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.