

CHAMPIONSHIP AUTO RACING TEAMS INC
Form 10-Q
May 11, 2001

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

- (X) Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2001.
- () Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period _____ to _____.

Commission File No. 1-13925

CHAMPIONSHIP AUTO RACING TEAMS, INC.

(Exact name of registrant as specified in its charter)

Delaware

38-3389456

(State or other jurisdiction of (IRS Employer Identification No.)
Incorporation or organization)

755 West Big Beaver Rd., Suite 800, Troy, MI 48084

(Address of principal executive offices)
(Zip Code)

(248) 362-8800

(Registrant's telephone number, including area code)

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 [X] No []

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

COMMON STOCK \$0.01 PAR VALUE

15,765,467 SHARES

CLASS

OUTSTANDING AT MAY 1, 2001

This report contains 16 pages.

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CHAMPIONSHIP AUTO RACING TEAMS, INC.
CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2001 AND DECEMBER 31, 2000
(DOLLARS IN THOUSANDS)

MARCH 31, 2001

DECEMBER 31

(UNAUDITED)

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ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 40,311	\$ 19,504
Short-term investments	93,153	98,206
Accounts receivable (net of allowance for doubtful accounts of \$6,539 at March 31, 2001 and December 31, 2000)	6,060	5,578
Current portion of notes receivable	1,832	2,535
Inventory	135	151
Prepaid expenses	946	567
Deferred income taxes	2,395	2,485

Total current assets	144,832	129,026
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NOTES RECEIVABLE

PROPERTY AND EQUIPMENT- Net	134	147
	7,206	7,327

GOODWILL (net of accumulated amortization of \$542 and \$493 at March 31, 2001 and December 31, 2000, respectively)	7,199	7,248
--	-------	-------

OTHER ASSETS (net of accumulated amortization of \$95 and \$88 at March 31, 2001 and December 31, 2000, respectively)	348	353
---	-----	-----

TOTAL ASSETS	\$159,719	\$144,101
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts payable	\$ 2,444	\$ 1,975
Accrued liabilities:		
Race expenses and point awards	165	--
Royalties	93	162
Payroll	481	1,571
Taxes	525	819
Other	1,934	1,316
Unearned revenue	18,523	2,452
Deposits	--	778

Total current liabilities	24,165	9,073
---------------------------	--------	-------

DEFERRED INCOME TAXES	1,113	1,134
-----------------------	-------	-------

COMMITMENTS AND CONTINGENCIES	--	--
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STOCKHOLDERS' EQUITY:

Preferred stock, \$.01 par value; 5,000,000 shares authorized, none issued and outstanding at March 31, 2001 and December 31, 2000	--	--
---	----	----

Common stock, \$.01 par value; 50,000,000 shares authorized, 15,765,467 and 15,586,568 shares issued and outstanding at March 31, 2001 and December 31, 2000, respectively	158	158
---	-----	-----

Additional paid-in capital	103,130	103,130
----------------------------	---------	---------

Retained earnings	30,059	29,978
-------------------	--------	--------

Unrealized gain on investments	1,094	628
--------------------------------	-------	-----

Total stockholders' equity	134,441	133,894
----------------------------	---------	---------

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$159,719	\$144,101
	=====	=====

See accompanying notes to consolidated financial statements.

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CHAMPIONSHIP AUTO RACING TEAMS, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2001 AND 2000
(UNAUDITED)
(IN THOUSANDS, EXCEPT EARNINGS PER SHARE)

	2001	2000
	-----	-----
REVENUES:		
Sanction fees	\$ 2,590	\$ 1,433
Sponsorship revenue	2,954	4,901
Television revenue	259	260
Engine leases, rebuilds and wheel sales	271	451
Other revenue	365	803
	-----	-----
Total revenues	6,439	7,848
EXPENSES:		
Race distributions	741	820
Race expenses	1,826	1,428
Cost of engine rebuilds and wheel sales	99	136
Administrative and indirect expenses	4,834	3,527
Severance expense	386	--
Depreciation and amortization	402	287
	-----	-----
Total expenses	8,288	6,198
OPERATING INCOME (LOSS)	(1,849)	1,650
Interest income (net)	1,975	1,495
	-----	-----
INCOME BEFORE INCOME TAXES	126	3,145
Income tax expense	45	1,132
	-----	-----
NET INCOME	\$ 81	\$ 2,013
	=====	=====
EARNINGS PER SHARE:		
BASIC	\$ 0.01	\$ 0.13
	=====	=====
DILUTED	\$ 0.01	\$ 0.13
	=====	=====
WEIGHTED AVERAGE SHARES OUSTANDING:		
BASIC	15,765	15,587
	=====	=====
DILUTED	15,766	15,731
	=====	=====

See accompanying notes to consolidated financial statements.

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CHAMPIONSHIP AUTO RACING TEAMS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2001
(UNAUDITED)
(DOLLARS IN THOUSANDS)

	COMMON STOCK		ADDITIONAL	UNREALIZED	GAIN ON
	SHARES	AMOUNT	PAID-IN	RETAINED	INVESTMENT
	-----	-----	-----	-----	-----
BALANCES, DECEMBER 31, 2000	15,765	\$158	\$103,130	\$29,978	\$ 628
Net income	--	--	--	81	--
Unrealized gain on investments	--	--	--	--	466
Comprehensive income					
BALANCES, MARCH 31, 2001	15,765	\$158	\$103,130	\$30,059	\$ 1,094

See accompanying notes to consolidated financial statements.

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CHAMPIONSHIP AUTO RACING TEAMS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2001 AND 2000
(UNAUDITED)
(DOLLARS IN THOUSANDS)

	2001	2000
	----	----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 81	\$ 2,013
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	402	287
Net loss (gain) from sale of property and equipment	4	(51)
Deferred income taxes	69	79
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable	(482)	2,485
Inventory	16	(26)
Prepaid expenses	(379)	(210)
Other assets	(2)	(34)
Accounts payable	469	618

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Accrued liabilities	(670)	351
Unearned revenue	16,071	13,624
Deposits	(778)	--
	-----	-----
Net cash provided by operating activities	14,801	19,136
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(12,822)	(62,346)
Proceeds from sale and maturities of investments	18,341	51,853
Notes receivable	716	15
Acquisition of property and equipment	(239)	(634)
Proceeds from sale of property and equipment	11	215
Acquisition of trademark	(1)	(10)
Net cash provided by (used in) investing activities	6,006	(10,907)
NET INCREASE IN CASH AND CASH EQUIVALENTS	20,807	8,229
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	19,504	7,216
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 40,311	\$ 15,445
	=====	=====
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Income taxes	\$ 92	\$ 234
	=====	=====
Interest	\$ --	\$ --
	=====	=====

See accompanying notes to consolidated financial statements.

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CHAMPIONSHIP AUTO RACING TEAMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION. The accompanying unaudited consolidated financial statements have been prepared by management and, in the opinion of management, contain all adjustments, consisting of normal recurring adjustments, necessary to present fairly the financial position of Championship Auto Racing Teams, Inc. and subsidiaries (the "Company") as of March 31, 2001 and the results of its operations and its cash flows for the three months ended March 31, 2001 and 2000.

The unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements included in the Company's Form 10-K filed with the Securities and Exchange Commission.

Because of the seasonal concentration of racing events, the results of operations for the three months ended March 31, 2001 and 2000 are not indicative of the results to be expected for the year.

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PRINCIPLES OF CONSOLIDATION. The consolidated financial statements of the Company include the financial statements of Championship Auto Racing Teams and its wholly-owned subsidiaries - CART , Inc., American Racing Series, Inc., Pro-Motion Agency, Ltd. and CART Licensed Products, Inc. All significant intercompany balances have been eliminated in consolidation.

ACCOUNTING PRONOUNCEMENTS. The Company has adopted Financial Accounting Standards Board's Statement of Financial Accounting Standard ("SFAS") No. 133, "Accounting For Derivative Instruments and Hedging Activities", effective January 1, 2001. Management has determined that the impact of adoption of SFAS 133 on the Company's financial position, results of operations and cash flows is insignificant.

RECLASSIFICATIONS. Certain reclassifications have been made to the 2000 unaudited consolidated financial statements in order for them to conform to the 2001 presentation.

2. SHORT-TERM INVESTMENTS

The following is a summary of the estimated fair value of available-for-sale short-term investments by balance sheet classification:

(IN THOUSANDS) MARCH 31, 2001 -----	COST ----	FAIR VALUE -----	GROSS UNREALIZED -----	
			GAIN ----	LOSS ----
Corporate bonds	\$ 1,501	\$ 1,509	\$ 8	\$ --
U.S. agencies securities	90,558	91,644	1,086	--
	-----	-----	-----	-----
Total short-term investments	\$ 92,059	\$ 93,153	\$ 1,094	\$ --
	=====	=====	=====	=====

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(IN THOUSANDS) DECEMBER 31, 2000 -----	COST ----	FAIR VALUE -----	GROSS UNREALIZED -----	
			GAIN ----	LOSS ----
Corporate bonds	\$ 1,502	\$ 1,507	\$ 5	--
U.S. agencies securities	96,076	96,699	623	--
	-----	-----	-----	-----
Total short-term investments	\$97,578	\$98,206	\$ 628	\$ --
	=====	=====	=====	=====

Proceeds from sales of investments were approximately \$1.4 million and \$8.0 million for the three months ended March 31, 2001 and 2000, respectively.

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Contractual maturities range from less than one year to two years. The weighted average maturity of the portfolio does not exceed one year.

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at March 31, 2001 and December 31, 2000:

	(IN THOUSANDS)	
	MARCH 31, 2001	DECEMBER 31, 2000
	-----	-----
Engines	\$ 2,456	\$ 2,397
Equipment	4,391	4,448
Furniture and fixtures	413	405
Vehicles	3,624	3,562
Other	234	230
	-----	-----
Total	11,118	11,042
Less accumulated depreciation	(3,912)	(3,715)
	-----	-----
Property and equipment (net)	\$ 7,206 =====	\$ 7,327 =====

4. SEGMENT REPORTING

The Company has one reportable segment, racing operations.

This reportable segment encompasses all the business operations of organizing, marketing and staging all of our open-wheel racing events.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company's long-lived assets are substantially used in the racing operations segment in the United States. The Company evaluates performances based on income before income taxes.

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(\$ in thousands)	THREE MONTHS ENDED MARCH 31,		
-----	RACING OPERATIONS	OTHER*	TOTAL
	-----	-----	-----
2001			

Revenues	\$ 6,365	\$ 74	\$ 6,439
Interest income (net)	1,970	5	1,975
Depreciation and amortization	378	24	402
Segment income before income taxes	105	21	126
2000			

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Revenues	\$ 7,565	\$283	\$ 7,848
Interest income (expense) (net)	1,493	2	1,495
Depreciation and amortization	260	27	287
Segment income (loss) before income taxes	3,196	(51)	3,145

*Segment is below the quantitative thresholds for determining reportable segments and commenced operations on January 1, 1997. This segment is related to the Company's licensing royalties.

Reconciliations to consolidated financial statement totals are as follows:

	THREE MONTHS ENDED MARCH 31,	
	2001	2000
Total assets for reportable segment	\$158,679	\$139,458
Other assets	1,040	2,167
Total consolidated assets	\$159,719	\$141,625
Total liabilities for reportable segment	\$ 24,961	\$ 24,031
Other liabilities	317	1,191
Total consolidated liabilities	\$ 25,278	\$ 25,222

5. COMMITMENTS AND CONTINGENCIES

LITIGATION. On September 8, 2000, a complaint for damages was filed against the Company by the heirs of Gonzolo Rodriguez, a race car driver that died on September 11, 1999 while driving his race car at the Laguna Seca Raceway in a practice session for the CART race event. The suit seeks damages in an unspecified amount for negligence and wrongful death.

On October 30, 2000, a complaint for damages was filed against the Company by the estate of Greg Moore, a race car driver that died on October 31, 1999 while driving his race car at the California Speedway during the CART race event. The suit seeks actual and punitive damages from the Company in an unspecified amount for breach of duty, wanton and reckless misconduct, breach of implied contract, battery, wrongful death and negligent infliction of emotional distress.

The Company intends to vigorously defend itself in each of these lawsuits and does not believe that it is liable for either of these incidents. The Company requires each promoter to indemnify the Company against any liability for personal injuries sustained at such promoter's racing event. In addition, the Company requires each promoter to carry liability insurance, naming the Company as a named insured. The Company also maintains liability insurance to cover racing incidents. Management does not

believe that the outcome of these lawsuits will have a material adverse affect

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on the Company's financial position or future results of operations.

On February 28, 2001, the Company filed a lawsuit against ISL Marketing AG ("ISL") in the Circuit Court for the County of Oakland, State of Michigan. The lawsuit alleges fraudulent inducement, breach of agreement and failure to pay more than \$6 million due the Company. In April 2001, ISL filed a counterclaim seeking damages in excess of \$150 million, plus punitive damages in an unspecified amount, interest and attorney fees. The Company believes the allegations are without merit and intends to vigorously pursue and defend against this matter.

On April 29, 2001, the Company announced the postponement of the race at Texas Motor Speedway ("TMS"). On May 8, 2001, a complaint for unspecified damages was filed by TMS against the Company and certain Company employees. The suit alleges breach of contract, negligence, fraud and negligent misrepresentation claims. The Company intends to defend itself against this action.

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

OVERVIEW

The following discussion and analysis of the financial condition and results of operations should be read in conjunction with the unaudited consolidated financial statements of the Company, including the respective notes thereto which are included in this Form 10-Q.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2001 Compared to Three Months Ended March 31, 2000

REVENUES. Total revenues for the three months ended March 31, 2001 were \$6.4 million, a decrease of \$1.4 million or 18% from the same period in the prior year. This was due to decreased sponsorship revenue, engine leases, rebuilds and wheel sales and other revenue partially offset by an increase in sanction fees, as described below.

Sanction fees for the three months ended March 31, 2001 were \$2.6 million, an increase of \$1.2 million, or 81%, from the same period in the prior year due to increased sanction fees for our inaugural race in Monterrey, Mexico. We staged one race during the first quarter of 2001 and 2000.

Sponsorship revenue for the three months ended March 31, 2001 was \$3.0 million, a decrease of \$1.9 million, or 40%, from the same period in the prior year. This decrease was primarily attributable to the loss of guaranteed sponsorship income from our former sponsor partner.

Television revenue for the three months ended March 31, 2001 was \$259,000, a decrease of \$1,000 from the same period in the prior year.

Engine leases, rebuilds and wheel sales for the three months ended March 31, 2001 was \$271,000, a decrease of \$180,000, or 40%, from the same period in the prior year. This decrease was due to having fewer Indy Lights entries in the first quarter of 2001 compared to the same period in the prior year.

Other revenue for the three months ended March 31, 2001 was \$365,000 a

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decrease of \$438,000, or 55%, from the same period in the prior year. This decrease was primarily attributable to a reduction in royalty revenue and entry fees, memberships and credential income from Toyota Atlantics due to zero races being held in the three months ended March 31, 2001 compared to two races in the same period in the prior year.

EXPENSES. Total expenses for the three months ended March 31, 2001 were \$8.3 million, an increase of \$2.1 million, or 34%, from the same period in the prior year. This increase was due to an increase in race expenses and administrative and indirect expenses, partially offset by a decrease in race distributions and cost of engine rebuilds and wheel sales as described below.

Race distributions for the three months ended March 31, 2001 were \$741,000, a decrease of \$79,000, or 10%, from the same period in the prior year. The decrease was due to zero Toyota-Atlantic races being held in the three months ended March 31, 2001 compared to two races being held in the same period in the prior year, partially offset by an increase in Indy Lights race distributions due to one race being held in the three months ended March 31, 2001 compared to zero races being held in the same period in the prior year.

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Race expenses for the three months ended March 31, 2001 were \$1.8 million, an increase of \$398,000, or 28%, from the same period in the prior year. The increase was partially due to new programs and personnel in the Race Operations, Electronics, Logistics and Safety departments.

Cost of engine rebuilds and wheel sales for the three months ended March 31, 2001 were \$99,000, a decrease of \$37,000, or 27%, from the same period in the prior year. This decrease is due to fewer Indy Lights entries in the three months ended March 31, 2001, when compared to the same period in the prior year.

Administrative and indirect expenses for the three months ended March 31, 2001 were \$4.8 million, an increase of \$1.3 million, or 37%, from the same period in the prior year. This increase was primarily attributable to an increased investment in strategic planning, personnel and Public Relations and Marketing and Advertising expenditures that are focused on building our long-term strategic plan and branding awareness.

Severance expense for the three months ended March 31, 2001 was \$386,000. This expense relates to an employee severance agreement. There was no corresponding expense for the same period in the prior year.

Depreciation and amortization expense for the three months ended March 31, 2001 was \$402,000, compared to depreciation and amortization expense of \$287,000 for the same period in the prior year.

OPERATING INCOME (LOSS). Operating loss for the three months ended March 31, 2001 was \$1.8 million, a decrease of \$3.5 compared to operating income of \$1.7 million for the same period in the prior year.

INTEREST INCOME (NET). Interest income (net) for the three months ended March 31, 2001 was \$2.0 million compared to interest income (net) of \$1.5 million from the same period in the prior year. The increase of \$480,000 was primarily attributable to reinvestment of cash flows from operations.

INCOME BEFORE INCOME TAXES. Income before income taxes for the three months ended March 31, 2001 was \$126,000, compared to \$3.1 million from the same period in the prior year.

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INCOME TAX EXPENSE. Income tax expense for the three months ended March 31, 2001 was \$45,000, compared to \$1.1 million from the same period in the prior year.

NET INCOME. Net income for the three months ended March 31, 2001 was \$81,000 compared to net income of \$2.0 million from the same period in the prior year.

SEASONALITY AND QUARTERLY RESULTS

A substantial portion of our total revenues during the race season is expected to remain seasonal, based on our race schedule. Our quarterly results vary based on the number of races held during the quarter. In addition, the mix between the type of races (street course, superspeedway, etc.) and the sanction fees attributed to those races will affect quarterly results. During the three month period ended March 31, 2001, both CART and Indy Lights held a race in Monterey, Mexico. During the three month period ended March 31, 2000, CART and Toyota Atlantics held one and two races, respectively, in Homestead, Florida.

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LIQUIDITY AND CAPITAL RESOURCES

We have relied on the proceeds from our initial public offering and cash flow from operations to finance working capital, investments and capital expenditures during the past year.

We have a \$1.5 million revolving line of credit with a commercial bank. As of March 31, 2001, there was no outstanding balance under the line of credit. The line of credit contains no significant covenants or restrictions. Advances on the line of credit are payable on demand and bear interest at the bank's prime rate. The line is secured by our deposits with the bank.

Our cash balance on March 31, 2001 was \$40.3 million, a net increase of \$20.8 million from December 31, 2000. This increase was primarily the result of net cash provided by operating activities of \$14.8 million, and investing activities of \$6.0 million.

We anticipate capital expenditures of approximately \$2.5 million during the next twelve months. We believe that existing cash, cash flow from operations and available bank borrowings will be sufficient for capital expenditures and other cash needs. In addition, we may incur additional expenditures to increase our marketing budget, build our strategic plan and infrastructure and expand our TV relationships or otherwise to increase the visibility and appeal of our products.

Subsequent to year end, we canceled the 2001 race in Brazil due to default of our agreement by the City of Rio de Janeiro. The note receivable from our Brazilian promoter was to be repaid in equal annual installments over the life of the sanction agreement. Due to the uncertainty of future races in Brazil, a letter of credit was received from the Brazilian promoter to secure payment of the remaining balance of the note receivable by May 15, 2001.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

With the exception of historical information contained in this Form 10-Q, certain matters discussed are forward-looking statements. These forward-looking

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statements involve risks that could cause the actual results and plans for the future to differ from these forward-looking statements. The following factors, and other factors not mentioned, could cause the forward-looking statements to differ from actual results and plans:

- competition in the sports and entertainment industry
- participation by race teams
- continued industry sponsorship
- regulation of tobacco and alcohol advertising and sponsorship
- competition by the IRL
- liability for personal injuries
- negotiation of television contract
- renewal of sanction agreements

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ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

INTEREST RATE RISK. Our investment policy was designed to maximize safety and liquidity while maximizing yield within those constraints. At March 31, 2001, our investments consisted of corporate bonds, U.S. Agency issues, and repurchase agreements. The weighted average maturity of our portfolio is 211 days. Because of the relatively short-term nature of our investments, our interest rate risk is immaterial.

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CHAMPIONSHIP AUTO RACING TEAMS, INC.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

On February 28, 2001, the Company filed a lawsuit against ISL Marketing AG ("ISL") in the Circuit Court for the County of Oakland, State of Michigan. The lawsuit alleges fraudulent inducement, breach of agreement and failure to pay more than \$6 million due the Company. In April 2001, ISL filed a counterclaim seeking damages in excess of \$150 million, plus punitive damages in unspecified amount, interest and attorney fees. The Company believes the allegations are without merit and intends to vigorously pursue its case against, and defend itself against the claims made by ISL.

On April 29, 2001, the Company announced the postponement of the race at Texas Motor Speedway ("TMS"). On May 8, 2001, a complaint for unspecified damages was filed by TMS against the Company and certain Company employees in the District Court for the County of Denton, State of Texas. The suit alleges breach of contract, negligence, fraud and negligent misrepresentation claims. The Company intends to defend itself against this action.

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Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

We were not required to file any exhibits for the three months ended March 31, 2001.

(b) Reports on Form 8-K.

A current report on Form 8-K/A-1 was filed on March 13, 2001 reporting the Marketing Representation Agreement with ISL Marketing AG dated June 24, 1998.

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SIGNATURES

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

CHAMPIONSHIP AUTO RACING TEAMS, INC.

Date: 5/10/01

By: /s/ Thomas L. Carter

Thomas L. Carter
Chief Financial Officer

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