

INTERNATIONAL SPEEDWAY CORP
 Form 10-Q
 October 04, 2012

UNITED STATES
 SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
 For the quarterly period ended August 31, 2012

OR

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

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

FLORIDA (State or other jurisdiction of incorporation)	O-2384 (Commission File Number)	59-0709342 (I.R.S. Employer Identification No.)
ONE DAYTONA BOULEVARD, DAYTONA BEACH, FLORIDA (Address of principal executive offices)	32114 (Zip code)	
Registrant's telephone number, including area code: (386) 254-2700		

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
(Do not check if a smaller reporting company)			

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

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

Class A Common Stock	26,354,347 shares	as of August 31, 2012
Class B Common Stock	20,070,916 shares	as of August 31, 2012

Table of Contents

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

ITEM 4. DISCLOSURE CONTROLS AND PROCEDURES

PART II—OTHER INFORMATION

ITEM 1A. RISK FACTORS

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

ITEM 6. EXHIBITS

SIGNATURES

Table of Contents

PART I. FINANCIAL INFORMATION
 ITEM 1. FINANCIAL STATEMENTS
 INTERNATIONAL SPEEDWAY CORPORATION
 Consolidated Balance Sheets

	November 30, 2011 (Unaudited)	August 31, 2012
	(In Thousands, Except Share and Per Share Amounts)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 110,078	\$ 87,428
Receivables, less allowance of \$1,000 in 2011 and 2012, respectively	36,098	36,593
Inventories	2,481	4,240
Income taxes receivable	5,914	9,834
Deferred income taxes	3,949	2,319
Prepaid expenses and other current assets	6,875	19,165
Total Current Assets	165,395	159,579
Property and Equipment, net of accumulated depreciation of \$647,905 and \$686,224, respectively	1,371,776	1,367,202
Other Assets:		
Equity investments	100,137	153,655
Intangible assets, net	178,701	178,658
Goodwill	118,791	118,791
Other	9,839	7,033
	407,468	458,137
Total Assets	\$ 1,944,639	\$ 1,984,918
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt	\$ 2,264	\$ 2,293
Accounts payable	17,917	25,963
Deferred income	46,209	81,872
Income taxes payable	1,212	—
Current tax liabilities	4,178	819
Other current liabilities	17,856	15,657
Total Current Liabilities	89,636	126,604
Long-Term Debt	313,888	296,410
Deferred Income Taxes	315,659	323,628
Long-Term Tax Liabilities	1,784	1,670
Long-Term Deferred Income	10,087	10,839
Other Long-Term Liabilities	1,119	1,695
Commitments and Contingencies	—	—
Shareholders' Equity:		
Class A Common Stock, \$.01 par value, 80,000,000 shares authorized; 26,352,759 and 26,060,992 issued and outstanding in 2011 and 2012, respectively	264	260
Class B Common Stock, \$.01 par value, 40,000,000 shares authorized; 20,145,871 and 20,070,916 issued and outstanding in 2011 and 2012, respectively	200	200

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Additional paid-in capital	445,005		442,603	
Retained earnings	772,938		786,436	
Accumulated other comprehensive loss	(5,941	)	(5,427)
Total Shareholders' Equity	1,212,466		1,224,072	
Total Liabilities and Shareholders' Equity	\$ 1,944,639		\$ 1,984,918	
See accompanying notes				

3

Table of ContentsINTERNATIONAL SPEEDWAY CORPORATION
Consolidated Statements of Operations

	Three Months Ended	
	August 31, 2011	August 31, 2012
	(Unaudited)	
	(In Thousands, Except Share and Per Share Amounts)	
REVENUES:		
Admissions, net	\$ 36,278	\$ 26,083
Motorsports related	98,819	77,979
Food, beverage and merchandise	12,347	8,922
Other	2,853	2,942
	150,297	115,926
EXPENSES:		
Direct:		
Prize and point fund monies and NASCAR sanction fees	37,520	30,147
Motorsports related	37,505	30,020
Food, beverage and merchandise	9,710	7,488
General and administrative	25,810	26,837
Depreciation and amortization	18,985	19,366
Impairment of long-lived assets	247	1,372
	129,777	115,230
Operating income	20,520	696
Interest income	39	22
Interest expense	(3,751)	(3,714)
Equity in net (loss) income from equity investments	(1,843)	868
Income (loss) from continuing operations before income taxes	14,965	(2,128)
Income taxes	5,315	(1,091)
Net income (loss)	\$ 9,650	\$ (1,037)
Earnings (loss) per share:		
Basic and diluted	\$ 0.20	\$ (0.02)
Basic weighted average shares outstanding	47,520,734	46,422,879
Diluted weighted average shares outstanding	47,531,710	46,422,879
Comprehensive income (loss)	\$ 9,823	\$ (851)
See accompanying notes.		

Table of ContentsINTERNATIONAL SPEEDWAY CORPORATION
Consolidated Statements of Operations

	Nine Months Ended	
	August 31, 2011	August 31, 2012
	(Unaudited)	
	(In Thousands, Except Share and Per Share Amounts)	
REVENUES:		
Admissions, net	\$ 102,321	\$ 95,953
Motorsports related	292,203	284,484
Food, beverage and merchandise	34,995	32,691
Other	8,224	9,791
	437,743	422,919
EXPENSES:		
Direct:		
Prize and point fund monies and NASCAR sanction fees	104,739	104,254
Motorsports related	89,629	86,744
Food, beverage and merchandise	27,204	25,355
General and administrative	71,944	77,935
Depreciation and amortization	57,165	57,992
Impairment of long-lived assets	3,119	7,075
	353,800	359,355
Operating income	83,943	63,564
Interest income	107	80
Interest expense	(11,432)	(10,055)
Loss on early redemption of debt	—	(9,144)
Equity in net (loss) income from equity investments	(2,816)	1,962
Other	—	916
Income from continuing operations before income taxes	69,802	47,323
Income taxes	26,844	17,481
Net income	\$ 42,958	\$ 29,842
Dividends per share	\$ 0.18	\$ 0.20
Earnings per share:		
Basic and diluted	\$ 0.90	\$ 0.64
Basic weighted average shares outstanding	47,781,307	46,373,280
Diluted weighted average shares outstanding	47,790,618	46,383,313
Comprehensive income	\$ 43,403	\$ 30,356
See accompanying notes.		

Table of ContentsINTERNATIONAL SPEEDWAY CORPORATION
Consolidated Statement of Shareholders' Equity

	Class A Common Stock \$.01 Par Value (Unaudited) (In Thousands)	Class B Common Stock \$.01 Par Value (Unaudited) (In Thousands)	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at November 30, 2011	\$264	\$200	\$445,005	\$772,938	\$ (5,941)	\$1,212,466
Activity 12/1/11 — 8/31/12:						
Net income	—	—	—	29,842	—	29,842
Comprehensive income	—	—	—	—	514	514
Cash dividends (\$0.20 per share)	—	—	—	(9,283)	—	(9,283)
Reacquisition of previously issued common stock	(4)	—	(3,491)	(7,061)	—	(10,556)
Income tax benefit related to stock-based compensation	—	—	(257)	—	—	(257)
Stock-based compensation	—	—	1,346	—	—	1,346
Balance at August 31, 2012	\$260	\$200	\$442,603	\$786,436	\$ (5,427)	\$1,224,072
See accompanying notes.						

Table of ContentsINTERNATIONAL SPEEDWAY CORPORATION
Consolidated Statements of Cash Flows

	Nine Months Ended	
	August 31, 2011	August 31, 2012
	(Unaudited)	
	(In Thousands)	
OPERATING ACTIVITIES		
Net income	\$42,958	\$29,842
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	57,165	57,992
Stock-based compensation	1,066	1,346
Amortization of financing costs	1,030	1,221
Deferred income taxes	20,063	8,043
Loss (income) from equity investments	2,816	(1,962)
Impairment of long-lived assets, non-cash	3,119	5,480
Other, net	428	(820)
Changes in operating assets and liabilities:		
Receivables, net	(11,690)	(495)
Inventories, prepaid expenses and other assets	(12,992)	(11,908)
Accounts payable and other liabilities	7,926	(4,273)
Deferred income	34,128	36,415
Income taxes	6,582	(7,306)
Net cash provided by operating activities	152,599	113,575
INVESTING ACTIVITIES		
Capital expenditures	(55,134)	(48,648)
Equity investments and advances to affiliate	(37,871)	(51,556)
Decrease in restricted Cash	1,002	—
Other, net	(48)	1,408
Net cash used in investing activities	(92,051)	(98,796)
FINANCING ACTIVITIES		
Payment under credit facility	(82,000)	(60,000)
Proceeds from credit facility	—	130,000
Payment of long-term debt	(1,609)	(87,517)
Proceeds from long-term debt	65,000	—
Deferred financing fees	(439)	(73)
Exercise of Class A common stock options	51	—
Cash dividend paid	(8,585)	(9,283)
Reacquisition of previously issued common stock	(21,253)	(10,556)
Net cash used in financing activities	(48,835)	(37,429)
Net increase (decrease) in cash and cash equivalents	11,713	(22,650)
Cash and cash equivalents at beginning of period	84,166	110,078
Cash and cash equivalents at end of period	\$95,879	\$87,428
See accompanying notes.		

Table of Contents

International Speedway Corporation
 Notes to Consolidated Financial Statements
 August 31, 2012
 (Unaudited)

1. Basis of Presentation

The accompanying consolidated financial statements have been prepared in compliance with Rule 10-01 of Regulation S-X and accounting principles generally accepted in the United States but do not include all of the information and disclosures required for complete financial statements. The balance sheet at November 30, 2011, has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. The statements should be read in conjunction with the consolidated financial statements and notes thereto included in the latest annual report on Form 10-K for International Speedway Corporation and its wholly-owned subsidiaries (the "Company" or "ISC"). In management's opinion, the statements include all adjustments which are necessary for a fair presentation of the results for the interim periods. All such adjustments are of a normal recurring nature.

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

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

Because of the seasonal concentration of racing events, the results of operations for the three and nine months ended August 31, 2011 and 2012, respectively, are not indicative of the results to be expected for the year.

2. New Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board ("FASB") issued ASU 2011-05, "Comprehensive Income (Topic 220): Presentation of Comprehensive Income." The objective of this Update is to improve the comparability, consistency, and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income. To increase the prominence of items reported in other comprehensive income and to facilitate convergence of U.S. generally accepted accounting principles and International Financial Reporting Standards, the FASB decided to eliminate the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity, among other amendments in this Update. The amendments require that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other comprehensive income, the components of other comprehensive income, and the total of comprehensive income. The Company adopted this provision in the first quarter of fiscal 2012.

3. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share for the three and nine months ended August 31, 2011 and 2012 (in thousands, except share and per share amounts):

	Three Months Ended		Nine Months Ended	
	August 31, 2011	August 31, 2012	August 31, 2011	August 31, 2012
Basic and diluted:				
Net income (loss)	\$9,650	\$(1,037)	\$42,958	\$29,842
Basic earnings (loss) per share denominator:				
Weighted average shares outstanding	47,520,734	46,422,879	47,781,307	46,373,280
Basic earnings (loss) per share:				
Net income (loss)	\$0.20	\$(0.02)	\$0.90	\$0.64

Table of Contents

Diluted earnings (loss) per share denominator:

Weighted average shares outstanding	47,520,734	46,422,879	47,781,307	46,373,280
Common stock options	10,976	—	9,311	10,033
Diluted weighted average shares outstanding	47,531,710	46,422,879	47,790,618	46,383,313
Diluted earnings (loss) per share:				
Net income (loss)	\$0.20	\$(0.02	) \$0.90	\$0.64
Anti-dilutive shares excluded in the computation of diluted earnings per share	250,476	225,252	258,579	233,863

4. Equity and Other Investments

Hollywood Casino at Kansas Speedway

In February 2012, Kansas Entertainment, LLC, (“Kansas Entertainment”) a 50/50 joint venture of Penn Hollywood Kansas, Inc. (“Penn”), a subsidiary of Penn National Gaming, Inc. and Kansas Speedway Development Corporation (“KSDC”), a wholly owned indirect subsidiary of ISC, opened the Hollywood-themed and branded destination entertainment facility, overlooking turn two of Kansas Speedway. Penn is the managing member of Kansas Entertainment and is responsible for the development and operation of the casino.

The Hollywood Casino at Kansas Speedway features a 95,000 square foot casino with 2,000 slot machines and 52 table games (including 12 poker tables), a 1,253 space parking structure as well as a sports-themed bar, dining and entertainment options. Kansas Entertainment funded the development with equity contributions from each partner. KSDC and Penn shared equally in the cost of developing and constructing the facility. The Company's share of capitalized development costs for the project, excluding its contribution of land, was approximately \$145.0 million. Through August 31, 2012, the Company has funded approximately \$134.3 million of these capitalized development costs as well as certain working capital needs of the project prior to opening. Cash flow from the casino's operations has been used to fund the remaining development costs. During the Company's fiscal 2012 fourth quarter, it is expected that cash flow from the casino's operations will be distributed to Penn and KSDC in accordance with the partnership agreement.

The Company has accounted for Kansas Entertainment as an equity investment in its financial statements as of August 31, 2011 and 2012. Start up and related costs through opening were expensed through equity in net loss from equity investments. The Company's 50.0 percent portion of Kansas Entertainment's net (loss) income is approximately \$(1.8) million and \$0.9 million for the three months ended August 31, 2011 and 2012, respectively, and approximately \$(2.8) million and \$2.0 million for the nine months ended August 31, 2011 and 2012, respectively and is included in equity in net (loss) income from equity investments in its consolidated statements of operations.

Staten Island Property

The Company's wholly owned indirect subsidiary, 380 Development, LLC (“380 Development”), owns a total of 676 acres located in the New York City borough of Staten Island. The Company is currently in exclusive negotiations with an interested buyer for 380 Development.

On March 30, 2011, the New York State Department of Environmental Conservation (“DEC”) published for public comment a series of documents, including an Engineering Work Plan, which will allow the property to be filled. The DEC received comments and subsequently finalized the Engineering Work Plan, as well as a Modified Order on Consent and other related documents. Execution of these documents will allow the property to be filled and any remaining environmental remediation to be completed, both of which are necessary precursors for commercial development of the property. Currently the Company does not anticipate that the filling activities will commence until after it has sold its interest in 380 Development.

Motorsports Authentics

The Company is a partner with Speedway Motorsports, Inc. in a 50/50 joint venture, SMISC, LLC, which, through its wholly owned subsidiary Motorsports Authentics, LLC conducts business under the name Motorsports Authentics (“MA”). MA designs, promotes, markets and distributes motorsports licensed merchandise. The Company's investment in MA was previously reduced to zero and it did not recognize any net income or loss from operations of MA during the three and nine months ended August 31, 2011 or 2012, respectively.

The Company has a guaranty exposure to one NASCAR team licensor which will be satisfied upon MA making certain payments to the team through January 2013. As of August 31, 2012, its guaranty exposure was approximately \$1.2 million.

9

Table of Contents

While it is possible that some obligation under this guarantee may occur in the future, the amount the Company will ultimately pay cannot be estimated at this time. In any event, the Company does not believe that the ultimate financial outcome will have a material impact on its financial position or results of operations.

5. Goodwill and Intangible Assets

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

	November 30, 2011		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:			
Food, beverage and merchandise contracts	\$10	\$7	\$3
Other	108	16	92
Total amortized intangible assets	118	23	95
Non-amortized intangible assets:			
NASCAR — sanction agreements	177,813	—	177,813
Other	793	—	793
Total non-amortized intangible assets	178,606	—	178,606
Total intangible assets	\$178,724	\$23	\$178,701
	August 31, 2012		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:			
Food, beverage and merchandise contracts	\$10	\$8	\$2
Other	92	42	50
Total amortized intangible assets	102	50	52
Non-amortized intangible assets:			
NASCAR — sanction agreements	177,813	—	177,813
Other	793	—	793
Total non-amortized intangible assets	178,606	—	178,606
Total intangible assets	\$178,708	\$50	\$178,658

The following table presents current and expected amortization expense of the existing intangible assets as of August 31, 2012 for each of the following periods (in thousands):

Amortization expense for the nine months ended August 31, 2012	\$43
Remaining estimated amortization expense for the year ending November 30:	
2012	8
2013	21
2014	16
2015	6
2016	1

There were no changes in the carrying value of goodwill during the three and nine months ended August 31, 2012.

Table of Contents

6. Long-Term Debt

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

	November 30, 2011	August 31, 2012
5.4 percent Senior Notes	\$87,024	\$—
4.6 percent Senior Notes	65,000	65,000
4.8 percent Revenue Bonds	1,262	1,044
6.3 percent Term Loan	50,667	50,407
TIF bond debt service funding commitment	62,199	62,252
Revolving Credit Facility	50,000	120,000
	316,152	298,703
Less: current portion	2,264	2,293
	\$313,888	\$296,410

At November 30, 2011 the Company had registered senior notes (the “5.4 percent Senior Notes”) totaling approximately \$87.0 million, net of unamortized discounts, which bore interest at 5.4 percent and were due April 2014. In March 2012, the Company utilized additional borrowings under its revolving credit facility to redeem and retire all outstanding \$87.0 million principal amount of the 5.4 percent Senior Notes, including the payment of a tender premium of approximately \$9.0 million and accrued interest. The net tender premium associated with the unamortized net deferred financing costs and unamortized original issuance discount were recorded as loss on early redemption of debt totaling approximately \$9.1 million.

In June 2008, the Company entered into an interest rate swap agreement to effectively lock in a substantial portion of the interest rate exposure on approximately \$150.0 million notional amount in anticipation of refinancing the \$150.0 million of senior notes that matured in April 2009. This interest rate swap was designated and qualified as a cash flow hedge under ASC 815, “Accounting for Derivatives and Hedging.” As a result of the uncertainty with the U.S. credit markets, in February 2009, the Company amended and re-designated its interest rate swap agreement as a cash flow hedge with expiration in February 2011. During fiscal 2010, based on its current financial position and reduction in the anticipated debt issuance from \$150.0 million to \$65.0 million, the Company discontinued this cash flow hedge and settled the related liability. At August 31, 2012, the Company has approximately \$5.4 million, net of tax, deferred in accumulated other comprehensive loss associated with this interest rate swap which is being amortized as interest expense over the life of the private placement senior notes completed in January 2011 (see below). The Company expects to recognize approximately \$0.7 million of this balance, net of tax, during the next 12 months in the consolidated statement of operations.

In January 2011, the Company completed an offering of approximately \$65.0 million principal amount of senior unsecured notes in a private placement (“4.6 percent Senior Notes”). These notes, which bear interest at 4.6 percent and are due January 2021, require semi-annual interest payments on January 18 and July 18 through their maturity. The 4.6 percent Senior Notes may be redeemed in whole or in part, at the Company’s option, at any time or from time to time at redemption prices as defined in the indenture. Certain of the Company’s wholly owned domestic subsidiaries are guarantors of the 4.6 percent Senior Notes. The 4.6 percent Senior Notes also contain various restrictive covenants. The deferred financing fees, along with the aforementioned deferred interest rate swap balance included in accumulated other comprehensive loss, are treated as additional interest expense and are being amortized over the life of the 4.6 percent Senior Notes, on a straight-line method, which approximates the effective yield method. At August 31, 2012, outstanding principal on the 4.6 percent Senior Notes was approximately \$65.0 million.

In September 2012, the Company completed an offering of approximately \$100.0 million principal amount of senior unsecured notes in a private placement (“2024 Senior Notes”). The 2024 Senior Notes bear interest at 3.95 percent and are due September 2024. The 2024 Senior Notes require semi-annual interest payments on March 13 and September 13 through their maturity. The 2024 Senior Notes may be redeemed in whole or in part, at its option, at any time or from time to time at redemption prices as defined in the indenture. Certain of the Company’s wholly owned domestic subsidiaries are guarantors of the 2024 Senior Notes. The 2024 Senior Notes also contain various restrictive

covenants. The deferred financing fees will be treated as additional interest expense and will be amortized over the life of the 2024 Senior Notes on a straight-line method, which approximates the effective yield method. The funds received were used to pay down \$100.0 million of the outstanding balance on the 2010 Credit Facility.

The Company's wholly owned subsidiary, Raceway Associates, LLC, which owns and operates Chicagoland Speedway and Route 66 Raceway, has debt outstanding in the form of revenue bonds payable ("4.8 percent Revenue Bonds"), consisting of economic development revenue bonds issued by the City of Joliet, Illinois to finance certain land improvements. The 4.8 percent Revenue Bonds have an interest rate of 4.8 percent and a monthly payment of \$29,000 principal and interest. At August 31, 2012, outstanding principal on the 4.8 percent Revenue Bonds was approximately \$1.0 million.

Table of Contents

The term loan (“6.3 percent Term Loan”), related to the construction of the Company’s International Motorsports Center, has a 25 year term due October 2034, an interest rate of 6.3 percent, and a current monthly payment of approximately \$292,000. At August 31, 2012, the outstanding principal on the 6.3 percent Term Loan was approximately \$50.4 million.

At August 31, 2012, outstanding taxable special obligation revenue (“TIF”) bonds, in connection with the financing of construction of Kansas Speedway, totaled approximately \$62.3 million, net of the unamortized discount, which is comprised of a \$13.2 million principal amount, 6.2 percent term bond due December 1, 2017 and a \$49.7 million principal amount, 6.8 percent term bond due December 1, 2027. The TIF bonds are repaid by the Unified Government of Wyandotte County/Kansas City, Kansas (“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.

In November 2010, the Company entered into a \$300.0 million revolving credit facility (“2010 Credit Facility”). The 2010 Credit Facility contains a feature that allows the Company to increase the credit facility to a total of \$500.0 million, subject to certain conditions. The 2010 Credit Facility is scheduled to mature in November 2015, and accrues interest at LIBOR plus 150.0 — 225.0 basis points, depending on the better of its debt rating as determined by specified rating agencies or the Company’s leverage ratio. The 2010 Credit Facility contains various restrictive covenants. At August 31, 2012, the Company had approximately \$120.0 million outstanding under the 2010 Credit Facility.

Total interest expense from continuing operations incurred by the Company was approximately \$3.8 million and \$3.7 million for the three months ended August 31, 2011 and 2012, respectively, and approximately \$11.4 million and \$10.1 million for the nine months ended August 31, 2011 and 2012, respectively. Total interest capitalized for the three months ended August 31, 2011 and 2012 was approximately \$0.9 million and \$0.2 million, respectively, and approximately \$2.4 million and \$2.9 million for the nine months ended August 31, 2011 and 2012, respectively. Financing costs of approximately \$4.9 million and \$4.3 million, net of accumulated amortization, have been deferred and are included in other assets at November 30, 2011 and August 31, 2012, respectively. These costs are being amortized on a straight-line method, which approximates the effective yield method, over the life of the related financing.

7. Financial Instruments

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

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

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

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

At August 31, 2012, the Company had money market funds totaling approximately \$55.4 million which are included in cash and cash equivalents in its consolidated balance sheets. All inputs used to determine fair value are considered level 1 inputs.

Fair values of long-term debt are based on quoted market prices at the date of measurement. The Company’s credit facilities approximate fair value as they bear interest rates that approximate market. These inputs used to determine fair value are considered level 2 inputs. The fair value of the remaining long-term debt, as determined by quotes from financial institutions, was approximately \$270.9 million compared to the carrying amount of approximately \$266.2 million and approximately \$181.0 million compared to the carrying amount of approximately \$178.7 million at November 30, 2011 and August 31, 2012, respectively.

The Company had no level 3 inputs as of August 31, 2012.

8. Capital Stock

Stock Purchase Plan

The Company has a share repurchase program (“Stock Purchase Plan”) under which it is authorized to purchase up to \$330.0 million of its outstanding Class A common shares. The timing and amount of any shares repurchased under the Stock

12

Table of Contents

Purchase Plan will depend on a variety of factors, including price, corporate and regulatory requirements, capital availability and other market conditions. The Stock Purchase Plan may be suspended or discontinued at any time without prior notice. No shares have been or will be knowingly purchased from Company insiders or their affiliates. Since inception of the Plan through August 31, 2012, the Company has purchased 7,063,962 shares of its Class A common shares, for a total of approximately \$268.3 million. The Company did not purchase any shares of its Class A common shares during the three month period ended August 31, 2012. Transactions occur in open market purchases and pursuant to a trading plan under Rule 10b5-1. At August 31, 2012, the Company had approximately \$61.7 million remaining repurchase authority under the current Stock Purchase Plan.

9. Long-Term Stock Incentive Plan

In May 2012, the Company awarded and issued a total of 171,802 restricted shares of the Company's Class A common shares to certain officers, managers, and other employees, under the Company's Long-Term Stock Incentive Plan (the "2006 Plan"). The shares of restricted stock awarded in May 2012, vest at the rate of 50.0 percent on the third anniversary of the award date and the remaining 50.0 percent on the fifth anniversary of the award date. The weighted average grant date fair value of these restricted share awards was \$26.69 per share. In accordance with ASC 718, "Compensation — Stock Compensation" the Company is recognizing stock-based compensation on its restricted shares awarded on the accelerated method over the requisite service period.

In July 2012, the Company awarded and issued a total of 9,168 restricted shares of the Company's Class A common shares to certain non-employee directors, under the 2006 Plan. The shares of restricted stock awarded in July 2012, vest at the rate of 100.0 percent on the one year anniversary of the award date. The weighted average grant date fair value of these restricted share awards was \$26.18 per share. In accordance with ASC 718, "Compensation — Stock Compensation" the Company is recognizing stock-based compensation on its restricted shares awarded on the straight-line method over the requisite service period.

10. Income Taxes

As of August 31, 2012, in accordance with ASC 740, "Income Taxes," the Company has a total liability of approximately \$2.5 million for uncertain tax positions, inclusive of tax, interest, and penalties. Of this amount, approximately \$1.8 million represents income tax liability for uncertain tax positions related to various state income tax matters. If the accrued liability was de-recognized, approximately \$1.2 million of taxes would impact the Company's consolidated statement of operations as a reduction to its effective tax rate. Included in the balance sheet at August 31, 2012 are approximately \$0.6 million of items of which, under existing tax laws, the ultimate deductibility is certain but for which the timing of the deduction is uncertain. Because of the impact of deferred income tax accounting, a deduction in a subsequent period would result in a deferred tax asset. Accordingly, upon de-recognition, the tax benefits associated with the reversal of these timing differences would have no impact, except for related interest and penalties, on the Company's effective income tax rate.

The Company recognizes interest and penalties related to uncertain tax positions as part of its provision for federal and state income taxes. As of August 31, 2012, the total amounts for accrued interest and penalties were approximately \$0.5 million and approximately \$0.2 million, respectively. If the accrued interest and penalties were de-recognized, approximately \$0.3 million would impact the Company's consolidated statement of operations as a reduction to its effective tax rate.

The Company continues to pursue settlements with the appropriate state tax authorities related to certain state tax issues, as well as in connection with our previously settled examination with the Internal Revenue Service, and on similar terms. The Company expects to pay up to \$0.4 million in total to finalize all pending settlements with various states within the next 12 months. The Company believes that it has provided adequate reserves related to these various state matters including interest charges through August 31, 2012, and, as a result, does not expect that such an outcome would have a material adverse effect on results of operations.

The Company's effective income tax rate for the three month period ended August 31, 2011 and for the nine month periods ended August 31, 2011 and 2012, approximated the statutory income tax rate. The de-recognition of potential tax and interest associated with certain state items accrued are the principal cause of the increased effective income tax benefit for the three months ended August 31, 2012. As a result of these items, the Company's effective income tax

benefit increased from the statutory income rate to approximately 51.3 percent for the three months ended August 31, 2012.

11. Related Party Disclosures and Transactions

All of the racing events that take place during the Company's fiscal year are sanctioned by various racing organizations such as the American Historic Racing Motorcycle Association, the American Motorcyclist Association, the Automobile Racing Club of America, the American Sportbike Racing Association — Championship Cup Series, the Federation Internationale de

Table of Contents

L'Automobile, the Federation Internationale Motocycliste, Grand American Road Racing Association ("Grand American"), Historic Sports Car Racing, IZOD IndyCar Series, National Association for Stock Car Auto Racing ("NASCAR"), National Hot Rod Association, the Porsche Club of America, the Sports Car Club of America, the Sports Car Vintage Racing Association, the United States Auto Club and the World Karting Association. NASCAR, which sanctions many of the Company's principal racing events, is a member of the France Family Group which controls approximately 71.7 percent of the combined voting power of the outstanding stock of the Company, as of November 30, 2011, and some members of which serve as directors and officers of the Company. 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 from continuing operations for disbursement to competitors, which are exclusive of NASCAR sanction fees, totaled approximately \$29.6 million and \$24.2 million for the three months ended August 31, 2011 and 2012, respectively, and \$86.4 million and \$86.9 million for the nine months ended August 31, 2011 and 2012, respectively.

Under current agreements, NASCAR contracts directly with certain network providers for television rights to the entire NASCAR Sprint Cup, Nationwide and Camping World Truck series schedules. Under the terms of this arrangement, NASCAR retains 10.0 percent of the gross broadcast rights fees allocated to each NASCAR Sprint Cup, Nationwide and Camping World Truck series event as a component of its sanction fees. The promoter records 90.0 percent of the gross broadcast rights fees as revenue and then records 25.0 percent of the gross broadcast rights fees as part of its awards to the competitors. Ultimately, the promoter retains 65.0 percent of the net cash proceeds from the gross broadcast rights fees allocated to the event. The Company's television broadcast and ancillary rights fees from continuing operations received from NASCAR for the NASCAR Sprint Cup, Nationwide, and Camping World Truck series events conducted at its wholly owned facilities, and recorded as part of motorsports related revenue, were approximately \$61.1 million and \$50.1 million for the three months ended August 31, 2011 and 2012, respectively, and \$191.8 million and \$193.4 million for the nine months ended August 31, 2011 and 2012, respectively.

12. Commitments and Contingencies

In October 2002, the Unified Government issued subordinate sales tax special obligation revenue bonds ("2002 STAR Bonds") totaling approximately \$6.3 million to reimburse the Company for certain construction already completed on the second phase of the Kansas Speedway project and to fund certain additional construction. The 2002 STAR Bonds, which require annual debt service payments and are due December 1, 2022, will be retired with state and local taxes generated within the speedway's boundaries and are not the Company's obligation. KSC has agreed to guarantee the payment of principal and any required premium and interest on the 2002 STAR Bonds. At August 31, 2012, the Unified Government had approximately \$1.9 million outstanding on 2002 STAR Bonds. Under a keepwell agreement, the Company has agreed to provide financial assistance to KSC, if necessary, to support KSC's guarantee of the 2002 STAR Bonds.

In connection with the Company's automobile and workers' compensation insurance coverages and certain construction contracts, the Company has standby letter of credit agreements in favor of third parties totaling approximately \$4.0 million at August 31, 2012. At August 31, 2012, there were no amounts drawn on the standby letters of credit.

Current Litigation

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 will have a material adverse effect on the Company's financial condition or results of operations.

13. Segment Reporting

The general nature of the Company's business is a motorsports themed amusement enterprise, furnishing amusement to the public in the form of motorsports themed entertainment. The Company's motorsports event operations consist principally of racing events at its major motorsports entertainment facilities. The reporting units within the motorsports segment portfolio are reviewed together as the nature of the products and services, the production processes used, the type or class of customer using our products and services, and the methods used to distribute our products or provide their services are consistent in objectives and principles, and predominately uniform and

centralized throughout the Company. The Company's remaining business units, which are comprised of the radio network production and syndication of numerous racing events and programs, certain souvenir merchandising operations not associated with the promotion of motorsports events at the Company's facilities, construction management services, leasing operations, and 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 general and administrative ("G&A") expenses. Corporate G&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.

Table of Contents

Intersegment sales are accounted for at prices comparable to unaffiliated customers. The following tables provide segment reporting of the Company for the three months ended August 31, 2011 and 2012 (in thousands):

	Three Months Ended August 31, 2011		
	Motorsports	All	Total
	Event	Other	
Revenues	\$140,685	\$10,128	\$150,813
Depreciation and amortization	17,188	1,797	18,985
Operating income	20,263	257	20,520
Capital expenditures	21,964	7,869	29,833
Total assets	1,642,727	297,327	1,940,054
Equity investments	—	78,744	78,744
	Three Months Ended August 31, 2012		
	Motorsports	All	Total
	Event	Other	
Revenues	\$108,000	\$8,397	\$116,397
Depreciation and amortization	17,900	1,466	19,366
Operating income (loss)	917	(221)	) 696
Capital expenditures	22,099	457	22,556
Total assets	1,627,761	357,157	1,984,918
Equity investments	—	153,655	153,655
	Nine Months Ended August 31, 2011		
	Motorsports	All	Total
	Event	Other	
Revenues	\$415,318	\$24,031	\$439,349
Depreciation and amortization	51,795	5,370	57,165
Operating income (loss)	85,013	(1,070)	) 83,943
Capital expenditures	44,371	10,763	55,134
	Nine Months Ended August 31, 2012		
	Motorsports	All	Total
	Event	Other	
Revenues	\$402,273	\$21,878	\$424,151
Depreciation and amortization	53,407	4,585	57,992
Operating income	65,007	(1,443)	) 63,564
Capital expenditures	46,470	2,178	48,648

Intersegment revenues were approximately \$0.5 million and \$0.5 million for the three months ended August 31, 2011 and 2012, respectively, and approximately \$1.6 million and \$1.2 million for the nine months ended August 31, 2011 and 2012, respectively.

The Company recorded an impairment of long-lived assets of approximately \$7.1 million, for the nine months ended August 31, 2012, and is primarily attributable to the removal of certain assets not fully depreciated. The Company recorded an impairment of long-lived assets of approximately \$3.1 million, for the nine months ended August 31, 2011, and is primarily attributable to the removal of certain assets not fully depreciated. These impairments were included in the Motorsports Event segment.

Table of Contents

PART I. FINANCIAL INFORMATION

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

Results of Operations

General

The general nature of our business is a motorsports themed amusement enterprise, furnishing amusement to the public in the form of motorsports themed entertainment. We derive revenues primarily from (i) admissions to motorsports events and motorsports themed amusement activities held at our facilities, (ii) revenue generated in conjunction with or as a result of motorsports events and motorsports themed amusement activities conducted at our facilities, and (iii) catering, concession and merchandising services during or as a result of these events and amusement activities.

"Admissions, net" revenue includes ticket sales for all of our racing events and other motorsports activities and amusements, net of any applicable taxes.

"Motorsports related" revenue primarily includes television and ancillary media rights fees, promotion and sponsorship fees, hospitality rentals (including luxury suites, chalets and the hospitality portion of club seating), advertising revenues, royalties from licenses of our trademarks, parking and camping revenues, and track rental fees.

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

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

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. While our estimates and assumptions are based on conditions existing at and trends leading up to the time the estimates and assumptions are made, actual results could differ materially from those estimates and assumptions. We continually review our accounting policies, how they are applied and how they are reported and disclosed in the financial statements.

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

Basis of Presentation and Consolidation. We consolidate all entities we control by ownership of a majority voting interest and variable interest entities for which we have the power to direct activities and the obligation to absorb losses. Our judgment in determining if we consolidate a variable interest entity includes assessing which party, if any, has the power and benefits. Therefore, we evaluate which activities most significantly affect the variable interest entities economic performance and determine whether we, or another party, have the power to direct these activities.

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

Revenue Recognition. Advance ticket sales and event-related revenues for future events are deferred until earned, which is generally once the events are conducted. The recognition of event-related expenses is matched with the recognition of event-related revenues.

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

16

Table of Contents

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

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

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

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

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

We must make estimates and assumptions when accounting for capital expenditures. Whether an expenditure is considered an operating expense or a capital asset is a matter of judgment. When constructing or purchasing assets, we must determine whether existing assets are being replaced or otherwise impaired, which also is a matter of judgment. Our depreciation expense for financial statement purposes is highly dependent on the assumptions we make about our assets’ estimated useful lives. We determine the estimated useful lives based upon our experience with similar assets, industry, legal and regulatory factors, and our expectations of the usage of the asset. Whenever events or circumstances occur which change the estimated useful life of an asset, we account for the change prospectively.

Interest costs associated with major development and construction projects are capitalized as part of the cost of the project. Interest is typically capitalized on amounts expended using the weighted-average cost of our outstanding borrowings, since we typically do not borrow funds directly related to a development or construction project. We capitalize interest on a project when development or construction activities begin, and cease when such activities are substantially complete or are suspended for more than a brief period.

Impairment of Long-lived Assets, Goodwill and Other Intangible Assets. Our consolidated balance sheets include significant amounts of long-lived assets, goodwill and other intangible assets which could be subject to impairment. As of August 31, 2012, goodwill and other intangible assets and property and equipment accounts for approximately

\$1.7 billion, or 83.9 percent of our total assets. We account for our goodwill and other intangible assets in accordance with ASC 350, “Intangibles — Goodwill and Other,” and for our long-lived assets in accordance with ASC 360, “Property, Plant and Equipment.”

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

Table of Contents

quoted market prices or comparable transactions where available or applicable.

While we continue to review and analyze many factors that can impact our business prospects in the future (as further described in “Risk Factors”), our analysis is subjective and is based on conditions existing at, and trends leading up to, the time the estimates and assumptions are made. Different conditions or assumptions, or changes in cash flows or profitability, if significant, could have a material adverse effect on the outcome of the impairment evaluation and our future condition or results of operations. Despite the current adverse economic trends, particularly credit availability, the decline in consumer confidence and the sustained level of high unemployment, which have recently contributed to the decrease in attendance related, as well as corporate partner, revenues for certain of our motorsports events since fiscal 2008, we believe there has been no significant change in the long-term fundamentals of our ongoing motorsports event business. We believe our present operational and cash flow outlook further support our conclusion. In connection with our fiscal 2011 assessment of goodwill and intangible assets for possible impairment we used the methodology described above. We believe our methods used to determine fair value and evaluate possible impairment were appropriate, relevant, and represent methods customarily available and used for such purposes. Our latest annual assessment of goodwill and other intangible assets in the fourth quarter of fiscal 2011 indicated there had been no impairment and the fair value substantially exceeded the carrying value for the respective reporting units, except for one reporting unit. The estimated fair value for this one reporting unit, which has goodwill of less than \$20.0 million, exceeded the carrying value by less than 7 percent as determined using our internal discounted cash flow methodology. We believe the most recent comparable market transactions would support a substantially higher valuation.

In addition, our growth strategy includes investing in certain joint venture opportunities. In these equity investments we exert significant influence on the investee but do not have effective control over the investee, which adds an additional element of risk that can adversely impact our financial position and results of operations. The carrying value of our equity investments was \$153.7 million at August 31, 2012.

Income Taxes. The tax law requires that certain items be included in our tax return at different times than when these items are reflected in our consolidated financial statements. Some of these differences are permanent, such as expenses not deductible on our tax return. However, some differences reverse over time, such as depreciation expense, and these temporary differences create deferred tax assets and liabilities. Our estimates of deferred income taxes and the significant items giving rise to deferred tax assets and liabilities reflect our assessment of actual future taxes to be paid on items reflected in our financial statements, giving consideration to both timing and probability of realization. Actual income taxes could vary significantly from these estimates due to future changes in income tax law or changes or adjustments resulting from final review of our tax returns by taxing authorities, which could also adversely impact our cash flow.

In the ordinary course of business, there are many transactions and calculations where the ultimate tax outcome is uncertain. Accruals for uncertain tax positions are provided for in accordance with the requirements of ASC 740, “Income Taxes.” Under this guidance, we may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50.0 percent likelihood of being realized upon the ultimate settlement. This interpretation also provides guidance on de-recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, and income tax disclosures. Judgment is required in assessing the future tax consequences of events that have been recognized in our financial statements or tax returns. Although we believe the estimates are reasonable, no assurance can be given that the final outcome of these matters will not be different than what is reflected in the historical income tax provisions and accruals. Such differences could have a material impact on the income tax provision and operating results in the period in which such determination is made.

Contingent Liabilities. Our determination of the treatment of contingent liabilities in the financial statements is based on our view of the expected outcome of the applicable contingency. In the ordinary course of business, we consult with legal counsel on matters related to litigation and other experts both within and outside our Company. We accrue

a liability if the likelihood of an adverse outcome is probable and the amount of loss is reasonably estimable. We disclose the matter but do not accrue a liability if the likelihood of an adverse outcome is reasonably possible and an estimate of loss is not determinable. Legal and other costs incurred in conjunction with loss contingencies are expensed as incurred.

Equity and Other Investments

Hollywood Casino at Kansas Speedway

In February 2012, Kansas Entertainment, LLC, (“Kansas Entertainment”) a 50/50 joint venture of Penn Hollywood Kansas, Inc. (“Penn”), a subsidiary of Penn National Gaming, Inc. and Kansas Speedway Development Corporation (“KSDC”), a

Table of Contents

wholly owned indirect subsidiary of ISC, opened the Hollywood-themed and branded destination entertainment facility, overlooking turn two of Kansas Speedway (“Kansas”). Penn is the managing member of Kansas Entertainment and is responsible for the development and operation of the casino.

The Hollywood Casino at Kansas Speedway features a 95,000 square foot casino with 2,000 slot machines and 52 table games (including 12 poker tables), a 1,253 space parking structure as well as a sports-themed bar, dining and entertainment options. Kansas Entertainment funded the development with equity contributions from each partner. KSDC and Penn shared equally in the cost of developing and constructing the facility. Our share of capitalized development costs for the project, excluding our contribution of land, was approximately \$145.0 million. Through August 31, 2012, we have funded approximately \$134.3 million of these capitalized development costs as well as certain working capital needs of the project prior to opening. Cash flow from the casino’s operations has been used to fund the remaining development costs. During our fiscal 2012 fourth quarter, it is expected that cash flows from the casino’s operations will be distributed to Penn and KSDC in accordance with the partnership agreement.

We have accounted for Kansas Entertainment as an equity investment in our financial statements as of August 31, 2011 and 2012. Start up and related costs through opening were expensed through equity in net loss from equity investments. Our 50.0 percent portion of Kansas Entertainment’s net (loss) income is approximately \$(1.8) million and \$0.9 million for the three months ended August 31, 2011 and 2012, respectively, and approximately \$(2.8) million and \$2.0 million for the nine months ended August 31, 2011 and 2012, respectively and is included in equity in net (loss) income from equity investments in our consolidated statements of operations.

Staten Island Property

Our wholly owned indirect subsidiary, 380 Development, LLC (“380 Development”), owns a total of 676 acres located in the New York City borough of Staten Island. We are currently in exclusive negotiations with an interested buyer for 380 Development.

On March 30, 2011, the New York State Department of Environmental Conservation (“DEC”) published for public comment a series of documents, including an Engineering Work Plan, which will allow the property to be filled. The DEC received comments and subsequently finalized the Engineering Work Plan, as well as a Modified Order on Consent and other related documents. Execution of these documents will allow the property to be filled and any remaining environmental remediation to be completed, both of which are necessary precursors for commercial development of the property. Currently we do not anticipate that the filling activities will commence until after we have sold our interest in 380 Development.

Motorsports Authentics

We are a partner with Speedway Motorsports, Inc. in a 50/50 joint venture, SMISC, LLC, which, through its wholly owned subsidiary Motorsports Authentics, LLC conducts business under the name Motorsports Authentics (“MA”). MA designs, promotes, markets and distributes motorsports licensed merchandise. Our investment in MA was previously reduced to zero and we did not recognize any net income or loss from operations of MA during the three and nine months ended August 31, 2011 or 2012, respectively.

We have a guaranty exposure to one NASCAR team licensor which will be satisfied upon MA making certain payments to the team through January 2013. As of August 31, 2012, our guaranty exposure was approximately \$1.2 million. While it is possible that some obligation under this guarantee may occur in the future, the amount we will ultimately pay cannot be estimated at this time. In any event, we do not believe that the ultimate financial outcome will have a material impact on our financial position or results of operations.

Senior Notes

At November 30, 2011 we had registered senior notes (the “5.4 percent Senior Notes”) totaling approximately \$87.0 million, net of unamortized discounts, which bore interest at 5.4 percent and were due April 2014. In March 2012, we utilized additional borrowings under our revolving credit facility to redeem and retire all outstanding \$87.0 million principal amount of the 5.4 percent Senior Notes, including the payment of a tender premium of approximately \$9.0 million and accrued interest. The net tender premium associated with the unamortized net deferred financing costs and unamortized original issuance discount were recorded as loss on early redemption of debt totaling approximately \$9.1 million.

In September 2012, we completed an offering of approximately \$100.0 million principal amount of senior unsecured notes in a private placement (“2024 Senior Notes”). The 2024 Senior Notes bear interest at 3.95 percent and are due January 2024. The 2024 Senior Notes require semi-annual interest payments on September 13 and February 13 through their maturity. The 2024 Senior Notes may be redeemed in whole or in part, at our option, at any time or from time to time at redemption prices as

Table of Contents

defined in the indenture. Certain of our wholly owned domestic subsidiaries are guarantors of the 2024 Senior Notes. The 2024 Senior Notes also contain various restrictive covenants. The deferred financing fees will be treated as additional interest expense and will be amortized over the life of the 2024 Senior Notes on a straight-line method, which approximates the effective yield method. The funds received were used to pay down \$100.0 million of the outstanding balance on our \$300.0 million revolving credit facility (“2010 Credit Facility”).

Stock Purchase Plan

An important component of our capital allocation strategy is returning capital to shareholders. We have solid operating margins that generate substantial operating cash flow. Using these internally generated proceeds, we have returned a significant amount of capital to shareholders primarily through our share repurchase program. We have a share repurchase program (“Stock Purchase Plan”) under which we are authorized to purchase up to \$330.0 million of our outstanding Class A common shares. The timing and amount of any shares repurchased under the Stock Purchase Plan will depend on a variety of factors, including price, corporate and regulatory requirements, capital availability and other market conditions. The Stock Purchase Plan may be suspended or discontinued at any time without prior notice. No shares have been or will be knowingly purchased from Company insiders or their affiliates. Since inception of the Plan through August 31, 2012, we have purchased 7,063,962 shares of our Class A common shares, for a total of approximately \$268.3 million. We did not purchase any shares of our Class A common shares during the three month period ended August 31, 2012. Transactions occur in open market purchases and pursuant to a trading plan under Rule 10b5-1. At August 31, 2012, we had approximately \$61.7 million remaining repurchase authority under the current Stock Purchase Plan.

Income Taxes

The Company’s effective income tax rate for the three month period ended August 31, 2011 and for the nine month periods ended August 31, 2011 and 2012, approximated the statutory income tax rate. The de-recognition of potential tax and interest associated with certain state items accrued are the principal cause of the increased effective income tax benefit for the three months ended August 31, 2012. As a result of these items, the Company’s effective income tax benefit increased from the statutory income rate to approximately 51.3 percent for the three months ended August 31, 2012.

Future Trends in Operating Results

Economic conditions, including those affecting disposable consumer income and corporate budgets such as employment levels, business conditions, interest rates and taxation rates, impact our ability to sell tickets to our events and to secure corporate marketing partnerships. We believe that unprecedented adverse economic trends, particularly the decline in consumer confidence, affect the frequency with which our guests choose to visit our major motorsports facilities. These trends significantly contributed to the decreased level of attendance for certain of our motorsports entertainment events. Absent sustained improvement in consumer confidence that includes an increase in discretionary spending, we expect certain adverse trends to persist, which will impact our business, especially attendance-related and corporate partner revenues. Mitigating the potential decline in certain revenue categories are cost containment initiatives that have been implemented. While cost containment is expected to continue to provide a positive impact on our financial position, we do not have significant incremental costs that can be reduced without materially altering the way we operate.

Admissions

An important component of our operating strategy has been our long-standing practice of focusing on supply and demand when evaluating ticket pricing and adjusting capacity at our facilities. By effectively managing ticket prices and seating capacity, we have historically shown the ability to stimulate ticket renewals and advance ticket sales. Advance ticket sales result in earlier cash flow and reduce the potential negative impact of actual, as well as forecasted, inclement weather on ticket sales. As with any ticketing initiatives, we first examine our ticket pricing structure at each of our major motorsports facilities to ensure that prices are in line with market demand. When determined necessary, we will adjust ticket pricing. We believe our ticket pricing is on target with demand, providing attractive price points for all income levels.

It is important that we maintain the integrity of our ticket pricing model by rewarding our most loyal customers. We do not adjust pricing downward inside of the sales cycle to avoid rewarding last-minute ticket buyers by discounting tickets. Further, we closely monitor and manage the availability of promotional tickets. All of these factors could have a detrimental effect on our ticket pricing model and long-term value of our business. We believe it is more important to encourage advance ticket sales and maintain price integrity to achieve long-term growth than to capture short-term incremental revenue. To that end, we continue to experiment with innovative accelerated ticket pricing (whereby prices increase over time) as well as price increases

Table of Contents

week of/day of races to ensure that our customers who bought earliest receive the best pricing.

Adjusting sellable seating capacity at our major motorsports facilities that host NASCAR Sprint Cup Series events is another initiative designed to regain a more normalized advance ticket sales trend. The reduction of sellable capacity, which is primarily achieved by providing improved and wider seating for our fans, enhances the overall guest experience. Any further reduction in capacity will be incremental as we gradually improve seating at our facilities.

The industry and its stakeholders are committed to growing the sport and have aligned with NASCAR as it initiates its five-year Industry Action Plan ("IAP") to connect with existing fans, as well as engage Gen Y, youth and multicultural consumers in motorsports. Additional areas of focus within the IAP that all stakeholders are supporting to ensure the future growth of NASCAR include building product relevance, cultivating driver star power, growing social media activities and enhancing the event experience.

To assist with the IAP, NASCAR engaged Ogilvy & Mather, one of the largest marketing communications companies in the world, with target segmentation, brand vision/storytelling, media strategy, and promotional tasks, and support for NASCAR's digital team.

Recent developments within the IAP include NASCAR and FOX Deportes, the No. 1 U.S. Latino Sports network, teaming up to provide the sport's most expansive Spanish-language broadcast offering with coverage of 15 Sprint Cup Series races, including for the first time, a Spanish-language broadcast of the 2013 Daytona 500 and several other events, as well as original programming, daily news segments and weekly updates.

To support the IAP, we are committed to providing our guests the best technology amenities to improve our at-track connectivity and digital apps. Our customers want greater ability to communicate using their wireless devices when they attend our events. We too want the ability to connect with these customers as they enter our motorsports facilities with timely information to enhance their event day experience. To accomplish this, we have entered into an agreement with American Tower Corporation and Corning Cable Systems LLC to design and install fiber optic cable networks supporting the deployment of distributed antenna systems ("DAS") at 12 of our major motorsports facilities. Our agreement also includes the opportunity to expand the scope to include Wi-Fi. We are confident our customer will experience the improved wireless performance at our events.

Corporate Partnerships

We believe that our presence in key metropolitan statistical areas, year-round event schedule, impressive portfolio of major motorsports events and attractive fan demographics are beneficial as we continue to pursue renewal and expansion of existing corporate marketing partnerships and establish new corporate relationships.

Our corporate sales team continues to generate strong levels of interest from corporate prospects. Recent economic trends have influenced corporate budgets, sales and contract duration. For 2012-to-date, we have seen a mix of both increasing and decreasing pricing. However, in spite of the adverse trends and mixed pricing, we have been able to accurately target our gross corporate marketing partnership revenues over past the few years. This fiscal year, we expect to be with a few percentage points of our 2012 target.

Entering into the 2012 season, we had more available inventory than in previous years due to the shorter duration of contracted terms. We continue to secure multi-year deals and have recently announced that Martinsville Speedway ("Martinsville") and PepsiCo entered into an extension of their 65-year partnership with a new multi-year beverage contract. PepsiCo beverages will continue to be exclusively served at the track, and Pepsi will remain the official soft drink of Martinsville. The renewed agreement continues one of the longest running partnerships in the history of racing.

From an entitlement perspective, we have secured all NASCAR Nationwide and Camping World Truck series event entitlements, and secured all but one NASCAR Sprint Cup series entitlement for the year. We are actively working on securing the remaining open NASCAR event entitlements and other available inventory for the 2013 season. Based on current activity and interest, we expect to have less available inventory as we enter into the 2013 season than this year, which will help improve the terms on the limited inventory.

Television Broadcast and Ancillary Media Rights

Domestic broadcast and ancillary media rights fees revenues are an important component of our revenue and earnings stream. Starting in 2007, NASCAR entered into new combined eight-year agreements with FOX, ABC/ESPN, TNT and SPEED for the domestic broadcast and related rights for its three national touring series — Sprint Cup, Nationwide and Camping World Truck. The agreements total approximately \$4.5 billion over the eight-year period from 2007 through 2014. This results in an

21

Table of Contents

approximate \$560.0 million gross average annual rights fee for the industry, a more than 40.0 percent increase over the previous contract average of \$400.0 million annually. The industry rights fees were approximately \$505.0 million, \$515.0 million, \$530.0 million, \$545.0 million and \$565.0 million for fiscal 2007, 2008, 2009, 2010 and 2011, respectively, and will be approximately \$585.0 million for 2012; \$605.0 million for 2013; and, \$630.0 million for 2014.

FOX and TNT have been strong supporters of NASCAR racing since 2001, and both have played a major role in the sport's climb in popularity. We have, and expect to continue to see, ongoing broadcast innovation in their coverage of NASCAR racing events. Also notable was the return of ESPN to the sport in 2007, which it helped build throughout the 1980s and 1990s. ESPN's coverage and weekly ancillary NASCAR-related programming continues to promote the sport across its various channels. Further, ESPN broadcasts substantially the entire ABC/ESPN inventory of NASCAR Sprint Cup and Nationwide series events, providing these series with the continuity and promotional support that we believe will allow them to flourish. ESPN, with a subscriber base at approximately 100 million homes, has the ability to attract younger viewers as well as create more exposure for the sport. Cable broadcasters can typically support a higher investment due to subscriber fees that are not available to traditional networks, which is a potential benefit as NASCAR negotiates the next consolidated domestic broadcast media rights contract.

While the media landscape continues to evolve, we believe NASCAR's position in the sports and entertainment industry remains strong. The NASCAR Sprint Cup Series remains the second highest rated regular season sport on television. For the 2011 season, an average of 4.4 million households and 6.5 million viewers tuned into each NASCAR Sprint Cup Series event. Also, over 70 million unique viewers tuned into a NASCAR Sprint Cup Series event, and on average per event, NASCAR has the second largest number of viewers and people watching together as well as the largest percentage of female viewers. The NASCAR Sprint Cup Series is the number two sport among all key demographic groups, trailing only the NFL.

This year, the 54th running of the DAYTONA 500 was rescheduled due to weather and for the first time in its storied history the event was hosted during FOX's primetime. The event was the most-watched NASCAR broadcast ever for FOX with a domestic viewing audience of 36.5 million seeing a portion of the race. Season-to-date, the NASCAR Sprint Cup Series events have ranked among the top two sports of the weekend on television 20 out of 26 event weekends in 2012. In addition, the NASCAR Nationwide Series is the second-highest rated motorsports series on television and the NASCAR Camping World Truck Series is the third-highest rated motorsports series on cable television.

Benefiting NASCAR as well as other sports, is that advertising on sports spending has increased approximately 33.0 percent over the past three years to \$11.0 billion annually, according to Neilson. A factor that has contributed to this substantial increase in advertising spending is the proliferation of digital video recorders ("DVR") in households. In 2006, according to Neilson, only 3 percent of households in the U.S. had a DVR, today over 42 percent of households have a DVR.

NASCAR's solid ratings as well as other factors such as the strong demand for live broadcasting, the proliferation of DVRs, we believe, puts NASCAR in a strong negotiating position for the next broadcast media rights agreements. Domestic broadcast media rights fees provide significant cash flow visibility to us, race teams and NASCAR over the contract term. Television broadcast and ancillary rights fees from continuing operations received from NASCAR for the NASCAR Sprint Cup, Nationwide and Camping World Truck series events conducted at our wholly owned facilities under these agreements, and recorded as part of motorsports related revenue, were approximately \$61.1 million and \$50.1 million for three months ended August 31, 2011 and 2012, respectively, and \$191.8 million and \$193.4 million for the nine months ended August 31, 2011 and 2012, respectively. Operating income generated by these media rights were approximately \$44.7 million and \$36.3 million for the three months ended August 31, 2011 and 2012, respectively, and \$140.7 million and \$140.5 million for the nine months ended August 31, 2011 and 2012, respectively.

We also benefit from NASCAR's ancillary rights agreements for which we receive a share of contracted revenues from various partners such as Turner Sports (NASCAR.COM) and SiriusXM Radio. Through ancillary rights sharing we

receive, at times, revenues for international broadcasting, NASCAR images, specialty pay-per-view telecasts and other media content distribution. The various contracted agreements are negotiated separately by NASCAR, and vary in terms and duration.

SiriusXM Radio has been the most significant contributor to the industry's ancillary rights revenue. In 2007, Sirius Satellite Radio, the predecessor to SiriusXM Radio, entered into a five year agreement to be NASCAR's exclusive satellite radio partner. Since entering into the contract, Sirius Satellite Radio and XM Satellite Radio merged to form Sirius XM Radio. Prior to this merger, both were actively competing against each other for the distribution rights for original programming thereby increasing the pricing of these rights. With the merger completed in 2008 and only one satellite provider bidding, distribution rights agreements entered into currently have generally been lower. This is the case with the agreement NASCAR entered into for SiriusXM Radio to continue as the exclusive satellite rights provider for NASCAR.

For 2011, the industry received approximately \$19.3 million in these ancillary rights fees of which we received approximately

Table of Contents

\$7.0 million. We expect to receive an immaterial amount of ancillary revenue in 2012, due primarily to the following factors:

• The aforementioned lower future rights fees received from Sirius XM Radio; and

In order to achieve optimal exploitation of online content, NASCAR and Turner Sports restructured and extended their long-standing digital partnership. The new agreement takes the relationship through 2016. Under the new partnership, NASCAR will assume operational control in 2013 of all of its interactive, digital and social media rights including technical operations and infrastructure of all NASCAR digital platforms. Turner will continue to represent sponsorships and advertising for all NASCAR digital platforms.

As media rights revenues fluctuate so do the variable costs tied to the percentage of broadcast rights fees required to be paid to competitors as part of NASCAR Sprint Cup, Nationwide and Camping World Truck series sanction agreements. NASCAR prize and point fund monies, as well as sanction fees (“NASCAR direct expenses”), are outlined in the sanction agreement for each event and are negotiated in advance of an event. As previously discussed, included in these NASCAR direct expenses are amounts equal to 25.0 percent of the gross domestic television broadcast rights fees allocated to our NASCAR Sprint Cup, Nationwide and Camping World Truck series events, as part of prize and point fund money (See “Critical Accounting Policies and Estimates — Revenue Recognition”). These annually negotiated contractual amounts paid to NASCAR contribute to the support and growth of the sport of NASCAR stock car racing through payments to the teams and sanction fees paid to NASCAR. As such, we do not expect these costs to materially decrease in the future as a percentage of admissions and motorsports related income.

Sanctioning Bodies

Our success has been, and is expected to remain, dependent on maintaining good working relationships with the organizations that sanction events at our facilities, particularly with NASCAR, whose sanctioned events at our wholly owned facilities accounted for approximately 90.4 percent of our revenues in fiscal 2011. NASCAR continues to entertain and discuss proposals from track operators regarding potential realignment of their portfolio of NASCAR Sprint Cup Series dates to more geographically diverse and potentially more desirable markets where there may be greater demand, resulting in an opportunity for increased revenues to the track operators. We believe that realignments have provided, and will continue to provide, incremental net positive revenue and earnings as well as further enhance the sport’s exposure in highly desirable markets, which we believe benefits the sport’s fans, teams, sponsors and television broadcast partners as well as promoters.

Capital Improvements

Enhancing the live event experience for our guest is a critical strategy for future growth. We are convinced that our focus on driving incremental earnings by improving the fan experience will lead to increased ticket sales, better pricing power, and greater potential to capture market share, in the long-term. We compete for the consumers’ discretionary dollar with other entertainment options such as concerts and other major sporting events not just motorsports events. To better meet our customer’s expectations, we are committed to improving the guest experience through on-going capital improvements at our facilities to better position the Company for long-term growth. Today’s consumer wants easy access into and out of a venue; comfortable and wider seating; clean and available facilities; more points of sales; enhanced audio and visual engagement; and social connectivity. We also anticipate modest capital spending on other projects for maintenance, safety and regulatory requirements.

We are confident that by delivering memorable guest experiences, along with attractive pricing and fantastic racing, we will generate stronger attendance-related revenues, as well as bottom-line results. While we focus on allocating our capital to generate returns in excess of our cost of capital, certain of these capital improvement investments may not provide immediate, directly traceable positive returns on invested capital but will better enable us to effectively compete with other entertainment venues for consumer and corporate spending.

We are currently in the process of reviewing potentially highly impactful projects that would necessitate an increase in our capital spending at existing facilities above recent levels. At Daytona, we recently filed a Planned Master Development application, which is the first step in the pursuit of potential significant redevelopment projects at the ‘World Center of Racing.’ While many aspects of the projects are yet to be determined, such projects could include a complete overhaul of the entire frontstretch at the legendary speedway, creating a world-class motorsports

entertainment facility including features such as new seats, suites and guest amenities as well as new entry points, improved fan conveyance, a modern exterior, first-class interior areas, and a redesigned midway for fans. Any substantial increase in spending above recent levels will depend upon several factors such as a stable economic operating environment and, preferably, the sale of our Staten Island property.

Growth Strategies

Our growth strategies also include exploring ways to grow our businesses through acquisitions and external developments that

Table of Contents

offer attractive financial returns. This has been demonstrated through our joint venture to develop and operate a Hollywood-themed and branded entertainment destination facility overlooking turn two of Kansas Speedway (see “Hollywood Casino at Kansas Speedway”).

Subsequent to the end of our fiscal 2012 third quarter, we expect the Hollywood Casino at Kansas Speedway to begin providing positive cash flow to us and expect our fiscal 2012 fourth quarter and full year financial results to include slightly positive equity income in our consolidated statement of operations. While this is the first venture in our market-based real estate strategy to monetize our real estate through ancillary development, we are confident that this project will create significant value for our shareholders. We are interested in replicating further ancillary development at certain of our other motorsports facilities.

Current Litigation

From time to time, we are a party to routine litigation incidental to our business. We do not believe that the resolution of any or all of such litigation will have a material adverse effect on our financial condition or results of operations.

Postponement and/or Cancellation of Major Motorsports Events

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

Seasonality and Quarterly Results

We derive most of our income from a limited number of NASCAR-sanctioned races. As a result, our business has been, and is expected to remain, highly seasonal based on the timing of major racing events. Future schedule changes as determined by NASCAR or other sanctioning bodies, as well as the acquisition of additional, or divestiture of existing, motorsports entertainment facilities could impact the timing of our major events in comparison to prior or future periods. Because of the seasonal concentration of racing events, the results of operations for the three and nine month periods ended August 31, 2011 and 2012, are not indicative of the results to be expected for the year.

GAAP to Non-GAAP Reconciliation

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

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

investors.

The adjustments for 2011 relate to carrying costs of our Staten Island property, impairments of certain other long-lived assets and the pre-opening expenses related to the Hollywood Casino at Kansas Speedway — equity in net loss from equity investment.

24

Table of Contents

The adjustments for 2012 relate to carrying costs of our Staten Island property, legal settlement, impairments of certain other long-lived assets, loss on early redemption of debt and net gain on sale of certain assets.

	Three Months Ended		Nine Months Ended	
	August 31, 2011	August 31, 2012 (Unaudited)	August 31, 2011	August 31, 2012
	(In Thousands, Except Per Share Amounts)			
Net income (loss)	\$9,650	\$ (1,037)	\$42,958	\$29,842
Adjustments, net of tax:				
Carrying costs related to Staten Island	607	825	878	1,864
Legal settlement	—	—	—	716
Impairment of long-lived assets	150	858	1,894	4,330
Loss on early redemption of debt	—	—	—	5,568
Casino pre-opening expenses	1,119	—	1,709	—
Net gain on sale of certain assets	—	—	—	(557)
Non-GAAP net income	\$11,526	\$646	\$47,439	\$41,763
Per share data:				
Diluted earnings (loss) per share	\$0.20	\$ (0.02)	\$0.90	\$0.64
Adjustments, net of tax:				
Carrying costs related to Staten Island	0.01	0.01	0.02	0.04
Legal settlement	—	—	—	0.02
Impairment of long-lived assets	—	0.02	0.03	0.09
Loss on early redemption of debt	—	—	—	0.12
Casino pre-opening expenses	0.03	—	0.04	—
Net gain on sale of certain assets	—	—	—	(0.01)
Non-GAAP diluted earnings per share	\$0.24	\$0.01	\$0.99	\$0.90

Table of Contents

Comparison of the Results for the Three and Nine Months Ended August 31, 2012 to the Results for the Three and Nine Months Ended August 31, 2011.

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

	Three Months Ended		Nine Months Ended	
	August 31,	August 31,	August 31,	August 31,
	2011	2012	2011	2012
		(Unaudited)		
Revenues:				
Admissions, net	24.1	22.5	23.4	22.7
Motorsports related	65.8	67.3	66.7	67.3
Food, beverage and merchandise	8.2	7.7	8.0	7.7
Other	1.9	2.5	1.9	2.3
Total revenues	100.0	100.0	100.0	100.0
Expenses:				
Direct expenses:				
Prize and point fund monies and NASCAR sanction fees	25.0	26.0	23.9	24.7
Motorsports related	24.9	25.9	20.5	20.5
Food, beverage and merchandise	6.5	6.5	6.2	6.0
General and administrative	17.2	23.1	16.4	18.4
Depreciation and amortization	12.6	16.7	13.1	13.7
Impairment on long-lived assets	0.1	1.2	0.7	1.7
Total expenses	86.3	99.4	80.8	85.0
Operating income	13.7	0.6	19.2	15.0
Interest income	—	—	—	—
Interest expense	(2.5	) (3.2	) (2.6	) (2.4
Loss on early redemption of debt	—	—	—	(2.1
Equity in net (loss) income from equity investments	(1.2	) 0.8	(0.7	) 0.5
Other income	—	—	—	0.2
Income (loss) from continuing operations before income taxes	10.0	(1.8	) 15.9	11.2
Income taxes	3.6	(0.9	) 6.1	4.1
Net income (loss)	6.4	(0.9	) 9.8	7.1

Comparability of results for the three and nine months ended August 31, 2012 to the same periods in fiscal 2011 was impacted by the following:

- The spring NASCAR Sprint Cup and Camping World Truck series events held at Kansas in the second quarter of fiscal 2012 were held in the third quarter of fiscal 2011;
- The NASCAR Camping World Truck Series event held at Darlington Raceway (“Darlington”) in the second quarter of fiscal 2011 will not be held in fiscal 2012;
- The NASCAR Nationwide Series event held at Stock Car Montreal in the third quarter of fiscal 2011 for which we are no longer the event promoter starting in fiscal 2012;
- Chicagoland Speedway (“Chicagoland”) held a NASCAR Camping World Truck Series event in the third quarter of fiscal 2012. The corresponding event was held in the fourth quarter of fiscal 2011.
- Phoenix International Raceway (“Phoenix”) held a NASCAR Camping World Truck Series event in the first quarter of fiscal 2011. The corresponding event will be held in the fourth quarter of fiscal 2012;
- The previously discussed expectation of lower ancillary revenues in 2012 (see “Future Trends in Operating Results — Television Broadcast and Ancillary Media Rights”);

During the nine month period ended August 31, 2012, we expensed approximately \$3.1 million, or \$0.04 per diluted share, of certain ongoing carrying costs related to our Staten Island property. During the nine month period ended

Table of Contents

August 31, 2011, we expensed approximately \$1.4 million of similar costs;

During the second quarter of our fiscal 2012, we recognized a charge relating to a settlement of a litigation involving certain ancillary facility operations of approximately \$1.2 million, or \$0.02 per diluted share;

During the nine month period ended August 31, 2012, we recognized approximately \$7.1 million, or \$0.09 per diluted share, of impairments of long-lived assets primarily attributable to the removal of assets not fully depreciated in connection with certain capital improvements. For the nine months ended August 31, 2011, we recognized impairments of long-lived assets totaling approximately \$3.1 million, or \$0.03 per diluted share;

During the second quarter of fiscal 2012, we recognized approximately \$9.1 million in expenses, or \$0.12 per diluted share, related to the redemption of the remaining \$87.0 million principal 5.4% Senior Notes maturing in 2014 (see "Redemption of Senior Notes");

For the nine months ended August 31, 2012, we recognized approximately \$2.0 million of income from equity investments associated with our Hollywood Casino at Kansas Speedway, which included results of operations beginning in February 2012, net of charges related to certain start up costs through the opening. During the nine month period ended August 31, 2011, we recognized a loss of approximately \$2.8 million, or \$0.04 per diluted share, from this equity investment consisting of start up costs prior to opening in fiscal 2012; and

During the nine month period ended August 31, 2012, we recorded approximately \$0.9 million, or \$0.01 per diluted share, net gain on the sale of certain assets.

Admissions revenue decreased approximately \$10.2 million, or 28.1 percent, and \$6.4 million, or 6.2 percent, during the three and nine months ended August 31, 2012, respectively, as compared to the same periods of the prior year. The decrease for the three month period is largely attributable to the previously mentioned timing of the spring events at Kansas and the NASCAR Nationwide event at Stock Car Montreal, as well as decreased attendance at certain other events held in the period. Slightly offsetting the three month period decrease was the previously mentioned timing of the NASCAR Camping World Truck Series event held at Chicagoland. The decrease for the nine month period is largely attributable to the previously discussed NASCAR Nationwide event at Stock Car Montreal, as well as decreases in attendance at certain other events held in the period and the previously discussed NASCAR Camping World Truck Series event held at Darlington in fiscal 2011 that will not be held in fiscal 2012. Partially offsetting the nine month decrease was the previously mentioned timing of the NASCAR Camping World Truck Series event held at Chicagoland and increased attendance for certain events conducted during Speedweeks at Daytona.

Motorsports related revenue decreased approximately \$20.8 million, or 21.1 percent, and \$7.7 million, or 2.6 percent, during the three and nine months ended August 31, 2012, respectively, as compared to the same periods of the prior year. The decrease for the three month period is largely attributable to the previously mentioned timing of the spring events at Kansas and the previously discussed NASCAR Nationwide event at Stock Car Montreal, as well as reduced ancillary rights and decreases in sponsorship, suite and hospitality revenue at certain other events held in the period. The decrease for the nine month period is largely attributable to the previously discussed NASCAR Nationwide event at Stock Car Montreal, as well as reduced ancillary rights and decreases in sponsorship, suite and hospitality revenue for certain events held during the periods. Partially offsetting these decreases were increases in television broadcast revenue for events held during the three and nine month periods.

Food, beverage and merchandise revenue decreased approximately \$3.4 million, or 27.7 percent, and \$2.3 million, or 6.6 percent, during the three and nine months ended August 31, 2012, respectively, as compared to the same periods of the prior year. The decrease for the three month period is primarily due to the previously mentioned timing of the spring events at Kansas and concession sales related to offsite events that were held in the third quarter of fiscal 2011, that were not held in the fiscal 2012. The decrease for the nine month period is primarily due to concession sales related to offsite events that were held in fiscal 2011, that were not held in the fiscal 2012. Partially offsetting the decrease was higher catering, merchandise and concession revenues during events held during Speedweeks at Daytona.

Prize and point fund monies and NASCAR sanction fees decreased approximately \$7.4 million, or 19.7 percent, and \$0.5 million, or 0.5 percent, during the three and nine months ended August 31, 2012, respectively, as compared to the same periods of the prior year. The decrease for the three and nine month periods are primarily due to the previously

mentioned timing of the spring events at Kansas. Offsetting the decrease in the nine month period were increases in television broadcast rights fees for the NASCAR Sprint Cup, Nationwide and Camping World Truck series events held during the period as standard NASCAR sanctioning agreements require a specific percentage of television broadcast rights fees to be paid to competitors.

Motorsports related expenses decreased approximately \$7.5 million, or 20.0 percent, and \$2.9 million, or 3.2 percent, during the three and nine months ended August 31, 2012, respectively, as compared to the same periods of the prior year. The decrease for the three month period is largely attributable to the previously discussed NASCAR Nationwide event at Stock Car Montreal and the timing of the spring events at Kansas. Partially offsetting this decrease was the previously mentioned timing of the NASCAR Camping World Truck Series event held at Chicagoland. The decrease for the nine month period is largely attributable to the previously discussed NASCAR Nationwide event at Stock Car Montreal. Partially offsetting this decrease

Table of Contents

was the previously mentioned timing of the NASCAR Camping World Truck Series event held at Chicagoland, as well as increases in expenses related to the certain non-event operations and other events conducted during the period. Motorsports related expenses as a percentage of combined admissions and motorsports related revenue increased to approximately 28.9 percent for the three months ended August 31, 2012, and increased slightly to approximately 22.8 percent for the nine months ended August 31, 2012, as compared to 27.8 percent and 22.7 percent for the same respective periods in the prior year. The slight decrease in margin for the three month period is primarily due to the previously discussed timing of the spring events held at Kansas, as well as the aforementioned offsite events that were held in fiscal 2011, that were not held in the fiscal 2012, while the margins related to the nine month period remained relatively consistent with prior year.

Food, beverage and merchandise expense decreased approximately \$2.2 million, or 22.9 percent, and \$1.8 million, or 6.8 percent, during the three and nine months ended August 31, 2012, respectively, as compared to the same periods of the prior year. The decreases for the three and nine month periods are substantially attributable to expenses related to concession sales for offsite events that were held in fiscal 2011, that were not held in the fiscal 2012. Also contributing to the three month decrease was the previously mentioned timing of the spring events at Kansas. Partially offsetting the nine month decrease was increases in concessions and catering expense at certain events held during Speedweeks at Daytona. Food, beverage and merchandise expense as a percentage of food, beverage and merchandise revenue increased to approximately to 83.9 percent for the three months ended August 31, 2012, and decreased slightly to approximately 77.6 percent for the nine months ended August 31, 2012, as compared to 78.6 percent and 77.7 percent for the same respective periods in the prior year. The decrease in margin for the three month period is previously discussed timing of the spring events held at Kansas, while the margins related to the nine month period remained relatively consistent with prior year.

General and administrative expenses increased approximately \$1.0 million, or 4.0 percent, and \$6.0 million, or 8.3 percent, during the three and nine months ended August 31, 2012, respectively, as compared to the same periods of the prior year. The increases for the three and nine month periods are primarily attributable to certain carrying costs of our Staten Island property, legal expenses, and certain administrative costs. The nine month increase was also impacted by the aforementioned legal settlement. General and administrative expenses as a percentage of total revenues increased to approximately 23.2 percent and 18.4 percent for the three and nine months ended August 31, 2012, as compared to 17.2 percent and 16.4 percent for the same respective periods in the prior year. The decreased margin during the three month period is primarily due to the decrease in revenues associated with the previously mentioned timing of the spring events at Kansas and the NASCAR Nationwide event at Stock Car Montreal.

Depreciation and amortization expense increased approximately \$0.4 million, or 2.0 percent, and \$0.8 million, or 1.4 percent, during the three and nine months ended August 31, 2012, respectively, as compared to the same period of the prior year. The increases were attributable to capital expenditures for our ongoing facility enhancements and related initiatives.

Impairment of long-lived assets of approximately \$7.1 million in fiscal 2012 is primarily attributable to the removal of certain assets not fully depreciated in connection with the repaving of the track at Kansas, as well as guest enhancements at our other facilities. The impairment of long-lived assets of approximately \$3.1 million in fiscal 2011 is primarily attributable to the removal of certain assets not fully depreciated in connection with the repaving of the track and grandstand enhancements at Phoenix and the grandstand enhancements at Kansas.

Interest income during the three and nine months ended August 31, 2012 was comparable to the same period of the prior year.

Interest expense decreased slightly during the three month period ended August 31, 2012 due to the redemption of the remaining \$87.0 million principal 5.4% Senior Notes in March 2012 and was substantially offset by decreased capitalized interest and higher borrowings on our 2010 Credit Facility. Interest expense decreased \$1.4 million, or 12.0 percent, during the nine month period ended August 31, 2012, as compared to the same period of the prior year. The decrease is primarily due to the redemption of the remaining \$87.0 million principal 5.4% Senior Notes in March 2012, and increased capitalized interest during the current periods. Partially offsetting the decrease were higher borrowings on our 2010 Credit Facility, as well as interest on the private placement issued in January 2011 (see "Future

Liquidity”).

Equity in net (loss) income from equity investments represents our 50.0 percent equity investment in Hollywood Casino at Kansas Speedway during the three and nine months ended August 31, 2012 and 2011, respectively (see “Equity and Other Investments”).

Our effective income tax rate was approximately 51.3 percent and 36.9 percent for the three and nine months ended August 31, 2012, as compared to 35.5 percent and 38.5 percent for the same respective periods of the prior year (see “Income Taxes”).

As a result of the foregoing, net income for the three and nine month periods ending August 31, 2012, as compared to the same periods in prior year, reflected a decrease of approximately \$10.7 million, or \$0.22 per diluted share, and approximately \$13.1 million, or \$0.26 per diluted share, respectively.

Table of Contents

Liquidity and Capital Resources

General

We have historically generated sufficient cash flow from operations to fund our working capital needs, capital expenditures at existing facilities, and return of capital through payments of an annual cash dividend and repurchase of our shares under our Stock Purchase Plan. In addition, we have used the proceeds from offerings of our Class A Common Stock, the net proceeds from the issuance of long-term debt, borrowings under our credit facilities and state and local mechanisms to fund acquisitions and development projects. At August 31, 2012, we had cash and cash equivalents totaling approximately \$87.4 million, \$65.0 million principal amount of senior notes outstanding, \$120.0 million in borrowings on our 2010 Credit Facility, a debt service funding commitment of approximately \$62.3 million principal amount related to the taxable special obligation revenue (“TIF”) bonds issued by the Unified Government of Wyandotte County/Kansas City, Kansas (“Unified Government”), \$50.4 million principal term loan related to our headquarters office building (the International Motorsports Center, or “IMC”); and \$1.0 million principal amount of other third party debt. At August 31, 2012, we had working capital of \$33.0 million, primarily supported by \$87.4 million of cash and cash equivalents. At November 30, 2011, we had working capital of \$75.8 million, primarily supported by \$110.1 million of cash and cash equivalents.

Our liquidity is primarily generated from our ongoing motorsports operations, and we expect our strong operating cash flow to continue in the future. In addition, as of August 31, 2012, we have approximately \$176.0 million available to draw upon under our 2010 Credit Facility, if needed. Further, in September 2012, we utilized funds received as part of the approximately \$100.0 million principal amount of senior unsecured notes offered in a private placement to repay approximately \$100.0 million of the 2010 Credit Facility borrowings, increasing availability to approximately \$276.0 million. See “Future Liquidity” for additional disclosures relating to our credit facility and certain risks that may affect our near term operating results and liquidity.

Allocation of capital is driven by our long-term strategic planning and initiatives that encompass our mission, vision and values. Our primary uses of capital are to maintain modest debt levels that are consistent with our current investment grade debt rating from Standard and Poor’s. We will invest in our facilities to improve the guest experience and we will make investments in strategic projects that complement our core business and provide value for our shareholders, all of which is balanced with returning capital to our shareholders through share repurchases and dividends.

During the nine months ended August 31, 2012, our significant cash flows items include the following:

- net cash provided by operating activities totaling approximately \$113.6 million;
- capital expenditures totaling approximately \$48.6 million;
- contributions to the Hollywood Casino at Kansas Speedway joint venture, totaling approximately \$51.6 million;
- net proceeds of approximately \$70.0 million related to our credit facility;
- net payments of approximately \$87.5 million related to long-term debt; and
- dividends paid and reacquisition of previously issued common stock totaling approximately \$19.8 million.

Capital Expenditures

For the nine months ended August 31, 2012, we spent approximately \$48.6 million on capital expenditures for projects at our existing facilities related to grandstand seating enhancements at Talladega Superspeedway (“Talladega”) and Watkins Glen International (“Watkins Glen”); grandstand seating enhancements and RV improvements at Daytona; RV improvements and paving at Michigan; paving at Phoenix; and a variety of other improvements and renovations. We spent approximately \$55.1 million for the nine months ended August 31, 2011, which included \$46.2 million for projects at our existing facilities. The remaining expenditures were associated with land purchases and additional capitalized costs for the Staten Island property.

At August 31, 2012, we have approximately \$45.2 million in capital projects currently approved for our existing facilities. These projects include the track reconfiguration and road course construction at Kansas; grandstand seating enhancements at Talladega and Watkins Glen; facility signage and road improvements at Chicagoland; grandstand concourse and facility signage improvements at Richmond International Raceway; RV improvements and paving at

Michigan; improvements at various facilities for expansion of parking, camping capacity and other uses; and a variety of other improvements and renovations to our facilities that enable us to effectively compete with other sports venues for consumer and corporate spending.

As a result of these currently approved projects and anticipated additional approvals in fiscal 2012, we expect our total fiscal 2012 capital expenditures at our existing facilities will be close to \$90.0 million depending on the timing of certain projects.

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

Table of Contents

Future Liquidity

General

As discussed in “Future Trends in Operating Results,” economic conditions, including those affecting disposable consumer income and corporate budgets such as employment, business conditions, credit availability, interest rates and taxation rates, may impact our ability to sell tickets to our events and to secure revenues from corporate marketing partnerships. We believe that adverse economic trends, particularly the sustained level of high unemployment and decreased consumer confidence, significantly contributed to the level of attendance for certain of our motorsports entertainment events during the recession beginning in 2008. Absent a sustained improvement in consumer confidence that includes an increase in discretionary spending, we expect certain of these adverse trends to persist through fiscal 2012, which we expect to have an impact on our business, especially attendance-related and corporate partner revenues. This may negatively impact year-over-year comparability for our revenue categories for the full year, with the exception of domestic broadcast media rights fees.

Our cash flow from operations consists primarily of ticket, hospitality, merchandise, catering and concession sales and contracted revenues arising from television broadcast rights and marketing partnerships. Despite current economic conditions, we believe that cash flows from operations, along with existing cash, cash equivalents and available borrowings under our credit facility, will be sufficient to fund:

- operations and approved capital projects at existing facilities for the foreseeable future;
- payments required in connection with the funding of the Unified Government’s debt service requirements related to the TIF bonds;
- payments related to our existing debt service commitments;
- equity contributions in connection with the Hollywood Casino at Kansas Speedway development;
- any potential payments associated with our keepwell agreements; and
- our annual dividend and share repurchases under our Stock Purchase Plan.

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

While we expect our strong operating cash flow to continue in the future, our financial results depend significantly on a number of factors. In addition to local, national, and global economic and financial market conditions, consumer and corporate spending could be adversely affected by security and other lifestyle conditions resulting in lower than expected future operating cash flows. General economic conditions were significantly and negatively impacted by the September 11, 2001 terrorist attacks and the wars in Iraq and Afghanistan and could be similarly affected by any future attacks or fear of such attacks, or by conditions resulting from other acts or prospects of war. Any future attacks or wars or related threats could also increase our expenses related to insurance, security or other related matters. Also, our financial results could be adversely impacted by a widespread outbreak of a severe epidemiological crisis. The items discussed above could have a singular or compounded material adverse affect on our financial success and future cash flow.

Long-Term Obligations and Commitments

In January 2011, we completed an offering of approximately \$65.0 million principal amount of senior unsecured notes in a private placement (“4.6 percent Senior Notes”). These notes, which bear interest at 4.6 percent and are due January 2021, require semi-annual interest payments on January 18 and July 18 through their maturity. The 4.6 percent Senior Notes may be redeemed in whole or in part, at our option, at any time or from time to time at redemption prices as defined in the indenture. Certain of our wholly owned domestic subsidiaries are guarantors of the 4.6 percent Senior Notes. The 4.6 percent Senior Notes also contain various restrictive covenants. At August 31, 2012, outstanding principal on the 4.6 percent Senior Notes was approximately \$65.0 million.

In September 2012, we completed an offering of approximately \$100.0 million principal amount of senior unsecured notes in a private placement (“2024 Senior Notes”). The 2024 Senior Notes bear interest at 3.95 percent and are due September 2024. The 2024 Senior Notes require semi-annual interest payments on March 13 and September 13 through their maturity. The 2024 Senior Notes may be redeemed in whole or in part, at our option, at any time or from time to time at redemption prices as defined in the indenture. Certain of our wholly owned domestic subsidiaries are guarantors of the 2024 Senior Notes. The 2024 Senior Notes also contain various restrictive covenants. The funds received were used to pay down \$100.0 million of the outstanding balance on the 2010 Credit Facility. In March 2012, we utilized additional borrowings under our 2010 Credit

Table of Contents

Facility to redeem and retire all outstanding \$87.0 million principal amount of the 5.4 percent Senior Notes (see "Long-Term Debt").

Our wholly owned subsidiary, Raceway Associates, LLC, which owns and operates Chicagoland Speedway and Route 66 Raceway, has debt outstanding in the form of revenue bonds payable ("4.8 percent Revenue Bonds"), consisting of economic development revenue bonds issued by the City of Joliet, Illinois to finance certain land improvements. The 4.8 percent Revenue Bonds have an interest rate of 4.8 percent and a monthly payment of \$29,000 principal and interest. At August 31, 2012, outstanding principal on the 4.8 percent Revenue Bonds was approximately \$1.0 million. The term loan ("6.3 percent Term Loan"), related to the construction of our International Motorsports Center, has a 25 year term due October 2034, an interest rate of 6.3 percent, and a current monthly payment of approximately \$292,000. At August 31, 2012, the outstanding principal on the 6.3 percent Term Loan was approximately \$50.4 million.

In January 1999, the Unified Government, issued approximately \$71.3 million in TIF bonds in connection with the financing of construction of Kansas Speedway. At August 31, 2012, outstanding TIF bonds totaled approximately \$62.3 million, net of the unamortized discount, which is comprised of a \$13.2 million principal amount, 6.2 percent term bond due December 1, 2017 and a \$49.7 million principal amount, 6.8 percent term bond due December 1, 2027. The TIF bonds are repaid by the Unified Government with payments made in lieu of property taxes ("Funding Commitment") by our wholly owned subsidiary, Kansas Speedway 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 2010 Credit Facility contains a feature that allows us to increase the credit facility from \$300.0 million to a total of \$500.0 million, subject to certain conditions. The 2010 Credit Facility is scheduled to mature in November 2015, and accrues interest at LIBOR plus 150.0 — 225.0 basis points, depending on the better of our debt rating as determined by specified rating agencies or our leverage ratio. The 2010 Credit Facility contains various restrictive covenants. At August 31, 2012, we had approximately \$120.0 million outstanding under the 2010 Credit Facility.

In October 2002, the Unified Government issued subordinate sales tax special obligation revenue bonds ("2002 STAR Bonds") totaling approximately \$6.3 million to reimburse us for certain construction already completed on the second phase of the Kansas Speedway project and to fund certain additional construction. The 2002 STAR Bonds, which require annual debt service payments and are due December 1, 2022, will be retired with state and local taxes generated within the Kansas Speedway's boundaries and are not our obligation. KSC has agreed to guarantee the payment of principal, any required premium and interest on the 2002 STAR Bonds. At August 31, 2012, the Unified Government had approximately \$1.9 million in 2002 STAR Bonds outstanding. Under a keepwell agreement, we have agreed to provide financial assistance to KSC, if necessary, to support its guarantee of the 2002 STAR Bonds.

Speedway Developments

In light of NASCAR's publicly announced position regarding additional potential realignment of the NASCAR Sprint Cup Series schedule, we believe there are still potential development opportunities for public/private partnerships in new, underserved markets across the country.

Hollywood Casino at Kansas Speedway

In February 2012, Kansas Entertainment, a 50/50 joint venture of Penn, a subsidiary of Penn National Gaming, Inc. and KSDC, a wholly owned indirect subsidiary of ISC, opened the Hollywood-themed and branded destination entertainment facility, overlooking turn two of Kansas Speedway. Penn is the managing member of Kansas Entertainment and is responsible for the development and operation of the casino.

The Hollywood Casino at Kansas Speedway features a 95,000 square foot casino with 2,000 slot machines and 52 table games (including 12 poker tables), a 1,253 space parking structure as well as a sports-themed bar, dining and entertainment options. Kansas Entertainment funded the development with equity contributions from each partner. KSDC and Penn shared equally in the cost of developing and constructing the facility. Our share of capitalized development costs for the project, excluding our contribution of land, was approximately \$145.0 million. Through August 31, 2012, we have funded approximately \$134.3 million of these capitalized development costs as well as

certain working capital needs of the project prior to opening. Cash flow from the casino's operations has been used to fund the remaining development costs. During our fiscal 2012 fourth quarter, it is expected that cash flow from the casino's operations will be distributed to Penn and KSDC in accordance with the partnership agreement.

Table of Contents

Daytona Development Project

We are exploring development of a mixed-use entertainment destination development, adjacent to our 188,000 square foot office building, the IMC, on property we own located directly across from our Daytona motorsports entertainment facility.

Approved land use entitlements for the remaining project allow for a 265,000 square foot mixed-use retail/dining/entertainment area, plus a hotel, residential and additional office space. We recently submitted applications to the City of Daytona Beach to amend the city's comprehensive plan and the previously approved planned master development agreement in order to enhance the value of our property and facilitate its future development.

We continue to believe that a mixed-use retail/dining/entertainment area located across from our Daytona facility will be a successful project, however, development of the balance of the project is dependent on several factors, including lease arrangements, availability of project financing and overall market conditions.

Inflation

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

Table of Contents

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

During the three and nine months ended August 31, 2012, there have been no material changes in our market risk exposures.

We are exposed to market risk from changes in interest rates in the normal course of business. Our interest income and expense are most sensitive to changes in the general level of U.S. interest rates and the LIBOR rate. In order to manage this exposure, from time to time we use a combination of debt instruments, including the use of derivatives in the form of interest rate swap and lock agreements. We do not enter into any derivatives for trading purposes.

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

Our objective in managing our interest rate risk on our debt is to negotiate the most favorable interest rate structures that we can and, as market conditions evolve, adjust our balance of fixed and variable rate debt to optimize our overall borrowing costs within reasonable risk parameters. Interest rate swaps and locks are used from time to time to convert a portion of our debt portfolio from a variable rate to a fixed rate or from a fixed rate to a variable rate as well as to lock in certain rates for future debt issuances.

The following analysis provides quantitative information regarding our exposure to interest rate risk. We utilize valuation models to evaluate the sensitivity of the fair value of financial instruments with exposure to market risk that assume instantaneous, parallel shifts in interest rate yield curves. There are certain limitations inherent in the sensitivity analyses presented, primarily due to the assumption that interest rates change instantaneously. In addition, the analyses are unable to reflect the complex market reactions that normally would arise from the market shifts modeled.

We have various debt instruments that are issued at fixed rates. These financial instruments, which have a fixed rate of interest, are exposed to fluctuations in fair value resulting from changes in market interest rates. The fair values of long-term debt are based on quoted market prices at the date of measurement. Our credit facilities approximate fair value as they bear interest rates that approximate market. At August 31, 2012, we had approximately \$120.0 million of variable debt outstanding; therefore, a hypothetical increase in interest rates by 1.0 percent would result in an increase in our annual interest expense of approximately \$1.2 million.

At August 31, 2012, the fair value of our total long-term debt as determined by quotes from financial institutions was approximately \$181.0 million. The potential decrease in fair value resulting from a hypothetical 10.0 percent shift in interest rates would be approximately \$4.9 million at August 31, 2012.

Credit risk arises from the possible inability of counterparties to meet the terms of their contracts on a net basis. However, we minimize such risk exposures for these instruments by limiting counterparties to large banks and financial institutions that meet established credit guidelines. We do not expect to incur any losses as a result of counterparty default.

Table of Contents

ITEM 4. DISCLOSURE CONTROLS AND PROCEDURES

Subsequent to August 31, 2012, and prior to the filing of this report, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures under the supervision of and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer. Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures, subject to limitations as noted below, were effective at August 31, 2012, and during the period prior to the filing of this report.

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

PART II — OTHER INFORMATION

ITEM 1A. RISK FACTORS

This report and the documents incorporated by reference may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. You can identify a forward-looking statement by our use of the words “anticipate,” “estimate,” “expect,” “may,” “believe,” “objective,” “projection,” “forecast,” “goal,” and similar expressions. These forward-looking statements include our statements regarding the timing of future events, our anticipated future operations and our anticipated future financial position and cash requirements. Although we believe that the expectations reflected in our forward-looking statements are reasonable, we do not know whether our expectations will prove correct. We previously disclosed in response to Item 1A to Part I of our report on Form 10-K for the fiscal year ended November 30, 2011 the important factors that could cause our actual results to differ from our expectations. There have been no material changes to those risk factors.

Table of Contents

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares (or approximate dollar value of shares) that may yet be purchased under the plans or programs (in thousands)
June 1, 2012 — June 30, 2012				
Repurchase program (1)	—	—	—	\$ 61,740
July 1, 2012 — July 31, 2012				
Repurchase program (1)	—	—	—	\$ 61,740
August 1, 2012 — August 31, 2012				
Repurchase program (1)	—	—	—	\$ 61,740
	—	—	—	

(1) We have a share repurchase program (“Stock Purchase Plan”) under which we are authorized to purchase up to \$330.0 million of our outstanding Class A common shares. The timing and amount of any shares repurchased under the Stock Purchase Plan will depend on a variety of factors, including price, corporate and regulatory requirements, capital availability and other market conditions. The Stock Purchase Plan may be suspended or discontinued at any time without prior notice. No shares have been or will be knowingly purchased from Company insiders or their affiliates.

Since inception of the Plan through August 31, 2012, we have purchased 7,063,962 shares of our Class A common shares, for a total of approximately \$268.3 million. We did not purchase any shares of our Class A common shares during the three month period ended August 31, 2012. Transactions occur in open market purchases and pursuant to a trading plan under Rule 10b5-1. At August 31, 2012, we had approximately \$61.7 million remaining repurchase authority under the current Stock Purchase Plan.

ITEM 6. EXHIBITS

Exhibit Number	Description of Exhibit
3.1	Articles of Amendment of the Restated and Amended Articles of Incorporation of the Company, as filed with the Florida Department of State on July 26, 1999 (incorporated by reference from exhibit 3.1 of the Company’s Report on Form 8-K dated July 26, 1999)
3.2	Conformed copy of Amended and Restated Articles of Incorporation of the Company, as amended as of July 26, 1999 (incorporated by reference from exhibit 3.2 of the Company’s Report on Form 8-K dated July 26, 1999)
3.3	Conformed copy of Amended and Restated By-Laws of the Company, as amended as of April 9, 2003. (incorporated by reference from exhibit 3.3 of the Company’s Report on Form 10-Q dated April 10, 2003)
31.1	Rule 13a-14(a) / 15d-14(a) Certification of Chief Executive Officer — filed herewith
31.2	Rule 13a-14(a) / 15d-14(a) Certification of Chief Financial Officer — filed herewith
32	Section 1350 Certification — filed herewith
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase

101.LAB XBRL Taxonomy Extension Label Linkbase
101.PRE XBRL Taxonomy Extension Presentation Linkbase

35

Table of Contents

SIGNATURES

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

INTERNATIONAL SPEEDWAY CORPORATION
(Registrant)

Date: October 4, 2012

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