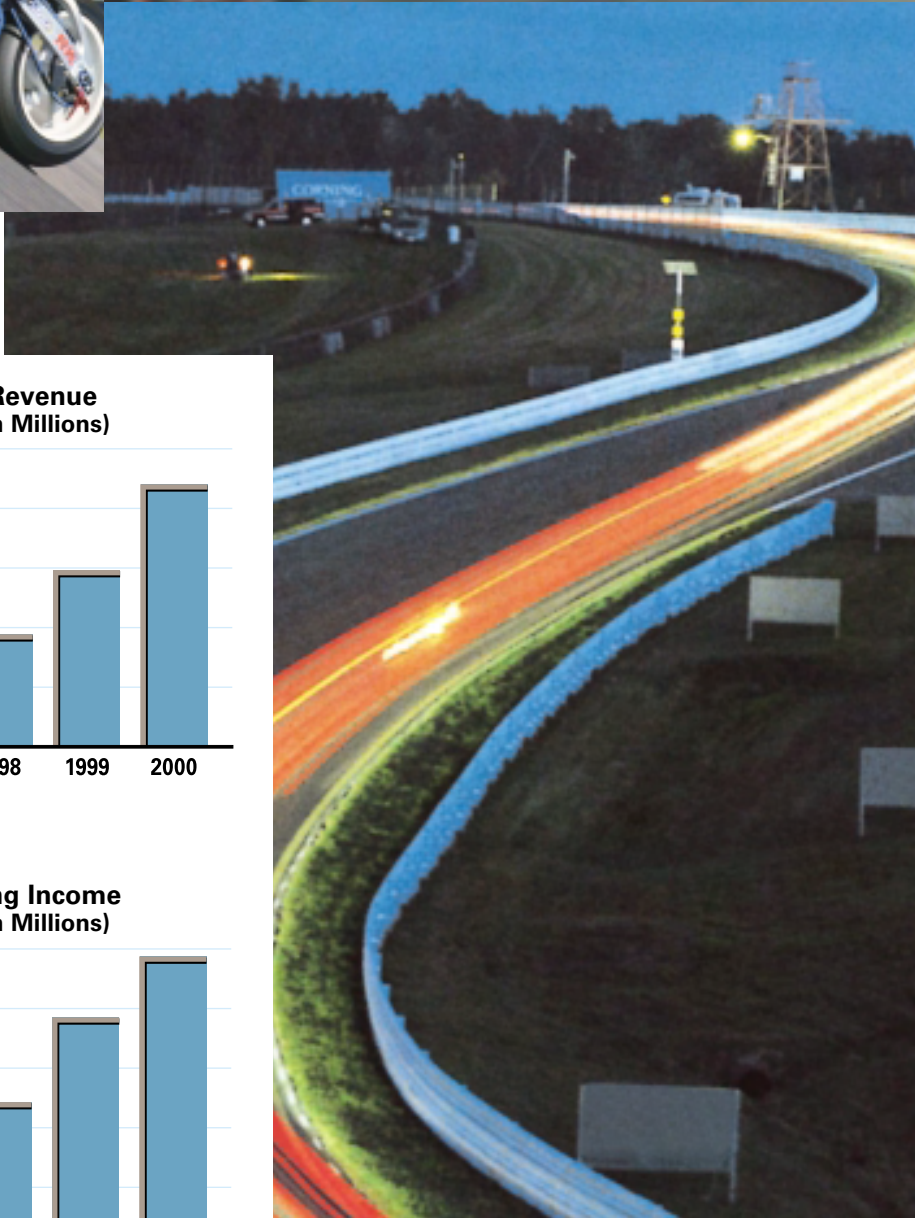
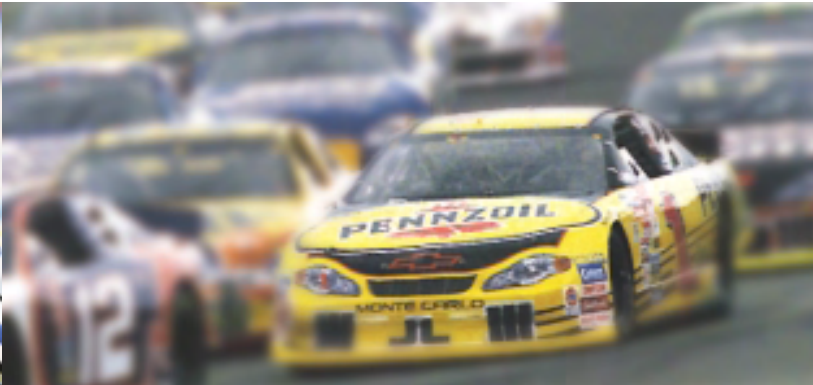
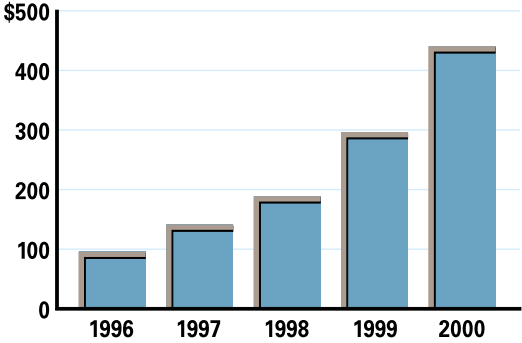


ANNUAL REPORT  
2000

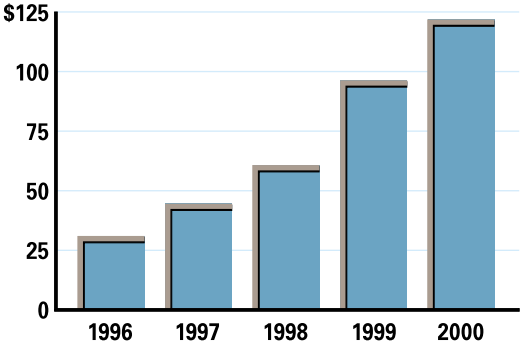




**ISC Total Revenue  
1996-2000 (in Millions)**



**ISC Operating Income  
1996-2000 (in Millions)**





# ANNUAL REPORT

2000

ISC REMAINS UNIQUELY POSITIONED  
TO MAINTAIN ITS LEADERSHIP POSITION  
WHILE DELIVERING THE BEST IN  
MOTORSPORTS ENTERTAINMENT.



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**James C. France**  
President and  
Chief Operating Officer

**William C. France**  
Chairman and  
Chief Executive Officer

**Lesa D. Kennedy**  
Executive Vice President

# TO OUR FELLOW SHAREHOLDERS

International Speedway Corporation experienced both an exciting and challenging year during 2000. Primarily driven by last year's strategic merger with Penske Motorsports, the Company's premier portfolio of facilities hosted an expanded schedule of events that resulted in record annual revenues and operating income. In addition, the integration of the Penske and Richmond International Raceway operations proceeded smoothly, and we gained efficiencies in general and administrative expense as we continued to pursue expansion opportunities.

We began the year with the purchase of Richmond International Raceway, the only intermediate length track on the NASCAR Winston Cup circuit. Located within 150 miles of the key markets of Washington, D.C. and Baltimore and known for its exciting door-to-door racing action, the 3/4-mile speedway posted record attendance and results during 2000 for both of its major event weekends, with capacity crowds on-hand for its Winston Cup races.

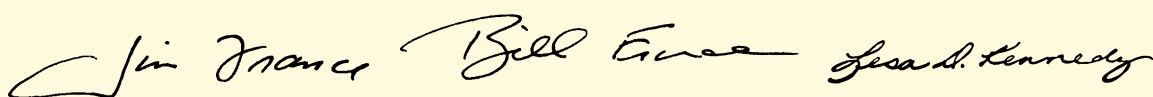
We made significant progress on our external development projects during the year. Construction on Kansas Speedway and Chicagoland Speedway is more than 85% complete and we look forward to an impressive schedule of inaugural events in 2001, including visits by NASCAR's Winston Cup, Busch Grand National, Craftsman Truck and Winston West Series, as well as by the Indy Racing Northern Light and ARCA RE/MAX Series.

In addition to construction projects in Kansas City and Chicago, during 2000 we pursued development projects in new markets. We are continuing our efforts to determine the feasibility of developing a motorsports facility at the Meadowlands Sports Complex located minutes from New York City, the nation's largest media market. Recognizing the strategic importance of developing a facility near the city that is home to the largest number of Fortune 500 companies, we have recently extended our exclusive feasibility study period for the Meadowlands site through July 2001. In Denver, we are continuing with our site identification efforts, as we believe the nation's 18th largest media market offers attractive, long-term growth opportunities.

During the year we also faced certain challenges which negatively effected our financial results, including resolution of the North Carolina Speedway litigation as well as lower attendance-related revenue associated with inclement weather surrounding several of our events. In addition, we believe our attendance-related revenue was significantly affected by reduced event promotion from television broadcasters in the last year of their NASCAR Winston Cup and Busch Series contracts.

Looking forward to 2001 and beyond, we expect the combination of NASCAR's new media contracts, continued substantial investments by large corporations in motorsports and the return of Chrysler to Winston Cup competition after nearly 20 years, will take the sport to new heights and directly benefit the industry in the years to come through incremental ticket sales and marketing partnerships. With the most experienced and respected management team in the industry, a premier portfolio of facilities and events, as well as a history of successfully executing a well-defined strategy of managed growth, ISC remains uniquely positioned to maintain its leadership position while delivering the best in motorsports entertainment.

Thank you for your support. See you at the races!





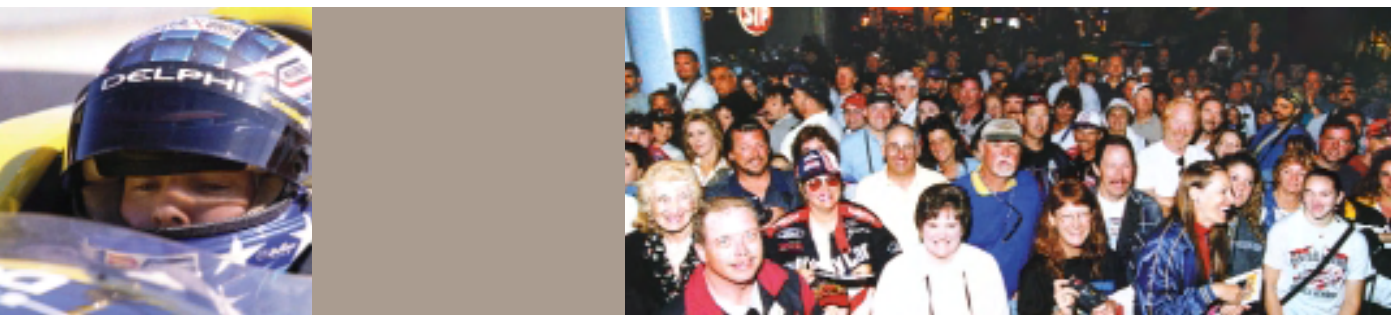


# THE POLE POSITION

THE CORNERSTONE OF THE COMPANY'S  
CULTURE IS TO STRIVE FOR EXCELLENCE,  
WHILE CREATING SHAREHOLDER VALUE AND  
MAINTAINING PRODUCTIVE RELATIONSHIPS  
BETWEEN THE FANS, PARTICIPANTS,  
MARKETING PARTNERS AND MEDIA.



The phenomenal growth of NASCAR over the past 50 years has been based on a formula that remains unchanged – offer fans a first-class entertainment experience while creating an opportunity for those involved in the sport to grow and prosper. This alignment of the various interests of the fans, team owners, competitors, sponsors and event promoters is unique and has allowed NASCAR’s attendance and television viewership to grow faster than any other major sport in recent years. In addition, corporate sponsors recognize the tremendous value of NASCAR as it continues to lead all sports properties in terms of sponsor satisfaction.

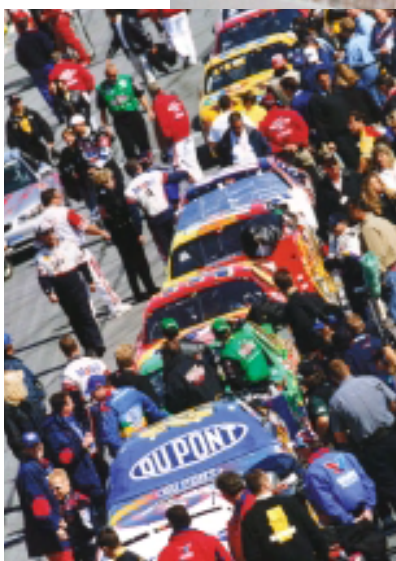
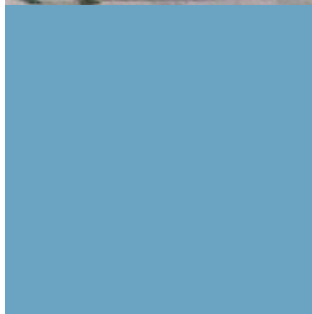




A vision of creating the ultimate sports entertainment experience is what has guided International Speedway Corporation (“ISC” or the “Company”) for almost half a century. Impressive strategic execution by a team of well-respected management and dedicated employees has resulted in the creation of the nation’s largest track operator promoting more



than 100 events annually. As always, the cornerstone of the Company’s culture is to strive for excellence, while creating shareholder value and maintaining productive relationships between the fans, participants, marketing partners and media.



## TEAM ISC



ISC OFFERS ITS PARTNERS THE POTENTIAL TO REACH A TREMENDOUS NUMBER OF CONSUMERS AS SIX OF THE NATION'S TEN FASTEST-GROWING CITIES, AS WELL AS NEARLY 80% OF THE COUNTRY'S POPULATION, ARE LOCATED WITHIN THE PRIMARY TRADING AREAS (400 MILE RADIUS) OF ISC'S FACILITIES.

The Company's merger with Penske Motorsports, Inc. ("PMI") in mid-1999 created the nation's largest provider of motorsports entertainment and solidified ISC's presence in several important, high profile markets, including Los Angeles, Detroit and Miami, the 2nd, 9th and 16th largest media markets, respectively. In addition, the Company's acquisition of Richmond International Raceway ("Richmond") on December 1, 1999 further reinforced the Company's industry leadership position. Located approximately 100 miles from Washington, D.C. and 150 miles from Baltimore, the country's 8th and 24th largest media markets, respectively, Richmond's events offer fans an unrivaled short track racing experience.

The significant geographic diversification and market penetration resulting from these acquisitions has created increased value and opportunities for marketing partners which, in turn, has resulted in broader, more comprehensive promotion and increased sponsorship fees. Through the PMI and Richmond acquisitions, the Company has expanded its portfolio of key facilities in major markets. ISC now offers its partners the potential to reach a tremendous number of consumers as six of the nation's ten fastest-growing cities, as well as nearly 80% of the country's population, are located within the primary trading areas (400 mile radius) of ISC's facilities. Companies can also promote their products nationally through multi-track partnerships.



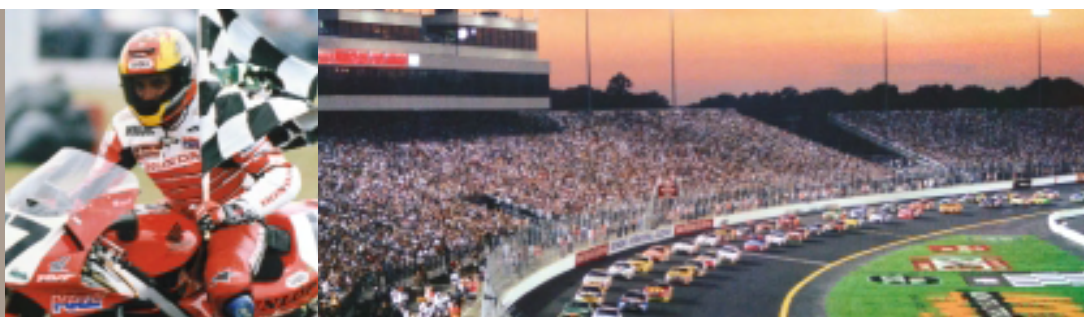
During 2000, ISC promoted major events in nine of the nation's top 30 markets, driving increased sponsorship rights fees due to the larger media markets' greater population bases and higher levels of advertising spending compared to smaller markets. The opening of Kansas Speedway and Chicagoland Speedway in 2001, as well as the potential future development of facilities in the New York City and Denver markets, will further increase ISC's presence in the country's top markets.



The PMI and Richmond transactions significantly increased the number of NASCAR Winston Cup and Busch Series events promoted at the Company's facilities. No other motorsports promoter can offer national sponsorship opportunities with high profile NASCAR events in every month of the ten month racing season.

ISC has been able to leverage its market expansion and increased portfolio of premier events through multi-track partnerships which enable companies to promote their products nationally. The significant dollars generated through multi-track partnerships with companies including Pfizer, Home Depot, Pepsi, VISA, AT&T and Motorola have been an important driver in the Company's shift in its marketing portfolio composition over the past few years. Beyond contributing to a significant increase in total marketing revenues, this transition has resulted in a more optimal mix of sponsorship entitlements, official status, licensing and on-site interactive programs. In 1996 approximately 80% of ISC's marketing sponsorship revenues were attributable to race entitlements, whereas in 2000 the number was less than 30%. During this period, the Company also expanded the number of official status categories to attract non-traditional marketing partners.

Nowhere has the substantial shift in marketing revenues been more apparent than at



Daytona International Speedway, home of the NASCAR Winston Cup Series Daytona 500. As America's most-watched motorsports event, the Daytona 500 brand is one of the most significant in the sports world, and the Company has been successful in leveraging its international recognition into lucrative marketing agreements with premier companies including AT&T, Mattel, Pepsi and VISA.



# CALCULATED RACE STRATEGY



MANAGEMENT’S ADHERENCE TO ITS  
FOCUSED STRATEGY HAS RESULTED IN AN  
IMPRESSIVE TRACK RECORD OF GROWTH  
AND HAS LAID THE FOUNDATION FOR  
FUTURE SUCCESS.

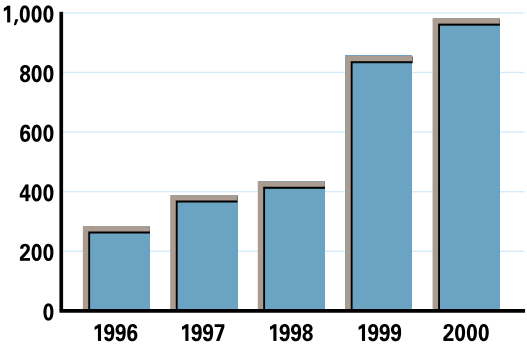
The Company’s success continues to be based on a focused strategy which combines important internal and external growth initiatives. This strategy is designed to support ISC’s corporate mission of achieving excellence by focusing on the needs of its guests, partners and participants while delivering value to its shareholders. Management’s adherence to this strategy has resulted in an impressive track record of growth for the Company and has laid the foundation for future success.

In addition to a full year’s operations of PMI and Richmond, the financial results of 2000 were positively impacted by the addition of grandstand seating and higher fees for television broadcast rights, sponsorship and hospitality.

Excluding the beginning of the year purchase of Richmond’s approximately 94,000 seats, ISC expanded its grandstand seating capacity during 2000 by approximately 32,000 net seats, including increases at Michigan, Daytona, Talladega and Richmond, with some of these seats sold as multi-day packages designed to leverage the popularity of the NASCAR Winston Cup Series.



ISC Grandstand Seating  
1996-2000 (in Thousands)



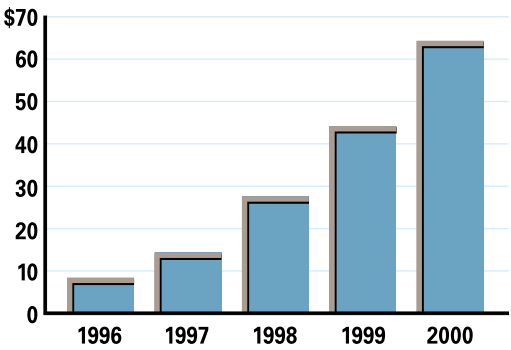


Increases in fees for television broadcast rights and corporate marketing partnerships continued to be significant financial drivers during 2000. The PMI and Richmond acquisitions, as well as impressive growth from comparable events, contributed to an increase of more than 45% in ISC’s total broadcast rights fees. In addition to substantial fees from multi-track marketing agreements, the establishment or renewal of regional and local corporate partnerships with companies including Pepsi, Winn Dixie and SunCom were important to the success of 2000.

The Company also made substantial progress on its external expansion initiatives during the year. Construction on the speedways in Kansas City and Chicago is scheduled for completion in 2001, with an impressive roster of inaugural events to begin later this year. Near New York City, ISC continues its feasibility study at the Meadowland Sports Complex, with sights set on developing a motorsports facility in the nation’s #1 media market. Finally, the Company continues with its site identification process in Denver, the nation’s 18th largest media market.

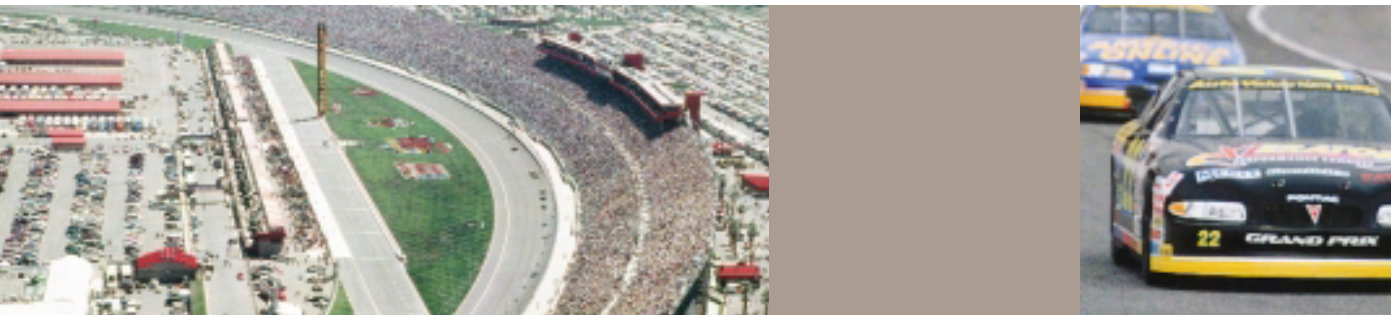


**ISC Television Revenues  
1996-2000 (in Millions)**



Other 2000 initiatives designed to contribute to ISC’s long-term financial success include additional race dates at several of the Company’s facilities and the launch of ISC’s integrated website.

ISC’s core business remains the promotion of motorsports events. The addition of events offers the long-term opportunity to maximize facility usage while growing the sport’s fan base.



16 During 2000, the fan response to Daytona’s inaugural NASCAR Craftsman Truck Series race was phenomenal, and the event has proven to be an impressive addition to Daytona’s world-famous Speedweeks schedule anchored by the Daytona 500. Also during the year, both

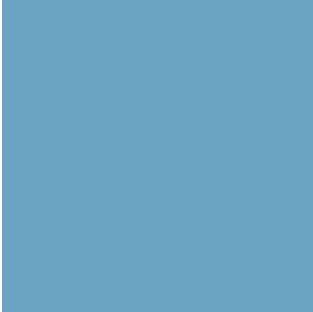
the Grand American Road Racing Series and TRUXPO Truck Tour made inaugural visits to several of the Company’s facilities and are scheduled to return in 2001.

ISC will host five Indy Racing Northern Light Series events during 2001 compared to just one in 2000. In addition to returning to Phoenix, the series will make inaugural visits to Kansas City, Chicago, Miami and Richmond. The Indy Racing League’s business plan and its commitment to create a domestic oval-based racing series that is viable for the long-term complements the Company’s business philosophies.

Recognizing the importance of leveraging the power of the Internet, during 2000 ISC re-launched the Company’s integrated website located at [www.iscmotorsports.com](http://www.iscmotorsports.com). Motorsports fans can now log on at one location and have access to the entire family of 17 ISC sites.



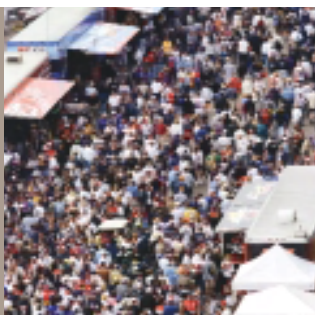
Through this initiative, the Company can better align loyalty marketing and frequent buyer programs with the personalized needs of its individual customers, resulting in longer-term opportunities for improving revenue growth.





# SHIFTING INTO HIGH GEAR

OVER THE LONG-TERM, THE COMBINATION OF INCREASED PROMOTION BY BROADCASTERS, AS WELL AS ADDITIONAL NETWORK COVERAGE AND ANCILLARY TELEVISION PROGRAMMING, SHOULD ATTRACT NEW FANS AND SPONSORS, THEREBY BENEFITING THE INDUSTRY THROUGH INCREMENTAL TICKET SALES AND MARKETING PARTNERSHIPS.

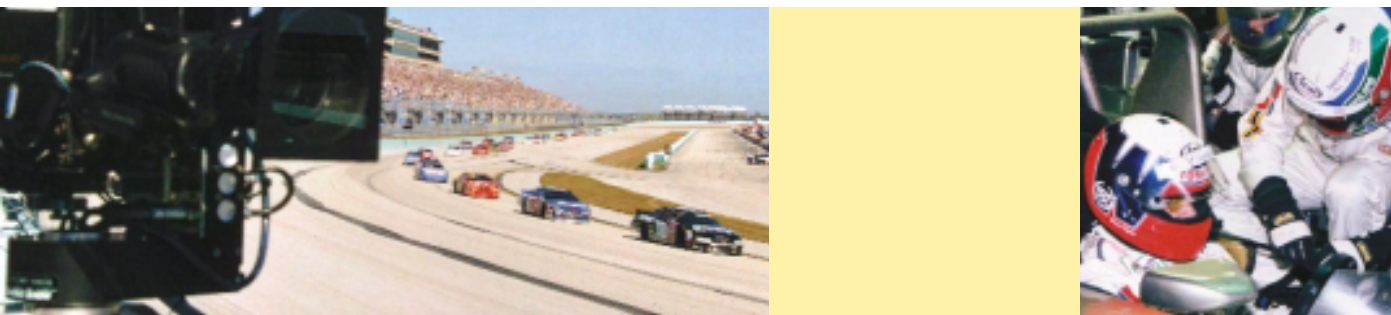


In addition to growth from existing operations, the Company expects the combination of the new NASCAR media contracts, impressive schedules of inaugural events at Kansas Speedway and Chicagoland Speedway and the return of Chrysler to Winston Cup competition after almost 20 years to be important growth drivers for fiscal 2001 and beyond.

### **NASCAR MEDIA RIGHTS**

In February 1999, NASCAR announced it would retain and negotiate television, radio and all other electronic media rights for the NASCAR Winston Cup and Busch Series beginning with the 2000 season. This decision proved significant with the announcement in November 1999 that NASCAR had reached an agreement on a six-year television contract with NBC Sports and Turner Sports, and an eight-year agreement with FOX and its FX cable network, for the domestic television broadcast rights beginning in 2001.

These domestic broadcast rights agreements are expected to benefit the industry beyond the direct rights fees. Based on the amount of fees to be paid, the Company expects the networks to actively promote the Winston Cup and Busch Series in order to drive additional



viewership and support their investment. In addition, the networks are working together on the various presentation aspects of the races, including creating and sharing production technologies, in an effort to build a more consistent and entertaining product for television viewers throughout the entire ten month season.

The amount of network event coverage and ancillary television programming will increase substantially in 2001. More than 70% of the Winston Cup events are scheduled for network

broadcast compared to approximately 30% during 2000. This increase is significant, as a network broadcast offers the opportunity to reach approximately 100 million households while the average cable broadcast may reach only 70 million homes. In addition to increased network coverage, the television partners will air extensive pre-race and post-race reports as well as NASCAR news and highlights studio shows designed to provide additional coverage and in-depth analysis of the sport.

Over the long-term, the combination of increased promotion by the broadcasters, as well as additional network coverage and ancillary television programming, should attract new fans and sponsors, thereby benefiting the industry through incremental ticket sales and marketing partnerships.



In addition to opportunities provided through NASCAR’s domestic television broadcast rights agreements, the Company looks forward to prospects associated with NASCAR’s sale of ancillary media rights. Although these rights fees will begin at relatively low levels, based on the enormous amount of data generated by races as well as rapidly changing distribution technologies, the Company is encouraged by what appears to be tremendous opportunities to distribute content through non-traditional media.

One of the most significant developments concerning ancillary media rights came during October 2000 with NASCAR's announcement of important Internet agreements with Turner Sports ("Turner") and America Online ("AOL"). This partnership is considered one of the most comprehensive in all of sports, integrating *NASCAR.com* into one of the largest entertainment companies in the world, AOL Time Warner.

NASCAR will supply event-related content for distribution over the Internet while Turner will produce and operate the web site, providing minimum financial guarantees for the motorsports industry and additional upside potential. In addition to AOL becoming an official status partner, NASCAR will provide co-branded promotion of AOL in exchange for distribution of *NASCAR.com* within the AOL service. The expected increase in traffic to *NASCAR.com* driven by AOL's more than 25 million subscribers is expected to be substantial.

**KANSAS CITY AND CHICAGO**

The construction projects in Chicago and Kansas City remain on schedule for completion in 2001, with a total of ten events scheduled at the facilities during the year.



Through the Company's 37.5% indirect interest in Raceway Associates, LLC, the Chicagoland Speedway will host the NASCAR Winston Cup and Busch Series, Indy Racing Northern Light Series and ARCA RE/MAX Series. Kansas Speedway's inaugural schedule will include visits by the same series as Chicagoland, in addition to hosting NASCAR Craftsman Truck and Winston West Series events.



Consumer demand at both locations continues to exceed the Company’s expectations as evidenced by the impressive level of PASS seat and season ticket sales. A PASS seat gives the fan the opportunity to buy a season ticket for the same great seat each season for an up-front charge. In addition, corporate marketing initiatives continue to be well received in the marketplace, with both facilities securing significant marketing partnership agreements with large household names such as Pepsi, Coors, Ford, Dodge, AT&T and Mattel.

**RETURN OF CHRYSLER TO WINSTON CUP**

The return of Chrysler to NASCAR Winston Cup competition after almost 20 years is an important long-term development for the industry. Five different teams fielding ten cars are scheduled to compete during 2001, representing a significant investment by an important force in the automotive industry.

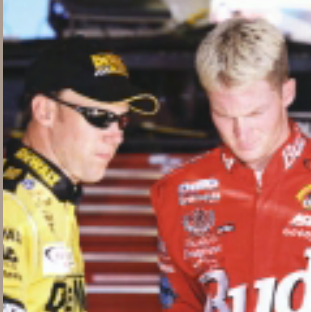


Chrysler believes the 2001 promotions surrounding its return to Winston Cup racing may be the single largest marketing program of any kind in America during the year. Based on this substantial level of promotion, ISC anticipates Chrysler’s 2001 debut will stimulate additional consumer awareness and future growth for the motorsports industry.



# THE NEXT LAP

WITH THE MOST PROVEN AND RESPECTED MANAGEMENT TEAM IN THE INDUSTRY, KEY FACILITIES LOCATED ACROSS THE COUNTRY, DEVELOPMENT PROJECTS IN MAJOR MEDIA MARKETS AND CONTINUED EXPANSION OF EXISTING FACILITIES AND OPERATIONS, ISC LOOKS FORWARD TO FURTHER ENHANCING ITS POSITION AS AMERICA'S LEADER IN MOTORSPORTS ENTERTAINMENT.



From simple beginnings in the rural southeast, NASCAR has evolved for more than 50 years into one of today's premier forms of sports entertainment. NASCAR's growth has been exponential over the past decade, expanding into untapped major media markets while increasing event attendance and television viewership at a pace unmatched by other major sports.

During this same time period, ISC has expanded its operations to include three of the four corners of the country and its revenue stream has transitioned into one that is more predictable, providing additional earnings and cash flow visibility.

The continued successful execution of the Company's internal and external growth strategies helped drive record revenues and impressive operating results for 2000.





Beginning in 2001, the combination of new NASCAR media contracts, the opening of ISC’s two new facilities and the return of Chrysler to NASCAR Winston Cup competition offers important long-term opportunities for the industry.



With the most proven and respected management team in the industry, key facilities located across the country, development projects in major media markets and continued expansion of existing facilities and operations, ISC looks forward to further enhancing its position as America’s leader in motorsports entertainment.

# MOTORSPORTS ENTERTAINMENT

## COAST TO COAST



## SELECTED FINANCIAL DATA

For comparability, certain prior period results have been reclassified to conform to the presentation adopted in fiscal 2000. The following selected financial data should be read in conjunction with the Company's Consolidated Financial Statements, including the notes thereto, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Report.

	Year Ended August 31, (1) 1996	Three Months Ended Nov. 30, 1996	Twelve Months Ended Nov. 30, (1) (Unaudited) 1996	1997	1998	Year Ended November 30, 1999	2000
(In Thousands, Except Per Share Amounts)							
<b>Income Statement Data</b>							
Revenues:							
Admissions, net	\$ 50,140	\$ 4,191	\$ 50,705	\$ 69,487	\$ 86,946	\$ 133,897	\$ 192,789
Motorsports related income	27,433	3,972	28,376	46,650	71,793	115,570	175,809
Food, beverage and merchandise income	17,505	1,943	17,723	23,408	28,597	46,668	66,880
Other income	964	390	1,192	1,829	1,632	2,587	4,952
Total revenues	96,042	10,496	97,996	141,374	188,968	298,722	440,430
Expenses:							
Direct expenses							
Prize and point fund monies and NASCAR sanction fees	13,865	1,301	13,724	20,567	28,767	45,615	71,260
Motorsports related expenses	15,336	2,814	16,384	23,075	33,283	51,590	82,230
Food, beverage and merchandise expenses	10,278	1,536	10,559	13,435	15,025	25,539	38,448
General and administrative expenses	20,930	5,057	21,721	29,486	37,842	54,956	75,030
Depreciation and amortization	6,302	2,353	7,368	9,910	13,137	25,066	51,150
Total expenses	66,711	13,061	69,756	96,473	128,054	202,766	318,118
Operating income (loss)	29,331	(2,565)	28,240	44,901	60,914	95,956	122,312
Interest income	872	330	912	3,196	4,414	8,780	6,156
Interest expense	-	(69)	(69)	(509)	(582)	(6,839)	(30,380)
Equity in net income (loss) from equity investments	1,441	(304)	1,291	366	(905)	(1,819)	(631)
Minority interest	-	-	-	-	-	(796)	(100)
Gain on sale of equity investment	-	-	-	-	1,245	-	-
North Carolina Speedway litigation	-	-	-	-	-	-	(5,523)
Income (loss) before income taxes	31,644	(2,608)	30,374	47,954	65,086	95,282	91,834
Income taxes (benefit)	11,963	(741)	11,540	18,158	24,894	38,669	41,408
Net income (loss)	\$ 19,681	\$ (1,867)	\$ 18,834	\$ 29,796	\$ 40,192	\$ 56,613	\$ 50,426
Basic earnings (loss) per share (2)	\$ 0.58	\$ (0.05)	\$ 0.55	\$ 0.78	\$ 1.00	\$ 1.22	\$ 0.95
Diluted earnings (loss) per share (2)	\$ 0.57	\$ (0.05)	\$ 0.54	\$ 0.78	\$ 1.00	\$ 1.22	\$ 0.95
Dividends per share	\$ 0.05	\$ -	\$ 0.05	\$ 0.06	\$ 0.06	\$ 0.06	\$ 0.06

### Balance Sheet Data (end of period)

Working capital (deficit)	\$ (6,751)	\$ 52,922	\$ 52,922	\$ (24,976)	\$ 25,514	\$ (51,897)	\$ (54,041)
Total assets	152,791	234,069	234,069	302,823	476,818	1,599,127	1,665,438
Long-term debt	-	-	-	1,007	2,775	496,067	470,551
Total shareholders' equity	106,667	179,289	179,289	209,907	366,855	902,470	950,871

(1) The Company changed its fiscal year end to November 30 effective December 1, 1996. This resulted in a three-month transition period commencing September 1, 1996 and ending November 30, 1996. The unaudited results of the 12-month period ended November 30, 1996 are presented for the purpose of comparison to the fiscal year ended November 30, 1997.

(2) Earnings per share amounts prior to 1998 have been restated as required to comply with Statement of Financial Accounting Standards No. 128. See Note 1 of Notes to the Company's audited financial statements.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## GENERAL

The Company derives revenues primarily from (i) admissions to racing events and motorsports activities held at its facilities, (ii) revenue generated in conjunction with or as a result of motorsports events conducted at its facilities, and (iii) catering, concession and merchandising services during or as a result of such events and activities.

"Admissions" revenue includes ticket sales for all of the Company's racing events and activities at DAYTONA USA. Admissions revenue for motorsport events is recognized upon completion of the related motorsports event.

"Motorsports related income" primarily includes television and radio broadcast 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 the Company's trademarks, and track rentals. The Company's revenues from corporate sponsorships are paid in accordance with negotiated contracts, with the identities of sponsors and the terms of sponsorship changing from time to time. The Company has historically negotiated directly with television and cable networks for coverage of substantially all of its televised NASCAR events with specified percentages of the television broadcast rights fees being paid as awards for competitors and as part of the sanction fees for the event. In fiscal 1999 NASCAR announced it would retain and negotiate television, radio and all other electronic media rights for the NASCAR Winston Cup and Busch Series, Grand National Division. In November 1999 NASCAR reached an agreement on a six-year television contract with NBC Sports and Turner Sports, and an eight-year agreement with FOX and its FX cable network, for the domestic television broadcast rights beginning in 2001. The total current estimate for net domestic television broadcast rights for the entire 2001 NASCAR Winston Cup and Busch Series, Grand National Division schedules, including the new events at the Kansas and Chicagoland speedways, is approximately \$259 million with increases, on average, of approximately 17% through the 2006 season. The percentage of each event's television broadcast rights fees that the Company will retain under the new arrangement will be the same as the percentage retained under the previous arrangement.

"Food, beverage and merchandise income" includes revenues from concession stands, hospitality catering, direct sales of souvenirs, programs and other merchandise, fees paid by third party vendors for the right to occupy space to sell souvenirs and concessions at the Company's facilities, and the wholesale and retail sale of racing tires and accessories for various types of racing events.

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



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

	Year Ended November 30,		
	1998	1999	2000
Revenues:			
Admissions, net	46.0%	44.8%	43.8%
Motorsports related income	38.0	38.7	39.9
Food, beverage and merchandise income	15.1	15.6	15.2
Other income	0.9	0.9	1.1
Total revenues	100.0	100.0	100.0
Expenses:			
Direct expenses:			
Prize and point fund monies and			
NASCAR sanction fees	15.2	15.3	16.2
Motorsports related expenses	17.6	17.3	18.7
Food, beverage and merchandise expenses	8.0	8.5	8.7
General and administrative expenses	20.0	18.4	17.0
Depreciation and amortization	7.0	8.4	11.6
Total expenses	67.8	67.9	72.2
Operating income	32.2	32.1	27.8
Interest income	2.3	3.0	1.4
Interest expense	(0.3)	(2.3)	(6.9)
Equity in net loss from equity investments	(0.5)	(0.6)	(0.1)
Minority interest	-	(0.3)	-
Gain on sale of equity investments	0.7	-	-
North Carolina Speedway litigation	-	-	(1.3)
Income before income taxes	34.4	31.9	20.9
Income taxes	13.1	12.9	9.5
Net income	21.3%	19.0%	11.4%

## COMPARISON OF FISCAL 2000 TO FISCAL 1999

On July 26, 1999, the Company acquired the approximately 88% interest it did not already own in Penske Motorsports, Inc. ("PMI"). Motorsports facilities acquired in the transaction include Michigan International Speedway in Brooklyn, Michigan ("Michigan"); Nazareth Speedway in Nazareth, Pennsylvania ("Nazareth"); California Speedway in San Bernardino County, California ("California"); and North Carolina Speedway in Rockingham, North Carolina. The Company also acquired PMI's 45% interest in Homestead-Miami Speedway, LLC ("Miami"), bringing the Company's ownership in the operations of that facility to 90%, as well as other PMI merchandising subsidiaries. In addition, on December 1, 1999 the Company acquired Richmond International Raceway ("Richmond") which is located approximately ten miles from downtown Richmond, Virginia (See "Acquisition and Divestiture"). The PMI and Richmond acquisitions have been accounted for under the purchase method of accounting and, accordingly, the results of operations of the former PMI, as well as Miami and Richmond, have been included in the Company's results of operations as of the dates of acquisition. The Company currently operates 11 major motorsports facilities across the United States with more than 950,000 seats and 450 suites.

In addition to the incremental operating expenses and depreciation and amortization resulting from these transactions, the acquisitions of PMI and Richmond resulted in the inclusion of the following additional motorsports events during fiscal 2000 as compared to fiscal 1999; five NASCAR Winston Cup Series events, five NASCAR Busch Series, Grand National Division events, four NASCAR Craftsman Truck Series events, and three CART FedEx Championship Series events. As a result of these incremental revenues and expenses and the addition of a NASCAR Craftsman Truck Series event at Daytona in fiscal 2000, the Company conducted eighteen NASCAR Winston Cup Series events, fourteen NASCAR Busch Series, Grand National Division events, eight NASCAR Craftsman Truck Series events, and four CART FedEx Championship Series events in fiscal 2000 as compared to thirteen NASCAR Winston Cup Series events, nine NASCAR Busch Series, Grand National Division events, three NASCAR Craftsman Truck Series events, and one CART FedEx Championship Series event in fiscal 1999. Accordingly, the Company's results of operations, as well as the margins of certain expenses in relation to certain revenues, are not comparable on a period-to-period basis.

Admissions revenue increased approximately \$58.9 million, or 44.0%, in fiscal 2000 as compared to fiscal 1999. Over three-quarters of the increase is a result of the events conducted at the Company's newly acquired facilities during the period in which there were no comparable events in the prior year. The remaining increase is primarily attributable to an increase in seating capacity and attendance, as well as an increase in the weighted average price of tickets sold, for certain events at Daytona, Talladega Superspeedway ("Talladega") and Michigan.

Motorsports related income increased approximately \$60.2 million, or 52.1%, in fiscal 2000 as compared to fiscal 1999. Over one-half of the increase is a result of the events conducted at the Company's newly acquired facilities during the period in which there were no comparable events in the prior year. The remaining increase is primarily attributable to increased television broadcast rights fees, sponsorships and royalties, advertising, expanded luxury suite and hospitality facilities and other rentals.

Food, beverage and merchandise income increased approximately \$20.2 million, or 43.3%, in fiscal 2000 as compared to fiscal 1999. The increase is primarily attributable to the sales of racing tires, accessories and other merchandise by subsidiaries acquired in the PMI acquisition as well as food, beverage and merchandise operations for events at the Company's newly acquired facilities during the period in which there were no comparable events in the prior year. Increases in food, beverage and merchandise revenues also resulted from increased attendance and seating capacity for certain events at Daytona, Michigan and Talladega. These increases are partially offset by a decrease in revenues from the merchandising subsidiaries acquired in the PMI acquisition in which there were comparable operations during the same period of the prior year and certain special promotions conducted in fiscal 1999 that were not repeated in fiscal 2000.

Prize and point fund monies and NASCAR sanction fees increased approximately \$25.6 million, or 56.2%, in fiscal 2000 as compared to fiscal 1999. Over three-quarters of this increase is attributable to the events conducted at the Company's newly acquired facilities during the period in which there were no comparable expenses in the prior year as well as the addition of a NASCAR Craftsman Truck Series event at Daytona in fiscal 2000. The remaining increase is largely attributable to increased television broadcast rights fees for comparable events year-to-year, as standard NASCAR sanctioning agreements require that a specified percentage of broadcast rights fees be paid as part of prize money. Over three-quarters of the increase in fiscal 2000 as compared to fiscal 1999 was due to increased prize and point fund monies paid by NASCAR to participants in NASCAR events.

Motorsports related expenses increased approximately \$30.6 million, or 59.4%, in fiscal 2000 as compared to fiscal 1999. Over three-quarters of the increase is attributable to event and operating expenses at the Company's newly acquired facilities during the period in which there were no comparable expenses in the prior year, which include sanction fees for the CART FedEx Championship Series events and other non-NASCAR events at Michigan, Nazareth and Miami. The remaining increase is primarily due to increases in personnel related costs, non-NASCAR sanction fees, and a wide variety of other operating costs and fan amenities for comparable events year-to-year. Motorsports related expenses as a percentage of combined admissions and motorsports related income increased from 20.7% in fiscal 1999 to 22.3% in fiscal 2000. This increase is primarily attributable to the inclusion of lower margin events in

the current year due to the timing of the PMI merger in the prior year. The increase was partially mitigated by the favorable margins on the operations of the newly acquired Richmond facility as well as the Speedweeks events at Daytona and certain other of the Company's events and operations.

Food, beverage and merchandise expense increased approximately \$12.9 million, or 50.5%, in fiscal 2000 as compared to fiscal 1999. Substantially all of the increase is attributable to the product and operating costs related to the sales of racing tires, accessories and other merchandise by subsidiaries acquired in the PMI acquisition and, to a lesser extent, product and personnel costs for events at the Company's newly acquired facilities during the period in which there were no comparable expenses in the prior year. Food, beverage and merchandise expense as a percentage of food, beverage and merchandise income increased from 54.7% in fiscal 1999 to 57.5% in fiscal 2000. This margin decrease is primarily attributable to the lower margin activities of certain merchandising subsidiaries acquired in the PMI acquisition during the period in which there were no comparable operations in the prior year.

General and administrative expenses increased approximately \$20.1 million, or 36.5%, in fiscal 2000 as compared to fiscal 1999. Fiscal 1999 general and administrative expenses included a charge of approximately \$2.8 million related to the cash portion of the settlement in a certain legal proceeding involving alleged price-fixing activities of the Company and certain subsidiaries in connection with the sale of souvenirs and merchandise. Over three-quarters of the increase, excluding the effects of the prior year charge for the settlement, is due to the general and administrative expenses associated with the Company's newly acquired operations during the period in which there were no comparable expenses in the prior year. The remaining increase is primarily due to increased personnel and other costs associated with the ongoing expansion of the Company's business. General and administrative expenses as a percentage of total revenues decreased from 18.4% in fiscal 1999 to 17.0% in fiscal 2000. This decrease is primarily a result of the Company's revenue growth exceeding general and administrative expense growth combined with the souvenir litigation charge recorded in the prior year.

Depreciation and amortization expense increased approximately \$26.1 million in fiscal 2000 as compared to fiscal 1999. This increase is primarily due to the full year's depreciation of assets acquired and amortization of goodwill recorded as a result of the PMI (which included the consolidation of Miami) and Richmond acquisitions. The remaining increase was a result of the ongoing expansion of the Company's facilities.

Interest income decreased by approximately \$2.6 million in fiscal 2000 as compared to fiscal 1999. This decrease is primarily due to lower average investment balances in the current year.

Interest expense increased by approximately \$23.5 million in fiscal 2000 as compared to fiscal 1999. Interest expense in fiscal 2000 is attributable to interest on the \$225 million principal amount of senior notes ("Senior Notes") issued in October 1999, borrowings under the Company's credit facilities and term loan arrangements and interest on the Company's funding commitment related to the taxable special obligation revenue ("TIF") bonds issued in January 1999 by the Unified Government of Wyandotte County/Kansas City, Kansas ("Unified Government") to partially fund the Kansas project, net of capitalized interest (See "Future Liquidity"). Interest expense during fiscal 1999 consisted primarily of the interest on the \$225 million principal amount of Senior Notes, borrowings under the Company's revolving credit facility associated with the July 1999 acquisition of PMI and interest on the Company's TIF bond funding commitment, net of capitalized interest.

Equity in net loss from equity investments represents the Company's pro rata share of the current income and losses from its equity investments. During fiscal 2000, this included the Company's 50% investment in Motorsports Alliance, LLC ("MSA"), which owns the Route 66 Raceway and is engaged in the development of the Chicagoland Speedway (See "Future Liquidity"). During fiscal 1999, this included the Company's approximately 12% indirect investment in PMI and its 45% investment in Miami through the date of the PMI acquisition, as well as its 50% investment in MSA.

Minority interest consists of the 10% interest in Miami that is not owned by the Company.

The North Carolina Speedway litigation expense represents the final resolution of the North Carolina Speedway dissenter's action related to PMI's acquisition of North Carolina Speedway in 1997 and includes the judgment and related interest, amounts due non-dissenting former shareholders and related legal fees. The after tax impact of this expense was approximately \$5.2 million.

The increase in the Company's effective income tax rate during fiscal 2000 as compared to fiscal 1999 is primarily due to the amortization of non-deductible goodwill created in the PMI acquisition and the non-deductible portion of the North Carolina Speedway litigation, partially offset by a decrease in the Company's effective rate for certain state income taxes. The Company's effective income tax rate is expected to remain above historical levels, for the next several years, primarily due to the amortization of non-deductible goodwill created in the PMI acquisition.

As a result of the foregoing, the Company's net income decreased approximately \$6.2 million, or 10.9%, during fiscal 2000 as compared to fiscal 1999.

## COMPARISON OF FISCAL 1999 TO FISCAL 1998

In connection with the PMI acquisition, the Company recognized incremental operating expenses and depreciation and amortization resulting from this transaction as well as revenues and expenses associated with the following additional motorsports events on a consolidated basis in fiscal 1999 subsequent to July 26, 1999, as compared to the same period in fiscal 1998; three NASCAR Winston Cup Series events, three NASCAR Busch Series, Grand National Division events, one NASCAR Craftsman Truck Series event, and one CART FedEx Championship Series event. As a result of the acquisition of PMI and the addition of a Busch Series, Grand National Division event to the race schedule at Phoenix International Raceway ("Phoenix") in fiscal 1999, the Company conducted thirteen NASCAR Winston Cup Series events, nine NASCAR Busch Series, Grand National Division events, three NASCAR Craftsman Truck Series events, and one CART FedEx Championship Series event in fiscal 1999 compared to ten NASCAR Winston Cup Series events, five NASCAR Busch Series, Grand National Division events, three NASCAR Craftsman Truck Series events, and no CART FedEx Championship Series events in fiscal 1998. Accordingly, the Company's results of operations, as well as the margins of certain expenses in relation to certain revenues, are not comparable on a period-to-period basis.

Admissions revenue increased approximately \$47.0 million, or 54.0%, in fiscal 1999 as compared to fiscal 1998. The increase was primarily attributable to the events conducted subsequent to July 26, 1999 at the Company's newly acquired facilities, as well as the increase in the weighted average price of tickets sold and increased seating capacity and attendance at events held at Daytona and, to a lesser extent, events conducted at Talladega, Phoenix and Darlington Raceway ("Darlington").

Motorsports related income increased approximately \$43.8 million, or 61.0%, in fiscal 1999 as compared to fiscal 1998. Over one-half of the increase was attributable to the events conducted subsequent to July 26, 1999 at the Company's newly acquired facilities. The remaining increase was primarily related to increased television broadcast rights, luxury suite and hospitality rentals associated with events held at Daytona and, to a lesser extent, events conducted at the Company's other facilities.

Food, beverage and merchandise income increased approximately \$18.1 million, or 63.2%, in fiscal 1999 as compared to fiscal 1998. Events conducted subsequent to July 26, 1999 at the Company's newly acquired facilities, combined with the activities of certain merchandising subsidiaries acquired in the PMI acquisition (which included sales of racing tires and accessories), accounted for over three-quarters of the increase. The remaining increase was primarily attributable to catering revenues from expanded luxury suite and hospitality facilities and increased attendance and seating capacity for events conducted at the Company's other facilities.



Prize and point fund monies and NASCAR sanction fees increased by approximately \$16.8 million, or 58.6%, in fiscal 1999 as compared to fiscal 1998. Over one-half of the increase was attributable to the events conducted subsequent to July 26, 1999 at the Company's newly acquired facilities. The remaining increase is related to growth in the Company's television broadcast rights revenues for the Company's other facilities, as standard NASCAR sanctioning agreements require that a specified percentage of broadcast rights fees be paid as part of prize money, and, to a lesser extent, the addition of a Busch Series, Grand National Division event at Phoenix in 1999. Over three-quarters of the increase in fiscal 1999 as compared to fiscal 1998 was due to increased prize and point fund monies paid by NASCAR to participants in NASCAR events.

Motorsports related expenses increased approximately \$18.3 million, or 55.0%, in fiscal 1999 as compared to fiscal 1998. Over one-half of the increase was attributable to the operating expenses for events conducted subsequent to July 26, 1999 at the Company's newly acquired facilities. The remaining increase was primarily related to hospitality services and supplies, personnel costs and a variety of other fan amenities and operating costs for events at Daytona and, to a lesser extent, the Company's other facilities. Motorsports related expenses as a percentage of combined admissions and motorsports related income remained relatively constant for fiscal 1999 as compared to fiscal 1998.

Food, beverage and merchandise expenses increased approximately \$10.5 million, or 70.0%, in fiscal 1999 as compared to fiscal 1998 primarily due to expenses associated with merchandising operations acquired in the PMI acquisition and product and personnel costs associated with increased revenues at the Company's other facilities. Food, beverage and merchandise expenses as a percentage of food, beverage and merchandise income increased from 52.5% in fiscal 1998 to 54.7% in fiscal 1999 due to lower margin activities of certain merchandising subsidiaries acquired in the PMI merger partially offset by economies of scale and cost containment as well as fees from third party vendors at Michigan, Miami and California for which there are no associated costs.

General and administrative expenses increased approximately \$17.1 million, or 45.2%, in fiscal 1999 as compared to fiscal 1998. Over one-half of the increase was due to the general and administrative expenses associated with the Company's newly acquired operations subsequent to July 26, 1999. The remaining increase was primarily attributable to increased personnel costs associated with the ongoing expansion of the Company's business, exclusive of the personnel costs associated with the Company's newly acquired operations, and a charge of approximately \$2.8 million related to the cash portion of a proposed settlement in the souvenir litigation. General and administrative expenses as a percentage of total revenues decreased from 20.0% in fiscal 1998 to 18.4% in fiscal 1999 primarily as a result of the growth in the Company's revenues exceeding the growth in general and administrative expenses, partially offset by the charge related to the souvenir litigation.

Depreciation and amortization expense increased \$11.9 million, or 90.8%, in fiscal 1999 as compared to fiscal 1998. The depreciation of assets acquired and amortization of goodwill recorded as a result of the PMI acquisition accounted for over three-quarters of the increase. The remaining increase was a result of the ongoing expansion of the Company's facilities.

Interest income for fiscal 1999 increased approximately \$4.4 million as compared to fiscal 1998. This increase was primarily due to the investment of the remaining proceeds of the July 1998 Class A Common Stock Offering, including the Company's investments restricted to the funding of the speedway in Kansas, and investment of the proceeds from the sale of TIF bonds issued in January 1999 by the Unified Government to partially fund the Kansas project (See "Future Liquidity").

Interest expense for fiscal 1999 increased approximately \$6.3 million as compared to fiscal 1998. Interest expense in fiscal 1999 was primarily attributable to interest on the \$225 million principal amount of Senior Notes issued in October 1999, borrowings under the Company's five-year revolving Credit Facility and interest expense related to the TIF bond debt service funding commitment, net of capitalized interest (See "Future Liquidity"). Interest expense in fiscal 1998 was primarily related to the note payable associated with the acquisition of Phoenix.

Equity in net loss from equity investments represents the Company's pro rata share of the current income and losses from its equity investments and the amortization of the Company's investment in excess of its share of the investee's underlying net assets. During fiscal 1999, this included the Company's approximately 12% indirect investment in PMI and its 45% investment in Miami through July 26, 1999, and its 50% investment in MSA which was pursuing development of Chicagoland Speedway (See "Future Liquidity"). For fiscal 1998, this included the Company's approximately 12% indirect investment in PMI, its 40% investment in Miami, which increased to 45% in March of 1998, and its approximately 7% investment in Grand Prix Association of Long Beach ("Long Beach"), which was sold in March of 1998.

In March of 1998 the Company recorded an approximately \$1.2 million gain on the sale of its equity investment in Long Beach. The Company sold its investment in conjunction with Dover Downs Entertainment, Inc.'s announced plans to merge with Long Beach. The after tax impact of this transaction was a gain of approximately \$850,000.

Minority interest consists of the 10% interest in Miami that is not owned by the Company.

Income taxes increased approximately \$13.8 million in fiscal 1999 as compared to fiscal 1998. The Company's effective tax rate has increased compared to historical levels, and is expected to remain above historical levels, primarily due to the amortization of non-deductible goodwill created in the PMI acquisition.

As a result of the foregoing, the Company's net income increased approximately \$16.4 million, or 40.9%, in fiscal 1999 as compared to fiscal 1998.

## LIQUIDITY AND CAPITAL RESOURCES

### GENERAL

The Company has historically generated sufficient cash flow from operations to fund its working capital needs and capital expenditures at existing facilities, as well as to pay an annual cash dividend. In addition, the Company has used the proceeds from offerings of its Class A Common Stock and, more recently, the net proceeds from the issuance of Senior Notes, borrowings under its credit facilities and state and local mechanisms to fund acquisitions and development projects. At November 30, 2000, the Company had \$225 million principal amount of Senior Notes outstanding, total borrowings of approximately \$176.5 million under its credit facilities and term loan arrangements and a funding commitment of approximately \$68.9 million, net of discount, related to the TIF bonds issued by the Unified Government (See "Future Liquidity"). The Company had working capital deficits of approximately \$54.0 million and \$51.9 million at November 30, 2000 and 1999, respectively.

### CASH FLOWS

Net cash provided by operating activities was approximately \$140.0 million in fiscal 2000. The difference between the Company's net income of \$50.4 million and the \$140.0 million of operating cash flow is primarily attributable to \$51.2 million in depreciation and amortization, an increase in deferred income of \$37.2 million and \$20.3 million in deferred income taxes, partially offset by a decrease in accounts payable and other current liabilities of \$13.2 million and an increase in receivables of \$7.4 million.

Net cash used in investing activities for fiscal 2000 was approximately \$99.4 million. The Company's use of cash in investing activities reflects \$215.6 million for the acquisition of Richmond, \$132.7 million in capital expenditures and \$17.7 million to increase the Company's investment in and advances to the Chicagoland Speedway project, partially offset by a \$260.7 million decrease in restricted investments related to the Richmond acquisition and the development of the Kansas facility (See "Capital Expenditures" and "Future Liquidity").

Net cash used in financing activities for fiscal 2000 of approximately \$27.8 million primarily consists of net principal payments of \$23.2 million on the Company's credit facilities, term loan and TIF Bonds, as well as \$3.2 million in cash dividends paid to shareholders and \$1.2 million used to reacquire previously issued common stock of the Company in conjunction with the Company's long-term incentive plan.

## CAPITAL EXPENDITURES

Capital expenditures totaled approximately \$132.7 million for fiscal 2000 as compared to \$126.6 million for fiscal 1999. Over one-half of these expenditures were related to the Company's existing facilities, including increased seating capacity at Michigan, Daytona, Talladega and Richmond, land purchased for expansion of parking capacity and a variety of other improvements. The remaining capital expenditures were primarily related to the construction of the speedway in Kansas.

The Company expects to make capital expenditures totaling approximately \$53.3 million for approved projects as of November 30, 2000 at its facilities which are expected to be completed within the next 24 months including increased grandstand seating capacity, acquisition of land for expansion of parking capacity, completion of 36 additional luxury suites and design upgrades at the Kansas facility and for a variety of additional improvements. In addition, the balance of the Company's capital expenditures related to the construction of the Kansas facility will be funded from restricted investments, as discussed below.

## ACQUISITION AND DIVESTITURE

On December 1, 1999, the Company acquired Richmond for approximately \$215.6 million, including acquisition costs. Located approximately ten miles from downtown Richmond, Virginia, the 3/4 mile intermediate speedway currently seats approximately 100,000 grandstand spectators and offers luxury accommodations in the facility's 34 suites.

The acquisition has been accounted for under the purchase method of accounting and, accordingly, the results of operations have been included in the Company's consolidated statements of income since the date of acquisition.

The purchase price was allocated to the assets and liabilities acquired based upon their fair market values at the acquisition date. The excess of the purchase price over the fair value of the net assets acquired was approximately \$169.3 million and was recorded as goodwill, which is being amortized on a straight line basis over 40 years. The amount amortized during fiscal 2000 was approximately \$4.2 million.

On November 15, 2000, the Company entered into a Stock Purchase Agreement with Competition Tire, LLC (an unrelated entity) for the sale of the Company's ownership in its Competition Tire subsidiaries. The adjusted gross sales price totaled approximately \$7.8 million and resulted in a gain on the transaction of approximately \$200,000, net of tax.

## FUTURE LIQUIDITY

In December 1999, the Company's revolving credit facility ("Credit Facility") was increased from \$200 million to \$250 million. The Credit Facility matures on March 31, 2004, and accrues interest at LIBOR plus 50-100 basis points, based on certain financial criteria. At November 30, 2000 the Company had outstanding borrowings of \$135.0 million under the Credit Facility which related to the financing of the Company's December 1999 Richmond acquisition (See "Acquisition and Divestiture").

In May 2000, the Company's Miami subsidiary amended its credit agreement for a \$20 million credit facility ("Miami Credit Facility") and a \$27.5 million term loan ("Term Loan"). The Miami Credit Facility and Term Loan are guaranteed by the Company and have the same interest terms and restrictive covenants as the Company's Credit

Facility. The Miami Credit Facility will be automatically reduced to \$15 million on December 31, 2002 and will mature on December 31, 2004. At November 30, 2000, the Company had outstanding borrowings of \$14.0 million under the Miami Credit Facility. The Term Loan is payable in annual installments which range from \$4.0 million to \$7.0 million. The Company has an interest rate swap agreement that effectively fixes the floating rate on the outstanding balance under the Term Loan at 6.1% through December 31, 2000 and 6.6% for the remainder of the loan period.

On October 6, 1999, the Company completed an offering of \$225 million principal amount of Senior Notes due October 15, 2004 in a private placement. The unsecured Senior Notes bear interest at 7.875% and rank equally with all of the Company's other senior unsecured and unsubordinated indebtedness. The Company used approximately \$176 million of the net proceeds from the transaction to repay the then outstanding borrowings under the Credit Facility, which were related to the PMI acquisition. The remaining net proceeds were used to partially fund the completion of certain additions and improvements to the Company's facilities and for working capital and other general corporate purposes. On March 17, 2000, the Company completed an offer to exchange the Senior Notes issued in the private placement for registered Senior Notes with substantially identical terms.

In January 1999, the Unified Government issued approximately \$71.3 million in TIF bonds and approximately \$24.3 million in sales tax special obligation revenue ("STAR") bonds, in connection with the financing of construction of the speedway in Kansas. The STAR bonds will be retired with state and local taxes generated within the project's boundaries and are not an obligation of the Company. The TIF bonds are comprised of a \$21.6 million, 6.15% term bond due December 1, 2017 and a \$49.7 million, 6.75% term bond due December 1, 2027. The TIF bonds are repaid by the Unified Government, with payments made in lieu of property taxes ("Funding Commitment") by the Company's wholly-owned subsidiary, Kansas Speedway Corporation ("KSC"). KSC granted a mortgage and security interest in the Kansas Project for its Funding Commitment obligation. In addition, KSC's initial equity commitment of approximately \$77.9 million, along with the net TIF and STAR bond proceeds, were deposited into trustee administered accounts for the benefit of the construction of the Kansas facility. At November 30, 2000, the unexpended portion of the Company's equity contribution and TIF bond proceeds recorded as Restricted Investments totaled approximately \$35.2 million. Subsequent to November 30, 2000, KSC contributed an additional \$7.5 million to a restricted investment account in connection with the additional luxury suites and design upgrades at the Kansas facility (See "Capital Expenditures"). The Company anticipates the commencement of motorsports event operations in fiscal 2001 at the Kansas facility which has been awarded a NASCAR Winston Cup Series, NASCAR Busch Series, Grand National Division, NASCAR Craftsman Truck Series, Indy Racing Northern Light Series and ARCA RE/MAX series event for its inaugural season.

On May 5, 1999, MSA (owned 50% by the Company and 50% by Indianapolis Motor Speedway Corp.) and the owners of Route 66 Raceway, LLC ("Route 66"), formed a new company, Raceway Associates, LLC, ("Raceway Associates") which is owned 75% by MSA and 25% by the former owners of Route 66. As a result of this transaction, Raceway Associates owns the 240-acre Route 66 Raceway motorsports complex located in Joliet, Illinois, approximately 35 miles from downtown Chicago. Raceway Associates also owns 930 acres adjacent to the existing Route 66 complex on which it is developing the Chicagoland Speedway, a 1.5 mile oval superspeedway, which will initially accommodate approximately 75,000 spectators. The current estimate for the new superspeedway development is approximately \$130 million, \$100 million of which is being financed through equity of approximately \$50 million from MSA and approximately \$50 million in borrowings by Raceway Associates. The members of MSA have guaranteed up to \$50 million in borrowings by Raceway Associates on a pro rata basis until such time as the operations of Raceway Associates meet certain financial criteria. In December 1999 the City of Joliet, Illinois sold approximately \$9 million in 6.75% municipal bonds (which are to be repaid by Raceway Associates through property tax assessments over twelve years) to help fund a portion of the project costs that relate to public infrastructure for the superspeedway development project. It is anticipated that the additional project costs in excess of \$109 million will be funded from advance sales for future events and by the members of

Raceway Associates on a pro rata basis during the construction period. In April 2000, the Company approved advances of approximately \$6.9 million as its pro-rata portion of MSA's additional funding commitment to the project. Through November 30, 2000 the Company has contributed approximately \$34.1 million to MSA, including \$25 million which has fulfilled the Company's portion of MSA's \$50 million equity commitment, and approximately \$5.4 million of the \$6.9 million in approved advances. At November 30, 2000, Raceway Associates has borrowed approximately \$29.7 million for the Chicagoland Speedway construction under its construction and term loan arrangement discussed above, which is currently guaranteed by the members of the MSA. The Company anticipates the commencement of motorsports event operations in fiscal 2001 at Chicagoland Speedway which has been awarded a NASCAR Winston Cup Series, NASCAR Busch Series, Grand National Division, Indy Racing Northern Light Series and ARCA RE/MAX series event for its inaugural season.

During fiscal 1999, the Company announced its intention to search for a site for a major motorsports facility in the New York metro area. In January 2000, the Company announced that, through a wholly-owned subsidiary, it had entered into an exclusive agreement with the New Jersey Sports and Exposition Authority to conduct a feasibility study on the development of a motorsports facility at the Meadowlands Sports Complex in New Jersey. The feasibility study was recently extended for an additional six month period expiring in June, 2001. The Meadowlands Sports Complex, located five miles west of the Lincoln Tunnel, is the site of Giants Stadium, Continental Airlines Arena and Meadowlands Racetrack and is the home of certain professional sports franchises, horse racing, college athletics, concerts and family shows. The Company has not yet determined the feasibility of the Meadowlands (or any other) site, formulated an estimate of the costs to construct a major motorsports facility in the New York metropolitan area, nor established a timetable for completion, or even commencement, of such a project.

The Company believes that cash flow from operations, along with existing cash and available borrowings under the Company's credit facilities, will be sufficient to fund i) operations and approved capital projects at existing facilities for the foreseeable future, ii) payments required in connection with the funding of the Unified Government's debt service requirements related to the TIF bonds, iii) payments related to the Company's existing debt service requirements, and iv) the Company's expected funding requirements for the Chicago project. The Company intends to pursue further development and/or acquisition opportunities (including the possible development of new motorsports facilities in Denver and the New York metropolitan area) the timing, size and success as well as associated potential capital commitments of which are unknown at this time. Accordingly, a material acceleration in our growth strategy could require the Company to obtain additional capital through debt and/or equity financings. Although there can be no assurance, the Company believes that adequate debt and equity financing will be available on satisfactory terms.

## SEASONALITY AND QUARTERLY RESULTS

The Company's business has been, and is expected to remain, highly seasonal based on the timing of major events. For example, one of Darlington's Winston Cup Series events is traditionally held on the Sunday preceding Labor Day. Accordingly, the revenue and expenses for that race and/or the related supporting events may be recognized in either the fiscal quarter ending August 31 or the fiscal quarter ending November 30.

As a result of the PMI acquisition and consolidation of Miami on July 26, 1999, and the Richmond acquisition on December 1, 1999 (See "Acquisition and Divestiture"), the Company incurred incremental operating expenses and depreciation and amortization as well as recognized revenue and expenses related to motorsports events at the newly acquired facilities in fiscal 2000 while there were no comparable operations for these newly acquired facilities during certain periods of the prior fiscal year. As a result of the timing of these acquisitions and the addition of a NASCAR Craftsman Truck Series event at Daytona in the first quarter of fiscal 2000, the Company's results of operations are not necessarily comparable on a period-to-period basis.



The following table presents certain unaudited financial data for each fiscal quarter of fiscal 1999 and fiscal 2000 (in thousands, except per share amounts):

	Fiscal Quarter Ended			
	February 28, 1999	May 31, 1999	August 31, 1999	November 30, 1999
Total revenue	\$ 83,236	\$ 44,635	\$ 66,226	\$104,625
Operating income	40,233	9,587	16,822	29,314
Net income	25,939	6,844	9,635	14,195
Basic earnings per share	0.61	0.16	0.21	0.27
Diluted earnings per share	0.60	0.16	0.20	0.27

	Fiscal Quarter Ended			
	February 29, 2000	May 31, 2000	August 31, 2000	November 30, 2000
Total revenue	\$ 111,595	\$ 98,748	\$107,175	\$122,912
Operating income	35,187	22,230	27,485	37,410
Net income	16,097	3,722	12,783	17,824
Basic earnings per share	0.30	0.07	0.24	0.34
Diluted earnings per share	0.30	0.07	0.24	0.34

The Company believes that due to the anticipated increase in revenues associated with television broadcast rights fee agreements beginning in 2001 (See "General" under "Management's Discussion and Analysis of Financial Condition and Results of Operations"), the commencement of motorsports event operations at Kansas and Chicagoland speedways in fiscal 2001 (See "Future Liquidity"), the sale of the Company's Competition Tire subsidiaries in the fourth quarter of fiscal 2000 (See "Acquisition and Divestiture") and certain schedule changes for motorsports events in fiscal 2001 as compared to fiscal 2000, the Company's fiscal 2001 and fiscal 2000 results of operations will not be comparable on a period-to-period basis.

## QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's interest income and expense are most sensitive to changes in the general level of U.S. interest rates. In this regard, changes in U. S. interest rates affect the interest earned on the Company's cash equivalents, short-term investments and restricted investments, as well as interest paid on certain debt instruments.

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

In January 1999, the Unified Government issued approximately \$71.3 million in TIF bonds in connection with financing of the construction of the speedway in Kansas (See "Future Liquidity"). The TIF bonds are serviced through payments by the Unified Government, which are funded through payments made by the Company to the Unified Government in lieu of property taxes. The TIF bonds are comprised of a \$21.6 million, fixed rate (6.15%) term bond due December 1, 2017 and a \$49.7 million fixed rate (6.75%) term bond due December 1, 2027. The proceeds from the TIF bonds, along with the Company's initial equity commitment to the Kansas facility, were deposited in a trust account and are classified as restricted investments on the Company's balance sheet. The trust account has invested the funds in a guaranteed investment contract and U.S. Treasury Obligations which earn interest at rates ranging from approximately 4.75% to 6.13%.

On October 6, 1999, the Company completed an offering of \$225 million principal amount of Senior Notes due October 15, 2004 in a private placement. The unsecured Senior Notes bear interest at 7.875% and rank equally with all of the Company's other senior unsecured and unsubordinated indebtedness. The Senior Notes require semi-annual interest payments beginning on April 15, 2000 through maturity on October 15, 2004. The 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 a redemption price as defined in the indenture. Certain of the Company's subsidiaries are guarantors of the Senior Notes. The Senior Notes also contain various restrictive covenants. On March 17, 2000, the Company completed an offer to exchange the Senior Notes issued in the private placement for registered Senior Notes with substantially identical terms.

The Company is exposed to market risks related to fluctuations in interest rates on its variable rate debt, which consists of borrowings of \$176.5 million at November 30, 2000 under the Company's \$250 million Credit Facility, \$20 million Miami Credit Facility and \$27.5 million Term Loan. The Company has an interest swap agreement covering the Term Loan to fix the interest rate through the remainder of the agreement.

Generally, fixed rate debt changes in interest rates affect the fair market value, but not earnings or cash flows. Conversely, for variable rate debt, changes in interest rates generally do not influence fair market value, but do affect future earnings and cash flows. The Company manages its interest exposure by using a combination of fixed and variable rate debt. The Company does not expect changes in interest rates to have a material effect on the Company's results of operations or cash flows, although there can be no assurances that interest rates will not significantly change.

## FACTORS THAT MAY AFFECT OPERATING RESULTS

Statements contained in this document that state the Company's or Management's anticipations, beliefs, expectations, hopes, intentions, predictions and/or strategies which are not purely historical fact or which apply prospectively are "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21 of the Securities Exchange Act of 1934. All forward-looking statements contained in this document are based on information available to the Company on the date hereof, and the Company assumes no obligation to update any such forward-looking statements. It is important to note that the Company's actual results could differ materially from those contained or projected in, or even implied by, such forward-looking statements. Information concerning factors which could cause the actual results to differ materially from those in the forward-looking statements is contained from time to time in the Company's other SEC filings. Copies of those filings are available from the Company and/or the SEC.

# CONSOLIDATED BALANCE SHEETS

	1999	November 30, 2000
	(In Thousands)	
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 37,811	\$ 50,592
Short-term investments	690	200
Receivables, less allowance of \$1,000 and \$1,200, respectively	15,312	21,916
Inventories	3,466	3,009
Prepaid expenses and other current assets	7,696	10,793
Total Current Assets	64,975	86,510
Property and Equipment, net (Note 2)	657,682	794,869
Other Assets:		
Equity investments	17,423	28,579
Goodwill, less accumulated amortization of \$6,753 and \$24,807, respectively (Note 1)	542,583	692,481
Restricted investments (Note 1)	295,929	35,193
Other	20,535	27,806
	876,470	784,059
Total Assets	\$ 1,599,127	\$ 1,665,438
<b>Liabilities and Shareholders' Equity</b>		
Current Liabilities:		
Accounts payable	\$ 17,655	\$ 14,340
Deferred income (Note 1)	77,119	111,492
Current portion of long-term debt (Note 5)	2,655	5,165
Other current liabilities	19,443	9,554
Total Current Liabilities	116,872	140,551
Long-Term Debt (Note 5)	496,067	470,551
Deferred Income Taxes (Note 6)	72,291	88,534
Long-Term Deferred Income (Note 1)	8,376	11,780
Minority Interest (Note 1)	3,051	3,151
Commitments and Contingencies (Note 8)	-	-
Shareholders' Equity (Notes 1 and 7):		
Class A Common Stock, \$.01 par value, 80,000,000 shares authorized; 22,876,075 and 23,687,603 issued and outstanding in 1999 and 2000, respectively	229	237
Class B Common Stock, \$.01 par value, 40,000,000 shares authorized; 30,248,639 and 29,457,567 issued and outstanding in 1999 and 2000, respectively	302	294
Additional paid-in capital	687,321	690,114
Retained earnings	216,432	262,846
	904,284	953,491
Less: unearned compensation-restricted stock (Note 11)	1,814	2,620
Total Shareholders' Equity	902,470	950,871
Total Liabilities and Shareholders' Equity	\$ 1,599,127	\$ 1,665,438

See accompanying notes.

# CONSOLIDATED STATEMENTS OF INCOME

	Year Ended November 30,		
	1998	1999	2000
	(In Thousands, Except Per Share Amounts)		
Revenues:			
Admissions, net	\$ 86,946	\$ 133,897	\$ 192,789
Motorsports related income	71,793	115,570	175,809
Food, beverage and merchandise income	28,597	46,668	66,880
Other income	1,632	2,587	4,952
	<u>188,968</u>	<u>298,722</u>	<u>440,430</u>
Expenses:			
Direct expenses:			
Prize and point fund monies and NASCAR sanction fees	28,767	45,615	71,260
Motorsports related expenses	33,283	51,590	82,230
Food, beverage and merchandise expenses	15,025	25,539	38,448
General and administrative expenses	37,842	54,956	75,030
Depreciation and amortization	13,137	25,066	51,150
	<u>128,054</u>	<u>202,766</u>	<u>318,118</u>
Operating income	60,914	95,956	122,312
Interest income	4,414	8,780	6,156
Interest expense	(582)	(6,839)	(30,380)
Equity in net loss from equity investments	(905)	(1,819)	(631)
Minority interest	-	(796)	(100)
Gain on sale of equity investment	1,245	-	-
North Carolina Speedway litigation (Note 8)	-	-	(5,523)
	<u>65,086</u>	<u>95,282</u>	<u>91,834</u>
Income before income taxes	24,894	38,669	41,408
Income taxes (Note 6)			
Net income	<u>\$ 40,192</u>	<u>\$ 56,613</u>	<u>\$ 50,426</u>
Basic earnings per share (Note 1)	<u>\$ 1.00</u>	<u>\$ 1.22</u>	<u>\$ 0.95</u>
Diluted earnings per share (Note 1)	<u>\$ 1.00</u>	<u>\$ 1.22</u>	<u>\$ 0.95</u>
Dividends per share (Note 1)	<u>\$ 0.06</u>	<u>\$ 0.06</u>	<u>\$ 0.06</u>
Basic weighted average shares outstanding (Note 1)	<u>40,025,643</u>	<u>46,394,614</u>	<u>52,962,646</u>
Diluted weighted average shares outstanding (Note 1)	<u>40,188,800</u>	<u>46,518,977</u>	<u>53,049,293</u>

See accompanying notes.

# CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Class A Common Stock \$ .01 Par Value	Class B Common Stock \$ .01 Par Value	Additional Paid-in Capital	Retained Earnings	Unearned Compensation- Restricted Stock	Total Shareholders' Equity
(In Thousands)						
Balance at November 30, 1997	\$ 53	\$ 332	\$ 86,437	\$ 125,457	\$ (2,372)	\$ 209,907
Net income	-	-	-	40,192	-	40,192
Public offering - Class A						
Common Stock (Note 7)	46	-	117,654	-	-	117,700
Cash dividends (\$.06 per share)	-	-	-	(2,310)	-	(2,310)
Change in equity investment	-	-	(7)	-	-	(7)
Restricted stock grant (Note 11)	-	-	680	-	(680)	-
Reacquisition of previously issued common stock	-	-	(57)	(138)	-	(195)
Conversion of Class B						
Common Stock to Class A						
Common Stock	16	(16)	-	-	-	-
Forfeiture of restricted shares	-	-	(110)	-	110	-
Income tax benefit related to restricted stock plan (Note 11)	-	-	492	-	-	492
Amortization of unearned compensation (Note 11)	-	-	-	-	1,076	1,076
Balance at November 30, 1998	115	316	205,089	163,201	(1,866)	366,855
Net income	-	-	-	56,613	-	56,613
Issuance of common stock for PMI acquisition	100	-	480,472	-	-	480,572
Cash dividends (\$.06 per share)	-	-	-	(2,586)	-	(2,586)
Change in equity investment	-	-	(90)	-	-	(90)
Restricted stock grant (Note 11)	-	-	1,035	-	(1,035)	-
Reacquisition of previously issued common stock	-	-	(314)	(796)	-	(1,110)
Conversion of Class B						
Common Stock to Class A						
Common Stock	14	(14)	-	-	-	-
Income tax benefit related to restricted stock plan (Note 11)	-	-	1,129	-	-	1,129
Amortization of unearned compensation (Note 11)	-	-	-	-	1,087	1,087
Balance at November 30, 1999	229	302	687,321	216,432	(1,814)	902,470
Net income	-	-	-	50,426	-	50,426
Cash dividends (\$.06 per share)	-	-	-	(3,188)	-	(3,188)
Restricted stock grant (Note 11)	-	-	1,978	-	(1,978)	-
Reacquisition of previously issued common stock	-	-	(354)	(824)	-	(1,178)
Conversion of Class B						
Common Stock to Class A						
Common Stock	8	(8)	-	-	-	-
Income tax benefit related to restricted stock plan (Note 11)	-	-	1,169	-	-	1,169
Amortization of unearned compensation (Note 11)	-	-	-	-	1,172	1,172
Balance at November 30, 2000	\$ 237	\$ 294	\$ 690,114	\$ 262,846	\$ (2,620)	\$ 950,871

See accompanying notes.



# CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended November 30,		
	1998	1999	2000
	(In Thousands)		
Operating Activities			
Net income	\$ 40,192	\$ 56,613	\$ 50,426
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	13,137	25,066	51,150
Amortization of unearned compensation	1,076	1,087	1,172
Amortization of financing costs	-	477	1,418
Deferred income taxes	5,545	14,458	20,254
Undistributed loss from equity investments	905	1,819	631
Minority interest	-	796	100
Gain on sale of Competition Tire	-	-	(282)
Gain on sale of equity investment	(1,245)	-	-
Changes in operating assets and liabilities:			
Receivables, net	(2,020)	6,413	(7,350)
Inventories, prepaid expenses and other current assets	723	3,549	(1,454)
Accounts payable and other current liabilities	10,436	6,951	(13,225)
Deferred income	12,915	(16,789)	37,206
Net cash provided by operating activities	81,664	100,440	140,046
Investing Activities			
Change in short-term investments, net	(84,026)	53,937	490
Capital expenditures	(71,858)	(126,596)	(132,661)
Acquisition, net of cash acquired	-	(133,440)	(215,627)
Proceeds from sale of Competition Tire	-	-	7,769
Proceeds from sale of equity investment	5,270	-	-
Equity investments	(410)	(17,723)	(11,859)
Advances to affiliate	-	-	(5,812)
Change in restricted investments, net	-	(242,429)	260,736
Other, net	(3,475)	(3,245)	(2,460)
Net cash used in investing activities	(154,499)	(469,496)	(99,424)
Financing Activities			
Net borrowings (payments) under credit facilities	-	92,022	(20,500)
Payment of long-term debt	(13,658)	(2,082)	(2,655)
Proceeds from long-term debt	-	294,276	-
Reacquisition of previously issued common stock	(195)	(1,110)	(1,178)
Cash dividends paid	(2,310)	(2,586)	(3,188)
Issuance of Class A Common Stock	117,700	-	-
Deferred financing fees	-	(12,329)	(320)
Net cash provided by (used in) financing activities	101,537	368,191	(27,841)
Net increase (decrease) in cash and cash equivalents	28,702	(865)	12,781
Cash and cash equivalents at beginning of period	9,974	38,676	37,811
Cash and cash equivalents at end of period	\$ 38,676	\$ 37,811	\$ 50,592

See accompanying notes.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 1 - Description of Business, Basis of Presentation and Summary of Significant Accounting Policies

### Description of Business:

International Speedway Corporation, including its majority-owned subsidiaries (collectively the "Company"), is a leading promoter of motorsports activities in the United States. As of November 30, 2000, the Company owned and/or operated eleven premier motorsports facilities as follows:

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

The Company also operates Tucson Raceway Park in Pima County Arizona.

At these facilities the Company promoted over one hundred stock car, sports car, truck, motorcycle and other racing events in 2000, including sixteen NASCAR Winston Cup Series championship point races, two NASCAR Winston Cup Series non-championship point races, fourteen NASCAR Busch Series, Grand National Division races, eight NASCAR Craftsman Truck Series races, four CART FedEx Championship Series races, one Indy Racing Northern Light Series race, and a number of prestigious sports car and motorcycle races. The Company also conducts, either through operations of the facility or through its wholly-owned subsidiaries Americrown Service Corporation ("Americrown") and Motorsports International Corp. ("Motorsports International") (See Note 3), souvenir merchandising operations at each of its motorsports facilities, food and beverage concession operations at each of its facilities except for those in California, Phoenix and Miami and provides catering services to corporate customers both in suites and chalets at its Daytona, Talladega, Darlington, Miami and Watkins Glen facilities and in chalets at its Richmond and North Carolina facilities.

Motorsports International also produces and markets motorsports-related merchandise such as apparel, souvenirs and collectibles to retail customers through internet and catalogue sales and trackside operations (unrelated to the souvenir merchandising operations described above) at certain motorsports facilities, including many of those owned and/or operated by the Company, as well as through direct sales to dealers.

The Company's proprietary MRN radio network produces and syndicates NASCAR Winston Cup Series, NASCAR Busch Series, Grand National Division, NASCAR Craftsman Truck Series and other races promoted by the Company and others. MRN radio also produces daily and weekly NASCAR racing programs.

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

Competition Tire (See Note 3 and Note 4), one of the Company's wholly-owned subsidiaries, engages in the wholesale and retail sale and distribution of tires and accessories for certain types of racing events.

**NOTE 1 - Description of Business, Basis of Presentation and Summary of Significant Accounting Policies (Continued)**

The Company has a 50% equity investment in the Motorsports Alliance, LLC ("MSA"), which is owned 50% by the Company and 50% by Indianapolis Motor Speedway Corp. MSA owns a 75% interest in Raceway Associates, LLC, ("Raceway Associates") which owns the 240-acre Route 66 Raceway motorsports complex located in Joliet, Illinois, approximately 35 miles from downtown Chicago. Raceway Associates also owns 930 acres adjacent to the existing Route 66 Raceway motorsports complex on which it is developing the Chicagoland Speedway, a 1.5 mile oval superspeedway which will initially accommodate approximately 75,000 spectators.

**Significant Accounting Policies:**

PRINCIPLES OF CONSOLIDATION: The accompanying consolidated financial statements include the accounts of International Speedway Corporation, its wholly-owned subsidiaries, and Homestead-Miami Speedway, LLC, ("Miami"), a 90% owned subsidiary. All material intercompany accounts and transactions have been eliminated in consolidation.

CASH AND CASH EQUIVALENTS: For purposes of reporting cash flows, cash and cash equivalents include cash on hand, bank demand deposit accounts, repurchase agreements and money market accounts at investment firms. Cash and cash equivalents exclude certificates of deposit, obligations of U.S. Government Agencies, U.S. Treasury Notes and U.S. Treasury Bills, regardless of original maturity.

INVESTMENTS: The Company accounts for investments in accordance with Statement of Financial Accounting Standard ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities."

Short-term investments consist of certificates of deposit and securities held-to-maturity which are due in one year or less. Certificates of deposit are readily convertible to cash and are stated at cost.

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

PROPERTY AND EQUIPMENT (NOTE 2): Property and equipment, including improvements to existing facilities, are stated at cost. Depreciation is provided for financial reporting purposes using the straight-line method over the estimated useful lives as follows:

Buildings, grandstands and tracks	5-34 years
Furniture and equipment	3-20 years

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

EQUITY INVESTMENTS: Equity investments are accounted for using the equity method of accounting. The Company's equity in the net income from equity investments is recorded as income with a corresponding increase in the investment. Dividends received reduce the investment. The Company recognizes the effects of transactions involving the sale or distribution by an equity investee of its common stock as capital transactions.

Equity investments at November 30, 2000, include the Company's ownership in MSA.

Equity investments at November 30, 1999, included the Company's ownership in MSA and Competition Tire Canada (See Note 4) totaling \$17.4 million and \$59,000, respectively.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## **NOTE 1 - Description of Business, Basis of Presentation and Summary of Significant Accounting Policies (Continued)**

The Company's share of undistributed equity in the earnings from equity investments included in retained earnings at November 30, 1999 and 2000 was approximately \$736,000 and \$1.4 million, respectively.

**GOODWILL (NOTE 3):** Goodwill resulting from acquisitions is being amortized by the straight-line method over 40 years. Recoverability of intangibles is assessed using estimated undiscounted cash flows of related operations. Amortization expense for the years ended November 30, 1998, 1999 and 2000 was approximately \$1.0 million, \$5.4 million and \$18.2 million, respectively. In fiscal 1999 and 2000, approximately \$4.0 million and \$12.0 million, respectively, is not deductible for tax purposes.

**MINORITY INTEREST:** Minority interest consists of the 10% interest in Homestead-Miami Speedway, LLC ("Miami") that is not owned by the Company.

**RESTRICTED INVESTMENTS:** Restricted investments at November 30, 2000 included approximately \$35.2 million deposited in trustee administered accounts for the benefit of the Kansas speedway project (See Note 5). The funds held in trust for the Kansas speedway project at November 30, 2000 have been invested in a guaranteed investment contract with a maturity date of April 2001 and U.S. Treasury Obligations which earn interest at rates ranging from approximately 4.75% to 6.13%.

Restricted investments at November 30, 1999 included approximately \$ 80.7 million deposited in trustee administered accounts for the benefit of the Kansas speedway project (See Note 5) and approximately \$215.2 million in cash held in escrow for the Company's purchase of Richmond International Raceway (See Note 3). The funds held in trust for the Kansas speedway project at November 30, 1999 have been invested in a guaranteed investment contract with a maturity date of April 2001 which earns interest at a rate of approximately 4.75%.

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

**DERIVATIVE FINANCIAL INSTRUMENTS:** The Company uses interest rate swap agreements to minimize the impact of interest rate fluctuations on certain floating interest rate long-term borrowings. The differential paid or received on interest rate swap agreements is recognized as an adjustment to interest expense.

**INCOME TAXES (NOTE 6):** Income taxes have been provided using the liability method in accordance with SFAS No. 109, "Accounting for Income Taxes." Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

**REVENUE RECOGNITION/DEFERRED INCOME:** Admission income and all race-related revenue is earned upon completion of an event and is stated net of admission and sales taxes collected. Advance ticket sales and all race-related revenue on future events are deferred until earned. Revenues from the sale of tires and merchandise to retail customers, catalogue sales and direct sales to dealers are recognized at the time of the sale.

In 1999, Kansas Speedway Corporation ("KSC") began offering Founding Fan Preferred Access Speedway Seating ("PASS") agreements whereby purchasers are provided the exclusive right and obligation to purchase annual KSC season-ticket packages for sanctioned racing events for a period of thirty years under specified terms and conditions. Among other items, licensees are required to purchase all season-ticket packages when and as offered each year. Founding Fan PASS agreements automatically terminate without refund should owners not purchase any offered season tickets.

Fees received under PASS agreements are being deferred prior to KSC hosting its first major motorsports event for the 2001 season. The Company will amortize net PASS fee revenues into income over the expected life of the PASS.

## **NOTE 1 - Description of Business, Basis of Presentation and Summary of Significant Accounting Policies (Continued)**

**ADVERTISING EXPENSE:** Advertising costs are expensed as incurred or, as in the case of race-related advertising, upon the completion of the event. Advertising expense was approximately \$3.8 million, \$5.8 million and \$9.4 million for the years ended November 30, 1998, 1999 and 2000, respectively.

**AMORTIZATION OF UNEARNED COMPENSATION (NOTE 11):** The Company accounts for its long-term incentive stock plans in accordance with Accounting Principles Board ("APB") Opinion No. 25.

**EARNINGS PER SHARE:** Basic and diluted earnings per share are calculated in accordance with SFAS No. 128, "Earnings Per Share". The difference between basic weighted average shares and diluted weighted average shares is related to shares issued under the Company's long-term incentive stock plans, using the treasury stock method as prescribed by the standard.

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

**NEW ACCOUNTING PRONOUNCEMENTS:** In June 1999, the Financial Accounting Standards Board ("FASB") issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133". SFAS No. 137 amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", to defer its effective date to all fiscal quarters of all fiscal years beginning after June 15, 2000. SFAS No. 133 establishes accounting and reporting standards for derivative instruments including standalone instruments, such as forward currency exchange contracts and interest rate swaps or embedded derivatives and requires that these instruments be marked-to-market on an ongoing basis. These market value adjustments are to be included either in the income statement or shareholders' equity, depending on the nature of the transaction. The Company adopted SFAS No. 133 on December 1, 2000 which resulted in an increase in total assets and shareholders' equity of approximately \$472,000, representing the fair market value of the interest rate swap hedge (See Notes 5 and 12). Subsequent changes in the fair market value of the interest rate swap will be reflected in other comprehensive income.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements" which is required to be implemented no later than the fourth quarter of fiscal years beginning after December 15, 1999, and provides guidance on the recognition, presentation and disclosures of revenue in financial statements filed with the SEC. SAB No. 101 outlines the basic criteria that must be met to recognize revenue and provides guidance for disclosures related to revenue recognition policies. The Company believes that the implementation of SAB No. 101 will not have a material effect on its financial position or results of operations.

In April 2000, the FASB issued FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation, an Interpretation of APB Opinion No. 25". Among other issues, that interpretation clarifies the definition of employees for purposes of applying Opinion No. 25, the criteria for determining whether a plan qualifies as a non-compensatory plan, the accounting consequence of various modifications to the terms of a previously fixed stock option or award and the accounting for an exchange of stock compensation awards in a business combination. The implementation of this interpretation did not have a material impact on the Company's financial position or results of operations.

**COMPARABILITY:** For comparability, certain 1998 and 1999 amounts have been reclassified where appropriate to conform with the presentation adopted in 2000.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 2 - Property and Equipment

Property and equipment consists of the following as of November 30:

	1999	2000
	(In Thousands)	
Land and leasehold improvements	\$ 192,136	\$ 204,979
Buildings, grandstands and tracks	418,157	510,603
Furniture and equipment	67,875	70,247
Construction in progress	64,423	125,982
	742,591	911,811
Less accumulated depreciation	84,909	116,942
	<u>\$ 657,682</u>	<u>\$ 794,869</u>

Depreciation expense was approximately \$12.1 million, \$19.7 million and \$32.6 million for the years ended November 30, 1998, 1999 and 2000, respectively.

## NOTE 3 - Acquisitions

On July 26, 1999, the Company acquired the approximately 88%, or 12.2 million outstanding common shares, of Penske Motorsports, Inc. ("PMI") stock that it did not already own for approximately \$129.8 million and 10,029,861 shares of the Company's Class A Common Stock. Transaction costs, net of cash acquired in the transaction, totaled approximately \$3.6 million. The total cash and stock consideration issued in the transaction was approximately \$611.1 million.

Motorsports facilities acquired in the transaction include Michigan International Speedway in Brooklyn, Michigan; Nazareth Speedway in Nazareth, Pennsylvania; California Speedway in San Bernardino County, California; and North Carolina Speedway in Rockingham, North Carolina. The Company also acquired PMI's 45% interest in Miami, bringing the Company's ownership in that facility to 90%, as well as other PMI merchandising subsidiaries. The acquisition has been accounted for under the purchase method of accounting and, accordingly, the results of operations of the former PMI, as well as Miami, have been included in the Company's consolidated statements of income as of the date of acquisition.

The transaction purchase price has been allocated to the assets and liabilities of PMI and Miami based upon their fair market values at the acquisition date. The excess of the purchase price over the fair value of the net assets acquired has been allocated as goodwill of approximately \$512.9 million and assembled workforce of approximately \$1.5 million which are being amortized on a straight line basis over 40 years and five years, respectively. The amount amortized during the years ended November 30, 1999 and 2000 was approximately \$4.4 million and \$13.3 million, respectively.

On December 1, 1999, the Company acquired Richmond International Raceway ("Richmond") for approximately \$215.6 million, including acquisition costs. The Richmond acquisition has been accounted for under the purchase method of accounting and, accordingly, the results of operations have been included in the Company's consolidated statements of income since the date of acquisition.

The purchase price was allocated to the assets and liabilities acquired based upon their fair market values at the acquisition date. The excess of the purchase price over the fair value of the net assets acquired was approximately \$169.3 million and was recorded as goodwill, which is being amortized on a straight line basis over 40 years. The amount amortized during the year ended November 30, 2000 was approximately \$4.2 million.

The following unaudited pro forma financial information, in thousands, except per share amounts, presents a summary of consolidated results of operations as if the PMI and Richmond acquisitions had occurred as of December 1, 1998 after giving effect to certain adjustments, including depreciation, amortization of goodwill, interest income, interest expense, equity earnings, minority interest and the related income tax effects. The pro forma results have been prepared for comparative purposes only and do not purport to be indicative of what would have occurred had the acquisition been

### NOTE 3 - Acquisitions (Continued)

made on that date, nor are they necessarily indicative of results which may occur in the future. Due to the timing of the PMI and Richmond acquisitions, there are no pro forma adjustments affecting the year ended November 30, 2000.

	Pro Forma 1999
Total revenues	\$ 405,623
Net income	47,577
Basic earnings per share	0.90
Diluted earnings per share	0.90

### NOTE 4 - Divestiture

On November 15, 2000, the Company entered into a Stock Purchase Agreement with Competition Tire, LLC (an unrelated entity) for the sale of the Company's ownership in its Competition Tire subsidiaries. The Company received approximately \$7.8 million and recognized a gain of approximately \$200,000, net of tax, on the transaction (See Note 9).

### NOTE 5 - Long-term Debt

Long-term debt consists of the following as of November 30 (In Thousands):

	1999	2000
Senior Notes, net of discount of \$338 and \$269	\$ 224,662	\$ 224,731
Credit facilities	169,500	149,000
TIF bond debt service funding commitment, net of discount of \$1,645 and \$1,565	69,010	68,935
Term debt	30,000	27,500
Notes payable	5,550	5,550
	498,722	475,716
Less: current portion	2,655	5,165
	<u>\$ 496,067</u>	<u>\$ 470,551</u>

Schedule of Payments:

2001	\$ 5,165
2002	9,225
2003	5,775
2004	366,890
2005	21,505
Thereafter	68,990
	477,550
Discount	1,834
	<u>\$ 475,716</u>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 5 - Long-term Debt (Continued)

On October 6, 1999, the Company completed an offering of \$225 million principal amount of senior notes ("Senior Notes") due October 15, 2004 in a private placement. The unsecured Senior Notes bear interest at 7.875% and rank equally with all of the Company's other senior unsecured and unsubordinated indebtedness. The Senior Notes require semi-annual interest payments through maturity on October 15, 2004. The 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 a redemption price as defined in the indenture. Certain of the Company's subsidiaries are guarantors of the Senior Notes. The Senior Notes also contain various restrictive covenants. On March 17, 2000, the Company completed an offer to exchange the Senior Notes issued in the private placement for registered senior notes with substantially identical terms.

The total gross proceeds from the sale of the Senior Notes were \$225 million, net of \$349,000 discount and approximately \$4.7 million of deferred financing fees. The deferred financing fees are being amortized over the life of the Senior Notes on an effective yield method.

In December, 1999, the Company's revolving credit facility ("Credit Facility") was increased from \$200 million to \$250 million. The Credit Facility matures on March 31, 2004, and accrues interest at LIBOR plus 50-100 basis points based on certain financial criteria. At November 30, 2000, the Company had outstanding borrowings of \$135 million under the Credit Facility which related to the financing of the Company's December 1999 Richmond acquisition (See Note 3). The Credit Facility contains various restrictive covenants.

In May 2000, the Company's Miami subsidiary amended its credit agreement for a \$20 million credit facility ("Miami Credit Facility") and a \$27.5 million term loan ("Term Loan"). The Miami Credit Facility and Term Loan are guaranteed by the Company and have the same interest terms and restrictive covenants as the Company's Credit Facility. The Miami Credit Facility will be automatically reduced to \$15 million on December 31, 2002 and will mature on December 31, 2004. At November 30, 2000, the Company had outstanding borrowings of \$14 million under the Miami Credit Facility. The Term Loan is payable in annual installments which range from \$4.0 million to \$7.0 million. The Company has an interest rate swap agreement that effectively fixes the floating rate on the outstanding balance under the Term Loan at 6.1% through December 31, 2000 and 6.6% for the remainder of the loan period.

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 the speedway in Kansas. The TIF bonds are comprised of a \$21.6 million, 6.15% term bond due December 1, 2017 and a \$49.7 million, 6.75% term bond due December 1, 2027. The TIF bonds are repaid by the Unified Government with payments made in lieu of property taxes ("Funding Commitment") by the Company's wholly-owned subsidiary, Kansas Speedway Corporation ("KSC"). Principal (mandatory redemption) payments per the Funding Commitment are payable by KSC on October 1 of each year. The semi-annual interest component of the Funding Commitment is payable on April 1 and October 1 of each year. KSC granted a mortgage and security interest in the Kansas project for its Funding Commitment obligation. The bond financing documents contain various restrictive covenants. The Company has agreed to guarantee KSC's Funding Commitment until certain financial conditions have been met.

## NOTE 5 - Long-term Debt (Continued)

Simultaneous with the issuance of the TIF bonds, KSC deposited into a trust account the unexpended portion of its initial \$77.9 million equity commitment to the Kansas project. The unexpended portions of the TIF bond proceeds and KSC's equity contribution remaining in the trust accounts are classified as restricted investments on the Company's balance sheet.

Total interest incurred by the Company was approximately \$582,000, \$6.8 million and \$30.4 million for the years ended November 30, 1998, 1999 and 2000, respectively. Total interest capitalized for the years ended November 30, 1999 and 2000 was approximately \$3.3 million and \$8.3 million, respectively. No interest was capitalized for the year ended November 30, 1998.

Financing costs of approximately \$11.9 million and \$10.9 million, net of accumulated amortization, have been deferred and are included in other assets at November 30, 1999 and 2000, respectively. These costs are being amortized on an effective yield method over the life of the related financing.

## NOTE 6 - Federal and State Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Substantially all of the deferred tax liability results from the excess of tax accelerated depreciation over depreciation for financial reporting purposes and from different bases in the equity investments for tax and financial reporting purposes.

Significant components of the provision for income taxes are as follows:

	Year Ended November 30,		
	1998	1999	2000
	(In Thousands)		
Current tax expense:			
Federal	\$ 15,864	\$ 20,921	\$ 18,661
State	1,869	3,030	2,493
Deferred tax expense (benefit):			
Federal	6,158	14,843	19,725
State	1,003	(125)	529
Provision for income taxes	<u>\$ 24,894</u>	<u>\$ 38,669</u>	<u>\$ 41,408</u>

The reconciliation of income tax computed at the federal statutory tax rates to income tax expense is as follows (percent of pre-tax income):

	Year Ended November 30,		
	1998	1999	2000
Income tax computed at federal statutory rates	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit	3.1	3.6	2.1
Nondeductible goodwill	-	1.5	4.6
North Carolina Speedway litigation	-	-	1.8
Other, net	0.1	0.5	1.5
	<u>38.2%</u>	<u>40.6%</u>	<u>45.0%</u>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 7- Capital Stock

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

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

## NOTE 8 - Commitments and Contingencies

A. In 1985, International Speedway Corporation ("ISC") established a salary incentive plan (the "ISC Plan") designed to qualify under Section 401(k) of the Internal Revenue Code. Employees of ISC and certain participating subsidiaries who have completed one month of continuous service are eligible to participate in the ISC Plan. After twelve months of continuous service, matching contributions are made to a savings trust (subject to certain limits) concurrent with employees' contributions. The level of the matching contribution depends upon the amount of the employee contribution. Employees become 100% vested upon entrance to the ISC Plan.

The contribution expense for the ISC Plan was approximately \$523,000, \$580,000 and \$934,000 for the years ended November 30, 1998, 1999, and 2000, respectively.

As a result of the PMI acquisition, the Company assumed the PMI non-contributory profit-sharing plan, which covers employees who meet certain length of service requirements and the PMI defined contribution plan under Section 401(k) of the Internal Revenue Code (collectively the "PMI Plans"). Contributions of approximately \$158,000 were made to the PMI Plans for the fiscal year ended November 30, 1999. In April 2000, the PMI Plans were merged into the ISC Plan.

B. The estimated cost to complete construction in progress at November 30, 2000 at the Company's existing facilities and for certain additional luxury suites and design upgrades at the Kansas facility is approximately \$53.3 million. The balance of the Company's capital expenditures related to the construction of the Kansas facility will be funded from the restricted investments (See Note 1).



## NOTE 8 - Commitments and Contingencies (Continued)

The Company is a member of MSA which is owned 50% by the Company and 50% by Indianapolis Motor Speedway Corp. MSA owns a 75% interest in Raceway Associates which is engaged in the development of the Chicagoland Speedway in Joliet, Illinois. Financing of the speedway development includes equity of approximately \$50 million from MSA and approximately \$50 million in borrowings by Raceway Associates. The members of MSA have guaranteed up to \$50 million in borrowings by Raceway Associates on a pro rata basis until such time as the operations of Raceway Associates meet certain financial criteria. In April 2000, the Company approved advances of approximately \$6.9 million as its pro-rata portion of MSA's additional funding commitment to the project. Through November 30, 2000, the Company has contributed approximately \$34.1 million to MSA, including \$25.0 million which has fulfilled the Company's portion of MSA's \$50 million equity commitment, and approximately \$5.4 million of the \$6.9 million in advances. At November 30, 2000, Raceway Associates has borrowed approximately \$29.7 million for the Chicagoland Speedway construction under its construction and term loan arrangement discussed above, which is currently guaranteed by the members of the MSA.

C. The Company operates its Homestead-Miami facility under an operating agreement which expires December 31, 2032 and provides for subsequent renewal terms through December 31, 2075. The future minimum payments under such agreement are as follows (In Thousands):

<u>Fiscal year ending November 30,</u>	<u>Amount</u>
2001	\$ 2,215
2002	2,215
2003	2,215
2004	2,215
2005	2,215
Thereafter	40,000
Total	<u>\$ 51,075</u>

Expenses incurred under this agreement for the Homestead-Miami facility for each of the years ended November 30, 1999 and 2000 was \$2.2 million.

D. The Company is from time to time a party to routine litigation incidental to its business. Management does not believe that the resolution of any or all of such litigation is likely to have a material adverse effect on the Company's financial condition or results of operations. In addition to such routine litigation incident to its business the Company has been party to other legal proceedings which were concluded during the year ending November 30, 2000 as described below:

### Souvenir Litigation

As described below, the Company and certain subsidiaries were parties to legal proceedings alleging price-fixing activities in connection with the sale of souvenirs and merchandise which have been settled, the settlements have been given final approval by the courts and final orders were entered in the legal proceedings on August 25, 2000. These matters are collectively referred to as the Souvenir Litigation.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 8 - Commitments and Contingencies (Continued)

The Company's indirect corporate subsidiary, Americrown, was the sole defendant in a class action proceeding in the Circuit Court of Talladega County, Alabama which was filed in October 1996. A class consisting of persons who purchased racing souvenirs at Talladega Superspeedway since September 1992 was certified by the court on July 30, 1998. That suit sought to recover at least \$500 for each member of the class but did not otherwise seek to recover compensatory or punitive damages or statutory attorneys' fees. In March 1997, two purported class action companion lawsuits were filed in the United States District Court, Northern District of Georgia, against the Company, Americrown, and a number of other persons (including Motorsports International previously a subsidiary of PMI which was acquired by the Company in the PMI Acquisition). Both suits sought damages and injunctive relief on behalf of all persons who purchased souvenirs or merchandise from certain vendors at any NASCAR Winston Cup race or supporting event in the United States since 1991.

Americrown, Motorsports International and the Company entered into Settlement Agreements to completely settle the Souvenir Litigation, without any admission of wrongdoing on their part. Under the terms of the Settlement Agreements (which were given final approval by the respective courts on August 25, 2000) the Company, Americrown and Motorsports International have paid approximately \$4.6 million in cash and agreed to redeem \$6 million in souvenir merchandise discount coupons to settle with classes which encompass all purchasers of souvenirs and merchandise at NASCAR Winston Cup events during the period from January 1, 1991 to August 25, 2000. In the third quarter of fiscal 1999 the Company accrued approximately \$2.8 million representing Americrown's cash portion of the proposed Souvenir Litigation settlement. The remaining \$1.8 million is attributable to Motorsports International and was recorded as a part of the PMI merger purchase price. The effects of the discount coupon program will be recognized in future periods as coupons are redeemed. The cash payments have been remitted.

### North Carolina Speedway Litigation

In connection with PMI's acquisition of North Carolina Speedway in 1997, certain of the North Carolina Speedway stockholders (constituting more than 5% of the North Carolina Speedway shares outstanding prior to the acquisition) exercised their right under North Carolina law to dissent to the price paid for the common stock of North Carolina Speedway. These dissenting shareholders were originally paid \$16.77 per share. These dissenters requested \$55.00 per share and sued PMI, Penske Acquisition, Inc. and North Carolina Speedway in North Carolina Superior Court, Mecklenburg County, North Carolina. Under PMI's agreement with Mrs. DeWitt (the former majority stockholder of North Carolina Speedway), if a dissenting stockholder, which represented more than five percent of the North Carolina Speedway stock, received more consideration in a dissenters' action than PMI paid in connection with the acquisition of North Carolina Speedway, all stockholders of North Carolina Speedway at the time of the acquisition, other than PMI and its affiliates, would receive a per share amount equal to the award in dissenter's court less the per share amount paid in the acquisition (\$19.61 per share to stockholders other than the dissenting shareholders). Because PMI acquired Mrs. DeWitt's shares prior to the completion of this acquisition, Mrs. DeWitt is not entitled to receive additional consideration for her shares.

On April 25, 2000, jurors in the North Carolina Speedway Dissenter's Action case returned a verdict upon which a judgment was entered which entitled the dissenting shareholders to \$23.47 per share, an amount \$3.86 to \$6.70 higher than the original consideration. The financial statements for the fiscal 2000 second quarter included an accrual of approximately \$5.5 million, representing the judgment and related interest, amounts due to non-dissenting former shareholders and related legal fees. In June 2000, substantially all of the amounts related to this judgment were paid by the Company.

## NOTE 9 - 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 ("AHRMA"), the American Motorcyclist Association ("AMA"), the Automobile Racing Club of America ("ARCA"), the Championship Auto Racing Teams ("CART"), the Championship Cup Series ("CCS"), the Federation Internationale de l'Automobile ("FIA"), the Federation Internationale Motocycliste ("FIM"), the Grand American Road Racing Association ("GARRA"), Historic Sportscar Racing ("HSR"), the International Race of Champions ("IROC"), the Indy Racing League ("IRL"), the National Association for Stock Car Auto Racing, Inc. ("NASCAR"), the Professional Monster Trucks ("ProMT"), the Sports Car Club of America ("SCCA"), the Sportscar Vintage Racing Association ("SVRA"), the United States Auto Club ("USAC") and the World Karting Association ("WKA"). NASCAR, which sanctions some of the Company's principal racing events, is a member of the France Family Group which controls in excess of 60% of the combined voting power of the outstanding stock of the Company and some members of which serve as directors and officers. Standard NASCAR sanction agreements require racetrack operators to pay sanction fees and prize and point fund monies for each sanctioned event conducted. The prize and point fund monies are distributed by NASCAR to participants in the events. Prize and point fund monies paid by the Company to NASCAR for disbursement to competitors totaled approximately \$23.1 million, \$36.2 million and \$55.7 million for the years ended November 30, 1998, 1999 and 2000, respectively. GARRA sanctions various events at certain of the Company's facilities. While certain officers and directors of the Company are equity investors in GARRA, no officer or director has more than a 10% equity interest. In addition, certain officers and directors of the Company, representing a non-controlling interest, serve on GARRA's Board of Managers.

The Company entered into collateral assignment split-dollar insurance agreements covering the lives of William C. France and James C. France and their respective spouses in October 1995. Pursuant to the agreements, the Company will advance the annual premiums of approximately \$1,205,000 each year for a period of eight years. Upon surrender of the policies or payment of the death benefits thereunder, the Company is entitled to repayment of an amount equal to the cumulative premiums previously paid by the Company. The Company may cause the agreements to be terminated and the policies surrendered at any time after the cash surrender value of the policies equals the cumulative premiums advanced under the agreements. The Company records a net insurance expense representing the excess of the premiums paid over the increase in cash surrender value of the policies associated with these agreements.

Brown & Brown, Inc., the servicing agent for the split-dollar insurance agreements, received a commission from an insurance company for its participation in the transactions. J. Hyatt Brown, President and Chief Executive Officer of Brown & Brown, Inc., is a Director of the Company.

On May 5, 1999, MSA and the former owners of Route 66 Raceway, LLC formed a new company, Raceway Associates, LLC which is owned 75% by MSA and 25% by the former owners of the Route 66 Raceway, LLC. As a result of the transaction, Raceway Associates LLC owns the 240-acre Route 66 Raceway motorsports complex located in Joliet, Illinois, approximately 35 miles from downtown Chicago. Raceway Associates also owns 930 acres adjacent to the existing Route 66 complex on which it is developing the Chicagoland Speedway, a 1.5 mile oval superspeedway which will initially accommodate approximately 75,000 spectators. Edward H. Rensi, a director of the Company, was one of the former owners of the Route 66 Raceway, LLC. Mr. Rensi owned approximately 5.13% of the Route 66 Raceway, LLC and as a result of the transaction now owns approximately 1.28% of Raceway Associates.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 9 - Related Party Disclosures and Transactions (Continued)

Pursuant to the merger agreement for the PMI acquisition (See Note 3) the Company is currently obligated to place three individuals designated by Penske Performance, Inc. on its board of directors and to include such designees as nominees recommended by the Company's board of directors at future elections of directors by shareholders. Messrs. Roger S. Penske, Gregory W. Penske and Walter P. Czarnecki are presently the designees of Penske Performance, Inc. serving on the Company's board of directors. Penske Performance, Inc. is wholly-owned by Penske Corporation which beneficially owns more than five percent of the outstanding stock of the Company. Messrs. Penske, Penske and Czarnecki are also officers and directors of Penske Performance, Inc. and other Penske Corporation affiliates. Roger S. Penske beneficially owns a majority of the voting stock of and controls Penske Corporation and its affiliates. During fiscal 1999 subsequent to the PMI acquisition, and fiscal 2000, Penske Corporation provided the Company with certain executive and legal services at a cost of approximately \$313,000 and \$662,000, respectively. Also, the Company, through certain subsidiaries acquired in the PMI acquisition, sold admissions to the Company's events, hospitality suite occupancy and related services, merchandise, apparel and racing tires and accessories to Penske Corporation and its affiliates. In fiscal 1999 subsequent to the PMI acquisition, and fiscal 2000, Penske Corporation and its affiliates paid approximately \$759,000 and \$1.9 million, respectively, for the aforementioned goods and services. The Company has outstanding receivables and payables/accrued expenses related to Penske Corporation and its affiliates of approximately \$186,000 and \$433,000, respectively, at November 30, 1999 and \$295,000 and \$186,000, respectively, at November 30, 2000.

The Company sold its ownership in its Competition Tire subsidiaries to Competition Tire, LLC on November 15, 2000 (See Note 4). The ownership of Competition Tire, LLC includes Competition Tire East, Inc. (an unrelated entity), Penske Performance Holdings Corp. (a wholly-owned subsidiary of Penske Corporation) and certain former members of management of the Company's Competition Tire subsidiaries.

## NOTE 10 - Supplemental Disclosures of Cash Flow Information

Cash paid for income taxes and interest for respective periods is summarized as follows:

	Year Ended November 30,		
	1998	1999	2000
	(In Thousands)		
Income taxes paid	\$13,618	\$28,645	\$21,783
Interest paid	\$ 982	\$ 7,005	\$36,985

## **NOTE 11 - Long-term Incentive Stock Plans**

In November 1993, the Company's Board of Directors and a majority of the Company shareholders approved the "International Speedway Corporation 1994 Long-Term Incentive Plan" (the "1994 Plan") for certain officers and managers of the Company. Under the 1994 Plan, up to 750,000 shares of the Company's Class B Common Stock were authorized to be granted as restricted stock at no cost to 1994 Plan participants. Awards were granted under the 1994 Plan based upon the Company's performance in fiscal years 1994, 1995 and 1996. The ability to issue additional shares under the 1994 Plan expired with the grants based on fiscal 1996 results, which were granted January 1, 1997.

In 1996, the Company's Board of Directors and a majority of the Company shareholders approved the "1996 Long-Term Incentive Plan" (the "1996 Plan") for certain officers, employees and consultants of the Company. The 1996 Plan authorizes the grant of stock options (incentive and nonstatutory), stock appreciation rights ("SARs") and restricted stock. The Company has reserved an aggregate of 1,000,000 shares (subject to adjustment for stock splits and similar capital changes) of the Company's Class A Common Stock for grants under the 1996 Plan. In April 1998 and 1999, awards of restricted stock under the 1996 Plan were made at no cost to Plan participants based upon fiscal 1997 and 1998 results.

Shares of restricted stock awarded under the 1994 and 1996 Plans vest at the rate of 50% of each award on the third anniversary of the award date and the remaining 50% on the fifth anniversary of the award date. Shares awarded under the 1994 and 1996 Plans generally are subject to forfeiture in the event of termination of employment prior to the vesting dates. Prior to vesting, the 1994 and 1996 Plan participants own the shares and may vote and receive dividends, but are subject to certain restrictions. Restrictions include the prohibition of the sale or transfer of the shares during the period prior to vesting of the shares. The Company also has the right of first refusal to purchase any shares of stock issued under the 1994 and 1996 Plans which are offered for sale subsequent to vesting.

On April 1, 1998, 1999 and 2000, the Company awarded 22,236, 19,633 and 44,017 restricted shares of the Company's Class A Common Stock, respectively, to certain officers and managers under the 1996 Plan. The market value of shares awarded on April 1, 1998, 1999 and 2000 amounted to approximately \$680,000, \$1.0 million and \$2.0 million, respectively, and has been recorded as "Unearned compensation - restricted stock", which is shown as a separate component of shareholders' equity in the accompanying consolidated balance sheets. The unearned compensation is being amortized over the vesting periods of the shares. In accordance with APB Opinion 25, the Company will recognize a compensation charge over the vesting periods equal to the fair market value of these shares on the date of the award. The expense measured under SFAS No. 123 does not differ from that under APB Opinion 25.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## **NOTE 11 - Long-term Incentive Stock Plans (Continued)**

On April 5, 2000 a total of 11,030 options to purchase the Company's Class A Common Stock, at an exercise price of \$44.50 per share, were granted under the 1996 Plan to certain non-employee directors for their services as directors. These options become exercisable April 5, 2001, and expire on April 5, 2010. As the exercise price of these stock options equal the market price of the underlying stock on the date of grant, in accordance with APB Opinion 25 no compensation expense is recognized by the Company. For the year ended November 30, 2000, the Company's pro forma diluted earnings per share as adjusted for compensation expense of the stock options, determined in accordance with SFAS No. 123, does not differ from actual results.

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

## **NOTE 12 - Financial Instruments**

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

Fair values of long-term debt and interest rate swaps are based on quoted market prices at the date of measurement. The Company's credit facilities approximate fair value as they bear interest rates that approximate market. At November 30, 2000, the fair value of the remaining long-term debt, which includes the Senior Notes, TIF bond Funding Commitment and Term Loan, as determined by quotes from financial institutions, was \$314.2 million compared to the carrying amount of \$321.2 million.

The Company entered into an interest rate swap agreement to limit the impact of the variable interest rate of certain long-term debt. The Company periodically utilizes interest rate swap agreements to limit the impact of the variable interest rate of certain long-term debt. The differential between fixed and variable rates to be paid or received on swaps is accrued as interest rates change in accordance with the agreements and is included in current interest expense. Credit risk arises from the possible inability of counterparties to meet the terms of their contracts on a net basis. The Company's interest rate swap agreement was entered into with a major financial institution which is expected to fully perform under the terms of the agreement. This agreement, with a principal notional amount of \$27.5 million and an estimated fair value of \$472,000, expires at December 31, 2004.

The Company maintained a significant amount in a repurchase agreement with one financial institution at November 30, 1999 related to the December 1, 1999 purchase of Richmond International Raceway (Note 3). The Company believes that it was not exposed to any significant credit risk on its investments due to the strength of the financial institution and the short-term nature of the investments.

### NOTE 13 - Quarterly Data (Unaudited)

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

As a result of the PMI acquisition and consolidation of Miami on July 26, 1999, and the Richmond acquisition on December 1, 1999 (See Note 3), the Company incurred incremental operating expenses and depreciation and amortization as well as recognized revenue and expenses related to motorsports events at the newly acquired facilities in fiscal 2000 while there were no comparable operations for these newly acquired facilities during certain periods of the prior fiscal year. As a result of the timing of these acquisitions and the addition of a NASCAR Craftsman Truck Series event at Daytona in the first quarter of fiscal 2000, the Company's results of operations are not necessarily comparable on a period-to-period basis.

The following table presents certain unaudited financial data for each fiscal quarter of fiscal 1999 and fiscal 2000 (in thousands, except per share amounts):

	February 28, 1999	Fiscal Quarter Ended		
		May 31, 1999	August 31, 1999	November 30, 1999
Total revenue	\$ 83,236	\$ 44,635	\$ 66,226	\$ 104,625
Operating income	40,233	9,587	16,822	29,314
Net income	25,939	6,844	9,635	14,195
Basic earnings per share	0.61	0.16	0.21	0.27
Diluted earnings per share	0.60	0.16	0.20	0.27

	February 29, 2000	Fiscal Quarter Ended		
		May 31, 2000	August 31, 2000	November 30, 2000
Total revenue	\$111,595	\$ 98,748	\$107,175	\$122,912
Operating income	35,187	22,230	27,485	37,410
Net income	16,097	3,722	12,783	17,824
Basic earnings per share	0.30	0.07	0.24	0.34
Diluted earnings per share	0.30	0.07	0.24	0.34

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 14 - Segment Reporting

The Company's primary business is the promotion of motorsports events at its race facilities. The Company's remaining business units, which are comprised of the radio network production and syndication of numerous NASCAR sanctioned events and daily and weekly NASCAR racing programs, the operation of a motorsports-themed entertainment complex, the wholesale and retail distribution of racing tires and accessories, certain souvenir merchandising operations not associated with the promotion of motorsports events at the Company's facilities, construction management services, leasing operations, financing and licensing operations are included in the "All Other" segment. The Company evaluates financial performance of the business units on operating profit after allocation of corporate selling, general and administrative ("SG&A") expenses. Corporate SG&A expenses are allocated to business units based on each business unit's net revenues to total net revenues.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Intersegment revenues were approximately \$1.6 million, \$3.9 million and \$16.8 million for the years ended November 30, 1998, 1999 and 2000, respectively.

	Year Ended November 30,		
	1998	1999	2000
	(In Thousands)		
Net revenues:			
Motorsports events	\$166,737	\$267,130	\$396,664
All other	23,805	35,494	60,582
Total	<u>\$190,542</u>	<u>\$302,624</u>	<u>\$457,246</u>
Operating income:			
Motorsports events	\$ 57,833	\$ 91,913	\$113,212
All other	3,081	4,043	9,100
Total	<u>\$ 60,914</u>	<u>\$ 95,956</u>	<u>\$122,312</u>

	As of November 30,	
	1999	2000
	(In Thousands)	
Total assets:		
Motorsports events	\$ 1,547,510	\$ 1,521,639
All other	51,617	143,799
Total	<u>\$ 1,599,127</u>	<u>\$ 1,665,438</u>



## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors and Shareholders  
International Speedway Corporation

We have audited the accompanying consolidated balance sheets of International Speedway Corporation and subsidiaries as of November 30, 1999 and 2000, and the related consolidated statements of income, shareholders' equity and cash flows for the years ended November 30, 1998, 1999 and 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of International Speedway Corporation and subsidiaries at November 30, 1999 and 2000, and the consolidated results of their operations and their cash flows for the years ended November 30, 1998, 1999 and 2000, in conformity with accounting principles generally accepted in the United States.

A handwritten signature in black ink that reads "Ernst &amp; Young LLP". The signature is written in a cursive, flowing style.

Jacksonville, Florida  
January 12, 2001

# MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

At November 30, 2000 International Speedway Corporation had two issued classes of capital stock: Class A Common Stock, \$.01 par value per share and Class B Common Stock, \$.01 par value per share. The Class A Common Stock is traded on the NASDAQ National Market System under the symbol "ISCA". The Class B Common Stock is traded on NASDAQ's Over-The-Counter Bulletin Board under the symbol "ISCB" and, at the option of the holder, is convertible to Class A Common Stock at any time. As of November 30, 2000 there were approximately 4,200 record holders of both classes of stock.

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

Quarter Ending:	ISCA		ISCB(1)	
	High	Low	High	Low
February 1999	\$45.88	\$34.00	\$45.38	\$34.00
May 1999	56.38	44.00	56.00	44.00
August 1999	52.88	46.00	52.00	46.75
November 1999	71.13	47.38	69.00	47.25
February 2000	65.94	42.06	64.25	42.50
May 2000	49.50	40.50	48.00	40.50
August 2000	45.75	30.13	45.25	30.00
November 2000	39.44	32.00	39.00	32.00

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

## Dividends

Annual dividends of \$0.06 per share were declared in the quarter ending in May and paid in June in fiscal years 1999 and 2000 on all classes of common stock which existed at the time.

## Investor Inquiries and 10-K

For more information about  
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Investor Relations  
International Speedway Corporation  
Post Office Box 2801  
Daytona Beach, Florida • 32120-2801  
Phone:(386) 947-6465  
www.iscmotorsports.com

## Corporate Address

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Transfer Agent and Registrar  
SunTrust Bank, Central Florida, N.A.  
58 Edgewood Avenue • Atlanta, Georgia • 30303  
Phone:(800)568-3476  
  
Independent Auditors for 2000  
Ernst & Young LLP • Jacksonville, Florida

## OTHER EXECUTIVE OFFICERS

### John R. Saunders

Senior Vice President - Operations

### W. Garrett Crotty

Vice President,  
Secretary and General Counsel

### John E. Graham, Jr.

Vice President of International  
Speedway Corporation and  
President of Daytona International  
Speedway, LLC

### James H. Hunter

Vice President of International  
Speedway Corporation and  
President of South Carolina  
International Speedway Corporation

### W. Grant Lynch, Jr.

Vice President of International  
Speedway Corporation,  
President of Talladega  
Superspeedway, LLC and President of  
Kansas Speedway Corporation

### Paul D. H. Phipps

Vice President - Sales and Marketing

### Leslie A. Richter

Vice President - Special Projects

### Susan G. Schandel

Vice President - Administrative  
Services, Chief Financial Officer  
and Treasurer

### Robert E. Smith

Vice President - Administration



## BOARD OF DIRECTORS

### **William C. France**

Chairman and Chief Executive Officer  
*International Speedway Corporation*



### **James C. France**

President and Chief Operating Officer  
*International Speedway Corporation*

### **Roger S. Penske**

Vice Chairman  
*International Speedway Corporation*  
Chairman and Chief Executive Officer  
*Penske Corporation*



### **Lesa D. Kennedy**

Executive Vice President  
*International Speedway Corporation*

### **H. Lee Combs**

Senior Vice President  
Corporate Development  
*International Speedway Corporation*



### **Gregory W. Penske**

Senior Vice President  
Western Operations  
*International Speedway Corporation*

### **J. Hyatt Brown**

President and Chief Executive Officer  
*Brown & Brown, Inc.*



### **John R. Cooper**

Retired as Vice President  
*International Speedway Corporation*

### **Walter P. Czarnecki**

Executive Vice President  
*Penske Corporation*



### **Robert R. Dyson**

Chairman and Chief Executive Officer  
*Dyson-Kissner-Moran Corporation*

### **James H. Foster**

Retired as Senior Vice President  
*International Speedway Corporation*



### **Brian Z. France**

Executive Vice President  
*NASCAR, Inc.*

### **Christy F. Harris**

Attorney in private practice  
of business and commercial law



### **Raymond K. Mason, Jr.**

President  
*RCK, Inc.*

### **Lloyd E. Reuss**

Retired as President  
*General Motors Corporation*



### **Edward H. Rensi**

Retired as CEO and President  
*McDonald's Corporation*  
President  
*Team Rensi Motorsports*

### **Chapman J. Root, II**

President  
*Root Company, Inc.*



### **Thomas W. Staed**

Chairman  
*Staed Family Associates*



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**For Tickets, Merchandise and Information**  
**[www.iscmotorsports.com](http://www.iscmotorsports.com)**