually reviews its accounting policies, how they are applied and how they are reported and disclosed in the financial statements. The following is a summary of our more significant accounting estimates and how they are applied in the preparation of the financial statements.

Revenue Recognition. Advance ticket sales and event-related revenues for future events are deferred until earned, which is generally once the events are conducted. The recognition of event-related expenses is matched with the recognition of event-related revenues. Revenues and related expenses from the sale of merchandise to retail customers, internet sales and direct sales to dealers are recognized at the time of sale. We believe that our revenue recognition policies follow guidance issued by the SEC in Staff Accounting Bulletin No. 104, "Revenue Recognition in Financial Statements."

Accounts Receivable. We review the valuation of our accounts receivable on a monthly basis. The allowance for doubtful accounts is estimated based on historical experience of write-offs and future expectations of conditions that might impact the collectibility of accounts.

Long-lived Assets, Goodwill and Other Intangible Assets. Our consolidated balance sheets include significant amounts of long-lived assets, goodwill and other intangible assets. Current accounting standards require testing these assets for impairment, either upon the occurrence of an impairment indicator or annually, based on assumptions regarding our future business outlook. While we continue to review and analyze many factors that can impact our business prospects in the future, our analyses are subjective and are based on conditions existing at and trends leading up to the time the assumptions are made. Actual results could differ materially from these assumptions. Our judgments with regard to our future business prospects could impact whether or not an impairment is deemed to have occurred, as well as the timing of the recognition of such an impairment charge.

Equity Method of Accounting. We apply the equity method accounting for our investment in joint ventures and other investees whenever we can exert significant influence on the investee but do not have effective control over the investee. We periodically evaluate these equity investments for potential impairment where the decline in value is determined to be other than temporary.

Self-Insurance Reserves. We use a combination of insurance and self-insurance for a number of risks including general liability, workers' compensation, vehicle liability and employee-related health care benefits. Liabilities associated with the risks that we retain are estimated by considering various historical trends and forward-looking assumptions. The estimated accruals for these liabilities could be significantly affected if future occurrences and claims differ from these assumptions and historical trends.

Derivative Instruments. From time to time, we utilize derivative instruments in the form of interest rate swaps to assist in managing our interest rate risk. We do not enter into any interest rate swap derivative instruments for trading purposes. While we currently are not utilizing interest rate swap derivative instruments, all historically have qualified for the use of the "short-cut" method of accounting to assess hedge effectiveness in accordance with SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities," as amended, and were recognized in our consolidated balance sheet at their fair value.

Income Taxes. Our estimates of deferred income taxes and the significant items giving rise to deferred tax assets and liabilities reflect our assessment of actual future taxes to be paid on items reflected in our financial statements, giving consideration to both timing and probability of realization. Actual income taxes could vary significantly from these estimates due to future changes in income tax law or changes or adjustments resulting from final review of our tax returns by taxing authorities, which could also adversely impact our cash flow.

Contingent Liabilities. Our determination of the treatment of contingent liabilities in the financial statements is based on our view of the expected outcome of the applicable contingency. In the ordinary course of business we consult with legal counsel on matters related to litigation and other experts both within and outside our Company. We accrue a liability if the likelihood of an adverse outcome is probable and the amount is estimable. We disclose the matter but do not accrue a liability if either the likelihood of an adverse outcome is only reasonably possible or an estimate is not determinable. Legal and other costs incurred in conjunction with loss contingencies are expensed as incurred.

Acquisition and Divestitures

Martinsville Speedway and North Carolina Speedway

On July 13, 2004, we acquired the assets of Martinsville Speedway ("Martinsville"), and assumed the operations as well as certain liabilities of Martinsville for approximately $194.8 million, including acquisition costs. Martinsville was privately owned, with certain members of the France Family Group, which controls in excess of 60% of the combined voting interest of ISC, owning 50% of Martinsville. The acquisition was funded by $100.4 million in proceeds from the sale of the assets of North Carolina and approximately $94.4 million in cash. Martinsville's operations are included in our consolidated operations subsequent to the date of acquisition.

As required by the settlement agreement in the Ferko/Vaughn litigation ("Settlement Agreement") dated April 8, 2004, our North Carolina Speedway, Inc. subsidiary entered into an Asset Purchase Agreement with Speedway Motorsports Incorporated ("SMI") for the sale of the tangible and intangible assets and operations of North Carolina. Under the terms of the Settlement Agreement, SMI's subsidiary purchased North Carolina's assets and assumed its operations for approximately $100.4 million in cash. The sale of North Carolina's assets closed on July 1, 2004, and we recorded an after-tax gain in our third quarter of fiscal 2004 of approximately $36.3 million.

For all periods presented, the results of operations of North Carolina, including the gain on sale, are presented as discontinued operations.

Nazareth Speedway

In May 2004, we announced our intention to request realignment of the NASCAR Busch Series and Indy Racing League ("IRL") IndyCar Series events, then conducted at Nazareth, to other motorsports facilities within our portfolio and our intention to suspend indefinitely major motorsports event operations at the facility after completion of its fiscal 2004 events. For the 2005 event season, the aforementioned events were realigned to our Watkins Glen International ("Watkins Glen") facility.

The realignment of the events conducted at Nazareth and the indefinite suspension of major motorsports event operations at the facility had a significant adverse effect on Nazareth's future revenues and cash flows. As a result of these changes in Nazareth's operations, in the second quarter of fiscal 2004 an analysis of Nazareth's long-lived assets and its estimated future undiscounted cash flows was completed. The projected undiscounted cash flows were not sufficient to recover the carrying amount of Nazareth's property and equipment. We evaluated the estimated fair value of Nazareth's long-lived assets using a discounted cash flow assessment as well as comparable prices for similar property, which resulted in the identification and measurement of an impairment loss of approximately $13.2 million, or $0.16 per diluted share in the fiscal quarter ended May 31, 2004. In the fourth quarter of fiscal 2005, we identified certain grandstand assets which were previously fully impaired, that we will relocate to and use at our Darlington facility in fiscal 2006. The assets that will be relocated to and used at Darlington were adjusted to their net book value during the fourth quarter of fiscal 2005, resulting in an after-tax write-up of approximately $471,000, or $0.01 per diluted share. In January 2006, we entered into an agreement with NZSW, LLC for the sale of 158 acres, on which Nazareth Speedway is located, for approximately $18.8 million. The sale transaction is expected to close in fiscal 2006 and is contingent upon, among other items, the purchaser's right to terminate the agreement during the due diligence period. Upon closing the transaction, we expect to record an after-tax gain from discontinued operations of approximately $6.0 to $7.0 million, or $0.11 to $0.13 per diluted share.

For all periods presented, the results of operations of Nazareth, including the impairment loss and subsequent write-up of certain grandstand assets, are presented as discontinued operations.

Pikes Peak International Raceway

On October 7, 2005, we acquired the assets and assumed certain liabilities of Pikes Peak International Raceway ("Pikes Peak") for approximately $12.0 million. Subsequent to the purchase we requested realignment of the NASCAR Busch Series event, then conducted at Pikes Peak, to another motorsports facility within our portfolio starting in fiscal 2006 and suspended indefinitely major motorsports event operations at the facility on October 31, 2005. We believe that we can more successfully grow this event over the long term at a facility other than Pikes Peak. For the 2006 event season, the aforementioned event has been realigned to our Martinsville facility. We intend to relocate certain Pikes Peak fixed assets to other facilities within our portfolio. These assets include grandstand seating and other structures that can be utilized for future speedway expansion projects.

Equity and Other Investments

Motorsports Authentics

On August 30, 2005, we partnered with SMI in a 50/50 joint venture, SMISC, LLC ("SMISC"), which, through a wholly-owned subsidiary, conducts business under the name Motorsports Authentics. Motorsports Authentics operates as an independent company with us and SMI as equal owners. Also on August 30, 2005, we announced that SMISC had entered into a definitive agreement dated August 29, 2005, to purchase the stock of Action Performance Companies, Inc. ("Action"). The acquisition was structured as a merger of a wholly-owned subsidiary of Motorsports Authentics, LLC into Action.

The acquisition of Action was completed on December 9, 2005, which resulted in an investment of approximately $123.8 million and was combined with the net assets and merchandising operations of Team Caliber, which Motorsports Authentics acquired on September 8, 2005. As a result of these acquisitions, Motorsports Authentics is now a leader in design, promotion, marketing and distribution of motorsports licensed merchandise. Motorsports Authentics has licenses for exclusive and non-exclusive distribution with teams competing in NASCAR and other major motorsports series. Its products include a broad range of motorsports-related die-cast replica collectibles, apparel, gifts and other memorabilia, which are marketed through a combination of mass retail, domestic wholesale, trackside, international and collector's club distribution channels.

Proximities, Inc.

We acquired an approximately 24.5% interest in Proximities, Inc. ("Proximities") in November 2004 through the purchase of Proximities' Series B Preferred Stock for approximately $2.0 million. Proximities is developing products which are to be marketed as secure radio frequency identification ("RFID") cashless payment, access control and age verification systems. These products allow customers to purchase concessions and merchandise quickly and easily using the fast, secure RFID wristband which is linked to a pre-authorized credit card. Proximities is a variable interest entity as determined in accordance with Financial Accounting Standards Board ("FASB") Interpretation No. 46, "Consolidation of Variable Interest Entities." We do not consolidate the operations of Proximities as we are not the primary beneficiary. The maximum exposure to loss as a result of our involvement with Proximities consists of our investment at November 30, 2005, of approximately $2.0 million.

Future Trends in Operating Results

Our success has been, and is expected to remain, dependent on maintaining good working relationships with the organizations that sanction events at our facilities, particularly with NASCAR, whose sanctioned events at our wholly-owned facilities accounted for approximately 86.2% of our revenues in fiscal 2005. In January 2003, NASCAR announced it would entertain and discuss proposals from track operators regarding potential realignment of NASCAR NEXTEL Cup Series dates to more geographically diverse and potentially more desirable markets where there may be greater demand, resulting in an opportunity for increased revenues to the track operators. In June 2003, we announced that NASCAR approved our proposal for realignment of NASCAR NEXTEL Cup Series events among certain of our facilities for the 2004 season. In May 2004 we received NASCAR's approval for the realignment of additional NASCAR NEXTEL Cup events in our portfolio beginning in fiscal 2005. The net result of the 2005 realignments is the addition of a second NEXTEL Cup weekend for Phoenix International Raceway ("Phoenix") beginning in 2005 and the reduction of Darlington's event schedule by one NEXTEL Cup weekend. In October 2005, we received NASCAR's approval for the realignment of a NASCAR Busch Series event from our recently acquired Pikes Peak facility to Martinsville in fiscal 2006. We believe that the realignments will provide us additional net positive revenue and earnings as well as further enhance the sport's exposure in highly desirable markets, which we believe benefits the sport's fans, teams, sponsors and television broadcast partners as well as promoters. NASCAR has indicated that it is open to discussion regarding additional date realignments. We believe we are well positioned to capitalize on these future opportunities.

Fiscal 2001 was our first year under NASCAR's multi-year consolidated television broadcast rights agreements with NBC Sports, Turner Sports, FOX and FX. These agreements cover the domestic broadcast of NASCAR's NEXTEL Cup and Busch series racing seasons from 2001 through 2006. Under these agreements, television rights fees are expected to increase approximately 15 percent for the industry in fiscal 2006. Television broadcast and ancillary rights fees from continuing operations received from NASCAR for the NASCAR NEXTEL Cup and NASCAR Busch series events conducted at our wholly-owned facilities for fiscal 2005, 2004 and 2003 were approximately $235.9 million, $188.9 million and $140.8 million, respectively.

The 2005 NEXTEL Cup Series season was the most viewed ever for broadcasters FOX/FX and NBC/TNT. Over 400 million viewers tuned in to watch NASCAR's three premier series last year as the NEXTEL Cup, Busch and Craftsman Truck series posted average annual household increases of 4, 22 and 19 percent, respectively. We believe the increased television viewership is a result of the ongoing growth in fan and media awareness of NASCAR racing due to Nextel's sponsorship of the Cup series, the benefits of Realignment and the Chase for the Championship, and increased popularity of drivers in the Busch and Craftsman Truck series. In addition, strong promotional support and programming by the networks has helped the sport reach new fans nationwide.

NASCAR has entered into new combined eight-year agreements with FOX, ABC/ESPN and TNT beginning in 2007 for the domestic broadcast and related rights for its NEXTEL Cup, Busch and Craftsman Truck series. The agreements are expected to total approximately $4.5 billion, resulting in an approximate $560 million gross average annual rights fee for the industry, a more than 40 percent increase over the current contract average of $400 million annually. With an expected annual rights fees increase over the contract period of between three and five percent annually, we anticipate 2007 industry rights fees to range between approximately $470 million and $500 million. While the 2007 rights fees will be less than the 2006 rights fees of approximately $576 million, in our opinion it should not overshadow the strategic importance and expected long-term benefits of the new contracts. Over the past several years, there has been a shift of major sports programming from network to cable. The cable broadcasters can support a higher investment through subscriber fees not available to networks, which has resulted in increased rights fees for these sports properties. Cable, however, reaches far fewer households than network broadcasts. We view NASCAR's decision to keep approximately two-thirds of its event schedule on network television as important to the sport's future growth. The structure should continue to drive increased fan and media awareness for all three racing series, which will help fuel our long-term attendance and corporate-related revenues. We also welcome the chance to re-establish the sport's broadcast relationship with ESPN, which we believe will result in further exposure for NASCAR racing. First, we believe the Busch Series will significantly benefit from the improved continuity of its season-long presence on ESPN. In addition, we believe the sport as a whole will benefit from the increased ancillary programming and nightly and weekly NASCAR-branded programming and promotions, similar to what ESPN does with the other major sports. Of course the most significant benefit of the new contracts is the substantial increase in earnings and cash flow visibility for the entire industry over the contract period.

As media rights revenues fluctuate, so do the variable costs tied to the percentage of broadcast rights fees required to be paid to competitors as part of NASCAR NEXTEL Cup, Busch and Craftsman Truck series sanction agreements. NASCAR prize and point fund monies, as well as sanction fees ("NASCAR direct expenses"), are outlined in the sanction agreement for each event and are negotiated in advance of an event. As previously discussed, included in these NASCAR direct expenses are 25% of the gross domestic television broadcast rights fees allocated to our NASCAR NEXTEL Cup, Busch and Craftsman Truck series events as part of prize and point fund money. These annually negotiated contractual amounts paid to NASCAR contribute to the support and growth of the sport of NASCAR stock car racing through payments to the teams and sanction fees paid to NASCAR. As such, we do not expect these costs to decrease in the future as a percentage of admissions and motorsports related income. We anticipate any operating margin improvement to come primarily from economies of scale and controlling costs in areas such as motorsports related and general and administrative expenses.

Economic conditions may impact our ability to secure revenues from corporate marketing partnerships. However, we believe that our presence in key markets and impressive portfolio of events are beneficial as we continue to pursue renewal and expansion of existing marketing partnerships and establish new corporate marketing partners. We believe that revenues from our corporate marketing partnerships will continue to grow over the long term.

An important component of our operating strategy has been our long-standing practice of focusing closely on supply and demand regarding additional capacity at our facilities. We continually evaluate the demand for our most popular racing events in order to add capacity that we believe will provide an acceptable rate of return on invested capital. Through prudent expansion, we attempt to keep demand at a higher level than supply, which stimulates ticket renewals and advance sales. Advance ticket sales result in earlier cash flow and reduce the potential negative impact of actual and forecasted inclement weather on ticket sales. While we will join with sponsors to offer promotions to generate additional ticket sales, we avoid rewarding last-minute ticket buyers by discounting tickets. We believe it is more important to encourage advance ticket sales and maintain price integrity to achieve long-term growth than to capture short-term incremental revenue. We recognize that a number of factors relating to discretionary consumer spending, including economic conditions affecting disposable consumer income such as employment and other lifestyle and business conditions, can negatively impact attendance at our events. Accordingly, we instituted only modest increases in our weighted average ticket prices for fiscal 2005 and 2006. In addition, we limited the expansion of our facilities in fiscal 2005, to approximately 1,500 additional seats at Kansas Speedway ("Kansas"), 870 grandstand seats and 16 suites at Homestead-Miami Speedway ("Miami") and 870 club seats along with six incremental suites at Michigan International Speedway ("Michigan"). For fiscal 2006, at Phoenix we are replacing 14,000 grandstand seats behind Turns 3 and 4 with upgraded grandstands behind Turn 1, providing improved sightlines and a more premium seat for our fans. In addition, we are replacing an aging suite building with modern luxury suites along the top of the grandstands behind Turn 1, resulting in a net increase of three to six suites. We are also adding a 100-person premier club called Octane atop the Turn 1 grandstands, which will provide guests with an elite setting to experience racing in style. Also during fiscal 2006, at Darlington we will be removing 3,500 grandstand seats behind Turn 2 and replacing them with a new 6,500-seat grandstand structure behind Turn 1, a net capacity increase of approximately 3,000 seats. We will continue to evaluate expansion opportunities, as well as the pricing and packaging of our tickets and other products, on an ongoing basis. Over the long term, we plan to continue to expand capacity at our speedways.

Since we compete with newer entertainment venues for patrons and sponsors, we will continue to evaluate opportunities to enhance our facilities, thereby producing additional revenue generating opportunities for us and improving the experience for our guests. One major example of these efforts is the infield renovation at Daytona International Speedway ("Daytona") that was completed for the start of the 2005 racing season. The new infield features numerous fan amenities and unique revenue generating opportunities, including garage walk-through areas, additional merchandise and concessions vending areas, waterfront luxury recreational vehicle parking areas, a large tunnel to accommodate team haulers and guest recreational vehicles in and out of the infield and other special amenities such as the infield's signature structure, the Daytona 500 Club. The fan and guest response to our renovation efforts at Daytona has been overwhelmingly positive and has resulted in incremental direct and, we believe, indirect revenue generation. Another example of our efforts to enhance the fan experience includes the renovation of Michigan's front stretch, including new ticket gates, new vendor and display areas, and several new concession stands, as well as the aforementioned addition of club seats and luxury suites. For fiscal 2006, we have additional renovation projects scheduled to occur at California Speedway ("California") and Talladega Superspeedway ("Talladega"). At California, we have announced plans to renovate and expand the facility's front midway area. The new plaza will feature a full-service outdoor café with cuisine by celebrity chef Wolfgang Puck, in addition to a town center, retail store and concert stage. Other highlights include shade features, modified entry gates, expanded hospitality areas, radio broadcast locations, giant video walls, leisure areas and grass and water accents. This project is a direct result of fan feedback, and further demonstrates our commitment to providing a premium entertainment environment for our guests. We have also announced plans to repave Talladega's 2.6-mile oval in time for that facility's fall NASCAR NEXTEL Cup weekend. Talladega's racing surface has not been repaved since 1979, and we believe the newly paved racing surface will enhance the thrilling on-track competition.

From time to time, we are a party to routine litigation incidental to our business. We do not believe that the resolution of any or all of such litigation will have a material adverse effect on our financial condition or results of operations.

In addition to such routine litigation incident to its business, the Company is a party to another legal proceeding described below.

Current Litigation

On July 13, 2005, Kentucky Speedway, LLC filed a civil action in the Eastern District of Kentucky against NASCAR and us alleging that "NASCAR and ISC have acted, and continue to act, individually and in combination and collusion with each other and other companies that control tracks hosting NASCAR NEXTEL Cup Series, to illegally restrict the award of ... NASCAR NEXTEL Cup Series [races]." The complaint seeks damages and an injunction requiring NASCAR to establish a competitive bidding process for NEXTEL Cup events and prohibiting further violations of the antitrust laws. Other than some vaguely conclusory allegations, the complaint fails to specify any conduct by International Speedway Corporation ("ISC") other than conducting and growing its motorsports entertainment business for the benefit of its shareholders. We believe the allegations to be without merit and intend to defend ourself vigorously. We have retained counsel and are pursuing defenses to the suit while maintaining potential counterclaim remedies available to us to recover the damages caused by the filing of the suit. On September 12, 2005, our counsel filed a motion to dismiss the complaint for improper jurisdiction and venue as well as the lack of any antitrust injury allegations. On January 27, 2006, the court denied our motion to dismiss the complaint and established a February 1, 2007 deadline for the completion of pre-trial discovery. Based upon the current timeline, a trial on the merits of the case is scheduled for no earlier than August 2007. In the interim, our counsel have filed motions seeking to allow an interim appeal of the ruling on the jurisdiction and venue issues. If allowed to proceed, such an appeal would not delay the discovery process while being pursued. While it is premature to quantify either the likelihood or the potential magnitude of an adverse decision, the fees and expenses associated with the defense of this suit are not covered by insurance and could adversely impact our financial condition or results of operations and cash flows, even if we ultimately prevail. Further, the time devoted to this matter by management and the possible impact of litigation on business negotiations occurring prior to resolution of this matter could also adversely impact our financial condition or results of operations and cash flows. Finally, even if the direct effect of the resolution of this case does not result in a material adverse impact on us, it is possible that the resolution of this case could result in industry-wide changes in the way race schedules are determined by sanctioning bodies, which could indirectly have a material adverse impact on us.

The postponement or cancellation of one or more major motorsports events could adversely impact our future operating results. A postponement or cancellation could be caused by a number of factors, including inclement weather, a widespread outbreak of a severe epidemiological crisis, a general postponement or cancellation of all major sporting events in this country (as occurred following the September 11, 2001 terrorist attacks), a terrorist attack at any mass gathering or fear of such an attack, conditions resulting from the war in Iraq or other acts or prospects of war.

The following table sets forth, for each of the indicated periods, certain selected statement of operations data as a percentage of total revenues:

	For the Year Ended November 30,		
	2003	2004	2005
Revenues:			
Admissions, net	37.1%	34.4%	31.7%
Motorsports related	48.3	51.7	55.2
Food, beverage and merchandise	13.5	12.8	11.8
Other	1.1	1.1	1.3
Total revenues	100.0	100.0	100.0
Expenses:			
Direct expenses:			
Prize and point fund monies and NASCAR sanction fees	17.7	18.4	18.5
Motorsports related	17.8	17.4	18.1
Food, beverage and merchandise	7.6	8.1	7.7
General and administrative	15.0	13.9	13.0
Depreciation and amortization	7.4	6.9	6.9
Homestead-Miami Speedway track reconfiguration	0.5	-	-
Total expenses	66.0	64.7	64.2
Operating income	34.0	35.3	35.8
Interest expense, net	(3.9)	(2.7)	(1.0)
Loss on early redemption of debt	-	(0.8)	-
Equity in net income from equity investments	0.5	0.4	0.5
Income from continuing operations before income taxes	30.6	32.2	35.3
Income taxes	12.0	12.7	13.8
Income from continuing operations	18.6	19.5	21.5
Income (loss) from discontinued operations	0.6	(1.0)	-
Gain on sale of discontinued operations	-	5.6	-
Net income	19.2%	24.1%	21.5%

Comparison of Fiscal 2005 to Fiscal 2004

The comparison of fiscal 2005 to fiscal 2004 is impacted by the following factors:

- In July 2004, we acquired the assets and assumed the operations and certain liabilities of Martinsville. The timing of the acquisition in fiscal 2004 resulted in an incremental NASCAR NEXTEL Cup and Craftsman Truck series event during fiscal 2005;
- During fiscal 2004, we sold the assets and operations of North Carolina and made a decision to pursue the sale of Nazareth due to the realignment of Nazareth's events to our Watkins Glen facility starting with the 2005 event season. Accordingly, the results of operations for North Carolina and Nazareth are recorded as discontinued operations for all periods presented in accordance with SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets". Watkins Glen hosted a NASCAR Busch Series event and an IRL event included in our continuing operations during fiscal year 2005, while the corresponding events held at Nazareth during the prior fiscal year are recorded as part of discontinued operations;
- As part of NASCAR's fiscal 2005 event date realignments, a NASCAR NEXTEL Cup and Busch series weekend historically hosted by Darlington was realigned to Phoenix;
- Speedweeks at Daytona was highlighted by the debut of the facility's previously discussed newly renovated infield;
- In fiscal 2005, we reached settlement with the CART Liquidation Trust that allowed a claim in our favor of $1.75 million in the Championship Auto Racing Teams ("CART") bankruptcy; and
- In fiscal 2004, we refinanced our outstanding $225 million senior notes originally due in October 2004 and paid a redemption premium on the previously outstanding senior notes.

Admissions revenue increased approximately $12.2 million, or 5.5%, in fiscal 2005 compared to fiscal 2004. The increase is primarily due to:

- The previously discussed timing of the acquisition of Martinsville;
- Realignment of events to Watkins Glen;
- The net impact of the realignment of events to Phoenix from Darlington;
- Increased attendance for the NASCAR events conducted during Speedweeks at Daytona supporting our sold out Daytona 500;
- Rescheduling of the NASCAR Craftsman Truck Series event at Michigan from the IRL weekend in fiscal 2004 to the June NASCAR NEXTEL Cup weekend in fiscal 2005, resulting in increased attendance and weighted average ticket price; and
- Increased attendance for the remaining Darlington NASCAR weekend.

These increases are partially offset by certain admissions decreases including attendance for the California NASCAR NEXTEL Cup and Busch series events conducted in the first quarter of fiscal 2005.

Motorsports related revenue increased approximately $73.6 million, or 22.0%, in fiscal 2005 compared to fiscal 2004. The increase is primarily due to increased television broadcast rights fees, sponsorship, hospitality and other race related revenues for comparable NASCAR NEXTEL Cup weekends hosted at our facilities as well the timing of the acquisition of Martinsville and the realignment of events to Watkins Glen. The net impact of realignment of events to Phoenix from Darlington also contributed to the current year increase.

Food, beverage and merchandise revenue increased approximately $4.0 million, or 4.8%, in fiscal 2005 compared to fiscal 2004. The increase is primarily due to catering, merchandise and concession operations for comparable NASCAR NEXTEL Cup weekends, the net impact of realignment of events to Phoenix from Darlington, the timing of the acquisition of Martinsville and higher revenues resulting from increased attendance, hospitality units and additional points of sale in the newly renovated infield for events during Speedweeks at Daytona. These increases are partially offset by decreases primarily related to our Americrown subsidiary performing services at non-ISC venues in fiscal 2004.

Other revenue increased approximately $2.5 million, or 34.4%, during fiscal 2005 compared to fiscal 2004. The increase is primarily attributable to agricultural operations and rental income from non-motorsports activities.

Prize and point fund monies and NASCAR sanction fees increased approximately $17.5 million, or 14.7%, in fiscal 2005, as compared to fiscal 2004. The increase is primarily attributable to the increase in television broadcast rights fees for comparable NASCAR NEXTEL Cup and Busch series events held at our facilities as standard NASCAR sanctioning agreements require that a specified percentage of television broadcast rights fees be paid to competitors. The previously discussed realignment of the NASCAR Busch Series event to Watkins Glen also contributed to the increase, as well as the timing of the acquisition of Martinsville.

Motorsports related expenses increased approximately $21.3 million, or 18.9%, in fiscal 2005 compared to fiscal 2004. The increase is primarily related to increased operating expenses for comparable events during the periods, including operating expenses associated with the previously discussed Daytona infield renovation, certain strategic consumer and corporate marketing initiatives and services donated to hurricane relief efforts. Increases during fiscal 2005 also included the realignment of events to Watkins Glen, the net impact of realignment of events to Phoenix from Darlington and the timing of the acquisition of Martinsville. Motorsports related expenses as a percentage of combined admissions and motorsports related revenue increased to approximately 20.9% for fiscal 2005, as compared to 20.3% for fiscal 2004, primarily due to the previously discussed expenses as well as the expenses and the sanction fee for the realigned Watkins Glen IRL event. These increases are partially offset by increased revenues from the television broadcast rights fees and the timing of the Martinsville acquisition.

Food, beverage and merchandise expense increased $4.5 million, or 8.6%, during fiscal 2005 as compared to fiscal 2004. The increase is primarily attributable to event related costs, including increases associated with the additional events at Martinsville and the realignment of events to Phoenix from Darlington, certain merchandise inventory writedowns and inventory donated to hurricane relief efforts. These increases are partially offset by services at non-ISC venues in fiscal 2004. Food, beverage and merchandise expense as a percentage of food, beverage merchandise revenue increased to approximately 65.1% for fiscal 2005 as compared to 62.8% for fiscal 2004. The increases are primarily related to previously discussed inventory writedowns, increased operating and selling costs associated with an expanded merchandising strategy implemented in late-fiscal 2004 and donated merchandise. Also contributing to the increase for fiscal 2005 is the lower margin upscale catering cuisine offered in the new NEXTEL FANZONE and Daytona 500 Club during Speedweeks. These increases are partially offset by our Americrown subsidiary performing lower margin services at non-ISC venues in fiscal year 2004 and the realignment of events to Phoenix from Darlington.

General and administrative expenses increased approximately $5.7 million, or 6.3%, during fiscal 2005 as compared to fiscal 2004. The increases are primarily related to a net increase in certain costs related to the growth of our core business, expenses associated with the timing of the acquisition of Martinsville, hurricane repair costs associated with storms in late fiscal 2004 and a non-cash charge associated with certain asset replacements at Richmond International Raceway ("Richmond"). These increases are partially offset by the recovery of a portion of the previously recorded bad debt expense related to our claim against CART, non-cash charges associated with the net book value of certain undepreciated assets removed during the renovation of Daytona's infield and Michigan's frontstretch during fiscal 2004, and a decrease in professional fees and strategic development expenses. During fiscal 2005, we reached settlement with the CART Liquidation Trust that allowed a claim in our favor of $1.75 million in the CART bankruptcy. The claim was based on the failure to return the sanction fee paid to CART, less allowable expenses, for the 2003 event scheduled in California that was canceled because of the state of emergency due to wildfires in Southern California at the time. The U.S. Bankruptcy Court, Southern District of Indiana, approved the good faith settlement at a hearing in May, and we recovered the full $1.75 million of the allowed claim. Accordingly, we recorded the $1.75 million recovery as a reduction of bad debt expense during fiscal 2005. General and administrative expenses as a percentage of total revenues decreased from approximately 13.9% to 13.0% primarily due to increased television broadcast revenues, the recovery in the CART settlement, decreases in professional and strategic development expenses, increases in revenues for Speedweeks at Daytona and the previously discussed incremental Martinsville events. The decreases are partially offset by previously noted net increases in general and administrative expenses.

Depreciation and amortization expense increased approximately $6.5 million, or 14.5%, during fiscal 2005 as compared to fiscal 2004. The increase was primarily attributable to the Daytona infield renovation project, certain retail technology projects, the Michigan front stretch reconfiguration project, the acquisition of Martinsville, and other ongoing capital spending.

Interest income increased by approximately $807,000, or 19.9%, during fiscal 2005 as compared to fiscal 2004. These increases were primarily due to higher yield on short-term investments in the current periods partially offset by lower outstanding cash and short term investment balances.

Interest expense decreased approximately $9.0 million, or 41.6%, during fiscal 2005 compared to fiscal 2004. An increase in capitalized interest, primarily related to land purchased for the proposed construction of a speedway in Staten Island, New York and, to a lesser extent, certain other construction projects contributed to the decrease in interest expense. Also contributing to the decrease in fiscal 2005 is our May 28, 2004, refinancing of $225 million 7.875 percent senior notes issued in October 1999 and due October 15, 2004, ("1999 Senior Notes") with $150 million 4.20 percent senior notes due 2009, and $150 million 5.40 percent senior notes due 2014 (collectively the "2004 Senior Notes") issued on April 23, 2004. To a lesser extent, the incremental interest on the 1999 Senior Notes from April 23, 2004 to May 28, 2004 contributed to lower interest expense in fiscal 2005.

Equity in net income from equity investments represents our pro rata share of the current income from our 37.5% equity investment in Raceway Associates and our 50% equity investment in a joint venture doing business under the name Motorsports Authentics. Raceway Associates owns and operates Chicagoland Speedway and Route 66 Raceway. Motorsports Authentics is a leader in design, promotion, marketing and distribution of motorsports licensed merchandise.

Our effective tax rate decreased from 39.4% to 39.0% during fiscal 2005 compared to fiscal 2004. This decrease is primarily a result of deposits made during fiscal 2005 with the Internal Revenue Service (the "Service") to stop the accrual of interest on contested items in our ongoing federal tax examination combined with the increase in pretax income in fiscal 2005 compared to fiscal 2004. See "Future Liquidity" for further discussion regarding the examination of our federal income tax returns.

As a result of the foregoing, our income from continuing operations increased from approximately $126.3 million to approximately $159.1 million, or 26.0%, during fiscal 2005, as compared to the same period of the prior year.

The operations of North Carolina and Nazareth are presented as discontinued operations, net of tax, for all periods presented in accordance with SFAS No. 144. The fiscal 2004 periods include an approximately $36.3 million after-tax gain related to the sale of North Carolina's assets. Also included in fiscal 2004 is an $8.6 million after-tax, non-cash charge for impairment of long-lived assets related to the realignment of the NASCAR and IRL race event dates from Nazareth to other facilities within our portfolio beginning in fiscal 2005. In fiscal 2005, discontinued operations include a $471,000 after-tax non-cash gain related to the decision made in the fourth quarter to relocate and use certain grandstand assets from Nazareth to Darlington, which had previously been written off.

As a result of the foregoing, our net income increased approximately $3.0 million, or $0.05 per diluted share, for fiscal 2005 compared to fiscal 2004.

Comparison of Fiscal 2004 to Fiscal 2003

- As previously discussed, in July 2004, we sold the assets and operations of our North Carolina facility. Further, motorsport event operations were suspended at Nazareth at the end of the 2004 season and its long-lived assets are held for sale at November 30, 2004. As a result, the results of operations for North Carolina and Nazareth are recorded as discontinued operations in all periods presented in accordance with SFAS No. 144. This is of particular significance in the comparison of fiscal 2004 to fiscal 2003 due to event realignment in fiscal 2004. The net result of this realignment was that California hosted an additional NASCAR NEXTEL Cup Series event weekend beginning in 2004 and the schedule of events at North Carolina was reduced from two NASCAR NEXTEL Cup Series event weekends in fiscal 2003 to one in fiscal 2004. While the results of the 2004 event weekend realigned to California is included in our fiscal 2004 operating revenues and expenses, the fiscal 2004 and fiscal 2003 event results of North Carolina are recorded in discontinued operations.
- As previously discussed, the Company acquired Martinsville in July of fiscal 2004 which resulted in an additional NEXTEL Cup weekend in fiscal 2004 in which there was no comparable event in fiscal 2003.
- In fiscal 2003, we recorded a bad debt expense of $2.5 million related to the CART Champ Car sanction fee for the cancelled event at California.
- In fiscal 2004, we refinanced our outstanding $225 million senior notes due in October 2004 and paid a redemption premium on the previously outstanding senior notes.

Admissions revenue increased approximately $18.8 million, or 9.3%, in fiscal 2004 as compared to fiscal 2003. This increase was primarily attributable to the realignment of the NASCAR NEXTEL Cup weekend to California and our purchase of Martinsville in July 2004, which resulted in the addition of a NASCAR NEXTEL Cup weekend in our fourth fiscal quarter. Strong attendance at many of our other fiscal 2004 events, as well as an increase in the weighted average price of tickets sold for certain events, also contributed to the increase. These increases were partially offset by admissions decreases at certain Speedweeks events supporting our sold-out Daytona 500, including the NASCAR Busch Series event which was rescheduled to the following Monday due to inclement weather.

Motorsports related revenue increased approximately $69.7 million, or 26.3%, in fiscal 2004 as compared to fiscal 2003. Over three-quarters of the increase was attributable to the increase in television broadcast rights fees for the NASCAR NEXTEL Cup and NASCAR Busch series events conducted during the year, the realignment of the NASCAR NEXTEL Cup weekend to California and the acquisition of Martinsville. Sponsorship, advertising, hospitality, camping and other event related revenues also contributed to the increase.

Food, beverage and merchandise revenue increased approximately $9.2 million, or 12.4%, in fiscal 2004 as compared to fiscal 2003. These increases were primarily attributable to the realignment of an additional NASCAR NEXTEL Cup weekend to California, our Americrown subsidiary performing services at non-ISC venues in 2004 as well as assuming certain merchandise operations that were conducted by third party vendors paying us a commission on sales in prior years and revenues from the additional NASCAR NEXTEL Cup weekend at Martinsville. Increased attendance at certain events, catering sales and sales at the gift shop adjacent to DAYTONA USA also contributed to the increases. These increases were offset by sales at the Dale Earnhardt Tribute Concert held at Daytona in June 2003, for which no comparable event was held in 2004, and by nonrecurring income of approximately $1.6 million recorded in the 2003 fiscal period related to our ongoing activities to audit third party vendors' sales reports for prior years.

Prize and point fund monies and NASCAR sanction fees increased approximately $22.4 million, or 23.2%, in fiscal 2004 as compared to fiscal 2003. Over one-half of the increase was attributable to the realignment of an additional NASCAR NEXTEL Cup weekend to California and the additional NASCAR NEXTEL Cup weekend at Martinsville. Increased prize and point fund monies paid by NASCAR to participants in comparable events during fiscal 2004 also contributed significantly to the increase. Over three-quarters of these increases were attributable to the increased television broadcast rights fees for the NASCAR NEXTEL Cup and NASCAR Busch series events conducted during fiscal 2004, as standard NASCAR sanctioning agreements require that a specified percentage of broadcast rights fees be paid to competitors.

Motorsports related expenses increased approximately $15.3 million, or 15.7%, in fiscal 2004 as compared to fiscal 2003. The increases were primarily attributable to the realignment of the NASCAR NEXTEL Cup weekend to California and the acquisition of Martinsville, increased operating costs for comparable events and activities conducted during fiscal 2004, costs related to our Motor Racing Network, Inc. subsidiary's NEXTEL Vision program (video production services for at-track large screen video displays) and certain strategic marketing initiatives. These increases were partially offset by the Dale Earnhardt Tribute Concert held at Daytona in June 2003 and certain expenses related to the 2003 CART Champ Car weekend at California which was postponed and later cancelled due to wildfires in the region. Motorsports related expenses as a percentage of combined admissions and motorsports related revenue decreased to approximately 20.3% in fiscal 2004 as compared to 20.9 % for the prior year. The decrease was primarily due to the increased television broadcast rights fees, partially offset by the increases in operating costs for comparable events and certain strategic marketing costs.

Food, beverage and merchandise expense increased approximately $10.8 million, or 26.1%, in fiscal 2004 as compared to fiscal 2003. These increases were primarily attributable to increased sales at many of our comparable events and the gift shop adjacent to DAYTONA USA, Americrown's assumption of certain merchandise operations that were conducted by third party vendors paying us a commission on sales in prior years, the realignment of the NASCAR NEXTEL Cup weekend to California and the acquisition of Martinsville. Increased product and other variable costs associated with our Americrown subsidiary performing services at certain non-ISC venues in fiscal 2004 also contributed to the increase. These increases are partially offset by costs of the Dale Earnhardt Tribute Concert held at Daytona in June 2003. Food, beverage and merchandise expenses as a percentage of food, beverage and merchandise revenue increased from approximately 56.0% in fiscal 2003 to approximately 62.8% in fiscal 2004. This margin decrease was primarily attributable to Americrown's assumption of certain operations that were conducted by third party vendors paying us a commission on sales in prior years, Americrown's expansion to certain non-ISC venues, which contributed a lower margin than ordinarily achieved at ISC owned facilities, and the previously discussed nonrecurring income of approximately $1.6 million related to third party vendor audits recorded in the prior year which contributed to the favorable margin during that period.

General and administrative expenses increased approximately $7.9 million, or 9.6%, in fiscal 2004 as compared to fiscal 2003. The increase was primarily attributable to a net increase in certain costs related to the growth of our core business, increases in other general expenses including Martinsville, strategic development costs and non-cash charges of approximately $1.0 million related to undepreciated assets removed in renovations at Daytona and Michigan in fiscal 2004. The increases are partially offset by the CART Champ Car sanction fee for the cancelled event at California recorded as a bad debt expense in fiscal 2003. General and administrative expenses as a percentage of total revenues decreased from approximately 15.0% in fiscal 2003 to approximately 13.9% in fiscal 2004. The decrease is primarily attributable to the increase in television broadcast right fees and revenues from the realignment of the NASCAR NEXTEL Cup weekend to California and the acquisition of Martinsville, partially offset by the previously described expense increases.

Depreciation and amortization expense increased approximately $3.6 million, or 8.8%, in fiscal 2004 as compared to fiscal 2003. These increases are primarily attributable to the track reconfiguration project at Miami completed in the fourth quarter of fiscal 2003, the installation of SAFER (steel and foam energy reduction) walls at most of our facilities, seat and suite additions at our Richmond facility, a new pedestrian/vehicular tunnel at Phoenix and other ongoing improvements to our facilities. Our acquisition of Martinsville in July 2004 also contributed to the increase.

Interest income increased by approximately $2.3 million, or 126.6%, in fiscal 2004 as compared to fiscal 2003. This increase was primarily due to higher cash balances in the current year.

Interest expense decreased approximately $1.5 million, or 6.3%, in fiscal 2004 as compared to fiscal 2003. On April 23, 2004, we issued the 2004 Senior Notes, using a substantial majority of the net proceeds from the transaction to redeem our existing 1999 Senior Notes, including the payment of redemption premium and accrued interest on May 28, 2004. We continued to incur interest of approximately $1.6 million on our previously existing 1999 Senior Notes from April 23, 2004 through May 28, 2004. In addition to the decrease in interest rate for the 2004 Senior Notes as compared to the previously outstanding 1999 Senior Notes, amortization of premiums on interest rate swaps, increases in capitalized interest and a decrease in the amount outstanding on a term loan for our Miami facility also contributed to the decrease in interest expense during fiscal 2004.

As discussed above, we used the proceeds from our 2004 Senior Notes to redeem and retire all of our outstanding 1999 Senior Notes. As a result, during fiscal 2004 we recorded approximately $5.0 million loss on early retirement of debt comprised of a redemption premium of approximately $5.3 million, associated unamortized net deferred financing costs and unamortized original issuance discount, which were partially offset by gain recognition on unamortized deferred interest rate swap terminations associated with the 1999 Senior Notes.

Equity in net income from equity investments represents our pro rata share of the current income from our 37.5% equity investment in Raceway Associates. Raceway Associates owns and operates Chicagoland Speedway and Route 66 Raceway.

Our effective income tax rate remained relatively constant in fiscal 2004 as compared to fiscal 2003, with an increase in our blended state tax rate offset by an increase in tax exempt interest income included in income from continuing operations.

As a result of the foregoing, our income from continuing operations before cumulative effect of accounting change increased from approximately $102.0 million to approximately $126.3 million, or 23.9%, in fiscal 2004 as compared to fiscal 2003.

The operations and gain on sale of North Carolina and the operations of Nazareth are presented as discontinued operations, net of tax, for all periods presented in accordance with SFAS No. 144.

As a result of the foregoing, our net income increased from approximately $105.4 million to approximately $156.3 million, or 48.2%, in fiscal 2004 as compared to fiscal 2003.

Liquidity and Capital Resources

General

We have historically generated sufficient cash flow from operations to fund our working capital needs and capital expenditures at existing facilities, as well as to pay an annual cash dividend. In addition, we have used the proceeds from offerings of our Class A Common Stock, the net proceeds from the issuance of long-term debt, borrowings under our credit facilities and state and local mechanisms to fund acquisitions and development projects. At November 30, 2005, we had cash, cash equivalents and short-term investments totaling approximately $139.0 million, $300.0 million principal amount of senior notes outstanding and a debt service funding commitment of approximately $69.0 million principal amount related to the taxable special obligation revenue (“TIF”) bonds issued by the Unified Government of Wyandotte County/Kansas City, Kansas (“Unified Government”). We had working capital of approximately $14.9 million and $149.9 million, at November 30, 2005 and 2004, respectively. The reduction in our working capital during the fiscal year ended November 30, 2005 is primarily attributable to capital expenditures and deposits made with the Service during this period.

Our current liquidity is primarily generated from our ongoing motorsports operations, and we expect our strong operating cash flow to continue in the future. In addition, as of January 31, 2006, we have approximately $230.0 million available to draw upon under our revolving credit facility (“Credit Facility”), if needed. See “Future Liquidity” for additional disclosures relating to our Credit Facility and certain risks that may affect our near term operating results and liquidity.

Cash Flows

Net cash provided by operating activities was approximately $146.8 million for fiscal 2005, compared to approximately $226.0 million for fiscal 2004. The difference between our net income of approximately $159.4 million and the approximately $146.8 million of operating cash flow was primarily attributable to:

- Income tax deposits made with the Service in June 2005 of approximately $96.9 million in connection with the ongoing federal income tax examination (see “Future Liquidity”);
- a decrease in accounts payable and other liabilities of approximately $5.4 million;
- a decrease in income taxes payable of approximately $5.0 million; and
- undistributed income from equity investments of approximately $3.5 million.

These differences were partially offset by depreciation and amortization expense of approximately $50.9 million, deferred income taxes of approximately $29.2 million, an increase in deferred income of approximately $9.2 million and a decrease in accounts receivables of approximately $7.3 million.

Net cash used in investing activities was approximately $166.2 million for fiscal 2005, compared to approximately $348.3 million for fiscal 2004. Our use of cash for investing activities reflects approximately $324.2 million for the purchase of short-term investments, approximately $248.9 million in capital expenditures, approximately $12.7 million for the purchase of Pikes Peak and another business and the equity investment in SMISC of approximately $11.6 million. This use of cash is partially offset by approximately $431.0 million in proceeds from the sale of short-term investments.

Net cash used in financing activities was approximately $10.8 million for fiscal 2005, compared to approximately $59.3 million provided by financing activities for fiscal 2004. Our use of cash for financing activities reflects approximately $7.5 million for the payment of long-term debt and $3.2 million in cash dividends paid.

Capital Expenditures

Capital expenditures totaled approximately $248.9 million for fiscal 2005, compared to approximately $135.2 million for fiscal 2004. Approximately one-half of the capital expenditures during fiscal 2005 were related to the purchase of land parcels in the New York City Borough of Staten Island for a potential major speedway development and other costs related to due diligence and feasibility studies for this project (see “Future Liquidity”). The remaining capital expenditures were primarily related to the completion of improvements at Michigan including club seating and suite additions, suite and club seat additions at Miami, our multi-faceted infield renovation project at Daytona, acquisition of land and land improvements for expansion of parking, camping capacity and other uses, track lighting projects at Miami and Phoenix, the purchase of equipment and other assets associated with our food, beverage and merchandising operations and a variety of other improvements and renovations to our facilities.

At November 30, 2005, we have approximately $122.2 million in capital projects currently approved for our existing facilities. These projects include the acquisition of land and land improvements at various facilities for expansion of parking, camping capacity and other uses, seat, suite and club additions at Phoenix, the repaving of Talladega’s racing surface, the renovation and expansion of California’s front midway area, seat additions at Darlington and a variety of other improvements and renovations to our facilities.

As a result of these currently approved projects and estimated additional approvals in fiscal 2006 and subsequent years, we expect our annual capital expenditures at our existing facilities will be approximately $80 million to $100 million, depending on the timing of certain projects.

We review the capital expenditure program periodically and modify it as required to meet current business needs.

Future Liquidity

On April 23, 2004, we completed an offering of $300.0 million principal amount of unsecured senior notes in a private placement. On September 27, 2004, we completed an offer to exchange the 2004 Senior Notes for registered senior notes with substantially identical terms. At November 30, 2005, outstanding 2004 Senior Notes totaled approximately $301.2 million, net of unamortized discounts and premium, which is comprised of $150.0 million principal amount unsecured senior notes, which bear interest at 4.2% and are due April 2009, and $150.0 million principal amount unsecured senior notes, which bear interest at 5.4% and are due April 2014. The 2004 Senior Notes require semi-annual interest payments on April 15 and October 15 through their maturity. The 2004 Senior Notes may be redeemed in whole or in part, at our option, at any time or from time to time at redemption prices as defined in the indenture. Our subsidiaries are guarantors of the 2004 Senior Notes.

In January 1999, the Unified Government issued approximately $71.3 million in TIF bonds in connection with the financing of construction of Kansas Speedway. At November 30, 2005 outstanding TIF bonds totaled approximately $67.8 million, net of the unamortized discount, which is comprised of a $19.3 million principal amount, 6.15% term bond due December 1, 2017 and a $49.7 million principal amount, 6.75% term bond due December 1, 2027. The TIF bonds are repaid by the Unified Government with payments made in lieu of property taxes ("Funding Commitment") by our wholly-owned subsidiary, Kansas Speedway Corporation. Principal (mandatory redemption) payments per the Funding Commitment are payable by Kansas Speedway Corporation on October 1 of each year. The semi-annual interest component of the Funding Commitment is payable on April 1 and October 1 of each year. Kansas Speedway Corporation granted a mortgage and security interest in the Kansas project for its Funding Commitment obligation.

In October 2002, the Unified Government issued subordinate sales tax special obligation revenue bonds ("2002 STAR Bonds") totaling approximately $6.3 million to reimburse us for certain construction already completed on the second phase of the Kansas Speedway project and to fund certain additional construction. The 2002 STAR Bonds, which require annual debt service payments and are due December 1, 2022, will be retired with state and local taxes generated within the Kansas Speedway's boundaries and are not our obligation. Kansas Speedway Corporation has agreed to guarantee the payment of principal, any required premium and interest on the 2002 STAR Bonds. At November 30, 2005, the Unified Government had $5.1 million in 2002 STAR Bonds outstanding. Under a keepwell agreement, we have agreed to provide financial assistance to Kansas Speedway Corporation, if necessary, to support its guarantee of the 2002 STAR Bonds.

Our $300.0 million Credit Facility is scheduled to mature in September 2008, and accrues interest at LIBOR plus 62.5—150 basis points, based on our highest debt rating as determined by specified rating agencies. At November 30, 2005, we did not have any borrowings outstanding under the Credit Facility. In December 2005, we borrowed approximately $80.0 million from our Credit Facility as part of the equity contribution totaling approximately $123.8 million to SMISC in connection with its acquisition of Action. In January 2006, we repaid approximately $10.0 million of these Credit Facility borrowings and currently have approximately $70.0 million outstanding on our Credit Facility.

We are a member of Motorsports Alliance, LLC ("Motorsports Alliance") (owned 50% by us and 50% by Indianapolis Motor Speedway LLC), which owns 75% of Raceway Associates. Raceway Associates owns and operates Chicagoland Speedway and Route 66 Raceway. Raceway Associates has a term loan arrangement, which requires quarterly principal and interest payments and matures November 15, 2012, and a $15 million secured revolving credit facility, which matures in September 2008. At November 30, 2005, Raceway Associates had approximately $33.2 million outstanding under its term loan and no borrowings outstanding under its existing credit facility. Under a keepwell agreement, the members of Motorsports Alliance have agreed to provide financial assistance to Raceway Associates, if necessary, on a pro rata basis to support performance under its term loan and credit facility.

We have guaranteed minimum royalty payments under certain agreements through December 2015, with a remaining maximum exposure at November 30, 2005, of approximately $12.5 million.

At November 30, 2005, we had contractual cash obligations to repay debt and to make payments under operating agreements, leases and commercial commitments in the form of guarantees and unused lines of credit.

Payments due under these long-term obligations are as follows as of November 30, 2005 (in thousands):

		Obligations Due by Period			
	Total	Less Than One Year	2-3 Years	4-5 Years	After 5 Years
Long-term debt	$ 368,990	$ 635	$ 1,685	$ 152,320	$ 214,350
Track facility operating agreement	40,320	2,220	4,440	4,440	29,220
Other operating leases	12,043	3,896	4,015	1,066	3,066
Total Contractual Cash Obligations	$ 421,353	$ 6,751	$ 10,140	$ 157,826	$ 246,636

Commercial commitment expirations are as follows as of November 30, 2005 (in thousands):

		Commitment Expiration by Period			
	Total	Less Than One Year	2-3 Years	4-5 Years	After 5 Years
Guarantees	$ 17,575	$ 805	$ 1,050	$ 630	$ 15,090
Keepwell agreements	16,600	2,400	4,800	4,800	4,600
Unused credit facilities	302,420	2,420	300,000	-	-
Total Commercial Commitments	$ 336,595	$ 5,625	$ 305,850	$ 5,430	$ 19,690

During fiscal 1999, we announced our intention to search for a site for a major motorsports entertainment facility in the New York metropolitan area. Our efforts included the evaluation of many different locations. Ultimately we identified a combination of land parcels in the New York City borough of Staten Island aggregating approximately 677 acres that could potentially be utilized for the development of a major motorsports entertainment and retail development project. In the aggregate these parcels represent the largest block of undeveloped land in the five boroughs of New York City. Our majority-owned subsidiary, 380 Development, LLC ("380 Development"), purchased the total 677 acres for approximately $110.4 million. The minority member of 380 Development is a subsidiary of Related Retail Corporation ("Related"), a retail development specialist whose developments include the Time Warner Center in Manhattan and the Gateway Retail Center in Brooklyn. There are operating and development agreements between us and Related which will govern the development and operation of the planned project and impose mutual and reciprocal obligations on the parties with respect to the project. In addition, Related's approximately 12.4% membership interest in 380 Development is pledged to secure a note to us for Related's proportionate share of the agreed project development expenses until such time as the status of project approval is ultimately determined. The proposed project is expected to consist of a three-quarter-mile, high-banked motorsports facility with approximately 80,000 grandstand seats and 64 luxury suites, complemented by a 50-acre retail center featuring nationally known stores offering year-round shopping opportunities. Upon successful completion of the development, the site will be divided with ISC retaining 100% ownership of the motorsports entertainment facility and Related retaining 100% ownership of the retail center. We currently expect the speedway portion of the development will cost between $550 and $600 million, including the aforementioned land purchases, and could open in 2010. While we believe a facility in New York provides significant long-term strategic value for us, these property acquisitions were only small steps in a long and complex process. In addition to building grassroots support for the project and working closely with the appropriate governmental agencies responsible for approval and permitting, we continue to conduct a detailed feasibility study to further analyze construction costs, determine the level of available public incentives, and review environmental impacts including traffic, noise, air quality and remediation required, if any. Whether we ultimately construct a speedway or pursue alternative options for the development of this prime New York real estate will largely depend on the results of this study.

In light of NASCAR's publicly announced position regarding additional potential realignment of the NASCAR NEXTEL Cup Series schedule, we also believe there are potential development opportunities in other new, underserved markets across the country. As such, we have been and are exploring opportunities for public/private partnerships targeted to develop one or more motorsports facilities in new markets, including the Northwest US. In June 2005, we announced we had identified a preferred site for the development of a motorsports facility in Kitsap County, approximately 20 miles outside of Seattle, Washington, the country's twelfth largest media market. We have secured an option to purchase approximately 950 acres for the potential future home of an 81,500-seat, state-of-the-art racing venue, which could open in 2011. We are conducting ongoing project due diligence to review environmental impacts including traffic, noise, air quality, and others, if any. In November 2005, we announced a public-private partnership financing proposal for a $345 million motorsports facility where ISC, through its subsidiary Great Western Sports Inc., will pay approximately $166 million, or nearly half of the project cost. Kitsap, Pierce and Mason Counties would form a tri-county Public Speedway Authority ("PSA") to issue bonds that will help finance construction of the speedway. These bonds would be repaid through a sales tax credit issued by the state to the PSA, and from a local tax on the facility. State legislation is required to create the PSA and authorize the issuance of general obligation bonds to help finance the project. While we have significant local support, we believe it is in the best long-term interest of our project to not introduce the necessary legislation in the shortened session of the 2006 Washington Legislature (convened in early January and concludes in March), which is already facing a full agenda of action items. We are currently evaluating all options available to us, including introducing the legislation in the full 2007 session, and will decide on the best course of action for the project over the next several months. While we remain optimistic about our ability to construct a motorsports facility in this region of the country, it is too early to tell if the necessary public participation will materialize or if it will be sufficient to allow for the development of such a facility.

The Service is currently performing a periodic examination of our federal income tax returns for the years ended November 30, 1999 through 2004 and has challenged the tax depreciation treatment for a significant portion of our motorsports entertainment facility assets. In fiscal 2005, we received reports from the Service requesting downward adjustments to our tax depreciation expense for the fiscal years ended November 30, 1999 through 2002, which could potentially result in the reclassification of approximately $63.6 million of tax liability from deferred to current. Including related interest, the combined after-tax cash flow impact of these requested adjustments is approximately $79.4 million. In order to prevent incurring additional interest, we deposited approximately $79.4 million for the fiscal years ended November 30, 1999 through 2002, with the Service in June 2005. Additional adjustments to our tax depreciation expense are expected to be requested later by the Service for fiscal years ended November 30, 2003 and 2004. Including related interest, we estimate the combined after-tax cash flow impact of these additional federal tax adjustments, and related state tax revisions for all periods, to range between $50.0 million and $60.0 million at November 30, 2005. Accordingly, to further prevent incurring interest, we deposited approximately $17.5 million with the Service in June 2005 related to the anticipated federal tax adjustments for fiscal year 2003 and we expect to deposit amounts related to fiscal year 2004 in fiscal 2006. Our deposits are not a payment of tax, and we will receive accrued interest on any of these funds ultimately returned to us. At November 30, 2005, the approximately $96.9 million of previously discussed deposits with the Service are classified as long-term assets in our consolidated financial statements. As a result of the deposits paid to the Service for fiscal years 1999 through 2003 discussed above, we have reduced our interest accrual included in our estimated tax rate. Our effective tax rate for fiscal year 2005 was approximately 39.0%. We believe that our application of the federal income tax regulations in question, which have been applied consistently since being adopted in 1986 and have been subjected to previous IRS audits, is appropriate, and we intend to vigorously defend the merits of our position. The administrative appeals process within the Service is currently expected to take 6 to 18 months to complete. If our appeal is not resolved satisfactorily, we will evaluate all of our options, including litigation. It is important to note the federal American Jobs Creation Act of 2004 legislation, which was effective on October 23, 2004, provides owners of motorsports entertainment facility assets a seven-year recovery period for tax depreciation purposes. The motorsports provision applies prospectively from the date of enactment through January 1, 2008. We and others in the industry are pursuing a permanent seven-year prospective tax depreciation provision. In accordance with SFAS No. 109 "Accounting for Income Taxes," we have accrued a deferred tax liability based on the differences between our financial reporting and tax bases of such assets in our consolidated balance sheet as of November 30, 2005. While an adverse resolution of these matters could result in a material negative impact on cash flow, we believe that we have provided adequate reserves related to these matters in our consolidated financial statements as of November 30, 2005, and, as a result, do not expect that such an outcome would have a material adverse effect on results of operations.

In May 2005, we announced we entered into an agreement with Casto Lifestyle Properties, L.P. ("Casto") to pursue a joint venture for the development of a commercial mixed-use shopping center project on approximately 50 acres currently owned by us. Located directly across U.S. Highway 92 from our Daytona facility, the acreage currently includes several office buildings that house our corporate headquarters and certain related operations of ours and NASCAR, as well as a limited number of other tenants. The total project, which will be developed by us and the joint venture, is estimated to be constructed at a cost in excess of $75 million and would be comprised of retail, entertainment, office and residential components designed to complement surrounding commercial developments. Next steps for the project include a detailed feasibility study in which a number of key issues will be addressed. Provided the results of the feasibility study are favorable and appropriate leasing considerations are attained, we expect to move forward with the project within the next three to six months. If we proceed with the project, it is expected that certain of our existing corporate headquarter offices and other buildings, which are not currently fully depreciated, will be razed during the next 12 to 24 months.

On December 9, 2005, SMISC purchased the stock of Action, which was structured as a merger of an indirect wholly-owned subsidiary of SMISC into Action. Upon the consummation of the merger, Action's outstanding common stock was cancelled and the holders were to receive $13 in cash in exchange for each share of Action common stock. The total purchase price of approximately $247.6 million was funded through equal equity contributions from us and SMI of approximately $123.8 million, including transaction expenses, to SMISC. Our share of the equity contribution was funded from existing cash and borrowings of approximately $80.0 million from our Credit Facility.

Our cash flow from operations consists primarily of ticket, hospitality, merchandise, catering and concession sales and contracted revenues arising from television broadcast rights and marketing partnerships. While we expect our strong operating cash flow to continue in the future, our financial results depend significantly on a number of factors relating to consumer and corporate spending, including economic conditions affecting marketing dollars available from the motorsports industry's principal sponsors. Consumer and corporate spending could be adversely affected by economic, security and other lifestyle conditions resulting in lower than expected future operating cash flows. General economic conditions were significantly and negatively impacted by the September 11, 2001 terrorist attacks and the war in Iraq and could be similarly affected by any future attacks or fear of such attacks, or by conditions resulting from other acts or prospects of war. Any future attacks or wars or related threats could also increase our expenses related to insurance, security or other related matters. Also, our financial results could be adversely impacted by a widespread outbreak of a severe epidemiological crisis. While the items discussed above could adversely affect our financial success and future cash flow, we believe that cash flows from operations, along with existing cash, cash equivalents, short-term investments and available borrowings under our Credit Facility, will be sufficient to fund:

- operations and approved capital projects at existing facilities for the foreseeable future;
- payments required in connection with the funding of the Unified Government's debt service requirements related to the TIF bonds;
- payments related to our existing debt service commitments;
- any potential payments associated with our keepwell agreements;
- any payment of tax that may ultimately occur as a result of the examination by the Service; and
- the fees and expenses incurred in connection with the current legal proceeding discussed in "Future trends in Operating Results."

We intend to pursue further development and/or acquisition opportunities (including the possible development of new motorsports facilities, such as the New York metropolitan area, the Northwest US and other areas), the timing, size and success, as well as associated potential capital commitments of which, are unknown at this time. Accordingly, a material acceleration in our growth strategy could require us to obtain additional capital through debt and/or equity financings. Although there can be no assurance, we believe that adequate debt and equity financing will be available on satisfactory terms.

Recent Accounting Pronouncements

In December 2004, the FASB issued revised SFAS No. 123R, "Share-Based Payment." SFAS No. 123R sets accounting requirements for "share-based" compensation to employees and requires companies to recognize in the income statement the grant-date fair value of stock options and other equity-based compensation. SFAS No. 123R is effective in annual periods beginning after June 15, 2005. We will be required to adopt SFAS No. 123R in our first quarter of fiscal 2006 and currently disclose the effect on net income and earnings per share of the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" in the notes to our consolidated financial statements. The adoption of SFAS 123R is not expected to have a material impact on our financial position or results of operations.

In December 2004, the FASB issued SFAS No. 153 "Exchanges of Nonmonetary Assets—An Amendment of APB Opinion No. 29." SFAS No. 153 amends APB Opinion No. 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. SFAS No. 153 is to be applied prospectively for nonmonetary exchanges occurring in fiscal periods beginning after June 15, 2005. The adoption of SFAS No. 153 in the fourth quarter of fiscal 2005 did not have an impact on our financial position or results of operations.

In June 2005, the FASB's Emerging Issues Task Force ("EITF") reached a consensus on Issue No. 05-06, "Determining the Amortization Period for Leasehold Improvements." The guidance requires that leasehold improvements acquired in a business combination or purchased subsequent to the inception of a lease be amortized over the lesser of the useful life of the assets or a term that includes renewals that are reasonably assured at the date of the business combination or purchase. The guidance is effective for periods beginning after June 29, 2005. As this is consistent with our current policy, the adoption of EITF Issue No. 05-06 did not have an impact on our financial position or results of operations.

Our quarterly results are subject to seasonality and variability

We derive most of our income from a limited number of NASCAR-sanctioned races. As a result, our business has been, and is expected to remain, highly seasonal based on the timing of major racing events. For example, one of our NASCAR NEXTEL Cup Series races is traditionally held on the Sunday preceding Labor Day. Accordingly, the revenues and expenses for that race and/or the related supporting events may be recognized in either the fiscal quarter ending August 31 or the fiscal quarter ending November 30. Further, schedule changes as determined by NASCAR or other sanctioning bodies, as well as the acquisition of additional, or divestiture of existing, motorsports facilities could impact the timing of our major events in comparison to prior or future periods.

The following table presents certain unaudited financial data for each quarter of fiscal 2004 and 2005 (in thousands, except per share amounts):

	Fiscal Quarter Ended			
	February 29, 2004	**May 31, 2004**	**August 31, 2004**	**November 30, 2004**
Total revenue	$ 130,625	$ 131,125	$ 154,844	$ 231,254
Operating income	47,068	37,720	51,048	92,582
Income from continuing operations	24,450	15,595	31,810	54,441
Net income	27,793	6,059	68,090	54,376
Basic earnings per share	0.52	0.11	1.28	1.02
Diluted earnings per share	0.52	0.11	1.28	1.02

	Fiscal Quarter Ended			
	February 28, 2005	**May 31, 2005**	**August 31, 2005**	**November 30, 2005**
Total revenue	$ 179,432	$ 157,447	$ 166,519	$ 236,730
Operating income	71,847	46,866	56,019	90,533
Income from continuing operations	41,118	26,540	36,804	54,612
Net income	41,065	26,501	36,752	55,044
Basic earnings per share	0.77	0.50	0.69	1.04
Diluted earnings per share	0.77	0.50	0.69	1.03

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk from changes in interest rates in the normal course of business. Our interest income and expense are most sensitive to changes in the general level of U.S. interest rates and the LIBOR rate. In order to manage this exposure, we use a combination of debt instruments, including the use of derivatives in the form of interest rate swap agreements. We do not enter into any derivatives for trading purposes.

The objective of our asset management activities is to provide an adequate level of interest income and liquidity to fund operations and capital expansion, while minimizing market risk. We utilize overnight sweep accounts and short-term investments to minimize the interest rate risk. We do not believe that our interest rate risk related to our cash equivalents and short-term investments is material due to the nature of the investments.

Our objective in managing our interest rate risk on our debt is to maintain a balance of fixed and variable rate debt that will lower our overall borrowing costs within reasonable risk parameters. Interest rate swaps are used from time to time to convert a portion of our debt portfolio from a variable rate to a fixed rate or from a fixed rate to a variable rate.

The following analysis provides quantitative information regarding our exposure to interest rate risk. We utilize valuation models to evaluate the sensitivity of the fair value of financial instruments with exposure to market risk that assume instantaneous, parallel shifts in interest rate yield curves. There are certain limitations inherent in the sensitivity analyses presented, primarily due to the assumption that interest rates change instantaneously. In addition, the analyses are unable to reflect the complex market reactions that normally would arise from the market shifts modeled.

As described in Note 7 to the consolidated financial statements, we have various debt instruments that are issued at fixed rates. These financial instruments, which have a fixed rate of interest, are exposed to fluctuations in fair value resulting from changes in market interest rates. The fair values of long-term debt are based on quoted market prices at the date of measurement. Our credit facilities approximate fair value as they bear interest rates that approximate market. At November 30, 2005, we did not have any variable debt outstanding, therefore, a hypothetical increase in interest rates by 1% would not result in an increase in our interest expense. At November 30, 2005, the fair value of our total long-term debt as determined by quotes from financial institutions, was approximately $373.1 million. The potential decrease in fair value resulting from a hypothetical 10% shift in interest rates would be approximately $10.0 million at November 30, 2005.

From time to time we utilize derivative investments in the form of interest rate swaps to manage the fixed and floating interest rate mix of our total debt portfolio and related overall cost of borrowing. The notional amount, interest payment and maturity dates of the swaps match the terms of the debt they are intended to modify. At November 30, 2005, we did not have any interest rate swap agreements in place.

Credit risk arises from the possible inability of counterparties to meet the terms of their contracts on a net basis. However, we minimize such risk exposures for these instruments by limiting counterparties to large banks and financial institutions that meet established credit guidelines. We do not expect to incur any losses as a result of counterparty default.

Factors That May Affect Operating Results

This report may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. You can identify a forward-looking statement by our use of the words “anticipate,” “estimate,” “expect,” “may,” “believe,” “objective,” “projection,” “forecast,” “goal,” and similar expressions. These forward-looking statements include our statements regarding the timing of future events, our anticipated future operations and our anticipated future financial position and cash requirements. Although we believe that the expectations reflected in our forward-looking statements are reasonable, we do not know whether our expectations will prove correct. We disclose the important factors that could cause our actual results to differ from our expectations in cautionary statements made in this report and in other filings we have made with the Securities and Exchange Commission. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors described in filings with the Securities and Exchange Commission.

Many of these factors are beyond our ability to control or predict. We caution you not to put undue reliance on forward-looking statements or to project any future results based on such statements or on present or prior earnings levels. Information concerning these, or other factors, which could cause the actual results to differ materially from those in the forward-looking statements is contained from time to time in our other SEC filings. Copies of those filings are available from us and/or the SEC.

Consolidated Balance Sheets

	November 30, 2004	November 30, 2005
	(In Thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 160,978	$ 130,758
Short-term investments	115,000	8,200
Receivables, less allowance of $1,500 in 2004 and 2005	52,798	45,557
Inventories	7,267	6,528
Prepaid expenses and other current assets	5,032	6,335
Total Current Assets	341,075	197,378
Property and Equipment, net	969,095	1,178,682
Other Assets:		
Equity investments	36,489	51,160
Intangible assets, net	148,989	149,464
Goodwill	99,265	99,507
Deposits with Internal Revenue Service	-	96,913
Other	24,597	23,965
	309,340	421,009
Total Assets	$ 1,619,510	$ 1,797,069
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt	$ 7,505	$ 635
Accounts payable	28,854	19,274
Deferred income	114,518	123,870
Income taxes payable	25,241	20,067
Other current liabilities	15,078	18,645
Total Current Liabilities	191,196	182,491
Long-Term Debt	369,315	368,387
Deferred Income Taxes	165,617	194,825
Long-Term Deferred Income	11,503	11,342
Other Long-Term Liabilities	141	69
Commitments and Contingencies	-	-
Shareholders' Equity:		
Class A Common Stock, $.01 par value, 80,000,000 shares authorized; 28,858,934 and 29,394,344 issued and outstanding in 2004 and 2005, respectively	289	295
Class B Common Stock, $.01 par value, 40,000,000 shares authorized; 24,409,903 and 23,928,058 issued and outstanding in 2004 and 2005, respectively	244	239
Additional paid-in capital	696,882	699,879
Retained earnings	187,689	343,766
Accumulated other comprehensive loss	(22)	-
	885,082	1,044,179
Less unearned compensation-restricted stock	3,344	4,224
Total Shareholders' Equity	881,738	1,039,955
Total Liabilities and Shareholders' Equity	$ 1,619,510	$ 1,797,069

See accompanying notes

Consolidated Statements of Operations

	Year Ended November 30, 2003	2004	2005
	(In Thousands, Except Per Share Amounts)		
REVENUES:			
Admissions, net	$ 203,699	$ 222,545	$ 234,768
Motorsports related	265,209	334,943	408,514
Food, beverage and merchandise	74,075	83,236	87,269
Other	6,072	7,124	9,578
	549,055	647,848	740,129
EXPENSES:			
Direct expenses:			
Prize and point fund monies and NASCAR sanction fees	96,882	119,322	136,816
Motorsports related	97,771	113,073	134,395
Food, beverage and merchandise	41,467	52,285	56,773
General and administrative	82,403	90,307	95,987
Depreciation and amortization	40,860	44,443	50,893
Homestead-Miami Speedway track reconfiguration	2,829	-	-
	362,212	419,430	474,864
Operating income	186,843	228,418	265,265
Interest income	1,789	4,053	4,860
Interest expense	(23,179)	(21,723)	(12,693)
Loss on early redemption of debt	-	(4,988)	-
Equity in net income from equity investments	2,553	2,754	3,516
Income from continuing operations before income taxes	168,006	208,514	260,948
Income taxes	66,041	82,218	101,876
Income from continuing operations	101,965	126,296	159,072
Income (loss) from discontinued operations, net of income taxes of $1.4 million, ($3.7) million and $0, respectively	3,483	(6,315)	289
Gain on sale of discontinued operations, net of income taxes of $27.6 million	-	36,337	-
Net income	$ 105,448	$ 156,318	$ 159,361
Basic earnings per share:			
Income from continuing operations	$ 1.92	$ 2.38	$ 2.99
Income (loss) from discontinued operations	0.07	(0.12)	0.01
Gain on sale of discontinued operations	-	0.68	-
Net income	$ 1.99	$ 2.94	$ 3.00
Diluted earnings per share:			
Income from continuing operations	$ 1.92	$ 2.37	$ 2.99
Income (loss) from discontinued operations	0.06	(0.11)	-
Gain on sale of discontinued operations	-	0.68	-
Net income	$ 1.98	$ 2.94	$ 2.99
Dividends per share	$ 0.06	$ 0.06	$ 0.06
Basic weighted average shares outstanding	53,057,077	53,084,437	53,128,533
Diluted weighted average shares outstanding	53,133,282	53,182,776	53,240,183

See accompanying notes

Consolidated Statements of Changes in Shareholders' Equity

	Class A Common Stock $.01 Par Value	Class B Common Stock $.01 Par Value	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive (Loss) Income	Unearned Compensation-Restricted Stock	Total Shareholders' Equity
				(In Thousands)			
Balance at November 30, 2002	$ 253	$ 279	$ 693,463	$ (67,641)	$ (874)	$ (3,155)	$ 622,325
Comprehensive income							
Net income	-	-	-	105,448	-	-	105,448
Interest rate swap	-	-	-	-	541	-	541
Total comprehensive income							105,989
Cash dividends ($.06 per share)	-	-	-	(3,193)	-	-	(3,193)
Restricted stock grant	-	-	1,595	-	-	(1,595)	-
Reacquisition of previously issued common stock	-	-	(340)	(12)	-	-	(352)
Conversion of Class B Common Stock to Class A Common Stock	30	(30)	-	-	-	-	-
Income tax benefit related to restricted stock plan	-	-	1	-	-	-	1
Amortization of unearned compensation	-	-	-	-	-	1,695	1,695
Balance at November 30, 2003	283	249	694,719	34,602	(333)	(3,055)	726,465
Comprehensive income							
Net income	-	-	-	156,318	-	-	156,318
Interest rate swap	-	-	-	-	311	-	311
Total comprehensive income							156,629
Cash dividends ($.06 per share)	-	-	-	(3,196)	-	-	(3,196)
Exercise of stock options	-	-	442	-	-	-	442
Restricted stock grant	1	-	2,022	-	-	(2,023)	-
Reacquisition of previously issued common stock	-	-	(361)	(35)	-	-	(396)
Conversion of Class B Common Stock to Class A Common Stock	5	(5)	-	-	-	-	-
Income tax benefit related to restricted stock plan	-	-	60	-	-	-	60
Amortization of unearned compensation	-	-	-	-	-	1,734	1,734
Balance at November 30, 2004	289	244	696,882	187,689	(22)	(3,344)	881,738
Comprehensive income							
Net income	-	-	-	159,361	-	-	159,361
Interest rate swap	-	-	-	-	22	-	22
Total comprehensive income							159,383
Cash dividends ($.06 per share)	-	-	-	(3,199)	-	-	(3,199)
Exercise of stock options	-	-	444	-	-	-	444
Restricted stock grant	1	-	2,906	-	-	(2,907)	-
Reacquisition of previously issued common stock	-	-	(426)	(85)	-	-	(511)
Conversion of Class B Common Stock to Class A Common Stock	5	(5)	-	-	-	-	-
Forfeitures of restricted shares	-	-	(74)	-	-	46	(28)
Income tax benefit related to restricted stock plan	-	-	147	-	-	-	147
Amortization of unearned compensation	-	-	-	-	-	1,981	1,981
Balance at November 30, 2005	$ 295	$ 239	$ 699,879	$ 343,766	$ -	$ (4,224)	$1,039,955

See accompanying notes

Consolidated Statements of Cash Flows

	Year Ended November 30, 2003	2004	2005
		(In Thousands)	
OPERATING ACTIVITIES			
Net income	$ 105,448	$ 156,318	$ 159,361
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	40,860	44,443	50,893
Discontinued operations depreciation	3,311	1,244	-
Amortization of unearned compensation	1,695	1,734	1,953
Amortization of financing costs	294	250	569
Deferred income taxes	38,471	52,146	29,208
Undistributed income from equity investments	(2,553)	(2,754)	(3,516)
Impairment of long-lived assets	-	13,217	-
Gain on sale of discontinued operations	-	(63,926)	-
Loss on early redemption of debt	-	4,988	-
Homestead-Miami Speedway track reconfiguration	2,829	-	-
Other, net	(37)	1,028	(248)
Changes in operating assets and liabilities			
Receivables, net	(7,439)	(10,959)	7,304
Inventories, prepaid expenses and other assets	(990)	(2,569)	(644)
Deposits with Internal Revenue Service	-	-	(96,913)
Accounts payable and other liabilities	1,040	9,215	(5,359)
Deferred income	8,868	3,187	9,191
Income taxes	2,939	18,424	(5,027)
Net cash provided by operating activities	194,736	225,986	146,772
INVESTING ACTIVITIES			
Capital expenditures	(72,587)	(135,218)	(248,850)
Proceeds from asset disposals	178	86	31
Acquisition of businesses	-	(195,325)	(12,660)
Proceeds from sale of discontinued operations	-	100,391	-
Purchase of equity investments	-	(2,008)	(11,642)
Proceeds from short-term investments	400	147,650	430,950
Purchases of short-term investments	(400)	(262,450)	(324,150)
Proceeds from affiliate	4,075	-	487
Other, net	(1,552)	(1,442)	(377)
Net cash used in investing activities	(69,886)	(348,316)	(166,211)
FINANCING ACTIVITIES			
Proceeds from long-term debt	-	299,570	-
Payment of long-term debt	(5,775)	(231,890)	(7,505)
Payment of long-term debt redemption premium	-	(5,340)	-
Deferred financing fees	(820)	(2,626)	(10)
Proceeds from interest rate swap	-	2,771	-
Cash dividends paid	(3,193)	(3,196)	(3,199)
Reacquisition of previously issued common stock	(352)	(396)	(511)
Exercise of Class A common stock options	-	442	444
Net cash (used in) provided by financing activities	(10,140)	59,335	(10,781)
Net increase (decrease) in cash and cash equivalents	114,710	(62,995)	(30,220)
Cash and cash equivalents at beginning of period	109,263	223,973	160,978
Cash and cash equivalents at end of period	$ 223,973	$ 160,978	$ 130,758

See accompanying notes

NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS: International Speedway Corporation, including its wholly-owned subsidiaries (collectively the “Company”), is a leading promoter of motorsports entertainment activities in the United States. As of November 30, 2005, the Company owned and/or operated eleven of the nation’s major motorsports facilities as follows:

Track Name	Location	Track Length
Daytona International Speedway	Daytona Beach, Florida	2.5 Miles
Talladega Superspeedway	Talladega, Alabama	2.6 Miles
Michigan International Speedway	Brooklyn, Michigan	2.0 Miles
Richmond International Raceway	Richmond, Virginia	0.8 Miles
California Speedway	Fontana, California	2.0 Miles
Kansas Speedway	Kansas City, Kansas	1.5 Miles
Phoenix International Raceway	Phoenix, Arizona	1.0 Mile
Homestead-Miami Speedway	Homestead, Florida	1.5 Miles
Martinsville Speedway	Martinsville, Virginia	0.5 Miles
Darlington Raceway	Darlington, South Carolina	1.3 Miles
Watkins Glen International	Watkins Glen, New York	3.4 Miles

In addition, Raceway Associates, LLC (“Raceway Associates”), in which the Company holds a 37.5% indirect equity interest, owns and operates Chicagoland Speedway and Route 66 Raceway, two nationally recognized major motorsports facilities in Joliet, Illinois.

In 2005, these motorsports facilities promoted well over 100 stock car, open wheel, sports car, truck, motorcycle and other racing events, including:

- 21 National Association for Stock Car Auto Racing (“NASCAR”) NEXTEL Cup Series events;
- 15 NASCAR Busch Series events;
- nine NASCAR Craftsman Trucks Series events;
- eight Indy Racing League (“IRL”) IndyCar Series events;
- two National Hot Rod Association (“NHRA”) POWERade drag racing events;
- the premier sports car endurance event in the United States (the Rolex 24 at Daytona sanctioned by the Grand American Road Racing Association (“Grand American”)); and
- a number of other prestigious stock car, sports car, open wheel and motorcycle events.

The general nature of the Company’s business is a motorsports themed amusement enterprise, furnishing amusement to the public in the form of motorsports themed entertainment. The Company’s motorsports event operations consist principally of racing events at these major motorsports facilities, which, in total, currently have more than one million grandstand seats. The Company also conducts, either through operations of the particular facility or through certain wholly-owned subsidiaries operating under the name “Americrown,” souvenir merchandising operations, food and beverage concession operations and catering services, both in suites and chalets, for customers at all of its motorsports entertainment facilities. The Company also produces and markets motorsports-related merchandise such as apparel, souvenirs and collectibles to retail customers, through its *RacingOne.com* internet site, and directly to dealers.

MRN Radio, the Company’s proprietary radio network, produces and syndicates to radio stations the NASCAR NEXTEL Cup, Busch and Craftsman Truck series races and certain other races conducted at the Company’s tracks, as well as some races from tracks the Company does not own. In addition, MRN Radio provides production services for NEXTEL Vision, the trackside large screen video display units, at all NASCAR NEXTEL Cup Series event weekends except at Indianapolis Motor Speedway, which is a track not owned by the Company. MRN Radio also produces and syndicates daily and weekly NASCAR racing-themed programs.

The Company owns and operates DAYTONA USA–The Ultimate Motorsports Attraction, a motorsports-themed entertainment complex and the Official Attraction of NASCAR that includes interactive media, theaters, historical memorabilia and exhibits, tours, as well as riding and driving experiences of Daytona International Speedway.

SIGNIFICANT ACCOUNTING POLICIES:

PRINCIPLES OF CONSOLIDATION: The accompanying consolidated financial statements include the accounts of International Speedway Corporation and its wholly-owned subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CASH AND CASH EQUIVALENTS AND SHORT TERM INVESTMENTS: For purposes of reporting cash flows, cash and cash equivalents include cash on hand, bank demand deposit accounts and overnight sweep accounts used in the Company's cash management program. All highly liquid investments with stated maturities of three months or less from the date of purchase are classified as cash equivalents.

The Company maintained its cash and cash equivalents primarily with two financial institutions at November 30, 2005. The Company believes that it is not exposed to any significant credit risk on its cash balances due to the strength of the financial institutions.

The Company's short-term investments consist primarily of highly liquid, variable rate instruments, which have stated maturities of greater than three months and have been classified as available-for-sale. The Company has determined that its investment securities are available and intended for use in current operations and, accordingly, has classified such investment securities as current assets.

RECEIVABLES: Receivables are stated at their estimated collectible amounts. The allowance for doubtful accounts is estimated based on historical experience of write offs and future expectations of conditions that might impact the collectibility of accounts.

INVENTORIES: Inventories of items for resale are stated at the lower of cost, determined on the first-in, first-out basis, or market.

PROPERTY AND EQUIPMENT: Property and equipment, including improvements to existing facilities, are stated at cost. Depreciation is provided for financial reporting purposes using the straight-line method over the estimated useful lives as follows:

Buildings, grandstands and tracks	10-30 years
Furniture and equipment	3-8 years

The carrying values of property and equipment are evaluated for impairment based upon expected future undiscounted cash flows. If events or circumstances indicate that the carrying value of an asset may not be recoverable, an impairment loss would be recognized equal to the difference between the carrying value of the asset and its fair value.

EQUITY INVESTMENTS: The Company's investments in joint ventures and other investees where it can exert significant influence on the investee, but does not have effective control over the investee, are accounted for using the equity method of accounting. The Company's equity in the net income from equity method investments is recorded as income with a corresponding increase in the investment. Dividends received reduce the investment. The Company recognizes the effects of transactions involving the sale or distribution by an equity investee of its common stock as capital transactions.

Equity method investments consist of the Company's interests in Motorsports Alliance, LLC ("Motorsports Alliance") and SMISC, LLC ("SMISC").

Motorsports Alliance (owned 50% by the Company and 50% by Indianapolis Motor Speedway LLC), owns a 75% interest in Raceway Associates. Raceway Associates owns and operates Chicagoland Speedway and Route 66 Raceway.

On August 30, 2005, the Company partnered with Speedway Motorsports Incorporated ("SMI") in a 50/50 joint venture, SMISC, which, through a wholly-owned subsidiary, conducts business under the name Motorsports Authentics. Motorsports Authentics operates as an independent company with the Company and SMI as equal owners. Also on August 30, 2005, the Company announced that SMISC had entered into a definitive agreement dated August 29, 2005, to purchase the stock of Action Performance Companies, Inc. ("Action"). The acquisition was structured as a merger of a wholly-owned subsidiary of Motorsports Authentics, LLC into Action (see subsequent event Note 18).

The acquisition of Action was completed on December 9, 2005, which resulted in an investment of approximately $123.8 million and was combined with the net assets and merchandising operations of Team Caliber, which Motorsports Authentics acquired on September 8, 2005. As a result of these acquisitions, Motorsports Authentics is now a leader in design, promotion, marketing and distribution of motorsports licensed merchandise. Motorsports Authentics has licenses for exclusive and non-exclusive distribution with teams competing in NASCAR and other major motorsports series. Its products include a broad range of motorsports-related die-cast replica collectibles, apparel, gifts and other memorabilia, which are marketed through a combination of mass retail, domestic wholesale, trackside, international and collector's club distribution channels.

The Company's share of undistributed equity in the earnings from equity investments included in retained earnings at November 30, 2004 and 2005 was approximately $5.4 million and $8.9 million, respectively.

OTHER INVESTMENTS: Other investments in equity securities which are not considered common stock equivalents in accordance with Emerging Issues Task Force Issue No. 02-14, "Whether an Investor Should Apply the Equity Method of Accounting to Investments Other Than Common Stock" consist of the Company's investment in Proximities, Inc. ("Proximities"). This investment is accounted for under Statement of Financial Accounting Standard ("SFAS") No. 115 "Accounting for Certain Investments in Debt and Equity Securities."

Proximities is developing products which are to be marketed as secure radio frequency identification ("RFID") cashless payment, access control and age verification systems. These products allow customers to purchase concessions and merchandise quickly and easily using the fast, secure RFID wristband which is linked to a pre-authorized credit card. The Company acquired an approximately 24.5% interest in Proximities in November 2004 through the purchase of Series B Preferred Stock for approximately $2.0 million. Proximities is a variable interest entity as determined in accordance with Financial Accounting Standards Board "FASB" Interpretation No. 46, "Consolidation of Variable Interest Entities." The Company does not consolidate the operations of Proximities as it is not the primary beneficiary. The company's maximum exposure to loss as a result of its involvement with Proximities consists of its equity investment at November 30, 2005 of approximately $2.0 million.

GOODWILL AND INTANGIBLE ASSETS: The Company's goodwill and other intangible assets are evaluated for impairment, either upon the occurrence of an impairment indicator or annually, in its fiscal fourth quarter, based on assumptions regarding the Company's future business outlook and expected future discounted cash flows at the reporting unit level.

NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DEFERRED FINANCING FEES: Deferred financing fees are amortized over the term of the related debt and are included in other non-current assets.

DERIVATIVE FINANCIAL INSTRUMENTS: From time to time, the Company utilizes derivative instruments in the form of interest rate swaps to assist in managing its interest rate risk. The Company does not enter into any interest rate swap derivative instruments for trading purposes. While the Company is not currently utilizing interest rate swap derivative instruments, all historically have qualified for the use of the "short-cut" method of accounting to assess hedge effectiveness in accordance with SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities," as amended, and were recognized in its consolidated balance sheet at their fair value. The differential paid or received on interest rate swap agreements is recognized as an adjustment to interest expense. The change in the fair value of the interest rate swap, which is established as an effective hedge, is included in other comprehensive income.

INCOME TAXES: Income taxes have been provided using the liability method. Under this method, the Company's estimates of deferred income taxes and the significant items giving rise to deferred tax assets and liabilities reflect our assessment of actual future taxes to be paid on items reflected in our financial statements, giving consideration to both timing and probability of realization.

REVENUE RECOGNITION: Advance ticket sales and event-related revenues for future events are deferred until earned, which is generally once the events are conducted. The recognition of event-related expenses is matched with the recognition of event-related revenues. Revenues and related expenses from the sale of merchandise to retail customers, internet sales, and direct sales to dealers are recognized at the time of the sale.

Kansas Speedway Corporation ("KSC") offers Preferred Access Speedway Seating ("PASS") agreements, which give purchasers the exclusive right and obligation to purchase KSC season-ticket packages for certain sanctioned racing events annually through fiscal year 2030, under specified terms and conditions. Among the conditions, licensees are required to purchase all season-ticket packages when and as offered each year. PASS agreements automatically terminate without refund should owners not purchase any offered season tickets.

Net fees received under PASS agreements are deferred and are amortized into income over the term of the agreements which expire in fiscal 2030. Long-term deferred income under the PASS agreements totals approximately $10.8 million and $10.5 million at November 30, 2004 and 2005, respectively.

ADVERTISING EXPENSE: Advertising costs are expensed as incurred or, as in the case of race-related advertising, upon the completion of the event. Race-related advertising included in prepaid expenses and other current assets at November 30, 2004 and 2005 was approximately $749,000 and $920,000, respectively. Advertising expense from continuing operations was approximately $10.7 million, $12.1 million and $14.7 million for the years ended November 30, 2003, 2004 and 2005, respectively.

LOSS CONTINGENCIES: Legal and other costs incurred in conjunction with loss contingencies are expensed as incurred.

STOCK-BASED COMPENSATION: The Company has a long-term incentive stock plan, which is described more fully in Note 14. The Company accounts for its long-term incentive stock plan under the recognition and measurement principles of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. The Company recognizes stock-based employee compensation cost on its restricted shares awarded over their vesting periods in an amount equal to the fair market value of these shares on the date of award. No stock-based employee compensation cost is reflected in net income relating to stock options as all options granted under the plan have an exercise price equal to the market value of the underlying common stock on the date of grant.

NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," to stock based employee compensation for the years ended November 30 (in thousands, except per share amounts):

	2003	2004	2005
Net income, as reported	$ 105,448	$ 156,318	$ 159,361
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	1,034	1,051	1,190
Deduct: Stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(1,256)	(1,251)	(1,388)
Pro forma net income	$ 105,226	$ 156,118	$ 159,163
Earnings per share:			
Basic – as reported	$ 1.99	$ 2.94	$ 3.00
Basic – pro forma	$ 1.98	$ 2.94	$ 3.00
Diluted – as reported	$ 1.98	$ 2.94	$ 2.99
Diluted – pro forma	$ 1.98	$ 2.94	$ 2.99

USE OF ESTIMATES: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NEW ACCOUNTING PRONOUNCEMENTS: In December 2004, the FASB issued revised SFAS No. 123R, "Share-Based Payment." SFAS No. 123R sets accounting requirements for "share-based" compensation to employees and requires companies to recognize in the income statement the grant-date fair value of stock options and other equity-based compensation. SFAS No. 123R is effective in annual periods beginning after June 15, 2005. The Company will be required to adopt SFAS No. 123R in its first quarter of fiscal 2006 and currently discloses the effect on net income and earnings per share of the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." The Company's adoption of SFAS 123R is not expected to have a material impact on its financial position or results of operations.

In December 2004, the FASB issued SFAS No. 153 "Exchanges of Nonmonetary Assets–An Amendment of APB Opinion No. 29." SFAS No. 153 amends APB Opinion No. 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. SFAS No. 153 is to be applied prospectively for nonmonetary exchanges occurring in fiscal periods beginning after June 15, 2005. The Company's adoption of SFAS No. 153 in the fourth quarter of fiscal 2005 did not have an impact on its financial position or results of operations.

In June 2005, the FASB's Emerging Issues Task Force ("EITF") reached a consensus on Issue No. 05-06, "Determining the Amortization Period for Leasehold Improvements." The guidance requires that leasehold improvements acquired in a business combination or purchased subsequent to the inception of a lease be amortized over the lesser of the useful life of the assets or a term that includes renewals that are reasonably assured at the date of the business combination or purchase. The guidance is effective for periods beginning after June 29, 2005. As this is consistent with the Company's current policy, the adoption of EITF Issue No. 05-06 did not have an impact on its financial position or results of operations.

COMPARABILITY: For comparability, certain 2003 and 2004 amounts have been reclassified where appropriate to conform with the presentation in 2005.

NOTE 2 - EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share for the years ended November 30, (in thousands, except per share amounts):

	2003	2004	2005
Basic and diluted:			
Income from continuing operations	$ 101,965	$ 126,296	$ 159,072
Income (loss) from discontinued operations	3,483	(6,315)	289
Gain on sale of discontinued operations	-	36,337	-
Net income	$ 105,448	$ 156,318	$ 159,361
Basic earnings per share denominator:			
Weighted average shares outstanding	53,057,077	53,084,437	53,128,533
Basic earnings per share:			
Income from continuing operations	$ 1.92	$ 2.38	$ 2.99
Income (loss) from discontinued operations	0.07	(0.12)	0.01
Gain on sale of discontinued operations	-	0.68	-
Net income	$ 1.99	$ 2.94	$ 3.00
Diluted earnings per share denominator:			
Weighted average shares outstanding	53,057,077	53,084,437	53,128,533
Common stock options	1,650	12,123	21,293
Contingently issuable shares	74,555	86,216	90,357
Diluted weighted average shares outstanding	53,133,282	53,182,776	53,240,183
Diluted earnings per share:			
Income from continuing operations	$ 1.92	$ 2.37	$ 2.99
Income (loss) from discontinued operations	0.06	(0.11)	-
Gain on sale of discontinued operations	-	0.68	-
Net income	$ 1.98	$ 2.94	$ 2.99
Anti-dilutive shares excluded in the computation of diluted earnings per share	52,082	817	7,274

NOTE 3 - ACQUISITION OF BUSINESSES

On July 13, 2004, the Company acquired the assets of Martinsville Speedway ("Martinsville"), and assumed the operations as well as certain liabilities of Martinsville for approximately $194.8 million, including acquisition costs. Martinsville was privately owned, with certain members of the France Family Group, which controls in excess of 60% of the combined voting interest of the Company, owning 50% of Martinsville. The acquisition was funded by $100.4 million in proceeds from the sale of the assets of North Carolina Speedway ("North Carolina") (see Note 4) and approximately $94.4 million in cash. Martinsville's operations are included in the Company's consolidated operations subsequent to the date of acquisition.

The purchase price for the Martinsville acquisition was allocated to the assets acquired and liabilities assumed based upon their fair market values at the acquisition date, as determined by an independent appraisal. Included in this acquisition were certain indefinite-lived intangible assets attributable to the NASCAR sanction agreements in place at the time of acquisition and goodwill. The intangible assets and goodwill are included in the Motorsports Event segment. All of the goodwill attributable to the acquisition is expected to be deductible for income tax purposes. As this acquisition is not considered significant, pro forma financial information is not presented.

The purchase price allocation to the significant assets acquired is as follows (in thousands):

Property and equipment	$ 34,278
Intangible assets	148,000
Goodwill	12,614

On October 7, 2005, the Company acquired the assets and assumed certain liabilities of Pikes Peak International Raceway ("Pikes Peak") for approximately $12.0 million. The purchase price for the Pikes Peak acquisition was allocated to the assets acquired based upon their fair market values at the acquisition date including, land of approximately $6.1 million and fixed assets of approximately $5.9 million. As this acquisition is not considered significant, pro forma financial information is not presented.

Subsequent to the purchase, the Company requested realignment of the NASCAR Busch Series event, then conducted at Pikes Peak, to another motorsports facility within its portfolio starting in fiscal 2006 and suspended indefinitely major motorsports event operations at the facility on October 31, 2005. The Company believes that it can more successfully grow this event over the long term at a facility other than Pikes Peak. For the 2006 event season, this event has been realigned to the Company's Martinsville facility. The Company intends to relocate certain Pikes Peak fixed assets to other facilities within its portfolio. These assets include grandstand seating and other structures that can be utilized for future speedway expansion projects.

NOTE 4 – DISCONTINUED OPERATIONS AND IMPAIRMENT OF LONG-LIVED ASSETS

As required by the settlement agreement in the Ferko/Vaughn litigation ("Settlement Agreement") dated April 8, 2004, the Company's North Carolina Speedway, Inc. subsidiary entered into an Asset Purchase Agreement with SMI for the sale of the tangible and intangible assets and operations of North Carolina. Under the terms of the Settlement Agreement, SMI's subsidiary purchased North Carolina's assets and assumed its operations for approximately $100.4 million in cash. The sale of North Carolina's assets closed on July 1, 2004 and the Company recorded an after-tax gain in the third quarter of fiscal 2004 of approximately $36.3 million.

In May 2004, the Company announced its intention to request realignment of the NASCAR Busch Series and IRL IndyCar Series events, then conducted at Nazareth Speedway ("Nazareth"), to other motorsports facilities within its portfolio and its intention to suspend indefinitely major motorsports event operations at the facility after completion of its fiscal 2004 events. For the 2005 event season, these events were realigned to the Company's Watkins Glen International facility.

The realignment of the events conducted at Nazareth and the indefinite suspension of major motorsports event operations at the facility had a significant adverse effect on Nazareth's future revenues and cash flows. As a result of these changes in Nazareth's operations, in the second quarter of fiscal 2004, an analysis of Nazareth's long-lived assets and its estimated future undiscounted cash flows was completed. The projected undiscounted cash flows were not sufficient to recover the carrying amount of Nazareth's property and equipment. The Company evaluated the estimated fair value of Nazareth's long-lived assets using a discounted cash flow assessment as well as comparable prices for similar property, which resulted in the identification and measurement of an impairment loss of approximately $13.2 million, or $0.16 per diluted share in the fiscal quarter ended May 31, 2004. In the fourth quarter of fiscal 2005, the Company identified certain grandstand assets which were previously fully impaired, that it will relocate to and use at its Darlington Raceway facility in fiscal 2006. The assets that will be relocated to and used at Darlington were adjusted to their net book value during the fourth quarter of fiscal 2005, resulting in an after-tax write-up of approximately $471,000, or $0.01 per diluted share. In January 2006, the Company entered into an agreement with NZSW, LLC for the sale of 158 acres, on which Nazareth Speedway is located, for approximately $18.8 million. The sale transaction is expected to close in fiscal 2006 and is contingent upon, among other items, the purchaser's right to terminate the agreement during the due diligence period. Upon closing the transaction, we expect to record an after-tax gain from discontinued operations of approximately $6.0 to $7.0 million, or $0.11 to $0.13 per diluted share.

The operations of North Carolina and Nazareth were included in the Motorsports Event segment. In accordance with SFAS No. 144, the results of operations of North Carolina and Nazareth, including the gain on sale of North Carolina and the impairment loss and subsequent write-up of certain grandstand assets at Nazareth, are presented as discontinued operations in all periods presented. During the years ended November 30, 2003, 2004 and 2005, total revenues recognized by North Carolina and Nazareth were approximately $26.9 million, $17.0 million and $0, respectively, and pre-tax income (loss) was approximately $4.9 million, ($10.0) million and $289,000, respectively. Nazareth's assets held for sale included in property and equipment, net of accumulated depreciation, totaled approximately $6.8 million at November 30, 2004 and 2005. Unless indicated otherwise, all disclosures in the notes to the consolidated financial statements relate to continuing operations.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of November 30 (in thousands):

	2004	2005
Land and leasehold improvements	$ 244,186	$ 284,051
Buildings, grandstands and tracks	797,944	915,425
Furniture and equipment	110,310	130,408
Construction in progress	82,144	164,111
	1,234,584	1,493,995
Less accumulated depreciation	265,489	315,313
	$ 969,095	$ 1,178,682

Depreciation expense from continuing operations was approximately $40.8 million, $44.4 million and $50.7 million for the years ended November 30, 2003, 2004 and 2005, respectively.

NOTE 6 - GOODWILL AND INTANGIBLE ASSETS

The gross carrying value and accumulated amortization of the major classes of intangible assets relating to the Motorsports Event segment as of November 30 are as follows (in thousands):

		2004	
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:			
Food, beverage and merchandise contracts	$ 276	$ 88	$ 188
Total amortized intangible assets	276	88	188
Non-amortized intangible assets:			
NASCAR sanction agreements	148,000	-	148,000
Other	801	-	801
Total non-amortized intangible assets	148,801	-	148,801
Total intangible assets	$ 149,077	$ 88	$ 148,989

		2005	
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:			
Customer database	$ 500	$ 100	$ 400
Food, beverage and merchandise contracts	276	142	134
Total amortized intangible assets	776	242	534
Non-amortized intangible assets:			
NASCAR sanction agreements	148,000	-	148,000
Other	930	-	930
Total non-amortized intangible assets	148,930	-	148,930
Total intangible assets	$ 149,706	$ 242	$ 149,464

NOTE 6 - GOODWILL AND INTANGIBLE ASSETS (continued)

The following table presents current and expected amortization expense of the existing intangible assets as of November 30, for each of the following periods (in thousands):

Amortization expense	
for the year ended November 30, 2005	$ 154
Estimated amortization expense for the year ending November 30:	
2006	143
2007	143
2008	143
2009	101
2010	1

The changes in the carrying value of goodwill are as follows (in thousands):

Balance at November 30, 2004	$ 99,265
Goodwill acquired	70
Adjustments	172
Balance at November 30, 2005	$ 99,507

Goodwill acquired consists of internet based web-portal operations included in our Motorsports Event segment, acquired in December 2004. Goodwill adjustments relate to certain estimated expenses associated with the July 2004 Martinsville acquisition.

NOTE 7 - LONG-TERM DEBT

Long-term debt consists of the following as of November 30 (in thousands):

	2004	2005
4.20% Senior Notes due 2009	$ 151,679	$ 151,297
5.40% Senior Notes due 2014	149,894	149,905
TIF bond debt service funding commitment	68,247	67,820
Term Loan	7,000	-
	376,820	369,022
Less: current portion	7,505	635
	$ 369,315	$ 368,387

Schedule of Payments (in thousands)

For the year ending November 30:	
2006	$ 635
2007	770
2008	915
2009	151,075
2010	1,245
Thereafter	214,350
	368,990
Net premium	32
Total	$ 369,022

NOTE 7 - LONG-TERM DEBT (continued)

On April 23, 2004, the Company completed an offering of $300.0 million principal amount of unsecured senior notes in a private placement. On September 27, 2004, the Company completed an offer to exchange these unsecured senior notes for registered senior notes with substantially identical terms ("2004 Senior Notes"). At November 30, 2005, outstanding 2004 Senior Notes totaled approximately $301.2 million, net of unamortized discounts and premium, which is comprised of $150.0 million principal amount unsecured senior notes, which bear interest at 4.2% and are due April 2009 ("4.2% Senior Notes"), and $150.0 million principal amount unsecured senior notes, which bear interest at 5.4% and are due April 2014. The 2004 Senior Notes require semi-annual interest payments on April 15 and October 15 through their maturity. The 2004 Senior Notes may be redeemed in whole or in part, at the option of the Company, at any time or from time to time at redemption prices as defined in the indenture. The Company's subsidiaries are guarantors of the 2004 Senior Notes. The 2004 Senior Notes also contain various restrictive covenants. Total gross proceeds from the sale of the 2004 Senior Notes were $300.0 million, net of discounts of approximately $431,000 and approximately $2.6 million of deferred financing fees. The deferred financing fees are being treated as additional interest expense and amortized over the life of the 2004 Senior Notes on a straight-line method, which approximates the effective yield method. In March 2004, the Company entered into interest rate swap agreements to effectively lock in the interest rate on approximately $150.0 million of the 4.2% Senior Notes. The Company terminated these interest rate swap agreements on April 23, 2004 and received approximately $2.2 million, which is being amortized over the life of the 4.2% Senior Notes.

In January 2004, the Company terminated the interest rate swap agreement on its previously outstanding 7.875% senior notes ("1999 Senior Notes") and received approximately $544,000, which was being amortized over the remaining life of the 1999 Senior Notes. On May 28, 2004, the Company used the net proceeds from the 2004 Senior Notes to redeem and retire all outstanding $225.0 million principal amount of the 1999 Senior Notes, which were due October 15, 2004, including the payment of a redemption premium in the amount of approximately $5.3 million and accrued interest. The net redemption premium, associated unamortized net deferred financing costs, unamortized original issuance discount and unamortized deferred gain related to previously deferred interest rate swap terminations, associated with the 1999 Senior Notes were recorded as a net loss on early redemption of debt totaling approximately $5.0 million in May 2004.

In January 1999, the Unified Government of Wyandotte County/Kansas City, Kansas ("Unified Government"), issued approximately $71.3 million in taxable special obligation revenue ("TIF") bonds in connection with the financing of construction of Kansas Speedway. At November 30, 2005, outstanding TIF bonds totaled approximately $67.8 million, net of the unamortized discount, which is comprised of a $19.3 million principal amount, 6.15% term bond due December 1, 2017 and $49.7 million principal amount, 6.75% term bond due December 1, 2027. The TIF bonds are repaid by the Unified Government with payments made in lieu of property taxes ("Funding Commitment") by the Company's wholly-owned subsidiary, Kansas Speedway Corporation ("KSC"). Principal (mandatory redemption) payments per the Funding Commitment are payable by KSC on October 1 of each year. The semi-annual interest component of the Funding Commitment is payable on April 1 and October 1 of each year. KSC granted a mortgage and security interest in the Kansas project for its Funding Commitment obligation. The bond financing documents contain various restrictive covenants.

The Company has a $300.0 million revolving credit facility ("Credit Facility"), which is scheduled to mature in September 2008 and accrues interest at LIBOR plus 62.5 – 150 basis points, based on the Company's highest debt rating as determined by specified rating agencies. At November 30, 2005, the Company did not have any borrowings outstanding under the Credit Facility. The Credit Facility contains various restrictive covenants.

The Company's wholly-owned subsidiary, Homestead-Miami Speedway ("Miami"), had a term loan ("Term Loan"), which was guaranteed by the Company and had the same restrictive covenants as the Credit Facility. The final payment of $7.0 million, under the Term Loan, was paid on December 31, 2004. The Company's Miami subsidiary had an interest rate swap agreement that effectively fixed the floating rate on the outstanding balance under the Term Loan at 5.6% plus 50 – 100 basis points, based on certain consolidated financial criteria of the Company. This interest rate swap expired on December 31, 2004.

Total interest expense from continuing operations incurred by the Company was approximately $23.2 million, $21.7 million and $12.7 million for the years ended November 30, 2003, 2004 and 2005, respectively. Total interest capitalized for the years ended November 30, 2003, 2004 and 2005 was approximately $794,000, $1.6 million and $7.6 million, respectively.

Financing costs of approximately $7.8 million and $6.9 million, net of accumulated amortization, have been deferred and are included in other assets at November 30, 2004 and 2005, respectively. These costs are being amortized on a straight line method, which approximates the effective yield method, over the life of the related financing.

NOTE 8 - FEDERAL AND STATE INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of the provision for income taxes from continuing operations for the years ended November 30, are as follows (in thousands):

	2003	2004	2005
Current tax expense:			
Federal	$ 23,833	$ 46,839	$ 64,832
State	4,054	6,311	8,091
Deferred tax expense:			
Federal	36,029	26,327	26,122
State	2,125	2,741	2,831
Provision for income taxes	$ 66,041	$ 82,218	$ 101,876

The reconciliation of income tax expense computed at the federal statutory tax rates to income tax expense from continuing operations for the years ended November 30, is as follows (percent of pre-tax income):

	2003	2004	2005
Income tax computed at federal statutory rates	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit	3.1	3.4	3.2
Other, net	1.2	1.0	0.8
	39.3%	39.4%	39.0%

The components of the net deferred tax assets (liabilities) at November 30 are as follows (in thousands):

	2004	2005
Amortization and depreciation	$ 32,911	$ 27,014
Deferred revenues	4,240	4,173
Deferred expenses	2,795	2,663
Loss carryforwards	1,995	2,422
Compensation related	2,247	2,004
Accruals	1,854	1,584
Other	142	103
Deferred tax assets	46,184	39,963
Amortization and depreciation	(202,057)	(224,471)
Equity investment	(9,263)	(9,895)
Other	(481)	(422)
Deferred tax liabilities	(211,801)	(234,788)
Net deferred tax liabilities	$ (165,617)	$ (194,825)

The Company has recorded deferred tax assets related to various state net operating loss carryforwards totaling approximately $65.1 million, that expire in varying amounts beginning in fiscal 2020.

NOTE 9 - CAPITAL STOCK

The Company's authorized capital includes 80 million shares of Class A Common Stock, par value $.01 ("Class A Common Stock"), 40 million shares of Class B Common Stock, par value $.01 ("Class B Common Stock"), and 1 million shares of Preferred Stock, par value $.01 ("Preferred Stock"). The shares of Class A Common Stock and Class B Common Stock are identical in all respects, except for voting rights and certain dividend and conversion rights as described below. Each share of Class A Common Stock entitles the holder to one-fifth (1/5) vote on each matter submitted to a vote of the Company's shareholders and each share of Class B Common Stock entitles the holder to one (1) vote on each such matter, in each case including the election of directors. Holders of Class A Common Stock and Class B Common Stock are entitled to receive dividends at the same rate if and when declared by the Board of Directors out of funds legally available therefrom, subject to the dividend and liquidation rights of any Preferred Stock that may be issued and outstanding. Class A Common Stock has no conversion rights. Class B Common Stock is convertible into Class A Common Stock, in whole or in part, at any time at the option of the holder on the basis of one share of Class A Common Stock for each share of Class B Common Stock converted. Each share of Class B Common Stock will also automatically convert into one share of Class A Common Stock if, on the record date of any meeting of the shareholders, the number of shares of Class B Common Stock then outstanding is less than 10% of the aggregate number of shares of Class A Common Stock and Class B Common Stock then outstanding.

The Board of Directors of the Company is authorized, without further shareholder action, to divide any or all shares of the authorized Preferred Stock into series and fix and determine the designations, preferences and relative rights and qualifications, limitations, or restrictions thereon of any series so established, including voting powers, dividend rights, liquidation preferences, redemption rights and conversion privileges. No shares of Preferred Stock are outstanding. The Board of Directors has not authorized any series of Preferred Stock, and there are no plans, agreements or understandings for the authorization or issuance of any shares of Preferred Stock.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

International Speedway Corporation has a salary incentive plan (the "ISC Plan") designed to qualify under Section 401(k) of the Internal Revenue Code. Employees of International Speedway Corporation and certain participating subsidiaries who have completed one month of continuous service are eligible to participate in the ISC Plan. After twelve months of continuous service, matching contributions are made to a savings trust (subject to certain limits) concurrent with employees' contributions. The level of the matching contribution depends upon the amount of the employee contribution. Employees become 100% vested upon entrance to the ISC Plan. The contribution expense from continuing operations for the ISC Plan was approximately $1.2 million, $1.3 million and $1.4 million, for the years ended November 30, 2003, 2004, and 2005, respectively.

The estimated cost to complete approved projects and current construction in progress at November 30, 2005 at the Company's existing facilities is approximately $122.2 million.

In October 2002, the Unified Government issued subordinate sales tax special obligation revenue bonds ("2002 STAR Bonds") totaling approximately $6.3 million to reimburse the Company for certain construction already completed on the second phase of the Kansas Speedway project and to fund certain additional construction. The 2002 STAR Bonds, which require annual debt service payments and are due December 1, 2022, will be retired with state and local taxes generated within the speedway's boundaries and are not the Company's obligation. KSC has agreed to guarantee the payment of principal, any required premium and interest on the 2002 STAR Bonds. At November 30, 2005, the Unified Government had $5.1 million outstanding on 2002 STAR Bonds. Under a keepwell agreement, the Company has agreed to provide financial assistance to KSC, if necessary, to support KSC's guarantee of the 2002 STAR Bonds.

The Company is a member of Motorsports Alliance (owned 50% by the Company and 50% by Indianapolis Motor Speedway LLC), which owns 75% of Raceway Associates. Raceway Associates owns and operates Chicagoland Speedway and Route 66 Raceway. Raceway Associates has a term loan arrangement, which requires quarterly principal and interest payments and matures November 15, 2012, and a $15 million secured revolving credit facility, which matures in September 2008. At November 30, 2005, Raceway Associates had approximately $33.2 million outstanding under its term loan and no borrowings outstanding under its then existing credit facility. Under a keepwell agreement, the members of Motorsports Alliance have agreed to provide financial assistance to Raceway Associates, if necessary, on a pro rata basis to support its performance under its term loan and credit facility.

The Company has guaranteed minimum royalty payments under certain agreements through December 2015, with a remaining maximum exposure at November 30, 2005, of approximately $12.5 million.

In December 2004, the Company, through its majority-owned subsidiary, 380 Development, LLC ("380 Development"), purchased a total of 677 acres of land in the New York City borough of Staten Island that could potentially be utilized for the development of a major motorsports entertainment and retail development project. The minority member of 380 Development is a subsidiary of Related Retail Corporation ("Related"), a retail development specialist whose developments include the Time Warner Center in Manhattan and the Gateway Retail Center in Brooklyn. There are operating and development agreements between the Company and Related, which will govern the development and operation of the planned project and impose reciprocal obligations on the parties with respect to the project. Related issued a limited recourse promissory note ("Promissory Note") payable to the Company for its approximately 12.4% membership interest of 380 Development and its proportionate share of the agreed project development expenses until such time as the status of the project approval is ultimately determined. The Promissory Note is secured by Related's ownership in 380 Development.

NOTE 10 - COMMITMENTS AND CONTINGENCIES (continued)

The Company operates Miami under an operating agreement which expires December 31, 2032 and provides for subsequent renewal terms through December 31, 2075. The Company also has various operating leases for office space and equipment. The future minimum payments under the operating agreement and leases utilized by the Company having initial or remaining noncancellable terms in excess of one year at November 30, 2005, are as follows (in thousands):

For the year ending November 30:	Track Operating Agreement	Operating Leases
2006	$ 2,220	$ 3,896
2007	2,220	2,497
2008	2,220	1,518
2009	2,220	619
2010	2,220	447
Thereafter	29,220	3,066
Total	$ 40,320	$ 12,043

Total expenses incurred from continuing operations under the track operating agreement, these operating leases and all other rentals during the years ended November 30, 2003, 2004 and 2005 were $12.2 million, $14.9 million and $19.0 million, respectively.

In connection with the Company's automobile and workers' compensation insurance coverages and certain construction contracts, the Company has standby letter of credit agreements in favor of third parties totaling $2.4 million at November 30, 2005. The letters of credit expire on December 15, 2006 and are automatically renewed on an annual basis. At November 30, 2005, there were no amounts drawn on the standby letters of credit.

The Internal Revenue Service (the "Service") is currently performing a periodic examination of the Company's federal income tax returns for the years ended November 30, 1999 through 2004 and has challenged the tax depreciation treatment for a significant portion of its motorsports entertainment facility assets. In fiscal 2005, the Company received reports from the Service requesting downward adjustments to its tax depreciation expense for the fiscal years ended November 30, 1999 through 2002, which could potentially result in the reclassification of approximately $63.6 million of tax liability from deferred to current. Including related interest, the combined after-tax cash flow impact of these requested adjustments is approximately $79.4 million. In order to prevent incurring additional interest, the Company deposited approximately $79.4 million for the fiscal years ended November 30, 1999 through 2002, with the Service in June 2005. Additional adjustments to the Company's tax depreciation expense are expected to be requested later by the Service for fiscal years ended November 30, 2003 and 2004. Including related interest, the Company estimates the combined after-tax cash flow impact of these additional federal tax adjustments, and related state tax revisions for all periods, to range between $50.0 million and $60.0 million at November 30, 2005. Accordingly, to further prevent incurring interest the Company deposited approximately $17.5 million with the Service in June 2005 related to the anticipated federal tax adjustments for fiscal year 2003. The Company expects to deposit amounts related to fiscal 2004 in fiscal 2006. The Company's deposits are not a payment of tax, and it will receive accrued interest on any of these funds ultimately returned to it. At November 30, 2005, the approximately $96.9 million of deposits with the Service are classified as long-term assets in the Company's consolidated financial statements. The Company believes that its application of the federal income tax regulations in question, which have been applied consistently since being adopted in 1986 and have been subjected to previous IRS audits, is appropriate, and it intends to vigorously defend the merits of its position. The administrative appeals process within the Service is currently expected to take six to 18 months to complete. If the Company's appeal is not resolved satisfactorily, it will evaluate all of its options, including litigation. In accordance with SFAS No. 109 "Accounting for Income Taxes," the Company has accrued a deferred tax liability based on the differences between its financial reporting and tax bases of such assets in its consolidated balance sheet as of November 30, 2005. While an adverse resolution of these matters could result in a material negative impact on cash flow, the Company believes that it has provided adequate reserves related to these matters in its consolidated financial statements as of November 30, 2005.

The Company believes that its existing cash, cash equivalents and short-term investments, combined with the cash provided by current operations and available borrowings under its Credit Facility will be sufficient to fund its: (i) operations and approved capital projects at existing facilities for the foreseeable future; (ii) payments required in connection with the funding of the Unified Government's debt service requirements related to the TIF bonds; (iii) payments related to its existing debt service commitments; (iv) any potential payments associated with its keepwell agreements; (v) any payment of tax that may ultimately occur as a result of the examination by the Service; and (vi) the fees and expenses incurred in connection with the current legal proceeding discussed in this Note.

The Company is from time to time a party to routine litigation incidental to its business. Management does not believe that the resolution of any or all of such litigation will have a material adverse effect on the Company's financial condition or results of operations.

In addition to such routine litigation incident to its business, the Company is a party to another legal proceeding described below.

Current Litigation

On July 13, 2005, Kentucky Speedway, LLC filed a civil action in the Eastern District of Kentucky against NASCAR and the Company alleging that "NASCAR and ISC have acted, and continue to act, individually and in combination and collusion with each other and other companies that control tracks hosting NASCAR NEXTEL Cup Series, to illegally restrict the award of ... NASCAR NEXTEL Cup Series [races]." The complaint seeks damages and an injunction requiring NASCAR to establish a competitive bidding process for NEXTEL Cup events and

NOTE 10 - COMMITMENTS AND CONTINGENCIES (continued)

prohibiting further violations of the antitrust laws. Other than some vaguely conclusory allegations, the complaint fails to specify any conduct by International Speedway Corporation (ISC) other than conducting and growing its motorsports entertainment business for the benefit of its shareholders. The Company believes the allegations to be without merit and intends to defend itself vigorously. The Company has retained counsel and is pursuing defenses to the suit while maintaining potential counterclaim remedies available to it to recover the damages caused by the filing of the suit. On September 12, 2005, counsel for the Company filed a motion to dismiss the complaint for improper jurisdiction and venue as well as the lack of any antitrust injury allegations. On January 27, 2006, the court denied our motion to dismiss the complaint and established a February 1, 2007 deadline for the completion of pre-trial discovery. Based upon the current timeline, a trial on the merits of the case is scheduled for no earlier than August 2007. In the interim, our counsel have filed motions seeking to allow an interim appeal of the ruling on the jurisdiction and venue issues. If allowed to proceed, such an appeal would not delay the discovery process while being pursued. While it is premature to quantify either the likelihood or the potential magnitude of an adverse decision, the fees and expenses associated with the defense of this suit are not covered by insurance and could adversely impact the Company's financial condition or results of operations and cash flows, even if we ultimately prevail. Further, the time devoted to this matter by management and the possible impact of litigation on business negotiations occurring prior to resolution of this matter could also adversely impact our financial condition or results of operations and cash flows. Finally, even if the direct effect of the resolution of this case does not result in a material adverse impact on us, it is possible that the resolution of this case could result in industry-wide changes in the way race schedules are determined by sanctioning bodies, which could indirectly have a material adverse impact on us.

NOTE 11 - RELATED PARTY DISCLOSURES AND TRANSACTIONS

All of the racing events that take place during the Company's fiscal year are sanctioned by various racing organizations such as the American Historic Racing Motorcycle Association, the American Motorcyclist Association, the Automobile Racing Club of America, the Clear Channel–Championship Cup Series, the Federation Internationale de l'Automobile, the Federation Internationale Motocycliste, Grand American, Historic Sportscar Racing, the International Race of Champions, IRL, NASCAR, NHRA, the Porsche Club of America, the Sports Car Club of America, the Sportscar Vintage Racing Association, the United States Auto Club and the World Karting Association. NASCAR, which sanctions some of the Company's principal racing events, is a member of the France Family Group which controls in excess of 60% of the combined voting power of the outstanding stock of the Company, and some members of which serve as directors and officers of the Company. Standard NASCAR sanction agreements require racetrack operators to pay sanction fees and prize and point fund monies for each sanctioned event conducted. The prize and point fund monies are distributed by NASCAR to participants in the events. Prize and point fund monies paid by the Company to NASCAR from continuing operations for disbursement to competitors, which are exclusive of NASCAR sanction fees, totaled approximately $83.1 million, $102.5 million and $118.5 million for the years ended November 30, 2003, 2004 and 2005, respectively. Prize and point fund monies paid by the Company to NASCAR for disbursement to competitors for events at North Carolina and Nazareth included in discontinued operations totaled approximately $9.0 million, $5.4 million and $0 for the years ended November 30, 2003, 2004 and 2005, respectively.

Under current agreements, NASCAR contracts directly with certain network providers for television rights to the entire NASCAR NEXTEL Cup and Busch series schedules. Event promoters share in the television rights fees in accordance with the provision of the sanction agreement for each NASCAR NEXTEL Cup and Busch series event. Under the terms of this arrangement, NASCAR retains 10% of the gross broadcast rights fees allocated to each NASCAR NEXTEL Cup or Busch series event as a component of its sanction fees and remits the remaining 90% to the event promoter. The event promoter pays 25% of the gross broadcast rights fees allocated to the event as part of the previously discussed prize money paid to NASCAR for disbursement to competitors. The Company's television broadcast and ancillary rights fees from continuing operations received from NASCAR for the NASCAR NEXTEL Cup and Busch series events conducted at its wholly-owned facilities were $140.8 million, $188.9 million and $235.9 million in fiscal years 2003, 2004 and 2005, respectively. Television broadcast and ancillary rights fees received from NASCAR for the NASCAR NEXTEL Cup and Busch series events held at North Carolina and the NASCAR Busch Series event held at Nazareth and included in discontinued operations totaled approximately $14.9 million, $9.3 million and $0 for the years ended November 30, 2003, 2004 and 2005, respectively.

In addition, NASCAR and the Company share a variety of expenses in the ordinary course of business. NASCAR pays rent, as well as a related maintenance fee (allocated based on square footage), to the Company for office space in the Company's corporate office complex in Daytona Beach, Florida. The Company paid rent to NASCAR for office space in Los Angeles, California beginning October 2005. These rents are based upon estimated fair market lease rates for comparable facilities. NASCAR pays the Company for radio, program and strategic initiative advertising, hospitality and suite rentals, various tickets and credentials, catering services, participation in a NASCAR racing event banquet, and track and other equipment rentals based on similar prices paid by unrelated, third party purchasers of similar items. The Company pays NASCAR for certain advertising, participation in NASCAR racing series banquets, the use of NASCAR trademarks and intellectual images and production space for NEXTEL Vision based on similar prices paid by unrelated, third party purchasers of similar items. The Company's payments to NASCAR for MRN Radio's broadcast rights to NASCAR Craftsman Truck races represents an agreed-upon percentage of the Company's advertising revenues attributable to such race broadcasts. In fiscal 2004 and 2005, NASCAR is reimbursing the Company for the buyout of the remaining rights associated with a certain sponsorship agreement. NASCAR also reimburses the Company for 50% of the compensation paid to certain personnel working in the Company's legal, risk management and transportation departments, as well as 50% of the compensation expense associated with certain receptionists. The Company reimburses NASCAR for 50% of the compensation paid to certain personnel working in NASCAR's legal department. NASCAR's reimbursement for use of the Company's mailroom, janitorial services, security services, catering, graphic arts, photo and publishing services,

NOTE 11 - RELATED PARTY DISCLOSURES AND TRANSACTIONS (continued)

telephone system and the Company's reimbursement of NASCAR for use of corporate aircraft, is based on actual usage or an allocation of total actual usage. The aggregate amount received from NASCAR by the Company for shared expenses, net of amounts paid by the Company for shared expenses, totaled approximately $2.4 million, $2.8 million and $3.6 million during fiscal 2003, 2004 and 2005, respectively.

Grand American sanctions various events at certain of the Company's facilities. While certain officers and directors of the Company are equity investors in Grand American, no officer or director has more than a 10% equity interest. In addition, certain officers and directors of the Company, representing a non-controlling interest, serve on Grand American's Board of Managers. Standard Grand American sanction agreements require racetrack operators to pay sanction fees and prize and point fund monies for each sanctioned event conducted. The prize and point fund monies are distributed by Grand American to participants in the events. Sanction fees paid by the Company to Grand American totaled approximately $1.3 million, $924,000 and $1.1 million for the years ended November 30, 2003, 2004 and 2005, respectively.

In addition, Grand American and the Company share a variety of expenses in the ordinary course of business. Grand American pays rent to the Company for office space in the Company's corporate office complex in Daytona Beach, Florida. These rents are based upon estimated fair market lease rates for comparable facilities. Grand American purchases various advertising, catering services, suites and hospitality and track and equipment rentals from the Company based on similar prices paid by unrelated, third party purchasers of similar items. The Company pays Grand American for the use of Grand American's trademarks based on similar prices paid by unrelated, third party purchasers of similar items. Grand American's reimbursement for use of the Company's mailroom, telephone system, security, graphic arts, photo and publishing services is based on actual usage or an allocation of total actual usage. The aggregate amount received from Grand American by the Company for shared expenses, net of amounts paid by the Company for shared expenses, totaled approximately $205,000, $226,000 and $223,000 during fiscal 2003, 2004 and 2005, respectively.

The Company strives to ensure, and management believes that, the terms of the Company's transactions with NASCAR and Grand American are no less favorable to the Company than could be obtained in arms-length negotiations.

White River Investment Limited Partnership and Western Opportunity Limited Partnership, both members of the France Family Group, were among the selling shareholders in the Company's secondary offering of Class A Common Stock, which closed in May 2003. In connection with that secondary offering, all of the selling shareholders had agreed to fully reimburse the Company for all expenses in excess of approximately $75,000, which were associated with the offering. Following the closing of that secondary offering, in accordance with an allocation agreed among all the selling shareholders, and as a result of the reimbursement arrangement, the Company invoiced and White River Investment Limited Partnership and Western Opportunity Limited Partnership reimbursed the Company approximately $295,000 and $85,000, respectively, for expenses incurred by the Company as a result of that secondary offering.

Certain members of the France Family Group paid the Company for the utilization of security services, event planning, event tickets, purchase of catering services, maintenance services, and certain equipment. In fiscal 2003, the Company purchased a vehicle from a France Family Group member. During the last quarter of fiscal 2004 and all of fiscal 2005, the Company provided publishing and distribution services for Game Change Marketing, LLC, and in fiscal 2004 tickets to Brand Sense Marketing, which are companies owned by a France Family Group member and leased certain parcels of land from WCF and JCF, LLC, which is owned by France Family Group members. The land parcels are used primarily for parking during the events held at Martinsville Speedway. The amounts paid for these items were based on actual costs incurred, similar prices paid by unrelated third party purchasers of similar items or estimated fair market values. The aggregate amount received by the Company for these items, net of amounts paid, totaled approximately $77,000, $266,000 and $3.3 million during fiscal 2003, 2004 and 2005, respectively.

The Company has collateral assignment split-dollar insurance agreements covering the lives of William C. France and James C. France and their respective spouses. Upon surrender of the policies or payment of the death benefits thereunder, the Company is entitled to repayment of an amount equal to the cumulative premiums previously paid by the Company. The Company may cause the agreements to be terminated and the policies surrendered at any time after the cash surrender value of the policies equals the cumulative premiums advanced under the agreements. The Company recorded the insurance expense net of the increase in cash surrender value of the policies associated with these agreements.

Crotty & Bartlett, P.A., a law firm controlled by siblings of W. Garrett Crotty, one of the Company's executive officers, leases office space located in the Company's corporate office complex in Daytona Beach, Florida. The Company engages Crotty & Bartlett for certain legal and consulting services. The aggregate amount paid to Crotty & Bartlett by the Company for legal and consulting services, net of amounts received by the Company for leased office space, totaled approximately $96,000, $119,000 and $180,000 during fiscal 2003, 2004 and 2005, respectively.

J. Hyatt Brown, one of the Company's directors, serves as President and Chief Executive Officer of Brown & Brown, Inc. ("Brown & Brown"). Brown & Brown has received commissions for serving as the Company's insurance broker for several of the Company's insurance policies, including the Company's property and casualty policy, certain employee benefit programs and the split-dollar arrangements established for the benefit of William C. France, James C. France and their respective spouses. The aggregate commissions received by Brown & Brown in connection with the Company's policies were approximately $443,000, $390,000 and $507,000, during fiscal 2003, 2004 and 2005, respectively.

Kinsey, Vincent Pyle, L.C., a law firm which Christy F. Harris, one of the Company's directors, joined in fiscal 2004, provided legal services to the Company during fiscal 2004 and 2005. The Company paid approximately $301,000 and $359,000 for these services in fiscal 2004 and 2005, which were charged to the Company on the same basis as those provided other clients.

Walter P. Czarnecki, one of the Company's directors until April 9, 2003, owns Raceway Services, which purchases tickets and hospitality suite occupancy to events at many of the Company's facilities. The price paid by Raceway Services for these items is established on the same basis as the price paid by other purchasers to the same events without regard to Mr. Czarnecki's previous status as a director. The amounts paid by Raceway Services to the Company totaled approximately $120,000, during fiscal 2003 (prior to the end of Mr. Czarnecki's directorship).

NOTE 11 - RELATED PARTY DISCLOSURES AND TRANSACTIONS (continued)

Mr. Gregory W. Penske, one of the Company's directors, is also an officer and director of Penske Performance, Inc. and other Penske Corporation affiliates, as well as the son of Roger S. Penske. Roger S. Penske beneficially owns a majority of the voting stock of and controls Penske Corporation and its affiliates. The Company rented Penske Corporation and its affiliates certain facilities for a driving school and sold hospitality suite occupancy and related services, merchandise and accessories to Penske Corporation, its affiliates and other related companies. In a special promotional arrangement designed to grow demand while maintaining price integrity, the Company sold approximately 8,000 tickets for certain events during fiscal 2004 and 2005 at discounts greater than those afforded any other ticket purchaser to Penske Automotive Group, one of the largest automobile retailers in Southern California, which effected distribution of those tickets. Penske Truck Leasing rented certain vehicles and sold related supplies and services to the Company. Also, the Company paid Penske Corporation for the use of certain trademarks. In fiscal 2003, 2004 and 2005, the aggregate amount received from Penske Corporation, its affiliates and other related companies, net of amounts paid by the Company, totaled approximately $887,000, $2.4 million and $1.5 million, respectively, for the aforementioned goods and services.

Raceway Associates is owned 75% by Motorsports Alliance and 25% by the former owners of the Route 66 Raceway, LLC. Edward H. Rensi, a director of the Company, sold his approximately 1.28% ownership interest in Raceway Associates in fiscal 2005. The Company owns an indirect equity investment in Chicagoland Speedway through the Company's equity investment in Motorsports Alliance. The Company pays Chicagoland Speedway a rights fee to sell merchandise, programs and radio broadcasts . Chicagoland pays the Company for the purchase of programs and for costs related to the use of the Company's jet dryers and other event support at its events. The net amounts paid by the Company were approximately $629,000, $621,000 and $572,000, during fiscal 2003, 2004 and 2005, respectively.

NOTE 12 - HOMESTEAD-MIAMI SPEEDWAY TRACK RECONFIGURATION

During the second quarter of fiscal 2003 the Company recorded a non-cash before-tax charge of approximately $2.8 million for the net book value of certain undepreciated assets removed in connection with a major track reconfiguration project at Miami. The project increased the track banking to a maximum of 20 degrees in the turns through an innovative variable-degree banking system, which enhanced the quality of the racing entertainment at this facility. The reconfiguration was completed prior to Miami's fiscal 2003 fourth quarter NASCAR NEXTEL Cup, Busch and Craftsman Truck series events.

NOTE 13 - SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for income taxes and interest for the years ended November 30, is summarized as follows (in thousands):

	2003	2004	2005
Income taxes paid	$ 26,070	$ 35,962	$ 84,093
Interest paid	$ 23,796	$ 23,414	$ 19,679

NOTE 14 - LONG-TERM STOCK INCENTIVE PLAN

The Company's 1996 Long-Term Stock Incentive Plan (the "1996 Plan") authorizes the grant of stock options (incentive and nonstatutory), stock appreciation rights and restricted stock. The Company has reserved an aggregate of 1,000,000 shares (subject to adjustment for stock splits and similar capital changes) of the Company's Class A Common Stock for grants under the 1996 Plan.

Restricted Stock Awards

Restricted shares awarded under the 1996 Plan generally are subject to forfeiture in the event of termination of employment prior to vesting dates. Prior to vesting, the 1996 Plan participants own the shares and may vote and receive dividends, but are subject to certain restrictions. Restrictions include the prohibition of the sale or transfer of the shares during the period prior to vesting of the shares. The Company also has the right of first refusal to purchase any shares of stock issued under the 1996 Plan which are offered for sale subsequent to vesting.

The Company awarded and issued 37,726, 47,068 and 52,575 restricted shares of the Company's Class A Common Stock during the years ended November 30, 2003, 2004 and 2005, respectively, to certain officers and managers under the 1996 Plan. These shares of restricted stock vest at the rate of 50% of each award on the third anniversary of the award date and the remaining 50% on the fifth anniversary of the award date.

In January and April 2003 and May 2004, the Company awarded and issued 683, 1,468 and 764, respectively, restricted shares of the Company's Class A Common Stock to certain managers and officers under the 1996 Plan. These shares of restricted stock vested on July 3, 2003, October 1, 2003 and November 1, 2004, respectively.

In July 2005, the Company awarded and issued 1,024, restricted shares of the Company's Class A Common Stock to certain managers under the 1996 Plan. These shares of restricted stock vest over a three year period.

The weighted average grant date fair value of restricted shares granted during the years ended November 30, 2003, 2004 and 2005 was $40.03, $42.28 and $54.23, respectively.

The market value of the shares at the date of award has been recorded as "Unearned compensation – restricted stock," which is shown as a separate component of shareholders' equity in the accompanying consolidated balance sheets. The unearned compensation is being amortized over the vesting periods of the shares. In accordance with APB Opinion 25, the Company will recognize a compensation charge over the vesting periods equal to the fair market value of these shares on the date of the award. The total compensation charge from continuing operations recognized as expense during the years ended November 30, 2003, 2004 and 2005, was approximately $1.7 million, $1.7 million and $2.0 million, respectively.

Nonqualified and Incentive Stock Options

The Company applies the measurement provisions of APB Opinion 25 and related interpretations in accounting for its stock option plans. A portion of each non-employee director's compensation for their service as a director is through awards of options to acquire shares of the Company's Class A Common Stock under the 1996 Plan. These options become exercisable one year after the date of grant and expire on the tenth anniversary of the date of grant. The Company also grants options to certain non-officer managers to purchase the Company's Class A Common Stock under the 1996 Plan. These options vest over a two and one-half year period and expire on the tenth anniversary of the date of grant.

The fair value of each option granted is estimated on the grant date using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2003	2004	2005
Expected life (in years)	5	5	5
Dividend yield	0.15%	0.14%	0.11%
Expected volatility	31.9%	30.4%	25.3%
Risk-free interest rate	2.9%	3.5%	3.2%
Weighted average fair value of options granted	$ 13.02	$ 14.30	$ 16.17

NOTE 14 - LONG-TERM STOCK INCENTIVE PLAN (continued)

The following table summarizes the activity for options to purchase shares of Class A Common Stock issued and outstanding:

	Weighted Average Exercise Price	Number of Shares
Outstanding at November 30, 2002	$ 41.90	69,419
Granted	39.89	12,929
Outstanding at November 30, 2003	41.58	82,348
Granted	43.75	38,025
Exercised	37.94	(11,666)
Outstanding at November 30, 2004	42.73	108,707
Granted	57.01	29,097
Exercised	39.75	(11,182)
Outstanding at November 30, 2005	$ 46.28	126,622
Exercisable at:		
November 30, 2003	$ 41.81	65,077
November 30, 2004	42.19	80,006
November 30, 2005	44.14	94,833

The following table summarizes information about stock options outstanding and exercisable at November 30, 2005:

	Outstanding			Exercisable	
Exercise Price Range	Options	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
$37.06–$44.73	87,500	6.7	$ 42.51	78,148	$ 42.55
$47.99–$57.01	39,122	9.3	54.70	16,685	51.59

The tax effect of income tax deductions that differ from expense for financial reporting purposes under these plans is credited or charged to additional paid-in capital.

NOTE 15 - FINANCIAL INSTRUMENTS

The carrying values of cash and cash equivalents, accounts receivable, short-term investments, accounts payable, and accrued liabilities approximate fair value due to the short-term maturities of these assets and liabilities.

Fair values of long-term debt and interest rate swaps are based on quoted market prices at the date of measurement. The Company's credit facilities approximate fair value as they bear interest rates that approximate market. At November 30, 2005, the fair value of the remaining long-term debt, which includes the 2004 Senior Notes and TIF bond Funding Commitment, as determined by quotes from financial institutions, was $373.1 million compared to the carrying amount of $369.0 million.

NOTE 16 - QUARTERLY DATA (UNAUDITED)

The Company derives most of its income from a limited number of NASCAR-sanctioned races. As a result, the Company's business has been, and is expected to remain, highly seasonal based on the timing of major events. For example, one of the Company's NASCAR NEXTEL Cup Series events is traditionally held on the Sunday preceding Labor Day. Accordingly, the revenue and expenses for that race and/or the related supporting events may be recognized in either the fiscal quarter ending August 31 or the fiscal quarter ending November 30.

The following table presents certain unaudited financial data for each quarter of fiscal 2004 and 2005 (in thousands, except per share amounts):

	Fiscal Quarter Ended			
	February 29, 2004	May 31, 2004	August 31, 2004	November 30, 2004
Total revenue	$ 130,625	$ 131,125	$ 154,844	$ 231,254
Operating income	47,068	37,720	51,048	92,582
Income from continuing operations	24,450	15,595	31,810	54,441
Net income	27,793	6,059	68,090	54,376
Basic earnings per share	0.52	0.11	1.28	1.02
Diluted earnings per share	0.52	0.11	1.28	1.02

	Fiscal Quarter Ended			
	February 28, 2005	May 31, 2005	August 31, 2005	November 30, 2005
Total revenue	$ 179,432	$ 157,447	$ 166,519	$ 236,730
Operating income	71,847	46,866	56,019	90,533
Income from continuing operations	41,118	26,540	36,804	54,612
Net income	41,065	26,501	36,752	55,044
Basic earnings per share	0.77	0.50	0.69	1.04
Diluted earnings per share	0.77	0.50	0.69	1.03

NOTE 17 - SEGMENT REPORTING

The general nature of the Company's business is a motorsports themed amusement enterprise, furnishing amusement to the public in the form of motorsports themed entertainment. The Company's motorsports event operations consist principally of racing events at its major motorsports facilities. The Company's remaining business units, which are comprised of the radio network production and syndication of numerous racing events and programs, the operation of a motorsports-themed amusement and entertainment complex, certain souvenir merchandising operations not associated with the promotion of motorsports events at the Company's facilities, construction management services, leasing operations, financing and licensing operations and agricultural operations are included in the "All Other" segment. The Company evaluates financial performance of the business units on operating profit after allocation of corporate general and administrative ("G&A") expenses. Corporate G&A expenses are allocated to business units based on each business unit's net revenues to total net revenues.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Intersegment sales are accounted for at prices comparable to unaffiliated customers. Intersegment revenues were approximately $10.4 million, $9.0 million and $12.2 million for the years ended November 30, 2003, 2004, and 2005, respectively (in thousands).

	For The Year Ended November 30, 2003		
	Motorsports Event	All Other	Total
Revenues	$ 520,441	$ 39,058	$ 559,499
Depreciation and amortization	35,270	5,590	40,860
Operating income	177,133	9,710	186,843
Capital expenditures	67,957	4,630	72,587
Total assets	1,106,644	197,148	1,303,792
Equity investments	33,706	-	33,706

	For The Year Ended November 30, 2004		
	Motorsports Event	All Other	Total
Revenues	$ 609,086	$ 47,774	$ 656,860
Depreciation and amortization	38,788	5,655	44,443
Operating income	217,067	11,351	228,418
Capital expenditures	113,098	22,120	135,218
Total assets	1,343,303	276,207	1,619,510
Equity investments	36,489	-	36,489

NOTE 17 - SEGMENT REPORTING (continued)

	For The Year Ended November 30, 2005		
	Motorsports Event	All Other	Total
Revenues	$ 702,870	$ 49,455	$ 752,325
Depreciation and amortization	43,971	6,922	50,893
Operating income	255,459	9,806	265,265
Capital expenditures	222,736	26,114	248,850
Total assets	1,538,614	258,455	1,797,069
Equity investments	51,160	-	51,160

NOTE 18 - SUBSEQUENT EVENTS

On December 9, 2005, SMISC purchased the stock of Action, which was structured as a merger of a wholly-owned subsidiary of Motorsports Authentics, LLC into Action. Upon the consummation of the merger, Action's outstanding common stock was cancelled and the holders were to receive $13 in cash in exchange for each share of Action common stock. The total purchase price, of approximately $247.6 million, was funded through equal equity contributions from the Company and SMI of approximately $123.8 million, including transaction expenses, to SMISC. The Company's share of the equity contribution was funded from existing cash and borrowings of approximately $80.0 million from its Credit Facility.

ERNST & YOUNG LLP

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
International Speedway Corporation

We have audited the accompanying consolidated balance sheets of International Speedway Corporation and subsidiaries as of November 30, 2004 and 2005, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended November 30, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of International Speedway Corporation and subsidiaries at November 30, 2004 and 2005, and the consolidated results of their operations and their cash flows for each of the three years in the period ended November 30, 2005, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of International Speedway Corporation's internal control over financial reporting as of November 30, 2005, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 3, 2006, expressed an unqualified opinion thereon.

Ernst + Young LLP

Jacksonville, Florida
February 3, 2006

ERNST & YOUNG LLP

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
International Speedway Corporation

We have audited management's assessment, included in the accompanying Report of Management on Internal Control Over Financial Reporting, that International Speedway Corporation maintained effective internal control over financial reporting as of November 30, 2005, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). International Speedway Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment about the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that International Speedway Corporation maintained effective internal control over financial reporting as of November 30, 2005, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, International Speedway Corporation maintained, in all material respects, effective internal control over financial reporting as of November 30, 2005, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of International Speedway Corporation and subsidiaries as of November 30, 2004 and 2005, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended November 30, 2005, and our report dated February 3, 2006, expressed an unqualified opinion thereon.

Ernst & Young LLP

Jacksonville, Florida
February 3, 2006

Report of Management on Internal Control Over Financial Reporting

February 3, 2006

We, as members of management of International Speedway Corporation, are responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, our disclosure controls and procedures may not prevent or detect misstatements. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

We, under the supervision of and with the participation of our management, including the Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, assessed the Company's internal control over financial reporting as of November 30, 2005, based on criteria for effective internal control over financial reporting described in "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, we concluded that we maintained effective internal control over financial reporting as of November 30, 2005, based on the specified criteria.

Management's assessment of the effectiveness of our internal control over financial reporting has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Market Price of and Dividends on Registrant's Common Equity and Related Stockholder Matters

At November 30, 2005, International Speedway Corporation had two issued classes of capital stock: class A common stock, $.01 par value per share, and class B common stock, $.01 par value per share. The class A common stock is traded on the NASDAQ National Market System under the symbol "ISCA." The class B common stock is traded on the Over-The-Counter Bulletin Board under the symbol "ISCB.OB" and, at the option of the holder, is convertible to class A common stock at any time. As of November 30, 2005, there were approximately 2,742 record holders of class A common stock and approximately 605 record holders of class B common stock.

The reported high and low sales prices or high and low bid information, as applicable, for each quarter indicated are as follows:

	ISCA		ISCB.OB(1)	
	High	**Low**	**High**	**Low**
Fiscal 2004:				
First Quarter	$ 48.50	$ 41.92	$ 48.00	$ 42.25
Second Quarter	49.26	41.01	49.00	41.50
Third Quarter	53.90	46.75	53.35	46.60
Fourth Quarter	54.85	46.07	54.00	46.25
Fiscal 2005:				
First Quarter	56.50	48.80	56.00	49.00
Second Quarter	60.59	51.50	58.50	51.50
Third Quarter	60.15	53.60	59.25	53.50
Fourth Quarter	56.35	50.45	55.00	50.00

(1) ISCB quotations were obtained from the OTC Bulletin Board and represent prices between dealers and do not include mark-up, mark-down or commission. Such quotations do not necessarily represent actual transactions.

Dividends

Annual dividends of $0.06 per share were declared in the quarter ended in May and paid in June in fiscal years 2001 through 2005 on all common stock that was issued at the time.

Investor Inquiries and 10-K

For more information about
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Phone: (800) 568-3476

Independent Auditors for 2005
Ernst & Young LLP • Jacksonville, Florida

OTHER CORPORATE OFFICERS

John R. Saunders
Executive Vice President and Chief Operating Officer

H. Lee Combs
Senior Vice President–Corporate Development

W. Garrett Crotty
Senior Vice President, Secretary and General Counsel

Susan G. Schandel
Senior Vice President, Chief Financial Officer and Treasurer

John E. Graham, Jr.
Vice President–Business Affairs and Corporate Communications

Daniel W. Houser
Vice President, Controller,
Chief Accounting Officer and Assistant Treasurer

W. Grant Lynch, Jr.
Vice President of International Speedway Corporation,
President of Talladega Superspeedway, LLC

Glenn R. Padgett
Vice President, Chief Counsel–Operations, Assistant Secretary
and Chief Compliance Officer

Paul D. H. Phipps
Vice President and Chief Marketing Officer

Leslie A. Richter
Vice President–Special Projects

Board of Directors

William C. France
Chairman of the Board
International Speedway Corporation

James C. France
Vice Chairman of the Board
and Chief Executive Officer
International Speedway Corporation

Lesa France Kennedy
President
International Speedway Corporation

Larry Aiello, Jr.[1]
President and Chief Executive Officer
Corning Cable Systems

J. Hyatt Brown[1]
Chairman and Chief Executive Officer
Brown & Brown, Inc.

John R. Cooper[2]
Retired as Vice President
International Speedway Corporation

Brian Z. France
Chairman and Chief Executive Officer
NASCAR, Inc.

William P. Graves[1]
President and Chief Executive Officer
American Trucking Associations

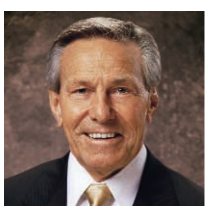
Christy F. Harris
Attorney in private practice of
business and commercial law

Raymond K. Mason, Jr.[1]
Chairman and President
Centerbank of Jacksonville, N.A.

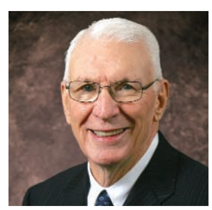
Gregory W. Penske[1]
President
Penske Automotive Group, Inc.

Edward H. Rensi[1]
Retired as President and
Chief Executive Officer
McDonald's USA
Chairman and Chief Executive Officer
Team Rensi Motorsports

Lloyd E. Reuss[1]
Retired as President
General Motors Corporation



Thomas W. Staed[1]
Chairman
Staed Family Associates, Ltd.



[1] **Independent Board Member**
[2] **Advisory Board Member**

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