Management's Discussion and Analysis of Financial Condition and Results of Operations

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 income" 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 revenues, royalties from licenses of our trademarks and track rentals. 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 and Turner Sports extend through 2006 and through 2008 with FOX and its FX cable network (with the final two years at NASCAR's option). 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 income" includes revenues from concession stands, hospitality catering, direct sales of souvenirs, 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 costs of competition paid to sanctioning bodies other than NASCAR, labor, advertising and other expenses associated with the promotion 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, catalog and 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 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.

Insurance. We use a combination of insurance and self-insurance for a number of risks including general liability, workers' compensation, vehicle liability and employee-related healthcare 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 derivative instruments for trading purposes. All of our derivative instruments qualify, or have qualified, for the use of the "short-cut" method of accounting to assess hedge effectiveness in accordance with SFAS No. 133, as amended, and are recognized in our consolidated balance sheet at their fair value. The fair values of our derivative investments are based on quoted market prices at the date of measurement.

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 Divestiture

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 $194.7 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 and approximately $94.3 million in cash. Martinsville's operations are included in our consolidated operations subsequent to the date of acquisition.

Located in Virginia near Greensboro and Winston-Salem, Martinsville is one of only two one-half mile tracks on the NASCAR NEXTEL Cup Series circuit. It seats approximately 64,000 grandstand spectators and offers premium accommodations in the facility's 25 suites. Martinsville annually conducts two NASCAR NEXTEL Cup and NASCAR Craftsman Truck series event weekends, including one during the Chase for the NASCAR NEXTEL Cup which was included in our fiscal 2004 results of operations. In addition, Martinsville hosts a NASCAR Late Model Stock Car event annually. These events strengthen our presence in the motorsports industry and afford us further expansion opportunities in terms of seat and suite additions, as well as increased fan amenities.

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, Inc. ("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 in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long Lived Assets." See "Impairment of Long-Lived Assets" below regarding the classification of Nazareth as discontinued operations as well.

Impairment of Long-Lived Assets

SFAS No. 144 requires impairment losses equal to the difference between the carrying value of the asset and its fair value to be recognized for long-lived assets, if events or circumstances indicate that the carrying value of an asset may not be recoverable. In May 2004, we announced our intention to request realignment of the NASCAR Busch Series and Indy Racing League IndyCar Series events, currently 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. We believe that we can more successfully grow these events over the long term at a facility other than Nazareth. For the 2005 event season, the aforementioned events have been realigned to our Watkins Glen facility.

The realignment of the events conducted at Nazareth and the indefinite suspension of major motorsports event operations at the facility are expected to have 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 their 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 Nazareth's long-lived assets' estimated fair value 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.

During our fourth fiscal quarter we decided to pursue the sale of our Nazareth property. In accordance with SFAS No. 144, for all periods presented the results of operations of Nazareth, including the impairment charge recorded in fiscal 2004, are presented as discontinued operations.

Equity Investment

We acquired 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 payment station which is linked to a pre-authorized credit card. Proximities is a variable interest entity as determined in accordance with 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 equity investment at November 30, 2004 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 84.9% of our revenues in fiscal 2004. 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. The net result of these realignments was that The California Speedway ("California") hosted an additional NASCAR NEXTEL Cup Series event weekend during the Labor Day weekend beginning in 2004 and the schedule of events at North Carolina was reduced to one NASCAR NEXTEL Cup Series event weekend in February 2004. Further, 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 results 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 Raceway's ("Darlington") event schedule by one NEXTEL Cup weekend. The 2004 realignments resulted in a net positive impact to our fiscal 2004 revenue and earnings and provided an opportunity to increase the sport's exposure in highly desirable markets, which we believe benefits the sport's fans, teams, sponsors and television broadcast partners as well promoters. We believe that the 2005 realignments will provide us additional net positive revenue and earnings impact as well as further enhance the other aforementioned benefits. 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. We expect media rights revenues, as well as variable costs tied to the percentage of broadcast rights fees required to be paid to competitors as part of NASCAR NEXTEL Cup and NASCAR Busch series sanction agreements, to continue to increase over the term of the current contracts based on NASCAR's announcement that the annual increase in the domestic television rights fees will range between 15% and 21% from 2001 through 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 2004, 2003 and 2002 were $188.9 million, $140.8 million and $120.5 million, respectively.

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 and NASCAR Busch 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.

Current and future 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 and 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. Based upon recent economic conditions, we instituted only modest increases in our weighted average ticket prices for fiscal 2005. In addition, we limited the expansion of capacity at our facilities in fiscal 2004 to approximately 1,400 additional seats at our Richmond facility that were sold on a season basis. We will add approximately 1,600 additional seats at Kansas Speedway ("Kansas") and 900 club seats along with six incremental suites at Michigan International Speedway ("Michigan") for the fiscal 2005 event season. 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.

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.

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 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 with 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,		
	2002	2003	2004
Revenues:			
Admissions, net	39.2%	37.1%	34.4%
Motorsports related income	46.1	48.3	51.7
Food, beverage and merchandise income	13.3	13.5	12.8
Other income	1.4	1.1	1.1
Total revenues	100.0	100.0	100.0
Expenses:			
Direct expenses:			
Prize and point fund monies and NASCAR sanction fees	16.6	17.7	18.4
Motorsports related expenses	18.1	17.9	17.4
Food, beverage and merchandise expenses	7.2	7.5	8.1
General and administrative expenses	14.5	15.0	13.9
Depreciation and amortization	7.3	7.4	6.9
Homestead-Miami Speedway track reconfiguration	-	0.5	-
Total expenses	63.7	66.0	64.7
Operating income	36.3	34.0	35.3
Interest expense, net	(4.4)	(3.9)	(2.7)
Loss on early redemption of debt	-	-	(0.8)
Equity in net income from equity investments	0.4	0.5	0.4
Income from continuing operations before income taxes and cumulative effect of accounting change	32.3	30.6	32.2
Income taxes	12.6	12.0	12.7
Income from continuing operations before cumulative effect of accounting change	19.7	18.6	19.5
(Loss) income from discontinued operations	(11.6)	0.6	(1.0)
Gain on sale of discontinued operations	-	-	5.6
Cumulative effect of accounting change	(86.5)	-	-
Net (loss) income	(78.4%)	19.2%	24.1%

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.

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 income 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 income 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 International Speedway ("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 $15.1 million, or 15.4%, 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 MRN Radio 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 income 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 $11.0 million, or 26.7%, 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 income increased from approximately 55.7% 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 Homestead-Miami Speedway ("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 closed on a private placement of $150 million 4.20 percent senior notes due 2009, and $150 million 5.40 percent senior notes due 2014 (collectively the "2004 Senior Notes"). We used a substantial majority of the net proceeds from the transaction to redeem our existing $225 million 7.875 percent senior notes issued in October 1999 and due October 15, 2004 ("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 and, to a much lesser extent, our 24.5% equity investment in Proximities. 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.

Comparison of Fiscal 2003 to Fiscal 2002

During fiscal 2003, inclement weather, and the threat of inclement weather, adversely impacted many of our major events including:

- Several events during Speedweeks 2003, including the Daytona 500;
- The March motorcycle events at Daytona, including the Daytona 200 Superbike event, which was rescheduled to the following Monday;
- The March NASCAR events at Darlington, including its NASCAR Busch Series event, which was rescheduled to the following Monday;
- The April NASCAR events at Talladega Superspeedway ("Talladega") where we believe race week sales were impacted by the threat of inclement weather;
- The August events, including the NASCAR NEXTEL Cup Series event, at Watkins Glen International ("Watkins Glen"); and
- The November CART Champ Car and supporting events scheduled at California, which were postponed and later cancelled due to a state of emergency declared in San Bernadino County, California and surrounding counties as a result of wildfires in the region.

In addition, we believe that the economic downturn, coupled with ongoing geopolitical issues, had a significant negative impact on attendance-related revenues in fiscal 2003.

Our fiscal 2003 results, as compared to fiscal 2002, were also impacted by the Dale Earnhardt Tribute Concert to benefit the Dale Earnhardt Foundation, which was hosted at Daytona in June 2003. In connection with this event, Daytona made donations, received a rental fee and provided certain event support services, and our Americrown subsidiary provided certain concessions, catering and merchandising services.

Admissions revenue decreased from approximately $205.8 million to approximately $203.7 million, or 1.0%, in fiscal 2003 as compared to fiscal 2002. This decrease was primarily attributable to the cancellation of the CART Champ Car weekend and other instances of inclement weather, as well as the impact of general economic and geopolitical conditions as described above. These decreases were partially offset by increased seating capacity at Richmond and Kansas and increased attendance at several events including the NASCAR NEXTEL Cup weekend at the newly reconfigured Homestead-Miami Speedway. Our Miami track was reconfigured prior to its 2003 NASCAR events in order to increase the track banking to a maximum of 20 degrees in the turns through an innovative variable-degree banking system, which succeeded in enhancing the quality of the racing entertainment at this facility.

Motorsports related income increased approximately $23.5 million, or 9.7%, in fiscal 2003 as compared to fiscal 2002. Substantially all of the increase was attributable to the television broadcast rights fees for the NASCAR NEXTEL Cup and NASCAR Busch series events conducted during the year. Hospitality, sponsorship, advertising, track rentals and licensing revenues also contributed to the increase. These increases were partially offset by the cancellation of the CART Champ Car weekend at California and a decrease in the entitlement fees for the August NASCAR NEXTEL Cup event at Michigan.

Food, beverage and merchandise income increased approximately $4.6 million, or 6.6%, in fiscal 2003 as compared to fiscal 2002. Our Americrown subsidiary's assumption of food concession and catering operations at California, which were operated by a third party vendor that paid California a commission in prior years, a non-recurring $1.6 million payment related to our ongoing activities to audit third party vendors and the Dale Earnhardt Tribute Concert at Daytona contributed significantly to the increase during fiscal 2003. These increases were partially offset by the lower food, beverage and merchandise sales attributable to previously discussed attendance decreases.

Other income decreased approximately $1.2 million, or 16.0%, in fiscal 2003 as compared to fiscal 2002. This decrease was primarily attributable to a gain on the sale of real property in the third quarter of fiscal 2002.

Prize and point fund monies and NASCAR sanction fees increased approximately $9.5 million, or 10.9%, in fiscal 2003 as compared to fiscal 2002. Over three-quarters of the increase was due to increased prize and point fund monies paid by NASCAR to participants in events during the periods. Over one-half 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 2003, as standard NASCAR sanctioning agreements require that a specified percentage of broadcast rights fees be paid to competitors.

Motorsports related expenses increased approximately $3.6 million, or 3.8%, in fiscal 2003 as compared to fiscal 2002. The increase was primarily related to increases in consumer marketing initiatives and event related costs for comparable events, including insurance, as well as expenses related to the Dale Earnhardt Tribute Concert at Daytona, partially offset by the cancellation of the CART Champ Car event weekend. Motorsports related expenses as a percentage of combined admissions and motorsports related income decreased from approximately 21.1% in fiscal 2002 to approximately 20.9% in fiscal 2003 primarily due to the increase in television broadcast rights fees and the cancellation of the CART Champ Car event weekend, partially offset by the previously discussed increased costs.

Food, beverage and merchandise expense increased approximately $3.6 million, or 9.7%, in fiscal 2003 as compared to fiscal 2002. Costs associated with our Americrown subsidiary's assumption of food concession and catering operations at California, which were operated by a third party vendor that paid California a commission in prior years, and expenses related to the Dale Earnhardt Tribute Concert at Daytona contributed significantly to the increase during fiscal 2003. These increases were partially offset by decreased product and other variable costs associated with previously discussed decreases in sales associated with lower attendance at certain events. Food, beverage and merchandise expenses as a percentage of food, beverage and merchandise income increased from approximately 54.1% in fiscal 2002 to approximately 55.7% in fiscal 2003. This margin decrease was primarily attributable to the expenses related to the assumption of food concession and catering operations at California, holding certain retail price points constant despite increasing product costs, and the relationship of decreased sales to certain fixed costs. This decrease was partially offset by the previously discussed non-recurring income related to our ongoing activities to audit third party vendors' sales reports for prior years.

General and administrative expenses increased approximately $6.1 million, or 8.0%, in fiscal 2003 as compared to fiscal 2002. The increase was primarily attributable to costs associated with certain ongoing legal proceedings, a write-off related to our claim for the return of the sanction fee paid to CART for the cancelled CART Champ Car event (as described below), and other expenses related to the expansion of our ongoing business, partially offset by decreases in certain other operating expenses and professional fees. The November CART Champ Car and supporting events scheduled at California were postponed and later cancelled due to a state of emergency declared in San Bernadino County, California and surrounding counties as a result of wildfires in the region. Subsequent to the cancellation, CART refused to return the $2.5 million Organization and Rights fee ("Sanction Fee") we paid to them in advance of the event in accordance with terms of the Official Organizer/Promoter Agreement ("Agreement") for the event. As a result, we filed a Complaint for Declaratory Relief with the U.S. District Court, Central District of California against CART, Inc. seeking declaration that the wildfires constituted a "force majeure" as described in the Agreement. Per the terms specified in the Agreement, we are due back the $2.5 million Sanction Fee paid to CART, less a mutually agreed upon amount for legitimate expenses reasonably incurred by CART in preparing for the event. While we feel we have a solid legal position regarding the return of the Sanction Fee, recent bankruptcy court proceedings involving CART have indicated that a full recovery of the amount paid, less any legitimate pre-event expenses, is highly unlikely. General and administrative expenses as a percentage of total revenues increased from approximately 14.6% in fiscal 2002 to approximately 15.0% in fiscal 2003. The increase is primarily the result of the previously discussed legal fees and charge related to the write-off of our claim for return of the CART Champ Car event Sanction Fee, partially offset by the increase in television broadcast rights fees.

Depreciation and amortization expense increased approximately $2.7 million, or 7.0%, in fiscal 2003 as compared to fiscal 2002. These increases were primarily attributable to certain strategic initiatives implemented in mid fiscal 2002 and ongoing capital improvements at our facilities.

During the second quarter of fiscal 2003, we 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. As previously discussed, 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 project was completed for our fourth quarter fiscal 2003 NASCAR NEXTEL Cup, NASCAR Busch and NASCAR Craftsman Truck series events.

Interest income increased by approximately $602,000, or 50.7%, in fiscal 2003 as compared to fiscal 2002. These increases were primarily due to higher cash balances in fiscal 2003.

Interest expense decreased approximately $1.1 million, or 4.5%, in fiscal 2003 as compared to fiscal 2002. The decrease in interest expense resulting from the payoff of our revolving credit facilities in the prior year was partially offset by an increase in interest expense from our Senior Notes due to an interest rate swap agreement in place in the prior year that was terminated in August 2002.

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.

The increase in our effective income tax rate in fiscal 2003 as compared to fiscal 2002, was primarily attributable to an increase in our blended state tax rate.

As a result of the foregoing, our income from continuing operations before cumulative effect of accounting change decreased from approximately $103.2 million to approximately $102.0 million, or 1.2%, in fiscal 2003 as compared to fiscal 2002.

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. As previously discussed, the sale of North Carolina's assets to SMI closed on July 1, 2004 and motorsport event operations at Nazareth were suspended at the end of the 2004 season and its long-lived assets held for sale.

The cumulative effect of accounting change recognized in the first quarter of fiscal 2002 consists of the non-cash after-tax charges associated with our write-off of goodwill, as well as the write-off of goodwill by Raceway Associates, upon adoption of SFAS No. 142 on December 1, 2001.

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, 2004, we had cash, cash equivalents and short-term investments totaling approximately $276.0 million, $300.0 million principal amount of senior notes outstanding, total borrowings of $7.0 million under a term loan, and a debt service funding commitment of approximately $69.5 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 $149.9 million at November 30, 2004. At November 30, 2003 we had a working capital deficit of $104.8 million primarily due to the 1999 Senior Notes, which were repaid in full in May 2004 with the proceeds from issuance of the 2004 Senior Notes.

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, we have the full amount available to draw upon under our $300.0 million 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 $226.0 million for fiscal 2004, compared to approximately $194.7 million for fiscal 2003. The difference between our net income of approximately $156.3 million and the approximately $226.0 million of operating cash flow was primarily attributable to:

- deferred income taxes of approximately $52.1 million;
- depreciation and amortization of approximately $45.7 million;
- an increase in income taxes payable of approximately $18.4 million;
- the approximately $13.2 million non-cash charge related to the impairment of Nazareth's long-lived assets;
- an increase in accounts payable, deferred income and other current liabilities of approximately $12.4 million;
- an approximately $5.0 million loss on early retirement of our 1999 Senior Notes; and
- amortization of unearned compensation and financing costs of approximately $2.0 million;

These differences were partially offset by an approximately $63.9 million gain on the sale of North Carolina's assets, an increase in receivables of approximately $11.0 million, undistributed income from equity investments of approximately $2.8 million and an increase in inventories, prepaid expenses and other assets of approximately $2.6 million.

Net cash used in investing activities was approximately $233.5 million for fiscal 2004, compared to approximately $69.9 million for fiscal 2003. Our use of cash for investing activities reflects approximately $195.3 million for the acquisition of businesses, substantially consisting of the acquisition of Martinsville, approximately $135.2 million in capital expenditures and approximately $2.0 million for the purchase of our 24.5% interest in Proximities. This use of cash is partially offset by approximately $100.4 million in proceeds from the sale of North Carolina.

Net cash from financing activities was approximately $59.3 million for fiscal 2004, compared to approximately $10.1 million used in financing activities for fiscal 2003. The approximately $299.6 million in proceeds from the issuance of our 2004 Senior Notes and approximately $2.8 million in proceeds from an interest rate swap were partially offset by our use of cash for financing activities including approximately $231.9 million for the early redemption of our 1999 Senior Notes and payments of other term debt, approximately $5.3 million for the related redemption premium, approximately $2.6 million in deferred financing fees and a cash dividend paid of approximately $3.2 million.

Capital Expenditures

Capital expenditures totaled approximately $135.2 million for fiscal 2004, compared to approximately $72.6 million for fiscal 2003. Capital expenditures during fiscal 2004 related primarily to our previously announced multi-faceted infield renovation project at Daytona, acquisition of land and land improvements for expansion of parking, camping capacity and other uses, the installation of SAFER (steel and foam energy reduction) walls at several facilities, track lighting projects at California, Darlington and Phoenix, increased grandstand seating capacity at Richmond, construction of an IMAX theater at DAYTONA USA, 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.

Based on capital projects currently approved, we expect to make capital expenditures totaling approximately $110.7 million subsequent to November 30, 2004, which are expected to be completed within the next 24 months. This includes the acquisition of land and land improvements at various facilities for expansion of parking, camping capacity and other uses, improvements at Michigan including the previously discussed club seating and suite additions, the installation of and completion of track lighting projects at Miami, Phoenix, California and Darlington, the completion of our multi-faceted infield renovation project at Daytona, the purchase of equipment and other assets associated with our food, beverage and merchandising operations, increased grandstand seating capacity at Kansas, the completion of the installation of SAFER (steel and foam energy reduction) walls at several facilities, 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 2005, we expect our total fiscal 2005 capital expenditures will be approximately $100 million.

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, 2004, outstanding 2004 Senior Notes totaled approximately $301.6 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 beginning October 15, 2004 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.

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 will be 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, we entered into interest rate swap agreements to effectively lock in the interest rate of approximately $150.0 million of the 4.2% Senior Notes. We 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 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, 2004, outstanding TIF bonds totaled approximately $68.2 million, net of the unamortized discount, which is comprised of a $19.8 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. We have agreed to guarantee Kansas Speedway Corporation's Funding Commitment until certain financial conditions have been met. 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, 2004, the Unified Government had $5.8 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, 2004, we did not have any borrowings outstanding under the Credit Facility.

Our Miami subsidiary's $7.0 million Term Loan is guaranteed by us. The final payment under the Term Loan was paid on December 31, 2004. Our Miami subsidiary had an interest rate swap agreement that effectively fixed the floating rate on the outstanding balance under the Term Loan at 5.60% plus 50-100 basis points, based on certain consolidated financial criteria. This interest rate swap expired on December 31, 2004.

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 September 15, 2005. At November 30, 2004, Raceway Associates had approximately $38.0 million outstanding under its term loan and no borrowings outstanding under its 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.

At November 30, 2004, 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, 2004 (in thousands):

		Obligations Due by Period			
	Total	Less Than One Year	2-3 Years	4-5 Years	After 5 Years
Long-term debt	$376,495	$ 7,505	$ 1,405	$ 151,990	$ 215,595
Track facility operating agreement	42,540	2,220	4,440	4,440	31,440
Other operating leases	9,906	2,878	3,084	1,012	2,932
Total Contractual Cash Obligations	$428,941	$ 12,603	$ 8,929	$ 157,442	$ 249,967

Commercial commitment expirations are as follows as of November 30, 2004 (in thousands):

		Commitment Expiration by Period			
	Total	Less Than One Year	2-3 Years	4-5 Years	After 5 Years
Guarantees	$ 5,760	$ 685	$ 1,320	$ 905	$ 2,850
Keepwell agreements	19,000	2,400	4,800	4,800	7,000
Unused credit facilities	301,843	1,843	-	300,000	-
Total Commercial Commitments	$326,603	$ 4,928	$ 6,120	$ 305,705	$ 9,850

During fiscal 1999, we announced our intention to search for a site for a major motorsports facility in the New York metropolitan area. Our efforts have included the evaluation of many different locations. Most recently we identified a combination of land parcels in the New York City borough of Staten Island that could potentially be utilized for the development of a major speedway. Through our majority-owned subsidiary, 380 Development, we have closed on the purchases of approximately 677 total acres for approximately $110.0 million, substantially all of which were acquired after our fiscal year ended November 30, 2004. The aggregate of these parcels represents the largest block of undeveloped land in the five boroughs of New York City. The properties are part of a proposed motorsports and retail development project the Company is pursuing with Related Retail Corporation (the minority member of 380 Development), a retail specialist whose developments include the Time Warner Center in Manhattan and the Gateway Retail Center in Brooklyn. 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. ISC currently expects the speedway portion of the development will cost between $550 and $600 million, including the aforementioned land purchases, and could open in late 2009 or 2010. While we believe a facility in New York provides significant long-term strategic value for ISC, these property acquisitions are only small steps in a long and complex process. In addition to working closely with the appropriate governmental agencies responsible for approval and permitting, we are conducting a detailed feasibility study to further analyze construction costs, determine the level of public incentives, and review environmental impacts including traffic, noise, air quality and remediation required, if any. Whether we ultimately construct a track or pursue alternative options for the development of this prime New York real estate will largely depend on the results of this study. During fiscal 2004, we capitalized approximately $9.3 million in legal and other professional fees relating to due diligence and feasibility studies, as well as other costs related to our negotiations, through our majority-owned subsidiary, for the purchase of these parcels.

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 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 Pacific Northwest. We recently announced that after preliminary due diligence on a site proposed by Snohomish County and the City of Marysville, Washington, it was determined the site-specific costs of such a project were beyond what was originally anticipated. As a result, Snohomish County and Marysville withdrew their proposal, which has allowed us to resume exploration of other potential locations. While we remain optimistic in 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.

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 with 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. In addition, the Internal Revenue Service (the "Service") is currently performing a periodic examination of our federal income tax returns for the years ended November 30, 1999 through 2003 and is examining the tax depreciation treatment for a significant portion of our motorsports entertainment facility assets. 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, 2004. 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 Service audits, is appropriate and we intend to vigorously defend the merits of our position, if necessary. 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 in our consolidated financial statements as of November 30, 2004, and, as a result, do not expect that such an outcome would have a material adverse effect on results of operations.

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; and
- any adjustment that may ultimately occur as a result of the examination by the Service.

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 Pacific Northwest 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 January 2003 and as revised in December 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities." This interpretation of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," addresses consolidation by business enterprises of variable interest entities. Prior to this interpretation, two enterprises generally had been included in consolidated financial statements because one enterprise controls the other through voting interests. This interpretation defines the concept of "variable interests" and requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse the risks among the parties involved. Our adoption of this interpretation in fiscal 2004 did not have an impact on our financial position or results of operations.

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 interim or annual periods beginning after June 15, 2005. We will be required to adopt SFAS No. 123R in our third quarter of fiscal 2005 and currently disclose the effect on net (loss) income and (loss) earnings per share of the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." We are currently evaluating the impact of the adoption of SFAS 123R on our financial position and results of operations, including the valuation methods and support for the assumptions that underlie the valuation of the awards.

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. Our adoption of SFAS No. 153 is not expected to have a material 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 2003 and 2004 (in thousands, except per share amounts):

	Fiscal Quarter Ended			
	February 28, 2003	May 31, 2003	August 31, 2003	November 30, 2003
Total revenue	$ 119,866	$ 118,080	$ 159,041	$ 152,068
Operating income	45,487	28,934	60,589	51,833
Income from continuing operations	23,116	13,159	36,877	28,813
Net income	25,364	12,492	35,953	31,639
Basic earnings per share	0.48	0.24	0.68	0.60
Diluted earnings per share	0.48	0.24	0.68	0.60

	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

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 8 to the consolidated financial statements, we have various debt instruments that are issued at fixed and variable rates of interest. 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 and interest rate swaps 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, 2004, our debt outstanding with a variable rate of interest has an interest rate swap agreement that effectively fixes the floating rate, therefore, a hypothetical increase in interest rates by 1% would not result in an increase in our interest expense. At November 30, 2004, the fair value of our total long-term debt as determined by quotes from financial institutions, was $383.5 million. The potential decrease in fair value resulting from a hypothetical 10% shift in interest rates would be approximately $14.4 million at November 30, 2004.

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. The fair value of our interest rate swap on the Term Loan at November 30, 2004 was a liability of approximately $22,000. The Term Loan was repaid and the related interest rate swap expired on December 31, 2004.

Credit risk arises from the possible inability of counter parties to meet the terms of their contracts on a net basis. However, we minimize such risk exposures for these instruments by limiting counter parties to large banks and financial institutions that meet established credit guidelines. We do not expect to incur any losses as a result of counter party 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 the Company’s other SEC filings. Copies of those filings are available from us and/or the SEC.