

INTERNATIONAL SPEEDWAY CORP

Form 10-Q

October 07, 2010

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended August 31, 2010**

OR

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____**

INTERNATIONAL SPEEDWAY CORPORATION
(Exact name of registrant as specified in its charter)

FLORIDA
(State or other jurisdiction
of incorporation)

O-2384
(Commission
File Number)

59-0709342
(I.R.S. Employer
Identification No.)

**ONE DAYTONA BOULEVARD,
DAYTONA BEACH, FLORIDA**
(Address of principal executive offices)

32114
(Zip code)

Registrant's telephone number, including area code: **(386) 254-2700**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date:

Class A Common Stock	27,698,001 shares	as of August 31, 2010
Class B Common Stock	20,466,599 shares	as of August 31, 2010

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	November 30, 2009	August 31, 2010
	(Unaudited)	
	(In Thousands, Except Share and Per Share Amounts)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 158,572	\$ 89,225
Short-term investments	200	
Receivables, less allowance of \$1,200 in 2009 and 2010, respectively	41,934	38,391
Inventories	2,963	3,668
Income taxes receivable	4,015	5,260
Deferred income taxes	2,172	10,168
Prepaid expenses and other current assets	8,100	14,105
Total Current Assets	217,956	160,817
Property and Equipment, net of accumulated depreciation of \$540,176 and \$585,491, respectively	1,353,636	1,378,412
Other Assets:		
Long-term restricted cash and investments	10,144	1,001
Equity investments		33,768
Intangible assets, net	178,610	178,610
Goodwill	118,791	118,791
Other	29,766	9,092
	337,311	341,262
Total Assets	\$ 1,908,903	\$ 1,880,491
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities:		
Current portion of long-term debt	\$ 3,387	\$ 3,022
Accounts payable	18,801	28,080
Deferred income	63,999	87,549
Income taxes payable	8,668	169
Other current liabilities	19,062	43,867
Total Current Liabilities	113,917	162,687
Long-Term Debt	343,793	265,581
Deferred Income Taxes	239,767	263,159
Long-Term Tax Liabilities	20,917	5,516
Long-Term Deferred Income	12,775	11,132

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Other Long-Term Liabilities	30,481	3,411
Commitments and Contingencies		
Shareholders' Equity:		
Class A Common Stock, \$.01 par value, 80,000,000 shares authorized; 27,810,169 and 27,560,000 issued and outstanding in 2009 and 2010, respectively	278	276
Class B Common Stock, \$.01 par value, 40,000,000 shares authorized; 20,579,682 and 20,466,599 issued and outstanding in 2009 and 2010, respectively	205	204
Additional paid-in capital	493,765	483,533
Retained earnings	665,274	696,879
Accumulated other comprehensive loss	(12,269)	(11,887)
Total Shareholders' Equity	1,147,253	1,169,005
Total Liabilities and Shareholders' Equity	\$ 1,908,903	\$ 1,880,491

See accompanying notes

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INTERNATIONAL SPEEDWAY CORPORATION
Consolidated Statements of Operations

	Three Months Ended	
	August 31, 2009	August 31, 2010
	(Unaudited)	
	(In Thousands, Except Share and Per Share Amounts)	
REVENUES:		
Admissions, net	\$ 52,354	\$ 42,518
Motorsports related	105,965	102,997
Food, beverage and merchandise	12,625	11,789
Other	1,969	2,890
	172,913	160,194
EXPENSES:		
Direct:		
Prize and point fund monies and NASCAR sanction fees	41,228	39,607
Motorsports related	49,194	45,209
Food, beverage and merchandise	8,857	8,069
General and administrative	26,462	26,421
Depreciation and amortization	17,888	18,910
Impairment of long-lived assets	13,716	405
	157,345	138,621
Operating income	15,568	21,573
Interest income	237	31
Interest expense	(3,793)	(17,614)
Equity in net loss from equity investments	(3,239)	(85)
Other income	97	
Income from continuing operations before income taxes	8,870	3,905
Income taxes	4,414	296
Income from continuing operations	4,456	3,609
Loss from discontinued operations, net of income tax benefits of \$32 and \$0, respectively	(43)	
Net income	\$ 4,413	\$ 3,609
Basic earnings per share:		
Income from continuing operations	\$ 0.09	\$ 0.08
Loss from discontinued operations		
Net income	\$ 0.09	\$ 0.08

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Diluted earnings per share:			
Income from continuing operations	\$	0.09	\$ 0.08
Loss from discontinued operations			
Net income	\$	0.09	\$ 0.08
Basic weighted average shares outstanding		48,523,495	48,026,599
Diluted weighted average shares outstanding		48,627,020	48,110,000

See accompanying notes.

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INTERNATIONAL SPEEDWAY CORPORATION
Consolidated Statements of Operations

	Nine Months Ended	
	August 31, 2009	August 31, 2010
	(Unaudited)	
	(In Thousands, Except Share and Per Share Amounts)	
REVENUES:		
Admissions, net	\$ 143,870	\$ 116,750
Motorsports related	301,407	293,311
Food, beverage and merchandise	39,426	36,156
Other	6,707	8,169
	491,410	454,386
EXPENSES:		
Direct:		
Prize and point fund monies and NASCAR sanction fees	110,760	107,683
Motorsports related	110,256	105,071
Food, beverage and merchandise	27,583	25,336
General and administrative	76,966	76,913
Depreciation and amortization	54,768	55,694
Impairment of long-lived assets	13,801	1,061
	394,134	371,758
Operating income	97,276	82,628
Interest income	932	131
Interest expense	(15,572)	(28,369)
Equity in net loss from equity investments	(62,152)	(1,634)
Other income	430	
Income from continuing operations before income taxes	20,914	52,756
Income taxes	22,965	13,398
(Loss) income from continuing operations	(2,051)	39,358
Loss from discontinued operations, net of income tax benefits of \$96 and \$25, respectively	(130)	(47)
Net (loss) income	\$ (2,181)	\$ 39,311
Basic earnings per share:		
(Loss) income from continuing operations	\$ (0.04)	\$ 0.82
Loss from discontinued operations		
Net (loss) income	\$ (0.04)	\$ 0.82

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Diluted earnings per share:			
(Loss) income from continuing operations	\$	(0.04)	\$ 0.82
Loss from discontinued operations			
Net (loss) income	\$	(0.04)	\$ 0.82
Dividends per share	\$	0.14	\$ 0.16
Basic weighted average shares outstanding		48,545,757	48,147,824
Diluted weighted average shares outstanding		48,545,757	48,244,493

See accompanying notes.

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INTERNATIONAL SPEEDWAY CORPORATION
Consolidated Statement of Shareholders Equity

	Class A Common Stock \$.01 Par Value	Class B Common Stock \$.01 Par Value	Additional Paid-in Capital	Retained Earnings (Unaudited) (In Thousands)	Accumulated Other Comprehensive Loss	Total Shareholders Equity
Balance at November 30, 2009	\$278	\$205	\$493,765	\$665,274	\$(12,269)	\$1,147,253
Activity 12/1/09 8/31/10:						
Comprehensive income						
Net income				39,311		39,311
Gain on currency translation, net of income taxes of \$15					24	24
Interest rate swap amortization, net of income taxes of \$5,295					8,145	8,145
Interest rate swap fair value, including tax benefit of \$5,062					(7,787)	(7,787)
Total comprehensive income						39,693
Cash dividends (\$0.16 per share)				(7,706)		(7,706)
Reacquisition of previously issued common stock	(3)		(11,039)			(11,042)
Conversion of Class B Common Stock to Class A Common Stock	1	(1)				
Income tax benefit related to stock-based compensation				(585)		(585)
Stock-based compensation				1,392		1,392
Balance at August 31, 2010	\$276	\$204	\$483,533	\$696,879	\$(11,887)	\$1,169,005

See accompanying notes.

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INTERNATIONAL SPEEDWAY CORPORATION
Consolidated Statements of Cash Flows

	Nine Months Ended	
	August 31, 2009	August 31, 2010
	(Unaudited)	
	(In Thousands)	
OPERATING ACTIVITIES		
Net (loss) income	\$ (2,181)	\$ 39,311
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	54,768	55,694
Stock-based compensation	1,663	1,392
Amortization of financing costs	431	457
Amortization of interest rate swap		8,145
Deferred income taxes	6,296	3,519
Loss from equity investments	62,152	1,634
Impairment of long-lived assets, non-cash	13,801	1,061
Other, net	(641)	33
Changes in operating assets and liabilities:		
Receivables, net	1,250	3,543
Inventories, prepaid expenses and other assets	(6,833)	(13,495)
Deposits with the Internal Revenue Service	111,984	
Payments on interest rate swap		(17,872)
Accounts payable and other liabilities	7,736	7,426
Deferred income	7,486	21,907
Income taxes	(18,340)	(3,546)
Net cash provided by operating activities	239,572	109,209
INVESTING ACTIVITIES		
Capital expenditures	(65,519)	(74,744)
Proceeds from equity investments/affiliates	12,500	
Equity investments and advances to affiliates	(632)	(21,354)
Decrease in restricted cash	24,986	9,143
Proceeds from short-term investments		200
Other, net	(1,027)	
Net cash used in investing activities	(29,692)	(86,755)
FINANCING ACTIVITIES		
Payments under credit facility	(50,000)	(75,000)
Payment of long-term debt	(151,550)	(3,640)
Cash dividend paid	(6,822)	(7,706)
Reacquisition of previously issued common stock	(3,020)	(5,455)
Net cash used in financing activities	(211,392)	(91,801)

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Net decrease in cash and cash equivalents	(1,512)	(69,347)
Cash and cash equivalents at beginning of period	218,920	158,572
Cash and cash equivalents at end of period	\$ 217,408	\$ 89,225

See accompanying notes.

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International Speedway Corporation
Notes to Consolidated Financial Statements
August 31, 2010
(Unaudited)

1. Basis of Presentation

The accompanying consolidated financial statements have been prepared in compliance with Rule 10-01 of Regulation S-X and accounting principles generally accepted in the United States but do not include all of the information and disclosures required for complete financial statements. The balance sheet at November 30, 2009, has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. The statements should be read in conjunction with the consolidated financial statements and notes thereto included in the latest annual report on Form 10-K for International Speedway Corporation and its wholly owned subsidiaries (the Company). In management s opinion, the statements include all adjustments which are necessary for a fair presentation of the results for the interim periods. All such adjustments are of a normal recurring nature.

Reclassifications. Certain prior year amounts in the Consolidated Balance Sheets and Statements of Operations have been reclassified to conform to the current year presentation.

Unless indicated otherwise, all disclosures in the notes to the consolidated financial statements relate to continuing operations.

Because of the seasonal concentration of racing events, the results of operations for the three and nine months ended August 31, 2009 and 2010 are not indicative of the results to be expected for the year.

2. New Accounting Pronouncements

In accordance with the Accounting Standards Codification (ASC) 805-50, Business Combinations, the topic was issued to retain the purchase method of accounting for acquisitions, but requires a number of changes, including changes in the way assets and liabilities are recognized in the purchase accounting. It also changes the recognition of assets acquired and liabilities assumed arising from contingencies, requires the capitalization of in-process research and development at fair value, and requires the expensing of acquisition-related costs as incurred. ASC 805-50 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company s adoption of this statement in fiscal 2010 did not have an impact on its financial position and results of operations.

In accordance with the ASC 810-10, Consolidation, minority interests will be recharacterized as noncontrolling interests and will be reported as a component of equity separate from the parent s equity, and purchases or sales of equity interests that do not result in a change in control will be accounted for as equity transactions. In addition, net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement and upon a loss of control, the interest sold, as well as any interest retained, will be recorded at fair value with any gain or loss recognized in earnings. This portion of ASC 810-10 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years, except for the presentation and disclosure requirements, which will apply retrospectively. The Company s adoption of this statement in fiscal 2010 did not have an impact on its financial position and results of operations.

Also, in accordance with ASC 810-10, the improvement of financial reporting by enterprises involved with variable interest entities was made by addressing (1) the effects on certain provisions of FASB Interpretation No. 46 (revised December 2003), Consolidation of Variable Interest Entities, as a result of the elimination of the qualifying special-purpose entity concept in the ASC 860-10, Transfers and Servicing, and (2) constituent concerns about the application of certain key provisions of Interpretation 46(R), including those in which the accounting and disclosures under the Interpretation do not always provide timely and useful information about an enterprise s involvement in a variable interest entity. This portion of ASC 810-10 is effective for financial statements issued for fiscal years beginning after November 15, 2009, with earlier adoption prohibited. The Company s adoption of this statement in fiscal 2010 did not have an impact on its financial position and results of operations.

In accordance with the ASC 260-10-45, Earnings Per Share, instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in computing earnings per share under

the two-class method. ASC 260-10-45 affects entities that accrue dividends on share-based payment awards during the associated service period when the return of dividends is not required if employees forfeit such awards. ASC 260-10-45 is effective for fiscal years and interim

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periods beginning after December 15, 2008. The Company's adoption of this statement in fiscal 2010 did not have an impact on its financial position and results of operations.

In accordance with the ASC 323-10, Investments - Equity Method and Joint Ventures, questions that have arisen regarding the application of the equity method subsequent to the issuance of SFAS No. 141R and SFAS No. 160. This portion of ASC 323-10 is effective for fiscal years beginning after December 15, 2008, and interim periods within those years. Early application is not permitted. The Company's adoption of this statement in fiscal 2010 did not have an impact on its financial position and results of operations.

Accounting Standards Update (ASU) 2010-06, Improving Disclosures about Fair Value Measurements, an amendment to ASC 820, Fair Value Measurements and Disclosures, was issued to provide more information regarding the transfers in and out of Levels 1 and 2 inputs as well as additional disclosures about Level 3 inputs. The disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The Company's adoption of these amendments in fiscal 2010 did not have an impact on its financial position and results of operations.

3. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share for the three and nine months ended August 31, 2009 and 2010 (in thousands, except share and per share amounts):

	Three Months Ended		Nine months ended	
	August 31, 2009	August 31, 2010	August 31, 2009	August 31, 2010
Basic and diluted:				
Income (loss) from continuing operations	\$ 4,456	\$ 3,609	\$ (2,051)	\$ 39,358
Loss from discontinued operations	(43)		(130)	(47)
Net income (loss)	\$ 4,413	\$ 3,609	\$ (2,181)	\$ 39,311
Basic earnings per share denominator:				
Weighted average shares outstanding	48,523,495	48,026,599	48,545,757	48,147,824
Basic earnings per share:				
Income (loss) from continuing operations	\$ 0.09	\$ 0.08	\$ (0.04)	\$ 0.82
Loss from discontinued operations				
Net income (loss)	\$ 0.09	\$ 0.08	\$ (0.04)	\$ 0.82
Diluted earnings per share denominator:				
Weighted average shares outstanding	48,523,495	48,026,599	48,545,757	48,147,824
Common stock options		4,106		2,355
Contingently issuable shares	103,525	79,295		94,314
Diluted weighted average shares outstanding	48,627,020	48,110,000	48,545,757	48,244,493
Diluted earnings per share:				

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Income (loss) from continuing operations	\$	0.09	\$	0.08	\$	(0.04)	\$	0.82
Loss from discontinued operations								
Net income (loss)	\$	0.09	\$	0.08	\$	(0.04)	\$	0.82
Anti-dilutive shares excluded in the computation of diluted earnings per share		259,746		275,572		355,929		269,020

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On December 1, 2009, Kansas Entertainment, LLC, (Kansas Entertainment) a 50/50 joint venture of Penn Hollywood Kansas, Inc. (Penn), a subsidiary of Penn National Gaming, Inc. and Kansas Speedway Development Corporation (KSDC), a wholly-owned subsidiary of ISC, was selected by the Kansas Lottery Gaming Facility Review Board to develop and operate a gaming facility in the Northeast Zone (Wyandotte County, Kansas). On February 12, 2010, Kansas Entertainment received the final approval under the Kansas Expanded Lottery Act, along with its gaming license from the Kansas Racing and Gaming Commission. Construction of the Hollywood-themed and branded entertainment destination facility, overlooking turn two of Kansas Speedway, began in April 2010 with a planned opening in the first half of 2012.

The initial phase of this project, including certain changes to the scope and mix of gaming operations and amenities approved by the Kansas Lottery Commission in August 2010, features an 82,000 square foot casino with 2,000 slot machines and 52 table games (including 12 poker tables), a 1,253 space parking structure as well as a sports-themed bar, dining and entertainment options. Kansas Entertainment anticipates funding the initial phase of the development with a mix of equity contributions from each partner as well third party financing, preferably on a project secured non-recourse basis, which it is currently pursuing. KSDC and Penn will share equally in the cost of developing and constructing the facility. The Company currently estimates that its share of capitalized development costs for the project, excluding the Company's contribution of the land, will be approximately \$155.0 million. In addition, the Company expects to continue to incur certain other start up and related costs through opening, a number of which will be expensed through equity in net loss from equity investments. Penn is the managing member of Kansas Entertainment and will be responsible for the development and operation of the casino and hotel.

The Company has accounted for Kansas Entertainment as an equity investment in its financial statements as of August 31, 2010. The Company's 50.0 percent portion of Kansas Entertainment's net loss is approximately \$0.1 million and \$1.6 million, for the three and nine months ended August 31, 2010, related to certain start up costs, and is included in equity in net loss from equity investments in its consolidated statements of operations. There were no operations included in its consolidated statements of operations in the same period in fiscal 2009.

Motorsports Authentics

The Company is partners with Speedway Motorsports, Inc. in a 50/50 joint venture, SMISC, LLC, which, through its wholly owned subsidiary Motorsports Authentics, LLC conducts business under the name Motorsports Authentics (MA). MA designs, promotes, markets and distributes motorsports licensed merchandise.

In fiscal 2009, MA management and ownership considered various approaches to optimize performance in MA's various distribution channels. As the challenges were assessed, it became apparent that there was significant risk in future business initiatives in mass apparel, memorabilia and other yet to be developed products. These initiatives had previously been deemed achievable and were included in projections that supported the carrying value of inventory, goodwill and other intangible assets on MA's balance sheet. This analysis, combined with a long-term macroeconomic outlook that was less robust than previously expected, triggered MA's review of certain assets under ASC 350 and ASC 360 and our evaluation under ASC 320-10.

In the fiscal third quarter 2009, MA, suffering financial stress from the recession, ceased paying certain guaranteed royalties under several license agreements where estimated royalties payable based on projected sales were less than stipulated guaranteed minimum royalties payable (unearned royalties). All earned royalties that were due have been paid. MA had received notices from certain licensors alleging default under the license agreements should MA not pay unearned royalties within stipulated cure periods.

As a result of the foregoing which triggered the Company's evaluation performed under ASC 320-10 it recognized significant impairments of its equity investment in MA during the second and fourth quarters of fiscal 2009, resulting in a reduction to the carrying value of its investment in MA to zero at November 30, 2009. MA's management, with the assistance of an independent appraisal firm, completed its review in the fourth quarter of fiscal 2009, concluding that the fair value of MA's goodwill and intangible assets should be reduced to zero.

Going into fiscal 2010, MA management and ownership continued to explore business strategies in conjunction with certain motorsports industry stakeholders that allow the possibility for MA to operate profitably in the future. As with

any business in an adverse economic environment, management must find the optimal business model for long-term viability. In addition to revisiting the business vision for MA, management, with support of ownership, has undertaken certain initiatives to improve inventory controls and

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buying cycles, as well as implemented changes to make MA a more efficiently operated and profitable company. The Company believes a revised MA business vision, which includes the successful resolution of license agreement terms and favorable license terms in the future, along with a focus on its core competencies, streamlined operations, reduced operating costs and inventory risk, are necessary for MA to survive as a profitable operation in the future.

In July 2010, certain industry stakeholders created the NASCAR Licensing Trust (Trust) that is represented by a Board of Directors that includes representatives from NASCAR, the sanctioning body, and from NASCAR Teams. Under this new agreement, the Trust brings a new structure to the licensing business that will be more efficient for the industry. The benefit to the licensees is a more focused and streamlined licensing business that will reduce cost, foster more efficient administrative processes, and allow for more cohesive retail and marketing strategies.

The Trust represents four key categories die-cast, toys, apparel and trackside retail rights and grants the rights of any NASCAR driver that is participating in the licensing categories included in the Trust. The revenues will be distributed based on percentage of licensed sales and allocated according to actual earnings to each licensor. This should allow the industry to more efficiently manage costs and increase revenues, while providing a wider selection of products for fans.

Concurrent with the creation of the Trust, MA management, ownership and industry stakeholders negotiated MA's release from future guaranteed minimum royalties as well as the current unearned guaranteed minimum royalties payable to NASCAR team licensors. With respect to the one agreement secured by parent company guarantees, MA and the parent companies negotiated a settlement amount to eliminate future guaranteed minimum royalties.

As a result of the settlement, the Company's remaining guaranty exposure, to one NASCAR team licensor, has been reduced to approximately \$5.5 million and will be satisfied upon MA making certain payments to the team through January 2013. While it is possible that some obligation under this guarantee may occur in the future, the amount the Company will ultimately pay cannot be estimated at this time. In any event, the Company does not believe that the ultimate financial outcome will have a material impact on its financial position or results of operations.

The Company's 50.0 percent portion of MA's net loss from operations, including the previously discussed impairment recognized in the second quarter of fiscal 2009, are approximately \$3.2 million and approximately \$62.1 million, for the three month and nine month periods ended August 31, 2009, and are included in equity in net loss from equity investments in its consolidated statements of operations. The Company did not recognize any net income or loss from operations of MA during the three and nine months ended August 31, 2010, respectively.

Staten Island Property

In connection with the Company's efforts to develop a major motorsports entertainment facility in the New York metropolitan area, its subsidiary, 380 Development, LLC (380 Development), purchased 676 acres located in the New York City borough of Staten Island in early fiscal 2005 and began improvements including fill operations on the property. In December 2006, the Company announced its decision to discontinue pursuit of the speedway development on Staten Island. In October 2009, the Company announced that it had entered into a definitive agreement with KB Marine Holdings LLC (KB Holdings) under which KB Holdings would acquire 100.0 percent of the outstanding equity membership interests of 380 Development. The purchase and sale agreement (Agreement) called for the transaction to close no later than February 25, 2010, subject to certain conditions, including KB Holdings securing the required equity commitments to acquire the property and performing its obligations under the Agreement. As a result of KB Holdings' failure to perform its obligations, the closing did not occur on February 25, 2010.

On September 2, 2010, the Company executed a second amendment to the Agreement which provided an extension to KB Holdings to close the transaction on or before November 30, 2010. Under the terms of that extension, the purchase price to be paid by KB Holdings is \$88.0 million, \$33.6 million of which, in non-refundable deposits and cash, is to be received at or prior to closing, and \$54.4 million of which will be in the form of a promissory note payable on or before August 31, 2011. The promissory note will have a market-based interest rate and will be secured by a first priority security interest in the outstanding equity membership interests of 380 Development. The Company expects the proceeds from the sale, net of applicable broker commissions and other closing costs will result in an immaterial gain or loss on the transaction upon closing.

While the Company remains optimistic that a closing will occur, there can be no assurance that KB Holdings will secure the required equity commitments and proceed to closing.

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

		November 30, 2009	
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:			
Food, beverage and merchandise contracts	\$ 10	\$ 6	\$ 4
Total amortized intangible assets	10	6	4
Non-amortized intangible assets:			
NASCAR sanction agreements	177,813		177,813
Other	793		793
Total non-amortized intangible assets	178,606		178,606
Total intangible assets	\$178,616	\$ 6	\$178,610

		August 31, 2010	
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:			
Food, beverage and merchandise contracts	\$ 10	\$ 6	\$ 4
Total amortized intangible assets	10	6	4
Non-amortized intangible assets:			
NASCAR sanction agreements	177,813		177,813
Other	793		793
Total non-amortized intangible assets	178,606		178,606
Total intangible assets	\$178,616	\$ 6	\$178,610

The following table presents current and expected amortization expense of the existing intangible assets as of August 31, 2010 for each of the following periods (in thousands):

Amortization expense for the nine months ended August 31, 2010	\$0
Estimated amortization expense for the year ending November 30:	
2010	\$1
2011	1
2012	1

2013

1

There were no changes in the carrying value of goodwill during the three months ended August 31, 2010.

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

	November 30, 2009	August 31, 2010
5.4 percent Senior Notes	\$ 149,950	\$ 149,959
5.8 percent Bank Loan	2,109	
4.8 percent Revenue Bonds	1,807	1,609
6.8 percent Revenue Bonds	2,285	1,180
6.3 percent Term Loan	51,300	51,071
TIF bond debt service funding commitment	64,729	64,784
2006 Credit Facility	75,000	
	347,180	268,603
Less: current portion	3,387	3,022
	\$ 343,793	\$ 265,581

On April 23, 2004, the Company completed an offering of \$300.0 million principal amount of unsecured senior notes in a private placement. On September 27, 2004, the Company completed an offer to exchange these unsecured senior notes for registered senior notes with substantially identical terms (2004 Senior Notes). At August 31, 2010, outstanding 2004 Senior Notes totaled approximately \$150.0 million, net of unamortized discounts, which is comprised of \$150.0 million principal amount unsecured senior notes, which bear interest at 5.4 percent and are due April 2014. The 2004 Senior Notes require semi-annual interest payments on April 15 and October 15 through their maturity. The 2004 Senior Notes may be redeemed in whole or in part, at the option of the Company, at any time or from time to time at redemption prices as defined in the indenture. The Company's wholly owned domestic subsidiaries are guarantors of the 2004 Senior Notes. The 2004 Senior Notes also contain various restrictive covenants. Total gross proceeds from the sale of the 2004 Senior Notes were \$300.0 million, net of discounts of approximately \$431,000 and approximately \$2.6 million of deferred financing fees. The deferred financing fees are being treated as additional interest expense and amortized over the life of the 2004 Senior Notes on a straight-line method, which approximates the effective yield method. In March 2004, the Company entered into interest rate swap agreements to effectively lock in the interest rate on approximately \$150.0 million of the 4.2 percent Senior Notes. The Company terminated the interest rate swap agreements on April 23, 2004 and received approximately \$2.2 million, which was amortized over the life of the 4.2 percent Senior Notes that matured in April 2009. In June 2008, the Company entered into an interest rate swap agreement to effectively lock in a substantial portion of the interest rate exposure on approximately \$150.0 million notional amount in anticipation of refinancing the \$150.0 million 4.2 percent Senior Notes that matured in April 2009. This interest rate swap was designated and qualified as a cash flow hedge under ASC 815, Accounting for Derivatives and Hedging. As a result of the uncertainty with the U.S. credit markets, in February 2009, the Company amended and re-designated its interest rate swap agreement as a cash flow hedge with an expiration in February 2011. In August 2010, based on its current financial position, the Company discontinued approximately \$50.0 million notional amount of the cash flow hedge and settled the related liability for approximately \$12.4 million, as it became probable that the original forecasted amount of the transaction will be reduced from \$150.0 million to \$100.0 million. The Company did not re-designate the remaining \$100.0 million notional amount of the remaining interest rate swap and as a result recognized the subsequent change in fair value of the swap through August 31, 2010, totaling approximately \$3.1 million, as additional interest expense in its consolidated income statement during the third quarter of fiscal 2010. Also, in August 2010, the Company settled an additional \$20.0 million notional amount of the cash flow hedge and paid the related liability for approximately \$5.4 million. As a result of these transactions, the

remaining notional amount of the swap was \$80.0 million and had an estimated fair value of a liability totaling approximately \$22.6 million at August 31, 2010. The estimated fair value is based on relevant market information and quoted market prices at August 31, 2010 and is recognized in other comprehensive loss or interest expense in the consolidated financial statements. In September 2010 the Company settled an additional \$20.0 million notional amount of the cash flow hedge resulting in a payment of approximately \$5.4 million. As part of the re-designation in February 2009 and the discontinuance of a portion of the hedged transaction in August 2010, the change in the fair value of the interest rate swap arrangement totaling approximately \$32.6 million was deferred in other comprehensive income. During the three and nine months ended August 31, 2010, as a result of the above transactions, the Company recognized approximately \$10.9 million and \$13.4 million, respectively, of this balance which is reflected in interest expense in the consolidated statement of operations. Based on the current assumptions of the Company's future debt issuance, it expects to recognize

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up to approximately \$2.1 million of this balance in interest expense over the next 12 months in the consolidated statement of operations.

The Company's wholly owned subsidiary, Raceway Associates, which owns and operates Chicagoland Speedway and Route 66 Raceway, has the following debt outstanding at August 31, 2010:

Revenue bonds payable (4.8 percent Revenue Bonds) consisting of economic development revenue bonds issued by the City of Joliet, Illinois to finance certain land improvements. The 4.8 percent Revenue Bonds have an interest rate of 4.8 percent and a monthly payment of \$29,000 principal and interest. At August 31, 2010, outstanding principal on the 4.8 percent Revenue Bonds was approximately \$1.6 million.

Revenue bonds payable (6.8 percent Revenue Bonds) that are special service area revenue bonds issued by the City of Joliet, Illinois to finance certain land improvements. The 6.8 percent Revenue Bonds are billed and paid as a special assessment on real estate taxes. Interest payments are due on a semi-annual basis at 6.8 percent with principal payments due annually. Final maturity of the 6.8 percent Revenue Bonds is January 2012. At August 31, 2010, outstanding principal on the 6.8 percent Revenue Bonds was approximately \$1.2 million.

In July 2008, a wholly owned subsidiary of the Company entered into a construction term loan agreement (6.3 percent Term Loan) to finance the construction of the International Motorsports Center, the Company's headquarters building. The 6.3 percent Term Loan has a 25 year term due October 2034, an interest rate of 6.3 percent, and a current monthly payment of approximately \$292,000. At August 31, 2010, the outstanding principal on the 6.3 percent Term Loan was approximately \$51.1 million.

In January 1999, the Unified Government of Wyandotte County/Kansas City, Kansas (Unified Government), issued approximately \$71.3 million in taxable special obligation revenue (TIF) bonds in connection with the financing of construction of Kansas Speedway. At August 31, 2010, outstanding TIF bonds totaled approximately \$64.8 million, net of the unamortized discount, which is comprised of a \$15.9 million principal amount, 6.2 percent term bond due December 1, 2017 and \$49.7 million principal amount, 6.8 percent term bond due December 1, 2027. The TIF bonds are repaid by the Unified Government with payments made in lieu of property taxes (Funding Commitment) by the Company's wholly owned subsidiary, Kansas Speedway Corporation (KSC). Principal (mandatory redemption) payments per the Funding Commitment are payable by KSC on October 1 of each year. The semi-annual interest component of the Funding Commitment is payable on April 1 and October 1 of each year. KSC granted a mortgage and security interest in the Kansas project for its Funding Commitment obligation. The bond financing documents contain various restrictive covenants.

The Company currently has a \$300.0 million revolving credit facility (2006 Credit Facility) which contains a feature that allows the Company to increase the credit facility to a total of \$500.0 million, subject to certain conditions. The 2006 Credit Facility is scheduled to mature in June 2011, and accrues interest at LIBOR plus 30.0-80.0 basis points, based on the Company's highest debt rating as determined by specified rating agencies. The 2006 Credit Facility contains various restrictive covenants. At August 31, 2010, the Company had no outstanding amounts under the Credit Facility.

Total interest expense from continuing operations incurred by the Company was approximately \$3.8 million and \$17.6 million for the three months ended August 31, 2009 and 2010, respectively, and approximately \$15.6 million and \$28.4 million for the nine months ended August 31, 2009 and 2010, respectively. Interest expense for the fiscal 2010 three and nine month periods ended August 31, 2010, include approximately \$14.1 million and \$16.6 million, respectively, related to the interest rate swap settlements. Total interest capitalized for the three months ended August 31, 2009 and 2010 was approximately \$0.7 million and \$0.7 million, respectively, and approximately \$2.0 million and \$1.5 million for the nine months ended August 31, 2009 and 2010, respectively.

Financing costs of approximately \$4.3 million and \$3.9 million, net of accumulated amortization, have been deferred and are included in other assets at November 30, 2009 and August 31, 2010, respectively. These costs are being amortized on a straight-line method, which approximates the effective yield method, over the life of the related financing.

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7. Financial Instruments

Various inputs are considered when determining the carrying values of cash and cash equivalents, accounts receivable, short-term investments, accounts payable, and accrued liabilities which approximate fair value due to the short-term maturities of these assets and liabilities. These inputs are summarized in the three broad levels listed below:

Level 1 observable market inputs that are unadjusted quoted prices for identical assets or liabilities in active markets

Level 2 other significant observable inputs (including quoted prices for similar securities, interest rates, credit risk, etc.)

Level 3 significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments)

At August 31, 2010, the Company had money market funds totaling approximately \$45.7 million which are included in cash and cash equivalents in its consolidated balance sheets. All inputs used to determine fair value are considered level 1 inputs.

Fair values of long-term debt are based on quoted market prices at the date of measurement. The Company's credit facilities approximate fair value as they bear interest rates that approximate market. Fair value related to the interest rate swap is based on quoted market prices and discounted cash flow methodology. These inputs used to determine fair value are considered level 2 inputs. The fair value of the remaining long-term debt, as determined by quotes from financial institutions, was approximately \$275.9 million compared to the carrying amount of approximately \$272.2 million and approximately \$274.3 million compared to the carrying amount of approximately \$268.6 million at November 30, 2009 and August 31, 2010, respectively. The Company carries its interest rate swap agreement at its estimated fair value of a liability totaling approximately \$22.6 million at August 31, 2010.

The Company had no level 3 inputs as of August 31, 2010.

8. Capital Stock

Stock Purchase Plan

The Company's approved stock purchase plan (the Plan) allows the Company to purchase up to \$250.0 million of its outstanding Class A common shares. The timing and amount of any shares repurchased under the Plan will depend on a variety of factors, including price, corporate and regulatory requirements, capital availability and other market conditions. The Plan may be suspended or discontinued at any time without prior notice. No shares have been or will be knowingly purchased from Company insiders or their affiliates.

Since inception of the Plan through August 31, 2010, the Company has purchased 5,099,797 shares of its Class A common shares, for a total of approximately \$218.0 million. Included in these totals are the purchases of 185,070 shares of its Class A common shares during the nine months ended August 31, 2010, at an average cost of approximately \$28.53 per share (including commissions), for a total of approximately \$5.3 million. There were no purchases of its Class A common shares during the three months ended August 31, 2010. At August 31, 2010, the Company has approximately \$32.0 million remaining repurchase authority under the current Plan.

9. Long-Term Stock Incentive Plan

In May 2010, the Company awarded and issued a total of 35,008 restricted shares of the Company's Class A common shares to certain officers and managers under the Company's Long-Term Stock Incentive Plan (the 2006 Plan). The shares of restricted stock awarded in May 2010, vest at the rate of 50.0 percent on the third anniversary of the award date and the remaining 50.0 percent on the fifth anniversary of the award date. The weighted average grant date fair value of these restricted share awards was \$30.56 per share. In accordance with ASC 718, Compensation - Stock Compensation the Company is recognizing stock-based compensation on its restricted shares awarded on the accelerated method over the requisite service period.

In July 2010, the Company granted a total of 31,332 options to the non-employee directors to purchase the Company's Class A Common Stock. The exercise price of these options is \$25.68 per share. The non-employee director's options become exercisable one year after the date of grant and expire on the tenth anniversary of the date of grant. In accordance with ASC 718 the Company is recognizing stock-based compensation on its stock options granted on the

straight-line method over the requisite service period. The fair value of each option granted is estimated on the grant date using the Black-Scholes-Merton option-pricing valuation model that uses the assumptions in the following table:

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Weighted average volatility	31.44%
Expected dividends	0.6%
Expected term (in years)	7.3
Risk-free rate	2.3%

The weighted average grant-date fair value of the options granted in July 2010 was \$9.20 per option.

10. Income Taxes

As of August 31, 2010, in accordance with ASC 740, *Income Taxes*, the Company has a total liability of approximately \$5.5 million for uncertain tax positions, inclusive of tax, interest, and penalties. Of this amount, approximately \$4.2 million represents income tax liability for uncertain tax positions related to various federal and state income tax matters. If the accrued liability was de-recognized, approximately \$2.7 million of taxes would impact the Company's consolidated statement of operations as a reduction to its effective tax rate. Included in the balance sheet at August 31, 2010 are approximately \$1.5 million of items of which, under existing tax laws, the ultimate deductibility is certain but for which the timing of the deduction is uncertain. Because of the impact of deferred income tax accounting, a deduction in a subsequent period would result in a deferred tax asset. Accordingly, upon de-recognition, the tax benefits associated with the reversal of these timing differences would have no impact, except for related interest and penalties, on the Company's effective income tax rate.

The Company recognizes interest and penalties related to uncertain tax positions as part of its provision for federal and state income taxes. As of August 31, 2010, the Company has accrued approximately \$1.2 million of interest and \$0.1 million of penalties related to uncertain tax positions. If the accrued interest was de-recognized, approximately \$0.8 million would impact the Company's consolidated statement of operations as a reduction to its effective tax rate.

Settlement with Internal Revenue Service

Effective May 28, 2009, the Company entered into a definitive settlement agreement (the *Settlement*) with the Internal Revenue Service (the *Service*). The Settlement concludes an examination process the Service opened in fiscal 2002 that challenged the tax depreciation treatment of a significant portion of the Company's motorsports entertainment facility assets. The Company believes the Settlement reached an appropriate compromise on this issue. As a result of the Settlement, the Company is currently pursuing settlements on similar terms with the appropriate state tax authorities. Based on settlements and ongoing discussions with certain states during the nine months ended August 31, 2010, the Company de-recognized potential interest and penalties totaling approximately \$6.3 million or \$0.13 per diluted share. This de-recognition of interest and penalties was recognized in the income tax expense in the Company's consolidated statement of operations. Under these terms, the Company expects to pay between \$0.5 million and \$1.5 million in total to finalize the remaining settlements with various states. The Company believes that it has provided adequate reserves related to these various state matters including interest charges through August 31, 2010, and, as a result, does not expect that such an outcome would have a material adverse effect on results of operations.

Effective Income Tax Rates

The tax treatment of providing a valuation allowance related to losses incurred by our MA equity investment, partially offset by the reduction in income taxes due to the interest income related to the Settlement with the Service, are the principal causes of the increased effective income tax rate during the three and nine months ended August 31, 2009. The de-recognition of potential interest and penalties associated with the aforementioned state settlements is the principal cause of the reduced effective income tax rate during the three and nine months ended August 31, 2010. As a result of the above items, the Company's effective income tax rate increased from the statutory income rate to approximately 49.8 percent and 109.8 percent for the three and nine months ended August 31, 2009, respectively, and decreased from the statutory income rate to approximately 7.6 percent and 25.4 percent for the three and nine months ended August 31, 2010, respectively.

11. Related Party Disclosures and Transactions

All of the racing events that take place during the Company's fiscal year are sanctioned by various racing organizations such as the American Historic Racing Motorcycle Association; AMA Pro Racing; the Automobile Racing Club of America; the American Sportbike Racing Association Championship Cup Series; the Federation Internationale de L'Automobile; the Federation Internationale Motocycliste; Grand American Road Racing Association (Grand

American); Historic Sportscar Racing; IndyCar; National Association for Stock Car Auto Racing (NASCAR); National Hot Rod Association (NHRA); the Porsche Club of America; the Sports Car Club of America; the Sportscar Vintage Racing Association; the United States Auto Club; and the World Karting Association. NASCAR, Grand American and AMA Pro Racing, each of which sanctions some of the Company's principal racing events, are entities controlled by one or more members of the France Family Group which controls approximately 70.0 percent

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of the combined voting power of the outstanding stock of the Company, as of August 31, 2010, and some members of which serve as directors and officers of the Company. Standard NASCAR sanction agreements require event promoters to pay sanction fees and prize and point fund monies for each sanctioned event conducted. The prize and point fund monies are distributed by NASCAR to participants in the events. Prize and point fund monies paid by the Company to NASCAR and its subsidiaries from continuing operations for disbursement to competitors, which are exclusive of sanction fees from NASCAR and its subsidiaries, totaled approximately \$33.2 million and \$31.9 million for the three months ended August 31, 2009 and 2010, respectively, and \$92.6 million and \$90.2 million for the nine months ended August 31, 2009 and 2010, respectively. There were no prize and point fund monies paid by the Company to NASCAR or its subsidiaries related to the discontinued operations for the three and nine months ended August 31, 2009, respectively, and the nine months ended August 31, 2010.

Under current agreements, NASCAR contracts directly with certain network providers for television rights to the entire NASCAR Sprint Cup, Nationwide and Camping World Truck series schedules. Event promoters share in the television rights fees in accordance with the provision of the sanction agreement for each NASCAR Sprint Cup, Nationwide and Camping World Truck series event. Under the terms of this arrangement, NASCAR retains 10.0 percent of the gross broadcast rights fees allocated to each NASCAR Sprint Cup, Nationwide and Camping World Truck series event as a component of its sanction fees. The promoter records 90.0 percent of the gross broadcast rights fees as revenue and then records 25.0 percent of the gross broadcast rights fees as part of its awards to the competitors. Ultimately, the promoter retains 65.0 percent of the net cash proceeds from the gross broadcast rights fees allocated to the event. The Company's television broadcast and ancillary rights fees from continuing operations received from NASCAR for the NASCAR Sprint Cup, Nationwide and Camping World Truck series events conducted at its wholly owned facilities, and recorded as part of motorsports related revenue, were approximately \$60.0 million and \$61.5 million for the three months ended August 31, 2009 and 2010, respectively, and \$182.6 million and \$187.7 million for the nine months ended August 31, 2009 and 2010, respectively. There were no television broadcast and ancillary rights fees received from NASCAR related to discontinued operations during the three and nine months ended August 31, 2009, respectively, and the nine months ended August 31, 2010.

12. Commitments and Contingencies

In October 2002, the Unified Government issued subordinate sales tax special obligation revenue bonds (2002 STAR Bonds) totaling approximately \$6.3 million to reimburse the Company for certain construction already completed on the second phase of the Kansas Speedway project and to fund certain additional construction. The 2002 STAR Bonds, which require annual debt service payments and are due December 1, 2022, will be retired with state and local taxes generated within the speedway's boundaries and are not the Company's obligation. KSC has agreed to guarantee the payment of principal and any required premium and interest on the 2002 STAR Bonds. At August 31, 2010, the Unified Government had approximately \$2.6 million outstanding on 2002 STAR Bonds. Under a keepwell agreement, the Company has agreed to provide financial assistance to KSC, if necessary, to support KSC's guarantee of the 2002 STAR Bonds.

In connection with the Company's automobile and workers' compensation insurance coverages and certain construction contracts, the Company has standby letter of credit agreements in favor of third parties totaling \$3.9 million at August 31, 2010. At August 31, 2010, there were no amounts drawn on the standby letters of credit.

Current Litigation

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

In addition to such routine litigation incidental to its business, the Company was a party to the litigation described below.

In July 2005, Kentucky Speedway, LLC filed a civil action in the Eastern District of Kentucky against NASCAR and the Company which alleged that NASCAR and ISC have acted, and continue to act, individually and in combination and collusion with each other and other companies that control motorsports entertainment facilities hosting NASCAR NEXTEL Cup Series, to illegally restrict the award of ... NASCAR NEXTEL Cup Series [races]. The complaint was amended in 2007 to seek, in addition to damages, an injunction requiring NASCAR to develop objective factors for

the award of NEXTEL Cup races, divestiture of ISC and NASCAR so that the France Family and anyone else does not share ownership of both companies or serve as officers or directors of both companies, ISC's divestiture of at least eight of its 12 racetracks that currently operate a NEXTEL Cup race and prohibiting further alleged violations of the antitrust laws. The complaint did not ask the court to cause NASCAR to award a NEXTEL Cup race to the Kentucky Speedway. Other than some vaguely conclusory allegations, the complaint failed to specify any specific unlawful conduct by the Company. Pre-trial discovery in the case was concluded and based upon all of the factual and expert evidentiary materials adduced the Company was more firmly convinced than ever that the case was without legal or factual merit.

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On January 7, 2008, the Company's position was vindicated when the Federal District Court Judge hearing the case ruled in favor of ISC and NASCAR and entered a judgment which stated that all claims of the plaintiff, Kentucky Speedway, LLC, were thereby dismissed, with prejudice, at the cost of the plaintiff. The Opinion and Order of the court entered on the same day concluded that Kentucky Speedway had failed to make its case.

On January 11, 2008, Kentucky Speedway filed a Notice of Appeal to the United States Court of Appeal for the Sixth Circuit. In a written opinion dated December 11, 2009, the Sixth Circuit Court of Appeals agreed with the District Court that Kentucky Speedway had failed to make out its case and affirmed the judgment of the District Court in favor of us and NASCAR. On December 28, 2009, Kentucky Speedway filed a petition for rehearing with the Sixth Circuit Court of Appeals wherein Kentucky Speedway requested the Sixth Circuit to reconsider its ruling in favor of us and NASCAR. On February 18, 2010, this petition for rehearing was denied. On May 19, 2010, the 90 day period that Kentucky Speedway had to petition the United States Supreme Court for a writ of certiorari expired. Accordingly, this litigation has now concluded.

13. Segment Reporting

The following tables provide segment reporting of the Company for the three and nine months ended August 31, 2009 and 2010 (in thousands):

	Three Months Ended August 31, 2009		
	Motorsports Event	All Other	Total
Revenues	\$ 162,626	\$ 10,707	\$ 173,333
Depreciation and amortization	16,326	1,562	17,888
Operating income	14,657	911	15,568
Capital expenditures	12,549	11,588	24,137
Total assets	1,688,806	266,794	1,955,600
Equity investments	15,456	130	15,586

	Three Months Ended August 31, 2010		
	Motorsports Event	All Other	Total
Revenues	\$ 151,173	\$ 9,502	\$ 160,675
Depreciation and amortization	16,678	2,232	18,910
Operating income	21,690	(117)	21,573
Capital expenditures	21,681	1,914	23,595
Total assets	1,618,676	261,815	1,880,491
Equity investments		33,768	33,768

	Nine Months Ended August 31, 2009		
	Motorsports Event	All Other	Total
Revenues	\$465,477	\$27,327	\$492,804
Depreciation and amortization	48,769	5,999	54,768
Operating income	97,151	125	97,276
Capital expenditures	36,189	29,330	65,519

Nine Months Ended August 31, 2010		
Motorsports	All	

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	Event	Other	Total
Revenues	\$429,644	\$26,394	\$456,038
Depreciation and amortization	49,262	6,432	55,694
Operating income	83,783	(1,155)	82,628
Capital expenditures	53,605	21,139	74,744

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Intersegment revenues were approximately \$0.4 million and \$0.5 million for the three months ended August 31, 2009 and 2010, respectively, and approximately \$1.4 million and \$1.7 million for the nine months ended August 31, 2009 and 2010, respectively.

14. Condensed Consolidating Financial Statements

In connection with the 2004 Senior Notes, the Company is required to provide condensed consolidating financial information for its subsidiary guarantors. All of the Company's wholly owned domestic subsidiaries have, jointly and severally, fully and unconditionally guaranteed, to each holder of 2004 Senior Notes and the trustee under the Indenture for the 2004 Senior Notes, the full and prompt performance of the Company's obligations under the indenture and the 2004 Senior Notes, including the payment of principal (or premium, if any) and interest on the 2004 Senior Notes, on an equal and ratable basis.

The subsidiary guarantees are unsecured obligations of each subsidiary guarantor and rank equally in right of payment with all senior indebtedness of that subsidiary guarantor and senior in right of payment to all subordinated indebtedness of that subsidiary guarantor. The subsidiary guarantees are effectively subordinated to any secured indebtedness of the subsidiary guarantor with respect to the assets securing the indebtedness.

In the absence of both default and notice, there are no restrictions imposed by the Company's 2006 Credit Facility, 2004 Senior Notes, or guarantees on the Company's ability to obtain funds from its subsidiaries by dividend or loan. The Company has not presented separate financial statements for each of the guarantors, because it has deemed that such financial statements would not provide the investors with any material additional information.

Included in the tables below, are condensed consolidating balance sheets as of November 30, 2009 and August 31, 2010, condensed consolidating statements of operations for the three and nine months ended August 31, 2009 and 2010, and condensed consolidating statements of cash flows for the nine months ended August 31, 2009 and 2010, of: (a) the Parent; (b) the guarantor subsidiaries; (c) the non-guarantor subsidiaries; (d) elimination entries necessary to consolidate Parent with guarantor and non-guarantor subsidiaries; and (e) the Company on a consolidated basis (in thousands).

Condensed Consolidating Balance Sheet at November 30, 2009

	Parent Company	Combined Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Current assets	\$ 89,474	\$ 136,326	\$ 1,490	\$ (9,334)	\$ 217,956
Property and equipment, net	30,816	1,321,580	1,240		1,353,636
Advances to and investments in subsidiaries	3,227,202	698,362	997	(3,926,561)	
Other assets	24,024	313,287			337,311
Total Assets	\$3,371,516	\$2,469,555	\$ 3,727	\$(3,935,895)	\$1,908,903
Current liabilities	\$ 4,788	\$ 84,547	\$ 612	\$ 23,970	\$ 113,917
Long-term debt	924,310	330,716		(911,233)	343,793
Deferred income taxes	5,750	233,728	289		239,767
Other liabilities	45,374	18,799			64,173
Total shareholders' equity	2,391,294	1,801,765	2,826	(3,048,632)	1,147,253
Total Liabilities and Shareholders' Equity	\$3,371,516	\$2,469,555	\$ 3,727	\$(3,935,895)	\$1,908,903

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Condensed Consolidating Balance Sheet at August 31, 2010

	Parent Company	Combined Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Current assets	\$ 84,430	\$ 78,591	\$ 7,045	\$ (9,249)	\$ 160,817
Property and equipment, net	34,614	1,343,003	795		1,378,412
Advances to and investments in subsidiaries	1,810,900	698,684	4,166	(2,513,750)	
Other assets	3,597	337,665			341,262
Total Assets	\$ 1,933,541	\$ 2,457,943	\$ 12,006	\$ (2,522,999)	\$ 1,880,491
Current liabilities	\$ 14,065	\$ 103,856	\$ 7,886	\$ 36,880	\$ 162,687
Long-term debt	852,809	212,925	3,247	(803,400)	265,581
Deferred income taxes	29,144	234,015			263,159
Other liabilities	5,516	14,543			20,059
Total shareholders' equity	1,032,007	1,892,604	873	(1,756,479)	1,169,005
Total Liabilities and Shareholders' Equity	\$ 1,933,541	\$ 2,457,943	\$ 12,006	\$ (2,522,999)	\$ 1,880,491

Condensed Consolidating Statement of Operations
For The Three Months Ended August 31, 2009

	Parent Company	Combined Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Total revenues	\$ 331	\$ 186,050	\$ 6,780	\$ (20,248)	\$ 172,913
Total expenses	8,340	161,053	8,200	(20,248)	157,345
Operating (loss) income	(8,009)	24,997	(1,420)		15,568
Interest and other expense, net	(827)	(2,427)	(103)	(3,341)	(6,698)
(Loss) income from continuing operations	(9,761)	19,081	(1,523)	(3,341)	4,456
Net (loss) income	(9,761)	19,038	(1,523)	(3,341)	4,413

Condensed Consolidating Statement of Operations
For The Three Months Ended August 31, 2010

	Parent Company	Combined Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Total revenues	\$ 644	\$ 172,192	\$ 6,465	\$ (19,107)	\$ 160,194
Total expenses	8,342	141,413	7,973	(19,107)	138,621
Operating (loss) income	(7,698)	30,779	(1,508)		21,573
	(13,741)	543	(26)	(4,444)	(17,668)

Interest and other (expense)					
income, net					
(Loss) income from continuing					
operations	(18,732)	28,271	(1,486)	(4,444)	3,609
Net (loss) income	(18,732)	28,271	(1,486)	(4,444)	3,609
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For The Nine Months Ended August 31, 2009

	Parent Company	Combined Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Total revenues	\$ 1,127	\$577,163	\$ 6,810	\$(93,690)	\$491,410
Total expenses	24,688	454,585	8,551	(93,690)	394,134
Operating (loss) income	(23,561)	122,578	(1,741)		97,276
Interest and other income (expense), net	4,448	(60,611)	(437)	(19,762)	(76,362)
(Loss) income from continuing operations	(26,963)	46,852	(2,178)	(19,762)	(2,051)
Net (loss) income	(26,963)	46,722	(2,178)	(19,762)	(2,181)

Condensed Consolidating Statement of Operations
For The Nine Months Ended August 31, 2010

	Parent Company	Combined Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Total revenues	\$ 2,014	\$530,587	\$ 6,536	\$(84,751)	\$454,386
Total expenses	23,956	424,057	8,496	(84,751)	371,758
Operating (loss) income	(21,942)	106,530	(1,960)		82,628
Interest and other expense, net (Loss) income from continuing operations	(11,510)	(546)	(78)	(17,738)	(29,872)
	(33,074)	92,160	(1,990)	(17,738)	39,358
Net (loss) income	(33,074)	92,113	(1,990)	(17,738)	39,311

Condensed Consolidating Statement of Cash Flows
For The Nine Months Ended August 31, 2009

	Parent Company	Combined Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided (used in) by operating activities	\$ 79,276	\$ 179,308	\$ (5,583)	\$(13,429)	\$ 239,572
Net cash provided by (used in) investing activities	133,807	(183,920)	6,992	13,429	(29,692)
Net cash used in financing activities	(209,842)	(1,550)			(211,392)

Condensed Consolidating Statement of Cash Flows
For The Nine Months Ended August 31, 2010

	Parent Company	Combined Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
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Net cash (used in) provided by operating activities	\$ (53,624)	\$ 161,290	\$ 1,727	\$ (184)	\$ 109,209
Net cash provided by (used in) investing activities	128,105	(215,060)	16	184	(86,755)
Net cash used in financing activities	(88,161)	(3,640)			(91,801)
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PART I. FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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, net revenue includes ticket sales for all of our racing events, activities at Daytona 500 EXperience and other motorsports activities and amusements, net of any applicable taxes.

Motorsports related revenue primarily includes television and ancillary media 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, parking and camping fees, and track rentals.

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

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

Critical Accounting Policies and 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. While our estimates and assumptions are based on conditions existing at and trends leading up to the time the estimates and assumptions are made, actual results could differ materially from those estimates and assumptions. We continually review our accounting policies, how they are applied and how they are reported and disclosed in the financial statements.

The following is a summary of our critical accounting policies and estimates and how they are applied in the preparation of the financial statements.

Basis of Presentation and Consolidation. We consolidate all entities we control by ownership of a majority voting interest and variable interest entities for which we are the primary beneficiary. Our judgment in determining if we are the primary beneficiary of a variable interest entity includes assessing our level of involvement in establishing the entity, determining whether we provide more than half of any management, operational or financial support to the entity, and determining if we absorb the majority of the entity's expected losses or returns.

We apply the equity method of accounting for our investments in joint ventures and other investees whenever we can exert significant influence on the investee but do not have effective control over the investee. Our consolidated net income includes our share of the net earnings or losses from these investees. Our judgment regarding the level of influence over each equity method investee includes considering factors such as our ownership interest, board representation and policy making decisions. We periodically evaluate these equity investments for potential impairment where a decline in value is determined to be other than temporary. We eliminate all significant intercompany transactions from financial results.

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.

NASCAR contracts directly with certain network providers for television rights to the entire NASCAR Sprint Cup, Nationwide and Camping World Truck series schedules. Event promoters share in the television rights fees in accordance with the provision of the

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sanction agreement for each NASCAR Sprint Cup, Nationwide and Camping World Truck series event. Under the terms of this arrangement, NASCAR retains 10.0 percent of the gross broadcast rights fees allocated to each NASCAR Sprint Cup, Nationwide and Camping World Truck series event as a component of its sanction fees. The promoter records 90.0 percent of the gross broadcast rights fees as revenue and then records 25.0 percent of the gross broadcast rights fees as part of its awards to the competitors. Ultimately, the promoter retains 65.0 percent of the net cash proceeds from the gross broadcast rights fees allocated to the event.

Our revenues from marketing partnerships are paid in accordance with negotiated contracts, with the identities of partners and the terms of sponsorship changing from time to time. Some of our marketing partnership agreements are for multiple facilities and/or events and include multiple specified elements, such as tickets, hospitality chalets, suites, display space and signage for each included event. The allocation of such marketing partnership revenues between the multiple elements, events and facilities is based on relative fair value. The sponsorship revenue allocated to an event is recognized when the event is conducted.

Revenues and related costs from the sale of merchandise to retail customers, internet sales and direct sales to dealers are recognized at the time of sale.

Business Combinations. All business combinations are accounted for under the acquisition method. Whether net assets or common stock is acquired, fair values are determined and assigned to the purchased assets and assumed liabilities of the acquired entity. The excess of the cost of the acquisition over fair value of the net assets acquired (including recognized intangibles) is recorded as goodwill. Business combinations involving existing motorsports entertainment facilities commonly result in a significant portion of the purchase price being allocated to the fair value of the contract-based intangible asset associated with long-term relationships manifest in the sanction agreements with sanctioning bodies, such as NASCAR, Grand American and IndyCar. The continuity of sanction agreements with these bodies has historically enabled the facility operator to host motorsports events year after year. While individual sanction agreements may be of terms as short as one year, a significant portion of the purchase price in excess of the fair value of acquired tangible assets is commonly paid to acquire anticipated future cash flows from events promoted pursuant to these agreements which are expected to continue for the foreseeable future and therefore, in accordance with Accounting Standards Codification (ASC) 805-50, Business Combinations, are recorded as indefinite-lived intangible assets recognized apart from goodwill.

Capitalization and Depreciation Policies. Property and equipment are stated at cost. Maintenance and repairs that neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Depreciation and amortization for financial statement purposes are provided on a straight-line basis over the estimated useful lives of the assets. When we construct assets, we capitalize costs of the project, including, but not limited to, certain pre-acquisition costs, permitting costs, fees paid to architects and contractors, certain costs of our design and construction subsidiary, property taxes and interest.

We must make estimates and assumptions when accounting for capital expenditures. Whether an expenditure is considered an operating expense or a capital asset is a matter of judgment. When constructing or purchasing assets, we must determine whether existing assets are being replaced or otherwise impaired, which also is a matter of judgment. Our depreciation expense for financial statement purposes is highly dependent on the assumptions we make about our assets' estimated useful lives. We determine the estimated useful lives based upon our experience with similar assets, industry, legal and regulatory factors, and our expectations of the usage of the asset. Whenever events or circumstances occur which change the estimated useful life of an asset, we account for the change prospectively. Interest costs associated with major development and construction projects are capitalized as part of the cost of the project. Interest is typically capitalized on amounts expended using the weighted-average cost of our outstanding borrowings, since we typically do not borrow funds directly related to a development or construction project. We capitalize interest on a project when development or construction activities begin, and cease when such activities are substantially complete or are suspended for more than a brief period.

Impairment of Long-lived Assets, Goodwill and Other Intangible Assets. Our consolidated balance sheets include significant amounts of goodwill and other intangible assets and long-lived assets which could be subject to impairment.

In fiscal 2009, we recorded a before-tax charge of approximately \$16.7 million as an impairment of long-lived assets primarily attributable to the reduction of the carrying value of our Staten Island property and impairment charges relating to certain other long-lived assets.

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As of August 31, 2010, goodwill and other intangible assets and property and equipment accounts for approximately \$1,675.8 million, or 89.1 percent of our total assets. We account for our goodwill and other intangible assets in accordance with ASC 350 and for our long-lived assets in accordance with ASC 360.

We follow applicable authoritative guidance on accounting for goodwill and other intangible assets which specifies, among other things, non-amortization of goodwill and other intangible assets with indefinite useful lives and requires testing for possible impairment, either upon the occurrence of an impairment indicator or at least annually. We complete our annual testing in our fiscal fourth quarter, based on assumptions regarding our future business outlook and expected future discounted cash flows attributable to such assets (using the fair value assessment provision of applicable authoritative guidance), supported by quoted market prices or comparable transactions where available or applicable.

Our latest annual assessment of goodwill and other intangible assets in the fourth quarter of fiscal 2009 indicated there had been no impairment and that no reporting units were at risk of failing step one of the goodwill impairment test. In connection with our fiscal 2009 assessment of goodwill and intangible assets for possible impairment we used the methodology described above.

We believe our methods used to determine fair value and evaluate possible impairment were appropriate, relevant, and represent methods customarily available and used for such purposes. Despite the current adverse economic trends, particularly credit availability, the decline in consumer confidence and the rise in unemployment, which have recently contributed to the decrease in attendance related as well as corporate partner revenues for certain of our motorsports events during fiscal 2009 and 2010, we believe there has been no significant change in the long-term fundamentals of our ongoing motorsports event business. We believe our present operational and cash flow outlook further support its conclusion. While we continue to review and analyze many factors that can impact our business prospects in the future, our analysis is subjective and is based on conditions existing at, and trends leading up to, the time the estimates and assumptions are made. Different conditions or assumptions, or changes in cash flows or profitability, if significant, could have a material adverse effect on the outcome of the impairment evaluation and our future condition or results of operations.

In addition, our growth strategy includes investing in certain joint venture opportunities. In these equity investments we exert significant influence on the investee but do not have effective control over the investee, which adds an additional element of risk that can adversely impact our financial position and results of operations.

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

Income Taxes. The tax law requires that certain items be included in our tax return at different times than when these items are reflected in our consolidated financial statements. Some of these differences are permanent, such as expenses not deductible on our tax return. However, some differences reverse over time, such as depreciation expense, and these temporary differences create deferred tax assets and liabilities. 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.

In the ordinary course of business, there are many transactions and calculations where the ultimate tax outcome is uncertain. Accruals for uncertain tax positions are provided for in accordance with the requirements of ASC 740,

Income Taxes. Under this guidance, we may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50.0 percent likelihood of being realized upon the ultimate settlement. This interpretation also provides guidance on de-recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated

with tax positions, and income tax disclosures. Judgment is required in assessing the future tax consequences of events that have been recognized in our financial statements or tax returns. Although we believe the estimates are reasonable, no assurance can be given that the final outcome of these matters will not be different than what is reflected in the historical income tax provisions and accruals. Such differences could have a material impact on the income tax provision and operating results in the period in which such determination is made.

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Derivative Instruments. From time to time, we utilize derivative instruments in the form of interest rate swaps and locks to assist in managing our interest rate risk. We do not enter into any interest rate swap or lock derivative instruments for trading purposes. We account for the interest rate swaps and locks in accordance with ASC 815,

Derivatives and Hedging.

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 of loss is reasonably 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 of loss is not determinable. Legal and other costs incurred in conjunction with loss contingencies are expensed as incurred.

Equity and Other Investments*Hollywood Casino at Kansas Speedway*

On December 1, 2009, Kansas Entertainment, LLC, (Kansas Entertainment) a 50/50 joint venture of Penn Hollywood Kansas, Inc. (Penn), a subsidiary of Penn National Gaming, Inc. and Kansas Speedway Development Corporation (KSDC), a wholly-owned subsidiary of ISC, was selected by the Kansas Lottery Gaming Facility Review Board to develop and operate a gaming facility in the Northeast Zone (Wyandotte County, Kansas). On February 12, 2010, Kansas Entertainment received the final approval under the Kansas Expanded Lottery Act, along with its gaming license from the Kansas Racing and Gaming Commission. Construction of the Hollywood-themed and branded entertainment destination facility, overlooking turn two of our Kansas Speedway, began in April 2010 with a planned opening in the first half of 2012.

The initial phase of this project, including certain changes to the scope and mix of gaming operations and amenities approved by the Kansas Lottery Commission in August 2010, features an 82,000 square foot casino with 2,000 slot machines and 52 table games (including 12 poker tables), a 1,253 space parking structure as well as a sports-themed bar, dining and entertainment options. Kansas Entertainment anticipates funding the initial phase of the development with a mix of equity contributions from each partner as well third party financing, preferably on a project secured non-recourse basis, which it is currently pursuing. KSDC and Penn will share equally in the cost of developing and constructing the facility. We currently estimate that our share of capitalized development costs for the project, excluding our contribution of the land, will be approximately \$155.0 million. In addition, we expect to continue to incur certain other start up and related costs through opening, a number of which will be expensed through equity in net loss from equity investments. Penn is the managing member of Kansas Entertainment and will be responsible for the development and operation of the casino and hotel.

We have accounted for Kansas Entertainment as an equity investment in its financial statements as of August 31, 2010. Our 50.0 percent portion of Kansas Entertainment's net loss is approximately \$0.1 million and \$1.6 million, for the three and nine months ended August 31, 2010, related to certain start up costs, and is included in equity in net loss from equity investments in its consolidated statements of operations. There were no operations included in its consolidated statements of operations in the same period in fiscal 2009.

Motorsports Authentics

We are partners with Speedway Motorsports, Inc. in a 50/50 joint venture, SMISC, LLC, which, through its wholly owned subsidiary Motorsports Authentics, LLC conducts business under the name Motorsports Authentics (MA). MA designs, promotes, markets and distributes motorsports licensed merchandise.

In fiscal 2009, MA management and ownership considered various approaches to optimize performance in MA's various distribution channels. As the challenges were assessed, it became apparent that there was significant risk in future business initiatives in mass apparel, memorabilia and other yet to be developed products. These initiatives had previously been deemed achievable and were included in projections that supported the carrying value of inventory, goodwill and other intangible assets on MA's balance sheet. This analysis, combined with a long-term macroeconomic outlook that was less robust than previously expected, triggered MA's review of certain assets under ASC 350 and ASC 360 and our evaluation under ASC 320-10.

In the fiscal third quarter 2009, MA, suffering financial stress from the recession, ceased paying certain guaranteed royalties under several license agreements where estimated royalties payable based on projected sales were less than stipulated guaranteed minimum

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royalties payable (unearned royalties). All earned royalties that were due have been paid. MA had received notices from certain licensors alleging default under the license agreements should MA not pay unearned royalties within stipulated cure periods.

As a result of the foregoing which triggered our evaluation performed under ASC 320-10 we recognized significant impairments of our equity investment in MA during the second and fourth quarters of fiscal 2009, resulting in a reduction to the carrying value of our investment in MA to zero at November 30, 2009. MA's management, with the assistance of an independent appraisal firm, completed its review in the fourth quarter of fiscal 2009, concluding that the fair value of MA's goodwill and intangible assets should be reduced to zero.

Going into fiscal 2010, MA management and ownership continued to explore business strategies in conjunction with certain motorsports industry stakeholders that allow the possibility for MA to operate profitably in the future. As with any business in an adverse economic environment, management must find the optimal business model for long-term viability. In addition to revisiting the business vision for MA, management, with support of ownership, has undertaken certain initiatives to improve inventory controls and buying cycles, as well as implemented changes to make MA a more efficiently operated and profitable company. We believe a revised MA business vision, which includes the successful resolution of license agreement terms and favorable license terms in the future, along with a focus on its core competencies, streamlined operations, reduced operating costs and inventory risk, are necessary for MA to survive as a profitable operation in the future.

In July 2010, certain industry stakeholders created the NASCAR Licensing Trust (Trust) that is represented by a Board of Directors that includes representatives from NASCAR, the sanctioning body, and from NASCAR Teams. Under this new agreement, the Trust brings a new structure to the licensing business that will be more efficient for the industry. The benefit to the licensees is a more focused and streamlined licensing business that will reduce cost, foster more efficient administrative processes, and allow for more cohesive retail and marketing strategies.

The Trust represents four key categories die-cast, toys, apparel and trackside retail rights and grants the rights of any NASCAR driver that is participating in the licensing categories included in the Trust. The revenues will be distributed based on percentage of licensed sales and allocated according to actual earnings to each licensor. This should allow the industry to more efficiently manage costs and increase revenues, while providing a wider selection of products for fans.

Concurrent with the creation of the Trust, MA management, ownership and industry stakeholders negotiated MA's release from future guaranteed minimum royalties as well as the current unearned guaranteed minimum royalties payable to NASCAR team licensors. With respect to the one agreement secured by parent company guarantees, MA and the parent companies negotiated a settlement amount to eliminate future guaranteed minimum royalties.

As a result of the settlement, our remaining guaranty exposure, to one NASCAR team licensor, has been reduced to approximately \$5.5 million and will be satisfied upon MA making certain payments to the team through January 2013. While it is possible that some obligation under this guarantee may occur in the future, the amount we ultimately pay cannot be estimated at this time. In any event, we do not believe that the ultimate financial outcome will have a material impact on our financial position or results of operations.

Our 50.0 percent portion of MA's net loss from operations, including the previously discussed impairment recognized in the second quarter of fiscal 2009, are approximately \$3.2 million and approximately \$62.1 million, for the three month and nine month periods ended August 31, 2009, and are included in equity in net loss from equity investments in our consolidated statements of operations. We did not recognize any net income or loss from operations of MA during the three and nine months ended August 31, 2010.

Stock Purchase Plans

An important component of our capital allocation strategy is returning capital to shareholders. We have solid operating margins that generate substantial operating cash flow. Using these internally generated proceeds, we have returned a significant amount of capital to shareholders primarily through our share repurchase program.

Our approved stock purchase plan (the Plan) allows us to purchase up to \$250.0 million of its outstanding Class A common shares. The timing and amount of any shares repurchased under the Plan will depend on a variety of factors, including price, corporate and regulatory requirements, capital availability and other market conditions. The Plan may be suspended or discontinued at any time without prior notice. No shares have been or will be knowingly purchased

from our insiders or their affiliates.

Since inception of the Plan through August 31, 2010, we have purchased 5,099,797 shares of our Class A common shares, for a total of approximately \$218.0 million. Included in these totals are the purchases of 185,070 shares of our Class A common shares during

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the nine months ended August 31, 2010, at an average cost of approximately \$28.53 per share (including commissions), for a total of approximately \$5.3 million. There were no purchases of its Class A common shares during the three months ended August 31, 2010. At August 31, 2010, we have approximately \$32.0 million remaining repurchase authority under the current Plan.

Income Taxes**Settlement with Internal Revenue Service**

Effective May 28, 2009, we entered into a definitive settlement agreement (the Settlement) with the Internal Revenue Service (the Service). The Settlement concludes an examination process the Service opened in fiscal 2002 that challenged the tax depreciation treatment of a significant portion of our motorsports entertainment facility assets. We believe the Settlement reached an appropriate compromise on this issue. As a result of the Settlement, we are currently pursuing settlements on similar terms with the appropriate state tax authorities. Based on settlements and ongoing discussions with certain states during the nine months ended August 31, 2010, we de-recognized potential interest and penalties totaling approximately \$6.3 million or \$0.13 per diluted share. This de-recognition of interest and penalties was recognized in the income tax expense in our consolidated statement of operations. Under these terms, we expect to pay between \$0.5 million and \$1.5 million in total to finalize the remaining settlements with various states. We believe that we have provided adequate reserves related to these various state matters including interest charges through August 31, 2010, and, as a result, do not expect that such an outcome would have a material adverse effect on results of operations.

Effective Income Tax Rates

The tax treatment of providing a valuation allowance related to losses incurred by our MA equity investment, partially offset by the reduction in income taxes due to the interest income related to the Settlement with the Service, are the principal causes of the increased effective income tax rate during the three and nine months ended August 31, 2009, respectively. The de-recognition of potential interest and penalties associated with the aforementioned state settlements is the principal cause of the reduced effective income tax rate during the three and nine months ended August 31, 2010.

As a result of the above items, our effective income tax rate increased from the statutory income rate to approximately 49.8 percent and 109.8 percent for the three and nine months ended August 31, 2009, respectively, and decreased from the statutory income rate to approximately 7.6 percent and 25.4 percent for the three and nine months ended August 31, 2010.

Future Trends in Operating Results

Economic conditions, including those affecting disposable consumer income and corporate budgets such as employment, business conditions, interest rates and taxation rates, may impact our ability to sell tickets to our events and to secure revenues from corporate marketing partnerships. We believe that adverse economic trends, particularly credit availability, the rise in unemployment and the decline in consumer confidence, significantly contributed to the decrease in attendance for certain of our motorsports entertainment events during fiscal 2009. We have seen many of these trends persist in 2010 and expect they will continue to adversely impact our business, which negatively impacts our attendance-related as well as corporate partner revenues. We recently announced an initiative to lower our direct operating expenses, beginning in 2011, by \$20 million to \$30 million in sustainable reductions through the streamlining of corporate services, optimization of event and ancillary business models, and process improvements that will result in a reduction of workforce and operational costs. These changes will have a positive impact on our financial position.

Admissions

An important component of our operating strategy has been our long-standing practice of focusing closely on supply and demand when evaluating ticket pricing and adjusting capacity at our facilities. By effectively managing ticket prices and seating capacity, we can stimulate 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. With any ticketing program, we first examine our pricing structure to ensure that prices are in line with market demand. When determined necessary, as has been the case during this period of sustained economic downturn, we will adjust pricing on inventory.

While we have not had a sell-out at any of our events since February 2008, we have had capacity crowds at certain events. We have also experienced a compressed sales cycle with our customers making their ticket purchasing decisions closer to the event date. To address this and to be sensitive to the economic challenges that many of our fans face, in 2009, we lowered prices on over 150,000 seats, or 15.0 percent of our grandstand capacity, for NASCAR Sprint Cup events across the Company. For our 2010 events, we

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expanded our reduced pricing to approximately 500,000 seats throughout our facilities as well as unbundling a substantial number of tickets to better respond to consumer demand. In addition to preferred pricing, we are providing our customers that renew early various incentives as well as special access privileges. We have also created ticket packages that provide added value opportunities, making it more affordable for our fans to attend live events. As we want to develop the next generation motorsports fan, we have expanded our youth initiative to encourage families to attend.

We believe, based on our research and analysis, our current pricing levels and initiatives going into the 2011 season are on target with demand, providing appropriate price points for all demographic income levels. Also, based on consumer feedback, we will now allow single-day ticket purchasing at Kansas and Chicagoland Speedways for all of its events. These facilities previously required purchasers to purchase season-ticket packages for certain sanctioned racing events annually, under specified terms and conditions.

It is important that we maintain the integrity of our pricing model by rewarding our best and loyal customers. We do not adjust pricing inside of the sales cycle and avoid rewarding last-minute ticket buyers by discounting tickets. Further, we limit and monitor the availability of promotional tickets. All of these factors could have a detrimental effect on our pricing model and long-term value of our business. 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.

Corporate Partnerships

With regard to corporate marketing partner relationships, we believe that our presence in key markets, impressive portfolio of events and attractive fan demographics are beneficial and help to mitigate adverse economic trends as we continue to pursue renewal and expansion of existing marketing partnerships and establish new corporate relationships.

Due to the current economic conditions which began to deteriorate in the latter part of fiscal 2008, extended throughout fiscal 2009 and persist in fiscal 2010, we have experienced a slowdown in corporate spending. In addition, the process of securing sponsorship deals has become more time consuming as corporations are more closely scrutinizing their marketing budgets. While these trends continue to impact sales, we are seeing encouraging signs of interest from corporate partners for 2010 and beyond. During the fiscal third quarter, we announced the Air Guard as the NASCAR Sprint Cup race entitlement sponsor and The Post-9/11 GI Bill as presenting sponsor for Richmond International Raceway's (Richmond) September 2010 NASCAR weekend. For the year, we have sold all of our 2010 NASCAR Sprint Cup and Nationwide series event entitlements. We continue to believe that revenues from our corporate marketing relationships will grow over the long term, contributing to strong earnings and cash flow stability and predictability.

Television Broadcast and Ancillary Media Rights

Domestic broadcast and ancillary media rights fees revenues are an important component of our revenue and earnings stream. Starting in 2007, NASCAR entered into new combined eight-year agreements with FOX, ABC/ESPN, TNT and SPEED for the domestic broadcast and related rights for its three national touring series—Sprint Cup, Nationwide and Camping World Truck. The agreements 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 will be approximately \$545.0 million for 2010, 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.

FOX and TNT have been strong supporters of NASCAR racing since 2001, and both have played a major role in the sport's climb in popularity. We have, and expect to continue to see, ongoing broadcast innovation in their coverage of NASCAR racing events. Also notable was the return of ESPN to the sport in 2007, which it helped build throughout the 1980s and 1990s. ESPN's coverage and weekly ancillary NASCAR-related programming continues to promote the sport across various properties. Further, ESPN broadcasts substantially all of the NASCAR Nationwide Series, providing that series with the continuity and promotional support that will allow it to flourish. We are pleased with ABC's decision to broadcast the majority of its NASCAR Sprint Cup series events on its cable channel, ESPN. ESPN,

with a subscriber base at approximately 100 million, has the proven ability to attract younger viewers as well as create more exposure. Also, cable broadcasters can support a higher investment through subscriber fees not available to traditional networks, which is a potential benefit when NASCAR negotiates the next consolidated domestic broadcast and ancillary media rights contract.

While the media landscape continues to evolve, we continue to believe NASCAR's position in the sports and entertainment landscape remains strong. It is expected that ratings will fluctuate year to year. The long-term ratings health of NASCAR Sprint Cup series events remains robust as it is the second highest-rated regular season sport on television. In addition, the NASCAR Nationwide series is the second-highest rated motorsports series on television and the NASCAR Camping World Truck series is the third-highest rated motorsports series on cable television.

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These long-term contracts provide significant cash flow visibility to us, race teams and NASCAR over the contract term. Television broadcast and ancillary rights fees from continuing operations received from NASCAR for the NASCAR Sprint Cup, Nationwide and Camping World Truck series events conducted at our wholly owned facilities under these agreements, and recorded as part of motorsports related revenue, were approximately \$60.0 million and \$61.5 million for three months ended August 31, 2009 and 2010, respectively, and \$182.6 million and \$187.7 million for the nine months ended August 31, 2009 and 2010, respectively. Operating income generated by these media rights were approximately \$43.9 million and \$45.2 million for the three months ended August 31, 2009 and 2010, respectively, and \$133.9 million and \$137.9 million for the nine months ended August 31, 2009 and 2010, 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 Camping World 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 amounts equal to 25.0 percent of the gross domestic television broadcast rights fees allocated to our NASCAR Sprint Cup, Nationwide and Camping World Truck series events, as part of prize and point fund money (See Critical Accounting Policies and Estimates Revenue Recognition). 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 materially 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.

Sanctioning Bodies

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 89.7 percent of our revenues in fiscal 2009. NASCAR continues to entertain and discuss proposals from track operators regarding potential realignment of NASCAR Sprint 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. NASCAR has recently approved our request for realignment and beginning in 2011, Kansas Speedway (Kansas) will now host two NASCAR Sprint Cup Series weekends. We believe that these realignments have provided, and will continue to provide, incremental net positive revenue and earnings as well as further enhance the sport s exposure in highly desirable markets, which we believe benefits the sport s fans, teams, sponsors and television broadcast partners as well as promoters.

Capital Improvements

From a capital expenditure at existing facilities standpoint, we anticipate annual capital spending levels to be in the range of our annual expense for depreciation and amortization. Our top priority in capital expenditures will always be fan and competitor safety, as well as critical maintenance and regulatory compliance. In addition, as we compete for the consumers discretionary dollar with other entertainment options, we may make prudent enhancements to our facilities with the intention of improving the guest experience to keep the top line revenues from weakening. Major examples of these efforts include:

Fiscal 2008

We installed track lighting at Chicagoland as well as improved certain electrical infrastructure in certain camping areas. In addition to enhancing the guest experience, we now have the flexibility to run events later in the day in the event of inclement weather;

We repaved Darlington Raceway (Darlington) and constructed a tunnel in Turn 3 that provides improved access for fans and allows emergency vehicles to easily enter and exit the infield area of the track. These collective projects mark the largest one-time investment in the 50-year history of the storied South Carolina facility;

We enhanced seating at Michigan International Speedway (Michigan) to provide wider seats, seatbacks and more leg room for fans. We also added incremental camping capacity and new shower/restroom facilities for our on-site overnight guests, as well as installed a state-of-the-art 110-foot, three-sided LED scoreboard for fans to more easily follow the on-track competition. Finally, we added additional branded way-finding signage to help pedestrians, motorists and campers find their way in, out and around the 1,400-acre racetrack property;

We constructed new media centers at Watkins Glen International (Watkins Glen) and Homestead, which we believe increased appeal to media content providers, sports journalists, racing team owners and drivers and others involved in the motorsports industry; and

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We constructed a new leader board at Martinsville Speedway.

Fiscal 2009

We enhanced the fan experience in the frontstretch grandstand seats at Daytona by replacing bench seats with new wider stadium style seats and greater legroom;

We completed a multi-phased project at Michigan to improve facility way finding and branding signage. In addition, to enhance fan enjoyment we updated the PA system throughout the grandstands at Michigan; and

We constructed a new leader board at Homestead, which is the prototype for future tracks.

Fiscal 2010

We constructed a new media center at Michigan as part of the terrace suite redevelopment project which we believe has increased appeal to media content providers, sports journalists, racing team owners and drivers and others involved in the motorsports industry. To further enhance our guest experience, we made further grandstand enhancements at Michigan to provide wider seats, seatbacks and more leg room for fans;

We made frontstretch fan improvements and superstretch hospitality improvements at Daytona which included the addition of the Superstretch Fan Zone and improved tram infrastructure. In addition, we constructed a new 1/4 mile Flat Track facility which hosted successful AMA motorcycle events this spring;

We completed the first phase of a major seat enhancement project at Talladega by installing new wider stadium style seats and increased leg room. Phase II is underway and will be completed for the fall event weekend; and

We have constructed a new state of the art LED leader board and video screens at Richmond.

In addition, we anticipate capital spending on a variety of other projects.

Growth Strategies

Our growth strategies also include exploring ways to grow our businesses through acquisitions, new market development, and ancillary real estate development. This has most recently been demonstrated through the acquisitions of the additional interests in Raceway Associates, owner and operator of Chicagoland and Route 66, and our planned real estate development joint venture (see Hollywood Casino at Kansas Speedway).

Current Litigation

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 its financial condition or results of operations. In addition to such routine litigation incident to its business, we were a party to the litigation described below. In July 2005, Kentucky Speedway, LLC filed a civil action in the Eastern District of Kentucky against NASCAR and us which alleged that NASCAR and ISC have acted, and continue to act, individually and in combination and collusion with each other and other companies that control motorsports entertainment facilities hosting NASCAR NEXTEL Cup Series, to illegally restrict the award of ... NASCAR NEXTEL Cup Series [races]. The complaint was amended in 2007 to seek, in addition to damages, an injunction requiring NASCAR to develop objective factors for the award of NEXTEL Cup races, divestiture of ISC and NASCAR so that the France Family and anyone else does not share ownership of both companies or serve as officers or directors of both companies, ISC's divestiture of at least eight of its 12 racetracks that currently operate a NEXTEL Cup race and prohibiting further alleged violations of the antitrust laws. The complaint did not ask the court to cause NASCAR to award a NEXTEL Cup race to the Kentucky Speedway. Other than some vaguely conclusory allegations, the complaint failed to specify any specific unlawful conduct by us. Pre-trial discovery in the case was concluded and based upon all of the factual and expert evidentiary materials adduced we were more firmly convinced than ever that the case was without legal or factual merit. On January 7, 2008, our position was vindicated when the Federal District Court Judge hearing the case ruled in favor of ISC and NASCAR and entered a judgment which stated that all claims of the plaintiff, Kentucky Speedway, LLC, were thereby dismissed, with prejudice, at the cost of the plaintiff. The Opinion and Order of the court entered on the same day concluded that Kentucky Speedway had failed to make its case.

On January 11, 2008, Kentucky Speedway filed a Notice of Appeal to the United States Court of Appeal for the Sixth Circuit. In a

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written opinion dated December 11, 2009, the Sixth Circuit Court of Appeals agreed with the District Court that Kentucky Speedway had failed to make out its case and affirmed the judgment of the District Court in favor of us and NASCAR. On December 28, 2009, Kentucky Speedway filed a petition for rehearing with the Sixth Circuit Court of Appeals wherein Kentucky Speedway requested the Sixth Circuit to reconsider its ruling in favor of us and NASCAR. On February 18, 2010, this petition for rehearing was denied. On May 19, 2010, the 90 day period that Kentucky Speedway had to petition the United States Supreme Court for a writ of certiorari expired. Accordingly, this litigation has now concluded.

Postponement and/or Cancellation of Major Motorsports Events

We promote outdoor motorsports entertainment events. Weather conditions affect sales of, among other things, tickets, food, drinks and merchandise at these events. Poor weather conditions prior to an event, or even the forecast of poor weather conditions, could have a negative impact on us, particularly for walk-up ticket sales to events which are not sold out in advance. If an event scheduled for one of our facilities is delayed or postponed because of weather or other reasons such as, for example, the general postponement of all major sporting events in the United States following the September 11, 2001 terrorism attacks, we could incur increased expenses associated with conducting the rescheduled event, as well as possible decreased revenues from tickets, food, drinks and merchandise at the rescheduled event. If such an event is cancelled, we would incur the expenses associated with preparing to conduct the event as well as losing the revenues, including any live broadcast revenues, associated with the event to the extent such losses were not covered by insurance.

Seasonality and Quarterly Results

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, in fiscal years 2008 and prior, one of our NASCAR Sprint Cup races was traditionally held on the Sunday preceding Labor Day. Accordingly, the revenues and expenses for that race and/or the related supporting events were recognized in either the fiscal quarter ending August 31 or the fiscal quarter ending November 30 depending on the calendar for Labor Day.

Future schedule changes as determined by NASCAR or other sanctioning bodies, as well as our request for event realignment or 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.

Because of the seasonal concentration of racing events, the results of operations for the three and nine month periods ended August 31, 2009 and 2010 are not indicative of the results to be expected for the year.

GAAP to Non-GAAP Reconciliation

The following financial information is presented below using other than U.S. generally accepted accounting principles (non-GAAP), and is reconciled to comparable information presented using GAAP. Non-GAAP net income and diluted earnings per share below are derived by adjusting amounts determined in accordance with GAAP for certain items presented in the accompanying selected operating statement data, net of taxes.

We believe such non-GAAP information is meaningful, and is used by investors to assess our core operations, which consist of the ongoing promotion of racing events at our major motorsports entertainment facilities. Such non-GAAP information identifies and separately displays the equity investment earnings and losses and adjusts for items that are not considered to be reflective of our continuing core operations at our motorsports entertainment facilities. We believe that such non-GAAP information improves the comparability of the operating results and provides a better understanding of the performance of our core operations for the periods presented. We use this non-GAAP information to analyze the current performance and trends and make decisions regarding future ongoing operations. This non-GAAP financial information may not be comparable to similarly titled measures used by other entities and should not be considered as an alternative to operating income, net income or diluted earnings per share, which are determined in accordance with GAAP. The presentation of this non-GAAP financial information is not intended to be considered independent of or as a substitute for results prepared in accordance with GAAP. Management uses both GAAP and non-GAAP information in evaluating and operating the business and as such deemed it important to provide such information to investors.

The adjustments for 2009 relate to a charge for Motorsports Authentics' equity in net loss from equity investment, accelerated depreciation for certain office and related buildings in Daytona Beach, impairments of certain other long-lived assets, and interest income related to the Settlement with the Service.

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The adjustments for 2010 relate to the Hollywood Casino at Kansas Speedway equity in net loss from equity investment, impairments of certain other long-lived assets, amortization of and settlements related to an interest rate swap, and de-recognition of interest and penalties related to the previously discussed state tax settlements.

	Three Months Ended		Nine Months Ended	
	August 31, 2009	August 31, 2010	August 31, 2009	August 31, 2010
	(In Thousands, Except Per Share Amounts) (Unaudited)			
Net income (loss)	\$ 4,413	\$ 3,609	\$ (2,181)	\$39,311
Loss from discontinued operations, net of tax	43		130	47
Income (loss) from continuing operations	4,456	3,609	(2,051)	39,358
Equity in net loss from equity investments, net of tax	3,239	51	62,152	990
Consolidated income from continuing operations excluding equity in net loss from equity investments	7,695	3,660	60,101	40,348
Adjustments, net of tax:				
Additional depreciation			638	
Impairment of long-lived assets	8,229	242	8,281	643
Recognition of interest rate swap expense		8,529		10,053
Interest income from IRS settlement			(8,923)	
State tax settlements		(175)		(6,338)
Non-GAAP net income	\$15,924	\$12,256	\$60,097	\$44,706
Per share data:				
Diluted earnings (loss) per share	\$ 0.09	\$ 0.08	\$ (0.04)	\$ 0.82
Loss from discontinued operations, net of tax	0.00		0.00	0.00
Income (loss) from continuing operations	0.09	0.08	(0.04)	0.82
Equity in net loss from equity investments, net of tax	0.07	0.00	1.28	0.02
Consolidated income from continuing operations excluding equity in net loss from equity investments	0.16	0.08	1.24	0.84
Adjustments, net of tax:				
Additional depreciation			0.01	
Impairment of long-lived assets	0.17	0.00	0.17	0.01
Recognition of interest rate swap expense		0.17		0.21
Interest income from IRS settlement			(0.18)	
State tax settlements		0.00		(0.13)

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Non-GAAP diluted earnings per share	\$ 0.33	\$ 0.25	\$ 1.24	\$ 0.93
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Table of Contents**Comparison of the Results for the Three and Nine Months Ended August 31, 2009 to the Results for the Three and Nine Months Ended August 31, 2010.**

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

	Three Months Ended		Nine Months ended	
	August 31, 2009	August 31, 2010	August 31, 2009	August 31, 2010
	(Unaudited)			
Revenues:				
Admissions, net	30.3%	26.5%	29.3%	25.7%
Motorsports related	61.3	64.3	61.3	64.5
Food, beverage and merchandise	7.3	7.4	8.0	8.0
Other	1.1	1.8	1.4	1.8
Total revenues	100.0	100.0	100.0	100.0
Expenses:				
Direct expenses:				
Prize and point fund monies and NASCAR sanction fees	23.8	24.7	22.5	23.7
Motorsports related	28.4	28.2	22.4	23.1
Food, beverage and merchandise	5.1	5.0	5.6	5.6
General and administrative	15.3	16.5	15.7	16.9
Depreciation and amortization	10.4	11.8	11.2	12.3
Impairment on long-lived assets	7.9	0.3	2.8	0.2
Total expenses	90.9	86.5	80.2	81.8
Operating income	9.1	13.5	19.8	18.2
Interest income and other	0.1	0.0	0.2	0.0
Interest expense	(2.2)	(11.0)	(3.2)	(6.2)
Equity in net loss from equity investments	(1.9)	(0.1)	(12.6)	(0.4)
Other income	0.1	0.0	0.1	0.0
Income from continuing operations before income taxes	5.2	2.4	4.3	11.6
Income taxes	2.6	0.2	4.7	2.9
Income (loss) from continuing operations	2.6	2.2	(0.4)	8.7
Loss from discontinued operations	0.0		0.0	0.0
Net income (loss)	2.6%	2.2%	(0.4)%	8.7%

Comparability of results for the three and nine months ended August 31, 2010 and 2009 was impacted by the following:

Economic conditions, including those affecting disposable consumer income and corporate budgets such as employment, business conditions, interest rates and taxation rates, impact our ability to sell tickets to our events and to secure revenues from corporate marketing partnerships. We believe that unprecedented adverse

economic trends, particularly the decline in consumer confidence and the rise in unemployment contributed to the decrease in attendance related as well as corporate partner revenues for certain of our motorsports entertainment events during the three and nine months ended August 31, 2010;

During the second quarter of fiscal 2009, we recorded certain charges related to our joint venture Motorsports Authentics (see Equity and Other Investments);

During the third quarter of fiscal 2009, we determined, based on our understanding of the real estate market and ongoing discussions with interested parties, that the current carrying value of the Staten Island property was in excess of the fair market value. As a result, we recognized a non-cash, pre-tax charge in our results of approximately \$13.0 million, or \$0.16 per diluted share after-tax, and was recorded in impairment of long-lived assets in the consolidated statement of operations;

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An IndyCar series event held at Richmond in the third quarter of fiscal 2009 was not held in the third quarter of fiscal 2010;

A NASCAR Camping World Truck series event held at Auto Club Speedway in the first quarter of fiscal 2009 was not held in fiscal 2010;

A Grand American series event was held at Homestead-Miami Speedway in the second quarter of fiscal 2010 that was held in the fourth quarter of fiscal 2009;

A NASCAR Camping World Truck series event was held at Darlington in the third quarter of fiscal 2010 that was not held in fiscal 2009;

During the three and nine months ended August 31, 2010, we recognized approximately \$14.1 million and \$16.6 million, respectively, in expenses related to an interest rate swap for which there were no comparable expenses in the same period in the prior year (see Future Liquidity). These expenses were recorded in interest expense in the consolidated statement of operations; and

As a result of the previously discussed favorable settlements and on-going discussions with certain states, during the nine months ended August 31, 2010, we de-recognized potential interest and penalties totaling approximately \$6.3 million or \$0.13 per diluted share. This de-recognition of interest and penalties was recognized in the income tax expense in our consolidated statement of operations.

Admissions revenue decreased approximately \$9.8 million, or 18.8 percent, and \$27.1 million, or 18.9 percent, during the three and nine months ended August 31, 2010, respectively, as compared to the same periods of the prior year. The decreases for the three and nine month periods were driven by lower attendance attributable to ongoing adverse economic conditions as well as inclement weather for certain events, in addition to a decrease in our weighted average ticket price for certain events associated with the previously discussed value pricing initiatives.

Motorsports related revenue decreased approximately \$3.0 million, or 2.8 percent, and \$8.1 million, or 2.7 percent, during the three and nine months ended August 31, 2010, respectively, as compared to the same periods of the prior year. The decreases for the three and nine month periods are substantially attributable to decreases in sponsorship, suite and hospitality revenues for certain events. To a lesser extent, contributing to change was the aforementioned Camping World Truck series event not being held at Auto Club Speedway, and the IndyCar event not being held at Richmond, in the first and third quarters of fiscal 2010, respectively. Partially offsetting these decreases was an increase in television broadcast and ancillary rights.

Food, beverage and merchandise revenue decreased approximately \$0.8 million, or 6.6 percent, and \$3.3 million, or 8.3 percent, during the three and nine months ended August 31, 2010, respectively, as compared to the same periods of the prior year. The decreases for the three and nine month periods are substantially attributable to the previously discussed lower attendance. Partially offsetting the three month decrease and, to a lesser extent, the nine month decrease, was a third quarter increase in catering sales.

Prize and point fund monies and NASCAR sanction fees decreased approximately \$1.6 million, or 3.9 percent, and \$3.1 million, or 2.8 percent, during the three and nine months ended August 31, 2010, respectively, as compared to the same periods of the prior year. The decreases for the three and nine month periods are primarily attributable to the reduction in overall prize and point fees paid for the events held in the period as compared to the same period in prior year. Partially offsetting the decrease in the three month period was the aforementioned Camping World Truck series event held at Darlington that was not held in fiscal 2009. Also partially offsetting overall decreases are the increases in television broadcast rights fees for the NASCAR Sprint Cup, Nationwide and Camping World Truck series events during the periods as standard NASCAR sanctioning agreements require a specific percentage of television broadcast rights fees to be paid to competitors.

Motorsports related expenses decreased by approximately \$4.0 million, or 8.1 percent, and \$5.2 million, or 4.7 percent, during the three and nine months ended August 31, 2010, respectively, as compared to the same periods of the prior year. The decrease for the three and nine month periods are primarily attributable to the aforementioned

IndyCar series event that was not held at Richmond in the third quarter of fiscal 2010 that was held in the third quarter of fiscal 2009. Contributing to the decreases for the three and nine month periods, was reduced promotional, advertising and other race related expenses during the period as a result of focused cost containment. The decreases are partially offset by the aforementioned Camping World Truck series event held at Darlington added to the schedule in 2010. Motorsports related expenses as a percentage of combined admissions and motorsports related revenue remained consistent at approximately 31.0 percent for the three month period ended August 31, 2010, as compared to the same period in the prior year. Motorsports related expenses as a percentage of combined admissions and motorsports related revenue increased

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slightly to approximately 25.6 percent for the nine months ended August 31, 2010, as compared to 24.8 percent for the same period in the prior year. The slight margin decrease is primarily due to the previously discussed lower admissions and motorsports related revenue during the nine month period.

Food, beverage and merchandise expense decreased approximately \$0.8 million, or 8.9 percent, and \$2.2 million, or 8.1 percent, during the three and nine months ended August 31, 2010, respectively, as compared to the same periods of the prior year. The decreases for the three and nine month periods are primarily attributable to variable costs associated with the lower sales of merchandise and concessions, as well as catering for the nine month period. Food, beverage and merchandise expense as a percentage of food, beverage and merchandise revenue decreased to approximately 68.5 percent for the three months ended August 31, 2010, as compared to 70.2 percent for the same period in the prior year, and remained fairly consistent at approximately 70.1 percent for the nine months ended August 31, 2010, as compared to 70.0 percent for the same period in the prior year. The margin improvement for the three months ended August 31, 2010 was primarily attributable to an increase in catering which improves margin due to the considerable fixed cost components of catering as compared to merchandise and concessions operations.

General and administrative expenses remained consistent for the three and nine months ended August 31, 2010 as compared to the same period in the prior year. In the three months ended August 31, 2010, we incurred approximately \$0.9 million of costs related to organizational and structural changes in connection with the company-wide initiative to reduce future operational costs. Offsetting this amount were ongoing cost containment initiatives that were put in place in fiscal 2009. General and administrative expenses as a percentage of total revenues increased to approximately 16.5 percent and 16.9 percent for the three and nine months ended August 31, 2010, as compared to 15.3 percent and 15.7 percent for the same respective periods in the prior year. The decreased margin during the three and nine month periods are primarily due to the previously discussed decrease in revenues.

Depreciation and amortization expense increased approximately \$1.0 million and \$0.9 million during the three and nine months ended August 31, 2010, respectively, as compared to the same periods of the prior year. The increases for the three and nine month periods are predominately attributable to our headquarters building (see Future Liquidity) which was put in service in the last month of fiscal 2009. Partially offsetting the increases are certain assets which have reached the end of their useful lives as well as accelerated depreciation taken on our prior office building in fiscal 2009 (see Daytona Development Project).

The impairment of long-lived assets, during the three and nine months ended August 31, 2010, of approximately \$0.4 million and \$1.1 million, respectively, is attributable to the removal of certain long-lived assets located at our motorsports facilities. During the three months ended August 31, 2009, we recognized the aforementioned non-cash, pre-tax charge in our results of approximately \$13.0 million, or \$0.16 per diluted share after-tax (see Staten Island Property).

Interest income decreased approximately \$0.2 million and \$0.8 million during the three and nine months ended August 31, 2010, respectively, as compared to the same periods of the prior year. The decrease was attributable to lower interest rates as compared to the same periods in the prior year. Slightly offsetting the decrease, during the nine month period ending August 31, 2010, were higher cash balances in fiscal 2010 as compared to the same periods in fiscal 2009.

Interest expense increased by approximately \$13.8 million and \$12.8 million, during the three and nine months ended August 31, 2010, respectively, as compared to the same periods of the prior year. The increase is primarily due to the recognition of the expense attributable to the aforementioned interest rate swap (see Future Liquidity) and, to a lesser extent, interest on the construction loan for our new headquarters building. Partially offsetting the increase is the funding of the \$150 million principal 4.2% Senior Notes maturity in April 2009 and the lower outstanding balance on our credit facility as compared to the same period in the prior year.

Equity in net loss from equity investments represents our 50.0 percent equity investments in Motorsports Authentics and Hollywood Casino at Kansas Speedway during the three and nine months ended August 31, 2010, respectively, as compared to the same periods of the prior year. Our 50.0 percent portion of Motorsports Authentics net loss from operations, including the previously discussed impairment recognized in the second quarter of fiscal 2009, are approximately \$3.2 million and approximately \$62.1 million, for the three month and nine month periods ended August 31, 2009. We did not recognize any net loss from operations of Motorsports Authentics during the three and

nine months ended August 31, 2010, respectively (see Equity and Other Investments).

Our effective income tax rate was approximately 7.6 percent and 25.4 percent for the three and nine months ended August 31, 2010, as compared to 49.8 percent and 109.8 percent for the same respective periods of the prior year (see Income Taxes).

As a result of the foregoing, net income for the three month period ending August 31, 2010, as compared to the same period in prior year, reflected a decrease of approximately \$0.8 million, or \$0.01 per diluted share. Net income for the nine month period ending August 31, 2010, as compared to the same period in prior year, reflected an increase of approximately \$41.5 million, or \$0.86 per diluted share.

Table of Contents**Liquidity and Capital Resources****General**

We have historically generated sufficient cash flow from operations to fund our working capital needs and capital expenditure at existing facilities, payments of an annual cash dividend, and more recently, to repurchase our shares under our Stock Purchase Plan. 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 August 31, 2010, we had cash, and cash equivalents totaling approximately \$89.2 million; \$150.0 million principal amount of senior notes outstanding; debt service funding commitment of approximately \$64.8 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); \$51.1 million principal term loan related to our headquarters office building (the International Motorsports Center, or IMC); and \$2.8 million principal amount of other third party debt. At August 31, 2010, we had a working capital deficit of \$1.9 million, primarily driven by the payments made on the 2006 Credit Facility, as well as settlements made on the interest rate swap. At November 30, 2009, we had a working capital surplus of \$104.0 million, primarily driven by the \$112.0 million recovery of funds previously on deposit with the Service. Our liquidity is primarily generated from our ongoing motorsports operations, and we expect our strong operating cash flow to continue in the future. In addition, as of August 31, 2010, we have approximately \$296.1 million available to draw upon under our 2006 Credit Facility, if needed. See Future Liquidity for additional disclosures relating to our 2006 Credit Facility and certain risks that may affect our near term operating results and liquidity. As it relates to capital allocation, our top priority is fan and competitor safety as well as regulatory compliance. In addition, we remain focused on driving incremental earnings by improving the fan experience with certain upgrades to our facilities to increase ticket sales. We will also focus on maintaining modest debt levels. Beyond that, we are also making strategic investments in external projects that complement our core business and provide value for our shareholders. Those options include acquisitions; new market development; ancillary real estate development; and share repurchases.

During the nine months ended August 31, 2010, our significant cash flows items include the following:

net cash provided by operating activities totaling approximately \$109.2 million, which includes payments related to interest rate swap, totaling approximately \$17.9 million;

capital expenditures totaling approximately \$74.7 million;

contributions to the Hollywood Casino at Kansas Speedway joint venture, totaling approximately \$21.4 million; and

payments of long-term debt, totaling approximately \$78.6 million.

Capital Expenditures

For the nine months ended August 31, 2010, we spent \$74.7 million on capital expenditures, compared to approximately \$65.5 million for the nine months ended August 31, 2009, which includes \$56.1 million for projects at our existing facilities related to construction of a new media center at Michigan as part of the terrace suite redevelopment project; construction of a new state of the art LED leader board and video screens at Richmond; construction of grandstand seating enhancements at Michigan and Talladega; grandstand seating enhancements and new vehicle parking areas at Daytona; and a variety of other improvements and renovations. The remaining balance of approximately \$18.6 million is associated with approximately \$8.6 million related to completion of IMC which is funded from long-term restricted cash and investments provided by the IMC financing; the purchase of land in Daytona; and additional capitalized spending for the Staten Island property.

At August 31, 2010, we have approximately \$55.0 million remaining in capital projects currently approved for our existing facilities. These projects include the track repaving and parking improvements at Daytona; grandstand seating enhancements and infield improvements at Michigan; grandstand seating enhancements at Talladega; installation of track lighting and track enhancements at Kansas; improvements at various facilities for expansion of parking, camping

capacity and other uses; and a variety of other improvements and renovations to our facilities that enable us to effectively compete with other sports venues for consumer and corporate spending.

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As a result of these currently approved projects and anticipated additional approvals in fiscal 2010, we expect our total fiscal 2010 capital expenditures will be approximately \$85.0 million to \$95.0 million which includes approximately \$70.0 million to \$80.0 million of capital expenditures at our existing facilities, depending on the timing of certain projects.

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

Future Liquidity

General

As discussed in Future Trends in Operating Results, economic conditions, including those affecting disposable consumer income and corporate budgets such as employment, business conditions, interest rates and taxation rates, may impact our ability to sell tickets to our events and to secure revenues from corporate marketing partnerships. We believe that adverse economic trends, particularly the decline in consumer confidence and the rise in unemployment, significantly contributed to the decrease in attendance for certain of our motorsports entertainment events during fiscal 2009 and substantially all of these trends have continued throughout fiscal 2010. This will negatively impact year-over-year comparability for most all of our revenue categories for the full year, with the exception of domestic broadcast and ancillary media rights fees.

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. Despite current economic conditions, we believe that cash flows from operations, along with existing cash, cash equivalents, short-term investments and available borrowings under our 2006 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;

- payments to settle the current interest rate swap agreement;

- any potential payments associated with our keepwell agreements;

- payments for share repurchases under our Stock Purchase Plans; and

- dividend payment.

We remain interested in pursuing further acquisition and/or development opportunities that would increase shareholder value. The timing, size and success, as well as associated potential capital commitments, of which are unknown at this time. Accordingly, a material acceleration of our growth strategy could require us to obtain additional capital through debt and/or equity financings. Although there can be no assurance, over the longer term we believe that adequate debt and equity financing will be available on satisfactory terms.

While we expect our strong operating cash flow to continue in the future, our financial results depend significantly on a number of factors. In addition to local, national, and global economic and financial market conditions, consumer and corporate spending could be adversely affected by 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 wars in Iraq and Afghanistan and could be similarly affected by any future attacks or fear of such attacks, or by conditions resulting from other acts or prospects of war. Any future attacks or wars or related threats could also increase our expenses related to insurance, security or other related matters. Also, our financial results could be adversely impacted by a widespread outbreak of a severe epidemiological crisis. The items discussed above could have a singular or compounded material adverse affect on our financial success and future cash flow.

Long-Term Obligations and Commitments

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 these unsecured senior notes for registered senior notes with substantially identical terms (2004 Senior Notes). At August 31, 2010, outstanding 2004 Senior Notes totaled approximately \$150.0 million, net of unamortized discounts, which is comprised of \$150.0 million principal amount unsecured senior notes, which bear interest at 5.4 percent and are due April 2014. The 2004 Senior Notes require semi-annual interest payments on April 15 and October 15 through their maturity. The 2004 Senior Notes may be redeemed in whole or in part, at our option, at any time or from time to time at

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redemption prices as defined in the indenture. Our wholly owned domestic subsidiaries are guarantors of the 2004 Senior Notes. The 2004 Senior Notes also contain various restrictive covenants. Total gross proceeds from the sale of the 2004 Senior Notes were \$300.0 million, net of discounts of approximately \$431,000 and approximately \$2.6 million of deferred financing fees. The deferred financing fees are being treated as additional interest expense and amortized over the life of the 2004 Senior Notes on a straight-line method, which approximates the effective yield method. In March 2004, we entered into interest rate swap agreements to effectively lock in the interest rate on approximately \$150.0 million of the 4.2 percent Senior Notes. We terminated the interest rate swap agreements on April 23, 2004 and received approximately \$2.2 million, which was amortized over the life of the 4.2 percent Senior Notes that matured in April 2009.

In June 2008, we entered into an interest rate swap agreement to effectively lock in a substantial portion of the interest rate exposure on approximately \$150.0 million notional amount in anticipation of refinancing the \$150.0 million 4.2 percent Senior Notes that matured in April 2009. This interest rate swap was designated and qualified as a cash flow hedge under ASC 815, Accounting for Derivatives and Hedging. As a result of the uncertainty with the U.S. credit markets, in February 2009, we amended and re-designated our interest rate swap agreement as a cash flow hedge with an expiration in February 2011.

In August 2010, based on its current financial position, we discontinued approximately \$50.0 million notional amount of the cash flow hedge and settled the related liability for approximately \$12.4 million, as it became probable that the original forecasted amount of the transaction will be reduced from \$150.0 million to \$100.0 million. Therefore we did not re-designate the remaining \$100.0 million notional amount of the remaining interest rate swap and as a result recognized the subsequent change in fair value of the swap through August 31, 2010, totaling approximately \$3.1 million, as additional interest expense in its consolidated income statement during the third quarter of fiscal 2010. Also, in August 2010, we settled an additional \$20.0 million notional amount of the cash flow hedge and paid the related liability for approximately \$5.4 million. As a result of these transactions, the remaining notional amount of the swap was \$80.0 million and had an estimated fair value of a liability totaling approximately \$22.6 million at August 31, 2010. The estimated fair value is based on relevant market information and quoted market prices at August 31, 2010 and is recognized in other comprehensive loss or interest expense in the consolidated financial statements. In September 2010 we settled an additional \$20.0 million notional amount of the cash flow hedge resulting in a payment of approximately \$5.4 million. As part of the re-designation in February 2009 and the discontinuance of a portion of the hedged transaction in August 2010, the change in the fair value of the interest rate swap arrangement totaling approximately \$32.6 million was deferred in other comprehensive income. During the three and nine months ended August 31, 2010, as a result of the above transactions, we recognized approximately \$10.9 million and \$13.4 million, respectively, of this balance which is reflected in interest expense in the consolidated statement of operations. Based on the current assumptions of our future debt issuance, we expect to recognize up to approximately \$2.1 million of this balance during the next 12 months in interest expense in the consolidated statement of operations. Our wholly owned subsidiary, Raceway Associates, which owns and operates Chicagoland Speedway and Route 66 Raceway, has the following debt outstanding at August 31, 2010:

Revenue bonds payable (4.8 percent Revenue Bonds) consisting of economic development revenue bonds issued by the City of Joliet, Illinois to finance certain land improvements. The 4.8 percent Revenue Bonds have an interest rate of 4.8 percent and a monthly payment of \$29,000 principal and interest. At August 31, 2010, outstanding principal on the 4.8 percent Revenue Bonds was approximately \$1.6 million.

Revenue bonds payable (6.8 percent Revenue Bonds) that are special service area revenue bonds issued by the City of Joliet, Illinois to finance certain land improvements. The 6.8 percent Revenue Bonds are billed and paid as a special assessment on real estate taxes. Interest payments are due on a semi-annual basis at 6.8 percent with principal payments due annually. Final maturity of the 6.8 percent Revenue Bonds is January 2012. At August 31, 2010, outstanding principal on the 6.8 percent Revenue Bonds was approximately \$1.2 million.

In July 2008, a wholly owned subsidiary of ours entered into a construction term loan agreement (6.3 percent Term Loan) to finance the construction of the International Motorsports Center. The 6.3 percent Term Loan has a 25 year term due October 2034, an interest rate of 6.3 percent, and a current monthly payment of approximately \$292,000. At

August 31, 2010, the outstanding principal on the 6.3 percent Term Loan was approximately \$51.1 million. 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 August 31, 2010, outstanding TIF bonds totaled approximately \$64.8 million, net of the unamortized discount, which is comprised of a \$15.9 million principal amount, 6.2 percent term bond due December 1, 2017 and a \$49.7 million principal amount, 6.8 percent 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

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Corporation. Principal (mandatory redemption) payments per the Funding Commitment are payable by Kansas Speedway Corporation on October 1 of each year. The semi-annual interest component of the Funding Commitment is payable on April 1 and October 1 of each year. Kansas Speedway Corporation granted a mortgage and security interest in the Kansas project for its Funding Commitment obligation.

In October 2002, the Unified Government issued subordinate sales tax special obligation revenue bonds (2002 STAR Bonds) totaling approximately \$6.3 million to reimburse us for certain construction already completed on the second phase of the Kansas Speedway project and to fund certain additional construction. The 2002 STAR Bonds, which require annual debt service payments and are due December 1, 2022, will be retired with state and local taxes generated within the Kansas Speedway's boundaries and are not our obligation. Kansas Speedway Corporation has agreed to guarantee the payment of principal, any required premium and interest on the 2002 STAR Bonds. At August 31, 2010, the Unified Government had approximately \$2.6 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 2006 Credit Facility contains a feature that allows us to increase the credit facility to a total of \$500.0 million, subject to certain conditions. The 2006 Credit Facility is scheduled to mature in June 2011, and accrues interest at LIBOR plus 30.0 – 80.0 basis points, based on our highest debt rating as determined by specified rating agencies. At August 31, 2010, we had no outstanding amounts under the Credit Facility. We are currently in discussions with lenders regarding entering into a new revolving credit facility agreement and expect to have a new facility in place no later than the end of the 2011 first fiscal quarter.

Speedway Developments

In light of NASCAR's publicly announced position regarding additional potential realignment of the NASCAR Sprint Cup Series schedule, we believe there are still potential development opportunities for public/private partnerships in new, underserved markets across the country, which could include Denver, Colorado, the Northwest U.S. and the New York Metropolitan area.

Hollywood Casino at Kansas Speedway

On December 1, 2009, Kansas Entertainment, LLC, (Kansas Entertainment) a 50/50 joint venture of Penn Hollywood Kansas, Inc. (Penn), a subsidiary of Penn National Gaming, Inc. and Kansas Speedway Development Corporation (KSDC), a wholly-owned subsidiary of ISC, was selected by the Kansas Lottery Gaming Facility Review Board to develop and operate a gaming facility in the Northeast Zone (Wyandotte County, Kansas). On February 12, 2010, Kansas Entertainment received the final approval under the Kansas Expanded Lottery Act, along with its gaming license from the Kansas Racing and Gaming Commission. Construction of the Hollywood-themed and branded entertainment destination facility, overlooking turn two of Kansas Speedway, began in April 2010 with a planned opening in the first half of 2012.

The initial phase of this project, including certain changes to the scope and mix of gaming operations and amenities approved by the Kansas Lottery Commission in August 2010, features an 82,000 square foot casino with 2,000 slot machines and 52 table games (including 12 poker tables), a 1,253 space parking structure as well as a sports-themed bar, dining and entertainment options. Kansas Entertainment anticipates funding the initial phase of the development with a mix of equity contributions from each partner as well third party financing, preferably on a project secured non-recourse basis, which it is currently pursuing. KSDC and Penn will share equally in the cost of developing and constructing the facility. We currently estimate that our share of capitalized development costs for the project, excluding our contribution of the land, will be approximately \$155.0 million. In addition, we expect to continue to incur certain other start up and related costs through opening, a number of which will be expensed through equity in net loss from equity investments. Penn is the managing member of Kansas Entertainment and will be responsible for the development and operation of the casino and hotel.

Daytona Development Project

We are exploring development of a mixed-use entertainment destination development on 71 acres located directly across International Speedway Boulevard from our Daytona motorsports entertainment facility.

The initial development includes the recently completed approximately 188,000 square foot office building, the International Motorsports Center, which houses the headquarters of ISC, NASCAR, Grand American and their related

businesses, and additional space for other tenants. The IMC was financed in July 2008 through a \$51.3 million construction term loan obtained by our wholly owned subsidiary, which was created to own and operate the office building.

Approved land use entitlements for the remaining project allow for a 265,000 square foot mixed-use retail/dining/entertainment area. Development of the balance of the project is dependent on several factors, including lease arrangements, availability of project

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financing and overall market conditions. We recognized additional depreciation on this existing office building of approximately \$1.0 million for the nine months ended August 31, 2009. There was no additional depreciation recognized in fiscal year 2010.

While we continue to believe that a mixed-use retail/dining/entertainment area located across from our Daytona facility will be a successful project, given the current economic conditions and the uncertainty associated with the future, development of the project will depend on its economic feasibility.

Staten Island Property

In connection with our efforts to develop a major motorsports entertainment facility in the New York metropolitan area, our subsidiary, 380 Development, LLC (380 Development), purchased 676 acres located in the New York City borough of Staten Island in early fiscal 2005 and began improvements including fill operations on the property. In December 2006, we announced our decision to discontinue pursuit of the speedway development on Staten Island. In October 2009, we announced that we had entered into a definitive agreement with KB Marine Holdings LLC (KB Holdings) under which KB Holdings would acquire 100.0 percent of the outstanding equity membership interests of 380 Development. The purchase and sale agreement (Agreement) called for the transaction to close no later than February 25, 2010, subject to certain conditions, including KB Holdings securing the required equity commitments to acquire the property and performing its obligations under the Agreement. As a result of KB Holdings failure to perform its obligations, the closing did not occur on February 25, 2010.

On September 2, 2010, we executed a second amendment to the Agreement which provided an extension to KB Holdings to close the transaction on or before November 30, 2010. Under the terms of that extension, the purchase price to be paid by KB Holdings is \$88.0 million, \$33.6 million of which, in non-refundable deposits and cash, is to be received at or prior to closing, and \$54.4 million of which will be in the form of a promissory note payable on or before August 31, 2011. The promissory note will have a market-based interest rate and will be secured by a first priority security interest in the outstanding equity membership interests of 380 Development. We expect the proceeds from the sale, net of applicable broker commissions and other closing costs will result in an immaterial gain or loss on the transaction upon closing.

While we remain optimistic that a closing will occur, there can be no assurance that KB Holdings will secure the required equity commitments and proceed to closing.

Inflation

We do not believe that inflation has had a material impact on our operating costs and earnings.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

During the three and nine months ended August 31, 2010, there have been no material changes in our market risk exposures. From time to time we utilize derivative investments in the form of interest rate swaps and locks 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 and locks match the terms of the debt they are intended to modify. In June 2008, we entered into an interest rate swap agreement to effectively lock in a substantial portion of the interest rate exposure on approximately \$150.0 million notional amount in anticipation of refinancing the \$150.0 million 4.2 percent Senior Notes that matured in April 2009. This interest rate swap was designated and qualified as a cash flow hedge under ASC 815, Accounting for Derivatives and Hedging. As a result of the uncertainty with the U.S. credit markets, in February 2009, we amended and re-designated this interest rate swap agreement as a cash flow hedge with an expiration in February 2011.

In August 2010, based on its current financial position, we discontinued approximately \$50.0 million notional amount of the cash flow hedge and settled the related liability for approximately \$12.4 million, as it became probable that the original forecasted amount of the transaction will be reduced from \$150.0 million to \$100.0 million. We did not re-designate the remaining \$100.0 million notional amount of the remaining interest rate swap and as a result recognized the subsequent change in fair value of the swap through August 31, 2010, totaling approximately \$3.1 million, as additional interest expense in its consolidated income statement during the third quarter of fiscal 2010. Also, in August 2010, we settled an additional \$20.0 million notional amount of the cash flow hedge and paid the related liability for approximately \$5.4 million. As a result of these transactions, the remaining notional amount of the swap was \$80.0 million and had an estimated fair value of a liability totaling approximately \$22.6 million at

August 31, 2010. The estimated fair value is based on relevant market information and quoted market prices at August 31, 2010 and is recognized in other comprehensive loss or interest expense in the consolidated financial statements. In September 2010 we settled an additional \$20.0 million notional amount of the cash flow hedge resulting in a payment of approximately \$5.4 million. As part of the re-designation in February 2009 and the discontinuance of a portion of the hedged transaction in August 2010, the change in the fair value of the interest rate swap

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arrangement totaling approximately \$32.6 million was deferred in other comprehensive income. During the three and nine months ended August 31, 2010, as a result of the above transactions, we recognized approximately \$10.9 million and \$13.4 million, respectively, of this balance which is reflected in interest expense in the consolidated statement of operations. Based on the current assumptions of our future debt issuance, we expect to recognize up to approximately \$2.1 million of this balance in interest expense in the consolidated statement of operations.

ITEM 4. DISCLOSURE CONTROLS AND PROCEDURES

Subsequent to August 31, 2010, and prior to the filing of this report, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures under the supervision of and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer. Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures, subject to limitations as noted below, were effective at August 31, 2010, and during the period prior to the filing of this report.

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Our management, including the Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure control procedures or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

PART II OTHER INFORMATION

ITEM 1A. RISK FACTORS

This report and the documents incorporated by reference 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 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 previously disclosed in response to Item 1A to Part I of our report on Form 10-K for the fiscal year ended November 30, 2009 the important factors that could cause our actual results to differ from our expectations. There have been no material changes to those risk factors.

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Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares (or approximate dollar value of shares) that may yet be purchased under the plans or programs (in thousands)
June 1, 2010 – June 30, 2010		\$		\$ 32,000
July 1, 2010 – July 31, 2010		\$		\$ 32,000
August 1, 2010 – August 31, 2010		\$		\$ 32,000

Our approved stock purchase plan (the Plan) allows us to purchase up to \$250.0 million of its outstanding Class A common shares. The timing and amount of any shares repurchased under the Plan will depend on a variety of factors, including price, corporate and regulatory requirements, capital availability and other market conditions. The Plan may be suspended or discontinued at any time without prior notice. No shares have been or will be knowingly purchased from our insiders or their affiliates. Since inception of the Plan through August 31, 2010, we have purchased 5,099,797 shares of our Class A common shares, for a total of approximately \$218.0 million. Included in these totals are the purchases of 185,070 shares of our Class A common shares during the nine months ended August 31, 2010, at an average cost of approximately \$28.53 per share (including commissions), for a total of approximately \$5.3 million. There were no purchases of its Class A common shares during the three months ended August 31, 2010. At August 31, 2010, we have approximately \$32.0 million remaining repurchase authority under the current Plan.

ITEM 6. EXHIBITS

Exhibit Number	Description of Exhibit
3.1	Articles of Amendment of the Restated and Amended Articles of Incorporation of the Company, as filed with the Florida Department of State on July 26, 1999 (incorporated by reference from exhibit 3.1 of the Company's Report on Form 8-K dated July 26, 1999)
3.2	Conformed copy of Amended and Restated Articles of Incorporation of the Company, as amended as of July 26, 1999 (incorporated by reference from exhibit 3.2 of the Company's Report on Form 8-K dated July 26, 1999)
3.3	Conformed copy of Amended and Restated By-Laws of the Company, as amended as of April 9, 2003. (incorporated by reference from exhibit 3.3 of the Company's Report on Form 10-Q dated April 10, 2003)
31.1	Rule 13a-14(a) / 15d-14(a) Certification of Chief Executive Officer filed herewith

31.2	Rule 13a-14(a) / 15d-14(a) Certification of Chief Financial Officer	filed herewith
32	Section 1350 Certification	filed herewith

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**INTERNATIONAL SPEEDWAY
CORPORATION
(Registrant)**

Date: October 7, 2010

/s/ Daniel W. Houser
Daniel W. Houser, Senior Vice President,
Chief Financial Officer, Treasurer
and Principal Accounting Officer