

## MOTORSPORTS INDUSTRY OVERVIEW

The motorsports industry consists of several distinct categories of auto racing, each with its own organizing body and sanctioned racing events. The Federation Internationale de l'Automobile, or FIA, based in Paris, France, is a worldwide governing body for auto racing, with representative members in more than 100 countries. The FIA's United States representative is the Automobile Competition Committee of the United States ("ACCUS"), which in turn consists of the following nine member sanctioning organizations:

NASCAR	National Association for Stock Car Auto Racing
IRL	Indy Racing League
Grand American	Grand American Road Racing Association
NHRA	National Hot Rod Association
IMSA	International Motorsports Association
SCCA	Sports Car Club of America
USAC	United States Auto Club
WKA*	World Karting Association

\* Associate member

Motorsports is among the most popular and fastest growing spectator sports in the United States, with annual attendance at all United States motorsports events estimated at more than 15 million people. The NASCAR Sprint Cup, NASCAR Nationwide and NASCAR Craftsman Truck series events, and open wheel events sanctioned by the IRL, are generally the most popular motorsports events in the United States. The largest auto racing category in the United States, in terms of attendance, media exposure and sponsorships, is stock car racing. The most prominent sanctioning body in stock car racing is NASCAR, based on such factors as geographic presence and number of members, series and sanctioned events. ISC derived approximately 86% of its fiscal 2007 revenues from NASCAR-sanctioned racing events at its wholly-owned facilities.

### Economics of Auto Racing

Motorsports events generally are heavily promoted, with a number of supporting events surrounding each main race event. Examples of supporting events include secondary races, qualifying time trials, practice sessions, driver autograph sessions, automobile and product expositions, catered parties, fan forums, live television and radio shows and other related events, which are all designed to maximize the spectators' overall entertainment experience and enhance the value to sponsors. The primary participants in the business of auto racing are sanctioning bodies, spectators, track operators, sponsors, broadcast and media partners, major automobile manufacturers, drivers, crew members, team owners and vendors of officially licensed merchandise.

### ***Sanctioning Bodies***

Sanctioning bodies such as NASCAR and IRL sanction events at various race venues in exchange for fees from track operators. Sanctioning bodies are responsible for all aspects of race management necessary to conduct the event. They are responsible for regulating racing cars, drivers and teams, providing officials to ensure fair competition, as well as administering the purse and prize payments.

### ***Spectators***

Motorsports is among the most watched sports worldwide and is among the fastest growing spectator sports in the United States. Annual attendance at all U.S. motorsports events is estimated to be more than 15 million people. We believe that the profile of the growing base of spectators, including demographics such as household income, education, gender and age, has considerable appeal to the primary participants in the business of auto racing.

### ***Track Operators***

Track operators, such as ISC, market and promote events at their facilities. Their principal revenue sources generally include admissions, television, radio and ancillary rights fees, promotion and sponsorship fees, the sale of merchandise, food and beverage concessions, hospitality fees paid for catered receptions and private parties, luxury suite and hospitality village rentals, parking and advertising on track signage and in souvenir racing programs. Sanction agreements require race track operators to pay fees for each sanctioned event conducted, including sanction fees and prize and championship point fund monies.

### ***Sponsors***

Drawn to the sport by its attractive demographics, the strong brand loyalty of the fans, and opportunities to build relationships with other corporate partners, sponsors are active in all aspects of auto racing. In addition to supporting racing teams by direct sponsorship of a team, which funds certain costs of their operations, sponsors support track operators by paying fees associated with rights to official status designations for specified product categories and the naming of events such as the Auto Club 500, the Ford 400 or the Crown Royal 400. In addition, premier racing events such as the Daytona 500 frequently have multiple official corporate sponsors. Sponsors negotiate to receive specified advertising exposure through television and radio coverage, newspapers, race programs, brochures and advertising at the track. Finally, sponsors pay fees to track operators for the use of proprietary logos and trademarks to promote the sponsor's association with an event and drive retail sales.

### ***Broadcasting and Media Partners***

Broadcasters and other media channels arrange rights agreements directly with the individual sanctioning bodies. Broadcasters receive revenue from corporate sponsors and advertisers for promotional airtime during race events. Strong television performance and ongoing popularity of motorsports events are important because they help drive incremental advertising revenue. In addition, broadcasters play a significant role in promoting the sport by providing strong graphics, production values, music and talent, which all add to an exciting broadcast experience for fans.

### ***Major Automobile Manufacturers***

Major automobile manufacturers, such as General Motors, Ford, DaimlerChrysler, Toyota and Honda play a key role in the success of the sport by providing financial support to drivers, teams and track operators; technological support in the form of research and development; and exposure for the sport through advertising and dealer promotion.

### ***Drivers and Crew Members***

The majority of drivers contract directly with individual team owners; however, some drivers own their teams. Drivers generally receive income from contracts with team owners, sponsorship fees and prize money. Drivers may also receive income from personal endorsement and merchandise licensing fees. The success and personality of a driver is an important marketing advantage because it can help attract corporate sponsorships and generate sales for vendors of officially licensed merchandise, including us. The efforts of each driver are supported by a number of other crew members, all of whom are supervised by a crew chief or team manager.

### ***Team Owners***

Team owners generally bear the financial risk of placing their teams in competition. They contract with drivers, acquire racing vehicles and support equipment, hire pit crews and mechanics and arrange sponsorship of their teams. Team owners generally receive income principally from sponsorships and prize money.

### ***Merchandise Vendors***

The growing popularity of motorsports events, combined with the demographics of the spectators, has resulted in revenue growth for vendors of officially licensed racing-related merchandise. For example, according to NASCAR, sales of apparel, souvenirs, collectibles, automotive after-market accessories and other merchandise licensed by NASCAR, drivers, teams and track operators have climbed dramatically, from approximately \$600 million in 1995 to more than \$2 billion currently.

## NASCAR

The largest auto racing category in the United States, in terms of attendance, media exposure and sponsorships, is stock car racing. Stock car racing utilizes equipment similar in appearance to standard passenger automobiles. Stock car races are conducted on oval tracks, including short tracks of one-half mile or less in length, intermediate tracks between one-half mile and one mile in length and superspeedways of one mile or greater in length, as well as permanent road courses. The most prominent sanctioning body in stock car racing is NASCAR, based on such factors as geographic presence and number of members, series and sanctioned events.

Professional stock car racing developed in the southeastern United States in the 1930's. It began to mature in 1947 when William H.G. France (the father of ISC's Chairman and CEO and the grandfather of its President) organized NASCAR. The first NASCAR-sanctioned race was held in 1948 in Daytona Beach, Florida. In 1959, ISC completed construction of Daytona International Speedway and promoted the first Daytona 500. The motorsports industry began to gather momentum in the mid-1960's, when major North American automobile and tire manufacturers first offered engineering and financial support. Evolving from the NASCAR Grand National Series that began in 1950, NASCAR created the NASCAR Winston Cup Series in the early 1970's. Beginning in 2004, Nextel Communications replaced Winston as sponsor of the Cup Series. In 2008 the NASCAR NEXTEL Cup Series was renamed the NASCAR Sprint Cup Series after Sprint acquired NEXTEL in 2006. The NASCAR Sprint Cup Series will consist of 39 televised events, including three non-championship point events, at 22 tracks operating in 19 states in 2008. No track currently promotes more than two NASCAR Sprint Cup Series championship point events.

The following table shows the 2008 NASCAR Sprint Cup Series schedule (events held at facilities currently operated by us are noted in bold), with all events to be televised on FOX, ESPN, ABC, TNT or SPEED:

### 2008 Sprint Cup Series Schedule

Date	Venue
02/09/08	<b>Daytona Int'l Speedway</b>
02/14/08	<b>Daytona Int'l Speedway</b>
02/17/08	<b>Daytona Int'l Speedway</b>
02/24/08	<b>Auto Club Speedway</b>
03/02/08	Las Vegas Motor Speedway
03/09/08	Atlanta Motor Speedway
03/16/08	Bristol Motor Speedway
03/30/08	<b>Martinsville Speedway</b>
04/06/08	Texas Motor Speedway
04/12/08	<b>Phoenix International Raceway</b>
04/27/08	<b>Talladega Superspeedway</b>
05/03/08	<b>Richmond Int'l Raceway</b>
05/10/08	<b>Darlington Raceway</b>
05/17/08	Lowe's Motor Speedway

05/25/08	Lowe's Motor Speedway
06/01/08	Dover Int'l Speedway
06/08/08	Pocono Raceway
06/15/08	<b>Michigan Int'l Speedway</b>
06/22/08	Infiniteon Raceway
06/29/08	New Hampshire Int'l Speedway
07/05/08	<b>Daytona Int'l Speedway</b>
07/12/08	<b>Chicagoland Speedway</b>
07/27/08	Indianapolis Motor Speedway
08/03/08	Pocono Raceway
08/10/08	<b>Watkins Glen International</b>
08/17/08	<b>Michigan Int'l Speedway</b>
08/23/08	Bristol Motor Speedway
08/31/08	<b>Auto Club Speedway</b>
09/06/08	<b>Richmond Int'l Raceway</b>
09/14/08	New Hampshire Int'l Speedway
09/21/08	Dover Int'l Speedway
09/28/08	<b>Kansas Speedway</b>
10/05/08	<b>Talladega Superspeedway</b>
10/11/08	Lowe's Motor Speedway
10/19/08	<b>Martinsville Speedway</b>
10/26/08	Atlanta Motor Speedway
11/02/08	Texas Motor Speedway
11/09/08	<b>Phoenix International Raceway</b>
11/16/08	<b>Homestead-Miami Speedway</b>

Our 2008 financial results include 21 NASCAR Sprint Cup Series races, which is consistent with 2007.

NASCAR also sanctions various other racing events and series, including the NASCAR Nationwide and NASCAR Craftsman Truck series. Many track operators, including us, host a NASCAR Nationwide or a NASCAR Craftsman Truck series event in conjunction with a NASCAR Sprint Cup Series event in order to boost overall attendance for a race weekend. In 2008, 35 NASCAR Nationwide Series events will be promoted at 25 tracks in 20 states and one track each in Mexico and Canada.

Including our indirect interest in Montreal, our 2008 financial results include 16 NASCAR Nationwide Series events, all of which are scheduled to be televised on ESPN or ABC. In 2007, we also hosted 16 NASCAR Nationwide Series events. In 2008, 25 NASCAR Craftsman Truck Series events are scheduled to be promoted at 22 tracks in 19 states. Our 2008 financial results include nine NASCAR Craftsman Truck Series races, all of which are scheduled to be televised on FOX and Speed Channel. In 2007, we also hosted nine NASCAR Craftsman Truck Series events.

### ***Attractive Fan Demographics***

NASCAR's growing fan base is attractive to advertisers and sponsors. One in three U.S. adults currently follows the sport. Moreover, NASCAR's fan base covers every region of the country and spans every age group, with particular strength among 18-34 year olds, a prime-spending group targeted by advertisers. NASCAR fans also rank among the highest of all major U.S. sports in terms of household income distribution, with approximately 43% of fans earning more than \$50,000 per year. This translates into higher amounts of available discretionary spending. NASCAR has implemented initiatives to further diversify and expand its fan base. Currently, 40% of NASCAR fans are women, giving sponsors significant exposure to the prime purchasing decision-makers. In addition, one in five of NASCAR fans are minorities. These factors result in an attractive audience for advertisers and sponsors.

### ***Electronic Media Rights***

Prior to 1999, track operators negotiated directly with television and cable networks for coverage of substantially all of the televised NASCAR-sanctioned events held at their facilities other than the NASCAR Craftsman Truck Series. In February 1999, NASCAR announced it would retain television, radio and all other electronic media rights and negotiate such rights other than radio for the NASCAR Sprint Cup and NASCAR Nationwide series events. In November 1999, NASCAR reached an agreement on a six-year television contract with NBC Sports and Turner Sports, and an eight-year agreement with FOX and its FX cable network (with the last two years of the FOX/FX agreement at NASCAR's option), for the domestic television broadcast rights beginning in 2001. NASCAR Sprint Cup and NASCAR Nationwide series gross domestic television rights revenues grew at a compound annual growth rate, or CAGR, of 17% during the contract period from 2001 to 2006.

Fiscal 2006 was our last year under NASCAR's multi-year consolidated television broadcast rights agreements with NBC Sports, Turner Sports, FOX and FX. NASCAR entered into new combined eight-year agreements with FOX, ABC/ESPN, TNT and SPEED beginning in 2007 for the domestic broadcast and related rights for its Sprint Cup, NAtionwide and Craftsman Truck series. The agreements are expected to total approximately \$4.5 billion over the eight year period from 2007 through 2014. This results in an approximate \$560.0 million gross average annual rights fee for the industry, a more than 40.0 percent increase over the previous contract average of \$400.0 million annually. The industry rights fees were approximately \$515.0 million for 2008 and \$505 million for 2007, and will increase, on average, by approximately three percent per year through the 2014 season. The annual increase is expected to vary between two and four percent per year over the period.

While the 2007 industry rights fees were less than the 2006 industry rights fees of approximately \$576.0 million, in our opinion this 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 Sprint Cup Series 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 sport's broadcast relationship with ESPN, which we believe will result in further exposure for NASCAR racing. First, we believe the NASCAR Nationwide 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. 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. Television broadcast and ancillary rights fees from continuing operations received from NASCAR for the NASCAR Sprint Cup and Nationwide series events and the NASCAR Craftsman Truck series events beginning in fiscal 2007, conducted at our wholly owned facilities under these agreements were approximately \$237.4 million, \$274.8 million and \$254.1 million for fiscal 2005, 2006 and 2007, respectively.

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 Sprint Cup, Nationwide 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 25.0 percent of the gross domestic television broadcast rights fees allocated to our NASCAR Sprint Cup, Nationwide 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.

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## ***Realignment***

In early 2003, NASCAR announced their Realignment 2004 and Beyond initiative designed to expand the sport into underserved markets throughout the country. By moving races to larger markets and later start times, NASCAR expects to increase its value to the sport's television broadcasters, which benefits everyone involved in the sport.

In June 2003, NASCAR approved our proposal for realigning a NASCAR Sprint Cup date from North Carolina to Auto Club Speedway beginning in 2004. The move was incrementally positive to revenue and earnings, but more importantly, allows our broadcast and advertising partners a second opportunity to access the nation's number two media market. It also gives our large fan base in that part of the country another opportunity to enjoy live NASCAR racing.

In May 2004, NASCAR approved requests for the realignment of several other NASCAR Sprint Cup Series dates beginning with the 2005 season. As a result, Phoenix now hosts an additional NASCAR Sprint Cup Series event in the Spring that finishes "under the lights," Darlington hosts only one NASCAR Sprint Cup Series event (on a Saturday night in May), and Auto Club Speedway's spring NASCAR Sprint Cup Series race is now held the week following the Daytona 500 in February. This additional realignment was incrementally positive to revenue and earnings and strengthens our nationwide presence.

NASCAR has left the door open for additional realignment requests and we intend to further capitalize on this initiative over the longer term.

## **Indy Racing League ("IRL")**

IRL was formed in 1995 to sanction open wheel racing events. In 2008, the IRL IndyCar Series schedule will feature 17 races, including the Indianapolis 500, one of the world's most prestigious motorsports events. IRL also owns and sanctions the Firestone Indy Lights Series, a developmental series for IRL. In fiscal 2008, we will promote five IRL IndyCar Series races. We believe IRL's long-term business plan of growing a primarily oval-based racing series favorably complements our business. Moreover, we expect the combination of a strong nationwide presence, important manufacturer involvement and the premier status of the Indy 500 will continue to help this series grow by attracting new fans and corporate sponsors.

## **Other Sanctioning Bodies**

Although NASCAR is the most prominent sanctioning body in the United States, a number of other organizations also sanction stock car races. Including events at Chicagoland, in 2008 we will promote five Automobile Racing Club of America races. Other examples of motorsports events and their sanctioning bodies include:

- Formula One open wheel races held on road courses in several countries and sanctioned by the FIA;
- sports car races held on road courses and temporary street courses and sanctioned in the United States by Grand American, IMSA and SCCA;
- motorcycle races sanctioned by the American Motorcyclist Association;



- drag strip races sanctioned in the United States by NHRA and International Hot Rod Association
- open wheel races held on ovals, temporary street courses and permanent road courses and sanctioned by Champ Car World Series; and
- go-kart races sanctioned by the World Karting Association.