

DOVER MOTORSPORTS INC

Form 10-K

March 13, 2006

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**United States**

**Securities and Exchange Commission**

Washington, D.C. 20549

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**Form 10-K**

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**Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended December 31, 2005

Commission file number 1-11929

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**Dover Motorsports, Inc.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction

of incorporation)

**51-0357525**  
(I.R.S. Employer

Identification No.)

**1131 North DuPont Highway, Dover, Delaware 19901**

(Address of principal executive offices)

**(302) 674-4600**

(Registrant's telephone number, including area code)

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Securities registered pursuant to Section 12(b) of the Act:

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Title of Class	Name of Exchange on Which Registered
Common Stock, \$.10 Par Value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None.

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the

Act. Yes ☐ No ☒

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of common stock held by non-affiliates of the registrant was \$88,958,568 as of June 30, 2005 (the last day of our most recently completed second quarter).

As of February 28, 2006, the number of shares of each class of the registrant's common stock outstanding is as follows:

Common Stock -	16,411,377 shares
Class A Common Stock -	19,918,225 shares

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## Documents Incorporated by Reference

Portions of the registrant's Proxy Statement in connection with the Annual Meeting of Stockholders to be held April 26, 2006 are incorporated by reference into Part III, Items 10 through 14 of this report.

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**Part I**

References in this document to the Company, we, us, and our mean Dover Motorsports, Inc. and its wholly owned subsidiaries.

**Item 1. Business**

Dover Motorsports, Inc. is a public holding company that is a leading marketer and promoter of motorsports entertainment in the United States. Its motorsports subsidiaries operate four motorsports tracks in three states and the Company promoted 15 major events during 2005 under the auspices of three of the premier sanctioning bodies in motorsports the National Association for Stock Car Auto Racing ( NASCAR ), the Indy Racing League ( IRL ) and the National Hot Rod Association ( NHRA ). The Company owns and operates Dover International Speedway in Dover, Delaware; Gateway International Raceway near St. Louis, Missouri; Memphis Motorsports Park in Memphis, Tennessee; and Nashville Superspeedway near Nashville, Tennessee.

In 2005, the Company promoted the following major events:

2 NASCAR NEXTEL Cup Series events;

6 NASCAR Busch Series, Grand National Division events;

4 NASCAR Craftsman Truck Series events;

1 IRL Indy Car Series event; and

2 NHRA national events.

The Company generates revenues primarily from the following sources:

ticket sales;

rights fees obtained for television and radio broadcasts of the Company's events and ancillary rights fees;

sponsorship payments;

luxury suite rentals;

hospitality tent rentals and catering;

concessions and souvenir sales and vendor commissions for the right to sell concessions and souvenirs at our facilities; and

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track rentals and other event-related revenues.

Dover Downs, Inc. was incorporated in 1967 and began motorsports and harness horse racing operations in 1969. As a result of several restructurings, Dover Downs, Inc. became a wholly owned subsidiary of the Company and transferred all of its motorsports operations to another wholly owned subsidiary, Dover International Speedway, Inc. Consequently, Dover Downs, Inc. became the operating entity for what previously comprised our gaming operations.

Effective March 31, 2002, the Company completed the tax-free spin-off of Dover Downs, Inc., its gaming business, by contributing 100% of the issued and outstanding common stock of Dover Downs, Inc. to Dover Downs Gaming & Entertainment, Inc. ( Gaming ), a newly formed wholly owned subsidiary of the Company. On the effective date of the spin-off, the Company distributed all of the capital stock of Gaming to the Company's stockholders on a pro-rata basis. The Company's continuing operations subsequent to the spin-off consist solely of its motorsports activities.

On June 10, 2005, the Company completed the sale of substantially all of the assets used by its wholly owned subsidiary Midwest Racing, Inc. formerly known as Grand Prix Association of Long Beach, Inc. ( Midwest Racing ) for \$15,132,000, net of transaction costs, resulting in a pre-tax gain on the sale of \$5,143,000. These assets were used to promote Midwest Racing's temporary circuit motorsports events and in its grandstand rental business. In accordance with Financial Accounting Standards Board ( FASB ) Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the results of operations for all of Midwest Racing's temporary circuit motorsports events and its grandstand rental business are reported as a discontinued operation and accordingly, the accompanying consolidated financial statements have been reclassified to report separately the assets, liabilities and operating results of this discontinued operation.

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As a result of the sale, the Company no longer promotes temporary circuit motorsports events and is no longer in the grandstand rental business.

### **Dover International Speedway**

The Company has promoted NASCAR-sanctioned racing events for 37 consecutive years at Dover International Speedway and currently promotes five major NASCAR-sanctioned events at the facility annually. Two races are in the NASCAR NEXTEL Cup Series professional stock car racing circuit, two races are in the NASCAR Busch Series racing circuit and one race is in the Craftsman Truck Series racing circuit.

Each of the NASCAR Busch Series events and the Craftsman Truck Series event at Dover International Speedway are conducted on the days before a NASCAR NEXTEL Cup Series event. Dover International Speedway is one of only eight speedways in North America that presents two NASCAR NEXTEL Cup Series events and two NASCAR Busch Series events each year. Additionally, the Company is one of only eight tracks to host three major NASCAR events at one facility on the same weekend. The June and September dates have historically allowed Dover International Speedway to hold the first and last NASCAR NEXTEL Cup Series events in the Maryland to Maine region each year. Our September event is the second of ten races in the Race for the NEXTEL Cup which determines the NASCAR NEXTEL Cup Series champion for the racing season.

Dover International Speedway is a high-banked, one-mile, concrete superspeedway with a seating capacity of approximately 140,000. Unlike some superspeedways, substantially all grandstand and skybox seats offer an unobstructed view of the entire track. The concrete racing surface makes Dover International Speedway the only concrete superspeedway (one mile or greater in length) that conducts NASCAR NEXTEL Cup Series events. The superspeedway facility also features the DuPont Monster Bridge which debuted at the June 2004 NASCAR event weekend. The climate controlled bridge spans across the width of the superspeedway at a height of 29 feet and houses 50-luxury seats, a refreshment bar and other amenities. The DuPont Monster Bridge is the only one of its kind in the motorsports industry and we have patented its design.

### **Gateway International Raceway**

Gateway International Raceway ( Gateway ) promoted three major events in 2005 a NASCAR Busch Series event, a NASCAR Craftsman Truck Series event and an NHRA national event. The facility also hosts a number of regional and national touring events, as well as weekly events on its drag strip and road course.

The auto racing facility includes a 1.25-mile paved oval track with 55,000 permanent seats, a nationally renowned drag strip capable of seating approximately 30,000 people and a road course. The facility, which is equipped with lights for nighttime racing, is located just across the Mississippi River in Madison, Illinois, within view of the Gateway Arch in St. Louis.

### **Memphis Motorsports Park**

Memphis Motorsports Park ( Memphis ) promoted three major events in 2005 a NASCAR Busch Series event, a NASCAR Craftsman Truck Series event and an NHRA national event. The facility also hosts a number of regional and national touring events, as well as weekly events on its drag strip.

The auto racing facility includes a 0.75-mile paved tri-oval track with approximately 16,000 permanent seats and a nationally renowned drag strip capable of seating approximately 25,000 people. The facility is located approximately 10 miles northeast of downtown Memphis, Tennessee.

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### **Nashville Superspeedway**

In April 2001, we opened Nashville Superspeedway a motorsports complex approximately 30 miles from downtown Nashville in Wilson County, Tennessee. The 1.33-mile concrete superspeedway has 25,000 permanent grandstand seats with an infrastructure in place to expand to 150,000 seats as demand requires. Additionally, the first phase of construction included lights at the superspeedway to allow for nighttime racing and the foundation work for a dirt track, short track and drag strip, which may be completed in the future. Nashville Superspeedway promoted two NASCAR Busch Series events, a NASCAR Craftsman Truck Series event, an IRL event and other regional and national touring events during the 2005 season.

### **Competition**

The Company's racing events compete with other racing events sanctioned by various racing bodies and with other sports and recreational events scheduled on the same dates. Racing events sanctioned by different organizations are often held on the same dates at different tracks. The quality of the competition, type of racing event, caliber of the event, sight lines, ticket pricing, location and customer conveniences, among other things, differentiate the motorsports facilities.

### **Seasonality**

The Company derives a substantial portion of its total revenues from admissions, television broadcast rights and other event-related revenue attributable to its major motorsports events held from April through October. As a result, the Company's business is highly seasonal.

### **Employees**

As of December 31, 2005, the Company had approximately 125 full-time employees and 14 part-time employees. We engage temporary personnel to assist during our motorsports racing season, many of whom are volunteers. We believe that we enjoy a good relationship with our employees.

### **Available Information**

We file annual, quarterly and current reports, information statements and other information with the United States Securities and Exchange Commission (the "SEC"). The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of that site is <http://www.sec.gov>.

### **Internet Address**

We maintain a website where additional information concerning our business and various upcoming events can be found. The address of our Internet website is <http://www.dovermotorsports.com>. We provide a link on our website, under Investor Relations, to our filings with the SEC, including our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports.

### **Agreements with NASCAR**

Dover International Speedway, Inc. has entered into two Sanction Agreements with NASCAR pursuant to which Speedway will organize and promote two NASCAR NEXTEL Cup Series competitions in 2006. Our business is substantially dependent on these two agreements.

Sanction agreements are entered into with NASCAR on an annual basis. Pursuant to the typical NASCAR sanction agreement, NASCAR grants its sanction to a promoter, such as Dover International Speedway, to organize, promote and hold a particular competition. The promoter sells tickets to the competition, sells or arranges for the

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sale of merchandise and concessions, and sells advertising, sponsorships and hospitality services. NASCAR conducts the competition, arranges for the drivers, and has sole control over the competition, including the right to require alterations to the promoter's facility and the right to approve or disapprove any advertising or sponsorship of the promoter. NASCAR also has exclusive rights to exploit live broadcast and certain broadcast and intellectual property rights related to the competition, and exclusive rights to sponsorship and promotional rights relative to the series to which a particular competition belongs. The promoter must pay the sanction fee and purse monies and receives a share of the live broadcast revenue contracted for by NASCAR. The promoter is responsible for the condition of the facility, for compliance with laws, for control of the public, for fire and medical equipment and personnel, for security, for insurance and for providing facilities and services required by NASCAR officials and the live broadcast personnel.

Concurrently with the execution by Dover International Speedway of the two NASCAR NEXTEL Cup Series Sanction Agreements, various other subsidiaries of the registrant entered into sanction agreements with NASCAR for the 2006 season. These and other sanction agreements are made in the ordinary course of our business. The following is a listing of sanction agreements that we have with NASCAR for 2006:

<b>Subsidiary</b>	<b>Event Title</b>	<b>Event Date</b>
Dover International Speedway, Inc.	NASCAR NEXTEL Cup Series	June 4, 2006
	NASCAR Busch Series	June 3, 2006
	NASCAR Craftsman Truck Series	June 2, 2006
	NASCAR NEXTEL Cup Series	September 24, 2006
	NASCAR Busch Series	September 23, 2006
Nashville Speedway, USA, Inc.	NASCAR Busch Series	April 15, 2006
	NASCAR Busch Series	June 10, 2006
	NASCAR Craftsman Truck Series	August 12, 2006
Memphis International Motorsports Corporation	NASCAR Busch Series	October 28, 2006
	NASCAR Craftsman Truck Series	July 15, 2006
Gateway International Motorsports Corporation	NASCAR Busch Series	July 29, 2006
	NASCAR Craftsman Truck Series	April 29, 2006

Sanction agreements are entered into with NASCAR on an annual basis. The economic terms of the two sanction agreements between NASCAR and Dover International Speedway relative to its 2006 NASCAR NEXTEL Cup Series competitions are as follows: Total purse and sanction fee to be paid by Dover International Speedway \$6,278,635 for the June event and \$5,577,943 for the September event. Estimated live broadcast revenue to be received by Dover International Speedway \$13,419,421 for the June event and \$11,114,125 for the September event. Live broadcast revenue figures are based on the assumption that all events on the 2006 NASCAR NEXTEL Cup Series schedule take place and that all promoters will be entitled to their respective percentage allocations as set by NASCAR.

**Item 1A. Risk Factors**

Disclosure regarding the most significant factors that may adversely affect our business, operations, industry or financial position or our future financial performance is set forth under the section entitled, Factors That May Affect Operating Results; Forward-Looking Statements, beginning on page 15.

**Item 1B. Unresolved Staff Comments**

We have not received any written comments that were issued more than 180 days before December 31, 2005, the end of the fiscal year covered by this report, from the SEC staff regarding our periodic or current reports under the Securities Exchange Act of 1934 that remain unresolved.

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### **Item 2. Properties**

#### **Dover International Speedway**

Dover International Speedway is located in Dover, Delaware, on approximately 770 acres of land owned by the Company. Use by Gaming of the Company's 5/8-mile harness racing track is under an easement granted by the Company which does not require the payment of any rent. Under the terms of the easement, Gaming has exclusive use of the harness track during the period beginning November 1 of each year and ending April 30 of the following year, together with set up and tear down rights for the two weeks before and after such period. The harness track is located on property owned by the Company and is on the inside of its one-mile motorsports superspeedway. Gaming's indoor grandstands are used by the Company at no charge in connection with its motorsports events. The Company also leases its principal executive office space from Gaming. Various easements and agreements relative to access, utilities and parking have also been entered into between the Company and Gaming relative to their respective Dover, Delaware facilities.

#### **Gateway International Raceway**

Gateway International Raceway is located on approximately 350 acres of land in Madison, Illinois, five miles from the Gateway Arch in St. Louis. The Company owns approximately 130 acres and has three long-term leases with purchase options (expiring in 2011, 2025 and 2070) for approximately 200 additional acres. The Company is also a party to a ten-year lease (with four five-year renewals) for 20 acres for the purpose of providing overflow parking for major events on a neighboring golf course. The Company has granted a first mortgage lien on all the real property owned and a security interest in all property leased by the Company at Gateway to Southwestern Illinois Development Authority (SWIDA) as security for the repayment of principal and interest on its remaining \$5.8 million loan from SWIDA.

#### **Memphis Motorsports Park**

Memphis Motorsports Park is located on approximately 350 acres of land owned by the Company approximately ten miles northeast of downtown Memphis, Tennessee. The facility is encumbered by a first trust deed to First Tennessee Bank for the purpose of securing a stand-by letter of credit issued by First Tennessee Bank to Gateway International Motorsports Corporation to satisfy its debt service reserve fund obligation to SWIDA.

#### **Nashville Superspeedway**

Nashville Superspeedway is located on approximately 1,465 acres of land owned by the Company in Wilson County and Rutherford County, Tennessee.

### **Item 3. Legal Proceedings**

The Company is a party to ordinary routine litigation incidental to its business. Management does not believe that the resolution of any of these matters is likely to have a serious adverse effect on our results of operations, financial condition or cash flows.

### **Item 4. Submission Of Matters To A Vote Of Security Holders**

No matters were submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders.

**Table of Contents****Part II****Item 5. Market For Registrant's Common Equity, Related Stockholder Matters And Issuer Purchases Of Equity Securities**

The Company's common stock is listed on the New York Stock Exchange under the ticker symbol DVD. The Company's Class A common stock is not publicly traded but is freely convertible on a one-for-one basis into common stock at any time at the option of the holder thereof. As of February 28, 2006, there were 16,411,377 shares of common stock and 19,918,225 shares of Class A common stock outstanding. There were 1,171 holders of record for common stock and 15 holders of record for Class A common stock.

The high and low sales prices for the Company's common stock on the New York Stock Exchange and the dividends declared per share for the years ended December 31, 2005 and 2004 are detailed in the following table:

Quarter Ended:	Dividends		
	High	Low	Declared
December 31, 2005	\$ 6.86	\$ 5.85	\$ 0.015
September 30, 2005	\$ 7.14	\$ 5.67	\$ 0.015
June 30, 2005	\$ 6.40	\$ 4.45	\$ 0.010
March 31, 2005	\$ 6.11	\$ 4.84	\$ 0.010
December 31, 2004	\$ 6.10	\$ 4.16	\$ 0.010
September 30, 2004	\$ 4.76	\$ 3.83	\$ 0.010
June 30, 2004	\$ 5.53	\$ 3.84	\$ 0.010
March 31, 2004	\$ 4.23	\$ 3.51	\$ 0.010

Our revolving credit agreement allows us to pay dividends in the ordinary course of business consistent with past practices as long as we are not in default under the agreement.

**Equity Compensation Plan Information**

The Company has a 1996 stock option plan (the "1996 Plan") which provided for the grant of stock options to its officers and key employees. The Company's Board of Directors has frozen the 1996 Plan and no additional option grants may be made under the 1996 Plan. The Company has a 2004 stock incentive plan (the "2004 Plan") which provides for the grant of up to 1,500,000 shares of common stock to our officers and key employees through stock options and/or awards valued in whole or in part by reference to our common stock, such as restricted stock awards. Refer to NOTE 10 "Stockholders' Equity" of the consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further discussion.

Securities authorized for issuance under equity compensation plans at December 31, 2005 are as follows:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved			
by security holders	917,087	\$ 5.72	1,282,000
Equity compensation plans not approved by security holders			

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Total	917,087	\$	5.72	1,282,000
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On July 28, 2004, the Company's Board of Directors authorized the repurchase of up to 2,000,000 shares of the Company's outstanding common stock. The purchases may be made in the open market or in privately negotiated transactions as conditions warrant. The repurchase authorization does not obligate the Company to acquire any specific number of shares and may be suspended at any time. As of December 31, 2005, there have been no repurchases of outstanding common stock pursuant to the authorization.

On August 10, 2005, the Company commenced a tender offer to purchase up to 1,706,543 shares of its common stock and up to 2,323,019 shares of its Class A common stock at a fixed price of \$7.00 per share. The offer expired on September 8, 2005. The Company purchased 1,706,543 shares of its common stock and 2,311,960 shares of its Class A common stock for \$28,562,000, including expenses, in connection with the tender offer.

**Item 6. Selected Financial Data**

The following table summarizes certain selected historical financial data and should be read in conjunction with management's discussion and analysis of financial condition and results of operations and the consolidated financial statements and the notes thereto included elsewhere in this Annual Report on Form 10-K. The historical financial information presented below is not necessarily indicative of the results of operations or financial position that the Company would have reported if it had operated exclusive of its discontinued gaming operation during the years ended December 31, 2002 and 2001.

**Five Year Selected Financial Data**

		Years Ended December 31,				
	2005	2004	2003	2002	2001	
Consolidated Statement of Earnings Data						
(in thousands, except per share data):						
Revenues	\$ 90,999	\$ 84,188	\$ 77,544	\$ 76,106	\$ 72,978	
Expenses:						
Operating and marketing	52,793	50,164	48,177	45,749	41,078	
Impairment charges <sup>(a)</sup>			743			
General and administrative	13,697	13,585	12,099	12,574	9,372	
Depreciation and amortization	9,433	9,198	9,140	9,042	8,213	
	75,923	72,947	70,159	67,365	58,663	
Operating earnings	15,076	11,241	7,385	8,741	14,315	
Interest expense, net	3,515	3,427	5,088	4,507	1,386	
Loss on extinguishment of debt <sup>(b)</sup>	3,174					
Earnings from continuing operations before income						
tax provision	8,387	7,814	2,297	4,234	12,929	
Income taxes	4,412	4,047	2,273	1,831	5,561	
Earnings from continuing operations	\$ 3,975	\$ 3,767	\$ 24	\$ 2,403	\$ 7,368	
Earnings per common share from continuing operations:						
Basic	\$ 0.10	\$ 0.09	\$	\$ 0.06	\$ 0.19	
Diluted	\$ 0.10	\$ 0.09	\$	\$ 0.06	\$ 0.19	
Dividends declared	\$ 0.05	\$ 0.04	\$ 0.04	\$ 0.06	\$ 0.18	

	2005	2004	December 31, 2003	2002	2001
<b>Consolidated Balance Sheet Data (in thousands):</b>					
Working capital deficit	\$ (11,973)	\$ (12,533)	\$ (5,565)	\$ (5,377)	\$ (113,968)
Property and equipment, net	221,005	220,949	225,236	233,686	240,057
Total assets	233,426	248,250	260,815	291,806	419,572
Long-term debt, less current portion	54,003	44,684	61,532	70,744	19,905
Total stockholders' equity <sup>(c)</sup>	113,277	138,466	137,372	160,533	244,519

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- (a) The Company recorded an impairment charge of \$743,000 in the fourth quarter of 2003 related to the impairment of long-lived assets.
- (b) On October 6, 2005, the Company's wholly owned subsidiary, Midwest Racing, redeemed \$11,908,000 of the outstanding SWIDA loan for \$14,587,000 (including a \$2,676,000 premium to the bondholders), plus accrued interest. The Company wrote-off \$495,000 of deferred bond costs as a result of the redemption. Immediately after the redemption, \$5,778,000 of the SWIDA loan remained outstanding.
- (c) On August 10, 2005, the Company commenced a tender offer to purchase up to 1,706,543 shares of its common stock and up to 2,323,019 shares of its Class A common stock at a fixed price of \$7.00 per share. The offer expired on September 8, 2005. The Company purchased 1,706,543 shares of its common stock and 2,311,960 shares of its Class A common stock for \$28,562,000, including expenses, in connection with the tender offer.

Effective March 31, 2002, the Company completed the tax-free spin-off of Dover Downs, Inc., its gaming business, by contributing 100% of the issued and outstanding common stock of Dover Downs, Inc. to Gaming, a newly formed wholly owned subsidiary of the Company. On the effective date of the spin-off, the Company distributed all of the capital stock of Gaming to the Company's stockholders on a pro-rata basis.

## **Item 7. Management's Discussion And Analysis Of Financial Condition And Results Of Operation**

The following discussion is based upon and should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this Annual Report on Form 10-K.

The Company classifies its revenues as admissions, event-related, broadcasting and other. Admissions includes ticket sales for all Company events. Event-related revenue includes amounts received from sponsorship fees; luxury suite rentals; hospitality tent rentals and catering; concessions and souvenir sales and vendor commissions for the right to sell concessions and souvenirs at our facilities; sales of programs; track rentals and other event-related revenues. Broadcasting revenue includes rights fees obtained for television and radio broadcasts of events held at the Company's speedways and ancillary rights fees. Other revenue includes other miscellaneous revenues.

Revenues pertaining to specific events are deferred until the event is held. Concession revenue from concession stand sales and sales of souvenirs are recorded at the time of sale. Revenues and related expenses from barter transactions in which the Company receives advertising or other goods or services in exchange for sponsorships of motorsports events are recorded at fair value in accordance with Emerging Issues Task Force (EITF) Issue No. 99-17, *Accounting for Advertising Barter Transactions*. Barter transactions accounted for \$1,438,000, \$1,323,000 and \$1,311,000 of total revenues for the years ended December 31, 2005, 2004 and 2003, respectively.

Expenses that are not directly related to a specific event are recorded as incurred. Expenses that specifically relate to an event are deferred until the event is held, at which time they are expensed. Our expenses include prize and point fund monies and sanction fees paid to various sanctioning bodies, including NASCAR, labor, advertising, cost of goods sold for merchandise and souvenirs, and other expenses associated with the promotion of our racing events.

### **Results of Operations**

#### *Year Ended December 31, 2005 vs. Year Ended December 31, 2004*

Admissions revenue was \$37,195,000 in 2005 as compared to \$34,624,000 in 2004. The Company promoted fifteen major events during 2005 and 2004. The \$2,571,000 increase resulted from higher admissions revenue at twelve of the fifteen major events promoted by the Company in 2005 as compared to 2004, primarily due to an increase in attendance.

Event-related revenue was \$27,061,000 in 2005 as compared to \$27,263,000 in 2004. The \$202,000 decrease was primarily due to a decrease in hospitality revenue at most of the NASCAR sanctioned events promoted by the Company in 2005 as compared to 2004 because fewer corporate customers purchased hospitality packages in 2005.

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Broadcasting revenue was \$26,267,000 in 2005 as compared to \$22,220,000 in 2004. The increase resulted from higher television broadcasting rights related to the Company's NASCAR sanctioned events promoted during 2005. Pursuant to the terms of the Company's sanction agreements, NASCAR retains 10% of the gross broadcast rights fees allocated to each NASCAR NEXTEL Cup Series or NASCAR Busch Series event as a component of its sanction fees and remits the remaining 90% to the event promoter, which the Company records as revenue.

Other revenue was \$476,000 in 2005 as compared to \$81,000 in 2004. The increase resulted from revenues related to the rental of the Company's aircraft and from the rental of its Gateway facility for parking area.

Operating and marketing expenses increased by \$2,629,000, or 5.2%, in 2005 as compared to 2004. The increase primarily related to higher operating and marketing expenses at the Company's major motorsports events, most notably a \$1,456,000 increase in contractually specified sanction fees and purse expenses and a \$390,000 increase in advertising and promotion expenses due to an increase in the amount of advertising utilized by the Company.

General and administrative expenses increased \$112,000 from \$13,585,000 in 2004 to \$13,697,000 in 2005. The increase was primarily due to higher wages and fringe benefit costs (including stock-based compensation) and pension costs. General and administrative expenses in 2004 included \$267,000 for a legal claim.

Depreciation and amortization expense increased \$235,000 from \$9,198,000 in 2004 to \$9,433,000 in 2005, primarily due to assets being placed in service related to the installation of Steel and Foam Energy Reduction System ( SAFER ) barriers at all of our facilities.

Net interest expense was \$3,515,000 in 2005 as compared to \$3,427,000 in 2004. In May 2004 the Company received \$481,000 of interest from the Internal Revenue Service related to an income tax refund for prior years. During 2005, the Company's average outstanding borrowings on its credit facilities decreased and it reversed \$128,000 of interest that was accrued in 2004 related to a judgment that was settled in 2005 for less than originally anticipated.

On October 6, 2005, the Company's wholly owned subsidiary, Midwest Racing, redeemed \$11,908,000 of the outstanding SWIDA loan for \$14,587,000 (including a \$2,676,000 premium to the bondholders), plus accrued interest. The Company wrote-off \$495,000 of deferred bond costs as a result of the redemption. The redemption resulted in a loss on extinguishment of debt of \$3,174,000. The Company believes that excluding the impact of this item will enhance comparative analysis of its results. The following table reconciles and compares results reported in accordance with Generally Accepted Accounting Principles ( GAAP ) for 2005 and 2004 with results excluding the impact of the loss on extinguishment of debt:

	2005	2004
GAAP earnings from continuing operations before income taxes	\$ 8,387,000	\$ 7,814,000
Loss on extinguishment of debt		