

# SPEEDWAY MOTORSPORTS INC

## FORM 10-Q (Quarterly Report)

Filed 5/12/2000 For Period Ending 3/31/2000

Address	US HIGHWAY 29 NORTH PO BOX 600 CONCORD, North Carolina 28026
Telephone	704-455-3239
CIK	0000934648
Industry	Recreational Activities
Sector	Services
Fiscal Year	12/31

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

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2000

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

*Commission file number 1-13582*

**SPEEDWAY MOTORSPORTS, INC.**

(Exact name of registrant as specified in its charter)

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

51-0363307  
(I.R.S. Employer  
Identification No.)

**U.S. HIGHWAY 29 NORTH, CONCORD, NORTH CAROLINA 28026**

(Address of principal executive offices) (Zip Code)

(704) 455-3239

(Registrant's telephone number, including area code)

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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

As of May 10, 2000, there were 41,654,809 shares of common stock outstanding.

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**PART I - FINANCIAL INFORMATION**

**ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS.**

**SPEEDWAY MOTORSPORTS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Dollars in thousands)

(Unaudited)

	March 31, 2000	December 31, 1999
	-----	-----
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents .....	\$ 42,185	\$ 56,270
Restricted cash .....	502	278
Accounts and notes receivable .....	39,620	28,695
Prepaid income taxes .....	1,211	4,137
Inventories .....	17,634	15,287
Prepaid expenses .....	3,558	3,900
	-----	-----
<b>Total Current Assets .....</b>	<b>104,710</b>	<b>108,567</b>
	-----	-----
Property Held For Sale .....	--	53,254
Property and Equipment, Net .....	763,154	741,580
Goodwill and Other Intangible Assets, Net .....	60,529	58,987
<b>Other Assets:</b>		
Speedway condominiums held for sale .....	5,046	5,359
Marketable equity securities .....	1,168	1,181
Notes receivable .....	27,543	13,018
Other assets .....	13,895	14,036
	-----	-----
<b>Total Other Assets .....</b>	<b>47,652</b>	<b>33,594</b>
	-----	-----
<b>TOTAL .....</b>	<b>\$976,045</b>	<b>\$995,982</b>
	=====	=====

See notes to consolidated financial statements.

**SPEEDWAY MOTORSPORTS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Dollars in thousands)

(Unaudited)

	March 31, 2000	December 31, 1999
	-----	-----
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt .....	\$ 160	\$ 160
Accounts payable .....	14,257	17,771
Deferred race event income, net .....	121,645	93,349
Accrued interest .....	2,712	10,897
Accrued expenses and other liabilities.....	9,286	9,805
	-----	-----
Total Current Liabilities .....	148,060	131,982
Long-Term Debt .....	418,277	458,400
Payable to Affiliates .....	4,222	4,320
Deferred Income, Net .....	14,937	15,262
Deferred Income Taxes .....	51,667	51,680
Other Liabilities .....	2,622	2,630
	-----	-----
Total Liabilities .....	639,785	664,274
	-----	-----
Commitments (Note 4).....		
STOCKHOLDERS' EQUITY:		
Preferred stock, \$.10 par value, shares authorized - 3,000,000, no shares issued .....	--	--
Common stock, \$.01 par value, shares authorized - 200,000,000, issued and outstanding - 41,655,000 in 2000 and 41,647,000 in 1999.....	416	416
Additional paid-in capital .....	160,392	160,225
Retained earnings .....	175,746	171,340
Accumulated other comprehensive loss - unrealized loss on marketable equity securities .....	(294)	(273)
	-----	-----
Total Stockholders' Equity .....	336,260	331,708
	-----	-----
TOTAL .....	\$976,045	\$995,982
	=====	=====

See notes to consolidated financial statements.

**SPEEDWAY MOTORSPORTS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands except per share amounts)

(Unaudited)

	Three Months Ended March 31,	
	2000	1999
REVENUES:		
Admissions .....	\$20,894	\$19,826
Event related revenue .....	33,143	27,956
Other operating revenue .....	12,227	5,322
	-----	-----
Total Revenues .....	66,264	53,104
	-----	-----
OPERATING EXPENSES:		
Direct expense of events .....	21,226	19,769
Other direct operating expense .....	10,552	3,527
General and administrative .....	13,124	10,800
Depreciation and amortization .....	7,750	7,119
	-----	-----
Total Operating Expenses .....	52,652	41,215
	-----	-----
OPERATING INCOME .....	13,612	11,889
Interest Expense, Net .....	(6,473)	(6,327)
Acquisition Loan Cost Amortization.....	--	(2,263)
Other Income, Net .....	204	174
	-----	-----
INCOME BEFORE INCOME TAXES .....	7,343	3,473
Income Tax Provision .....	2,937	1,465
	-----	-----
NET INCOME .....	\$ 4,406	\$ 2,008
	=====	=====
PER SHARE DATA:		
Basic Earnings Per Share .....	\$ 0.11	\$ 0.05
	=====	=====
Weighted Average Shares Outstanding .....	41,647	41,507
	-----	-----
Diluted Earnings Per Share .....	\$ 0.11	\$ 0.05
	=====	=====
Weighted Average Shares Outstanding .....	44,863	44,872

See notes to consolidated financial statements.

**SPEEDWAY MOTORSPORTS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**

(In thousands)

(Unaudited)

	Common Stock		Additional		Accumulated	Total
	----- Shares	----- Amount	----- Paid-In Capital	----- Retained Earnings	----- Other Comprehensive Loss	----- Stock- holders' Equity
	-----	-----	-----	-----	-----	-----
BALANCE - JANUARY 1, 2000 .....	41,647	\$416	\$160,225	\$171,340	\$(273)	\$331,708
Net income.....	--	--	--	4,406	--	4,406
Issuance of stock under employee stock purchase plan.....	8	--	167	--	--	167
Net unrealized loss on marketable equity securities .....	--	--	--	--	(21)	(21)
BALANCE - MARCH 31, 2000.....	41,655	\$416	\$160,392	\$175,746	\$(294)	\$336,260
	=====	=====	=====	=====	=====	=====

See notes to consolidated financial statements.

**SPEEDWAY MOTORSPORTS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)

(Unaudited)

	Three Months Ended	
	-----	
	March 31,	
	2000	1999
	-----	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income .....	\$ 4,406	\$ 2,008
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization .....	7,750	7,119
Gain on sale of marketable equity securities and investments .....	--	(133)
Amortization of acquisition loan costs.....	--	2,263
Amortization of deferred income.....	(427)	(81)
Changes in operating assets and liabilities:		
Restricted cash.....	(224)	(182)
Accounts receivable.....	(10,985)	(8,519)
Prepaid and accrued income taxes.....	2,926	1,136
Inventories .....	(2,347)	(348)
Condominiums held for sale.....	313	200
Accounts payable.....	(3,514)	8,326
Deferred race event income.....	28,365	28,813
Accrued expenses and other liabilities.....	(8,704)	(4,480)
Deferred income.....	33	263
Other assets and liabilities.....	566	11
	-----	
Net Cash Provided By Operating Activities .....	18,158	36,396
	-----	
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt.....	(40,031)	(131)
Issuance of stock under employee stock purchase plan...	167	163
	-----	
Net Cash Provided (Used) By Financing Activities.	(39,864)	32
	-----	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures.....	(28,849)	(30,484)
Proceeds from sale of property held for sale.....	40,000	--
Purchases of marketable equity securities and other investments.....	(2,334)	(644)
Proceeds from sales of marketable equity securities and other investments.....	15	532
Increase in notes and other receivables.....	(1,342)	(1,021)
Repayment of notes and other receivables.....	131	931
	-----	
Net Cash Provided (Used By) Investing Activities.	7,621	(30,686)
	-----	
Net Increase (Decrease) In Cash and Cash Equivalents...	(14,085)	5,742
Cash and Cash Equivalents At Beginning Of Period.....	56,270	35,399
	-----	
Cash and Cash Equivalents At End Of Period.....	\$ 42,185	\$ 41,141
	=====	
SUPPLEMENTAL INFORMATION OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Increase in notes receivable for sale of property held for sale - LVMS Industrial Park.....	\$ 13,254	\$ --
	=====	

See notes to consolidated financial statements.



The following Notes to Unaudited Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations 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. Words such as "expects", "anticipates", "approximates", "believes", "estimates", "intends", and "hopes", and variations of such words and similar expressions are intended to identify such forward-looking statements. Such statements reflect management's current views, are based on certain assumptions and are subject to risks and uncertainties. No assurance can be given that actual results or events will not differ materially from those projected, estimated, assumed or anticipated in any such forward-looking statements. Important factors that could result in such differences, in addition to other factors noted with such forward-looking statements, include those discussed in Exhibit 99.1 to the Company's 1999 Annual Report on Form 10-K.

## **NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

### **1. DESCRIPTION OF BUSINESS**

The consolidated financial statements include the accounts of Speedway Motorsports, Inc. (SMD) and its wholly-owned subsidiaries, Atlanta Motor Speedway, Inc. (AMS), Bristol Motor Speedway, Inc. (BMS), Charlotte Motor Speedway, Inc. and subsidiaries d/b/a Lowe's Motor Speedway at Charlotte (LMSC), Las Vegas Motor Speedway LLC (LVMS), SPR Acquisition Corp. d/b/a Sears Point Raceway (SPR), Texas Motor Speedway, Inc. (TMS), Speedway Systems LLC d/b/a Finish Line Events and subsidiaries (FLE), Oil-Chem Research Corp. (ORC), Speedway Media LLC d/b/a Racing Country USA (RCU), SoldUSA, Inc., and Speedway Funding Corp. (collectively, the Company).

See Note 1 to the December 31, 1999 Consolidated Financial Statements for further description of the Company's business operations, properties and scheduled events.

**CURRENT YEAR ACQUISITION** - In January 2000, the Company acquired certain tangible and intangible assets and operations of Racing Country USA, a nationally syndicated radio show, for \$2,000,000 in cash. The acquisition was accounted for using the purchase method, and the results of operations after acquisition are included in the Company's consolidated statements of income.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

These unaudited consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the fiscal year ended December 31, 1999 included in its 1999 Annual Report on Form 10-K.

In management's opinion, these unaudited consolidated financial statements contain all adjustments necessary for their fair presentation at interim periods. All such adjustments are of a normal recurring nature.

The results of operations for interim periods are not necessarily indicative of operating results that may be expected for the entire year due to the seasonal nature of the Company's motorsports business.

REVENUE RECOGNITION - The Company recognizes revenues and operating expenses for all events in the calendar quarter in which conducted except for major NASCAR racing events which occur on the last weekend of a calendar quarter. When major NASCAR racing events occur on the last weekend of a calendar quarter, the race event revenues and operating expenses are recognized in the current or immediately succeeding calendar quarter that corresponds to the calendar quarter of the prior year in which the same major NASCAR racing event was conducted. The Company has adopted this accounting policy to help ensure comparability and consistency between quarterly financial statements of successive years.

A major NASCAR sanctioned racing event occurred at BMS on the weekends of March 25-26, 2000 and April 10-11, 1999. A major NASCAR sanctioned racing event occurred at TMS on the weekends of April 1-2, 2000 and March 27-28, 1999. Also, a major NASCAR sanctioned racing event is scheduled to occur, and occurred, at SPR on the weekends of June 24-25, 2000 and June 26-27, 1999. Accordingly, the revenues and direct expenses of these race events are recognized in the second quarter of both calendar years, and the reporting periods for the three months ended March 31, 2000 and 1999 are comparable.

SPEEDWAY CONDOMINIUMS HELD FOR SALE - The Company has constructed 46 condominiums at AMS and 76 condominiums at TMS, of which 42 and 69, respectively, have been sold or contracted for sale as of March 31, 2000. Speedway condominiums held for sale represent 4 condominiums at AMS and 7 condominiums at TMS which are substantially complete and are being marketed.

DEFERRED FINANCING COSTS AND ACQUISITION LOAN COST AMORTIZATION - Deferred financing costs are included in other noncurrent assets and are amortized over the term of the related debt. Acquisition loan cost amortization resulted from financing costs incurred in obtaining an amended credit facility and acquisition loan to fund the Company's acquisition of LVMS in December 1998. Associated deferred financing costs of \$4,050,000 were amortized over the loan term which matured May 28, 1999.

3. INVENTORIES

Inventories as of March 31, 2000 and December 31, 1999 consisted of the following components (in thousands):

	March 31, 2000	December 31, 1999
	-----	-----
Souvenirs and apparel.....	\$11,267	\$ 8,490
Finished vehicles, parts and accessories.....	4,155	4,310
Oil additives, food and other.....	2,212	2,487
	-----	-----
Total.....	\$17,634	\$15,287
	=====	=====

4. PROPERTY AND EQUIPMENT AND PROPERTY HELD FOR SALE

CONSTRUCTION IN PROGRESS - At March 31, 2000, the Company had various construction projects underway to increase and improve grandstand seating capacity, luxury suites, facilities for fan amenities, and make various other site improvements at each of its speedways. For example, LMSC and TMS were nearing completion of construction of 4/10-mile, modern, lighted, dirt track facilities where nationally-televised events such as World of Outlaws and Hav-A-Tampa Dirt Late Model Series, as well as AMA and other racing events will be held annually. In addition, LVMS reconstructed and expanded one of its dragstrips into a "state-of-the-art" dragway with permanent grandstand seating, luxury suites, and extensive fan amenities and

facilities. Construction of The Strip at Las Vegas was substantially completed, with the hosting of its inaugural NHRA-sanctioned Nationals event, in April 2000. The estimated aggregate cost of capital expenditures in 2000 will approximate \$90,000,000.

**PROPERTY HELD FOR SALE** - In January 2000, the Company sold the 1.4 million square-foot Las Vegas Industrial Park and 280 acres of undeveloped land to Las Vegas Industrial Park, LLC, an entity owned by the Company's Chairman and Chief Executive Officer, for approximately \$53.3 million (see Note 7). The Company acquired the industrial park then under construction and land in connection with its acquisition of LVMS in December 1998. Construction was completed and rental operations commenced in 1999. The sales price was based on an independent fair value appraisal and approximates the Company's net carrying value as of December 31, 1999 and selling costs.

## 5. LONG-TERM DEBT

**BANK CREDIT FACILITY** -- The Company has a long-term, secured, senior revolving credit facility with a syndicate of banks led by NationsBank, N.A. as an agent and lender (the Credit Facility). The Credit Facility has an overall borrowing limit of \$250,000,000, with a sub-limit of \$10,000,000 for standby letters of credit, matures in May 2004, and is secured by a pledge of the capital stock and other equity interests of all material Company subsidiaries. Interest is based, at the Company's option, upon (i) LIBOR plus .5% to 1.25% or (ii) the greater of NationsBank's prime rate or the Federal Funds rate plus .5%. At March 31, 2000 and December 31, 1999, the Company had \$90,000,000 and \$130,000,000, respectively, in outstanding borrowings under the Credit Facility.

**SENIOR SUBORDINATED NOTES** - At March 31, 2000 and December 31, 1999, the Company had outstanding 8 1/2% senior subordinated notes in the aggregate principal amount of \$250,000,000 (the Senior Notes). The Senior Notes are unsecured, mature in August 2007, and are redeemable at the Company's option after August 15, 2002. Semi-annual interest payments are due February 15 and August 15.

**CONVERTIBLE SUBORDINATED DEBENTURES** - At March 31, 2000 and December 31, 1999, the Company had outstanding 5 3/4% convertible subordinated debentures in the aggregate principal amount of \$74,000,000. The debentures are unsecured, mature on September 30, 2003, are convertible into common stock at the holder's option at \$31.11 per share until maturity and are redeemable at the Company's option after September 29, 2000. In conversion, 2,378,565 shares of common stock are issuable (see Note 6). Semi-annual interest payments are due March 31 and September 30.

See Note 5 to the December 31, 1999 Consolidated Financial Statements for additional discussion of the terms and conditions of the bank credit facility, senior notes and convertible subordinated debentures.

**INTEREST EXPENSE** - Interest expense, net for the three months ended March 31, 2000 and 1999 includes interest expense of \$7,580,000 and \$7,037,000, and interest income of \$1,107,000 and \$710,000. The Company capitalized interest costs of \$1,013,000 and \$943,000 during the three months ended March 31, 2000 and 1999. The weighted-average interest rate on borrowings under the bank revolving credit facility during the three months ended March

31, 2000 and 1999 was 7.3% and 6.3%.

## 6. PER SHARE DATA

The computation of diluted loss per share was anti-dilutive for the three months ended March 31, 1999, and therefore, reported basic and diluted per share amounts are the same.

Diluted earnings per share assumes conversion of the convertible debentures into common stock and elimination of associated interest expense, net of taxes, on such debt (see Note 5). The following schedule reconciles basic and diluted earnings per share(dollars and shares in thousands):

THREE MONTHS ENDED:	Net Income	Weighted Average Shares	Earnings Per Share
-----	-----	-----	-----
March 31, 2000:			
Basic earnings per share.....	\$4,406	41,647	\$0.11
Dilution adjustments:			
Common stock equivalents - stock options.	--	837	
5 3/4% Convertible debentures .....	561	2,379	
	-----	-----	
Diluted earnings per share.....	\$4,967	44,863	\$0.11
	=====	=====	
March 31, 1999:			
Basic earnings per share.....	\$2,008	41,507	\$0.05
Dilution adjustments:			
Common stock equivalents - stock options.	--	986	
5 3/4% Convertible debentures .....	563	2,379	
	-----	-----	
Diluted earnings per share.....	\$2,571	44,872	\$0.05
	=====	=====	

## 7. RELATED PARTY TRANSACTIONS

Notes receivable at March 31, 2000 and December 31, 1999 include a note receivable of \$861,000 and \$848,000, respectively, due from a partnership in which the Company's Chairman and Chief Executive Officer is a partner. The note bears interest at 1% over prime, is collateralized by certain partnership land and is payable on demand. Because the Company does not anticipate repayment of the note before March 31, 2001, the balance has been classified as a noncurrent asset in the accompanying consolidated balance sheets.

Notes receivable also include a note receivable from the Company's Chairman and Chief Executive Officer for \$2,103,000 at March 31, 2000 and December 31, 1999. The principal balance of the note represents premiums paid by the Company under a split-dollar life insurance trust arrangement on behalf of the Chairman, in excess of cash surrender value. The note bears interest at 1% over prime and is payable upon demand. Because the Company does not anticipate repayment of the note before March 31, 2001, the balance has been classified as a noncurrent asset in the accompanying consolidated balance sheets.

Notes receivable at March 31, 2000 include a note receivable of \$13,254,000 due from Las Vegas Industrial Park, LLC, an entity owned by the Company's Chairman and Chief Executive Officer. In January 2000, the Company sold the 1.4 million square-foot Las Vegas Industrial Park and 280 acres of undeveloped land to Las Vegas Industrial Park, LLC for approximately \$53.3 million for approximately \$53.3 million paid in cash of \$40.0 million and a note receivable of \$13.3 million. The note bears interest at LIBOR plus 2.00%, is payable upon demand, and is collateralized by the underlying sold

property. Because the Company does not anticipate repayment of the note before March 31, 2001, the balance has been classified as a noncurrent asset in the accompanying consolidated balance sheet.

From time to time, the Company paid certain expenses and made cash advances for various corporate purposes on behalf of Sonic Financial Corp. (Sonic Financial), an affiliate of the Company through common ownership. There were no amounts outstanding due from Sonic Financial at March 31, 2000 and December 31, 1999.

Amounts payable to affiliates at March 31, 2000 and December 31, 1999 includes \$2,592,000 for acquisition and other expenses paid on behalf of AMS by Sonic Financial prior to 1996. Of this amount, approximately \$1,800,000 bears interest at 3.83% per annum. The remainder of the amount bears interest at 1% over prime. The entire amount is classified as long-term based on expected repayment dates. Amounts payable to affiliates at March 31, 2000 and December 31, 1999 also include \$1,631,000 and \$1,729,000 owed to a former LVMS shareholder and executive officer, who is now a LVMS employee, in equal monthly payments through December 2003 at 6.4% imputed interest.

## 8. STOCK OPTION PLANS

**1994 STOCK OPTION PLAN** - In first quarter of 2000, the Company granted options to non-executive officer employees to purchase an aggregate of 140,000 shares at an exercise price per share of \$33.81 at award date under the 1994 Stock Option Plan.

**FORMULA STOCK OPTION PLAN** - In first quarter of 2000, the Company granted options to three outside directors to purchase an aggregate of 60,000 shares at an exercise price per share of \$27.13 at award date under the Formula Stock Option Plan.

## 9. LITIGATION SETTLEMENT - MAY 1999 IRL RACE EVENT

On May 1, 1999, during the running of an IRL event at LMSC, an on-track accident occurred that caused race car debris to enter the spectator seating area. Three deaths resulted, and all three decedents' estates filed separate wrongful death lawsuits against SMI, IRL and others in the Superior Court of Mecklenburg County, North Carolina. The Estate of Dexter Mobley lawsuit was filed on May 28, 1999, and the Estates of Randy Pyatte and Jeffrey Patton lawsuits were filed on August 26, 1999. These suits sought unspecified compensatory and punitive damages. All three lawsuits were settled in May 2000. Settlement had no material adverse affect on the Company's financial position or results of operations.

## 10. SUMMARIZED PARENT COMPANY ONLY FINANCIAL INFORMATION

The following table presents summarized parent company only financial information as of March 31, 2000 and December 31, 1999 and for the three months ended March 31, 2000 and 1999 (in thousands):

	March 31, 2000	December 31, 1999
	-----	-----
Current assets.....	\$ 24,588	\$ 43,842
Noncurrent assets, including investment in and advances to subsidiaries, net.....	775,653	796,896
Total Assets.....	800,241	840,738

Current liabilities.....	9,228	14,172
Noncurrent liabilities.....	454,753	494,858
Total Liabilities .....	463,981	509,030
Total Stockholders' Equity.....	\$336,260	\$331,708

	Three Months Ended March 31,	
	2000	1999
	-----	-----
Total revenues .....	\$ 1,887	\$ 836
Total expenses.....	(3,983)	(2,735)
Loss from operations.....	(2,096)	(1,899)
Net loss before equity in subsidiaries.....	(1,258)	(1,139)
Net income .....	\$ 4,406	\$ 2,008

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

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements including the Notes thereto.

### **OVERVIEW**

The Company derives revenues principally from the sale of tickets to automobile races and other events held at its speedway facilities, from the sale of food, beverage and souvenirs during such events, from the sale of sponsorships to companies that desire to advertise or sell their products or services at such events, and from the licensing of television, cable network and radio rights to broadcast such events. The Company derives additional revenue from The Speedway Club at LMSC and The Texas Motor Speedway Club, dining and entertainment facilities located at the respective speedways, and from Legends Car operations of 600 Racing, Inc., a wholly-owned subsidiary of LMSC. The Company also derives additional revenue from Motorsports By Mail LLC (MBM), a wholesale and retail distributor of racing and other sports related souvenir merchandise and apparel, from Oil-Chem, which produces environmentally friendly motor oil additives, from Racing Country USA, a nationally syndicated radio show, from SoldUSA, an internet auction and e-commerce company under development, and from Wild Man Industries (WMI), a screen printing and embroidery manufacturer and distributor of wholesale and retail apparel. MBM is a wholly-owned subsidiary of FLE, and WMI is a division of FLE.

The Company classifies its revenues as admissions, event related revenue and other operating revenue. "Admissions" includes ticket sales for all of the Company's events. "Event related revenue" includes food, beverage and souvenir sales, luxury suite rentals, sponsorship fees and broadcast rights fees. "Other operating revenue" includes the two Speedway Clubs, Legends Car, industrial park rental, MBM, Oil-Chem, RCU, SoldUSA and WMI revenues. The Company's revenue items produce different operating margins. Sponsorships, broadcast rights, ticket sales and luxury suite rentals produce higher margins than concessions and souvenir sales, as well as Legends Car sales, Oil-Chem sales or other operating revenues.

The Company classifies its expenses to include direct expense of events and other direct operating expense, among other things. "Direct expense of events" principally consists of race purses, sanctioning fees, cost of food, beverage and souvenir sales, compensation of certain employees and advertising. "Other direct operating expense" includes the cost of Speedway Club revenues, Legends Car sales, and industrial park rentals, MBM, Oil-Chem, RCU, SoldUSA and WMI revenues.

The Company sponsors and promotes outdoor motorsports events. Weather conditions affect sales of tickets, concessions and souvenirs, among other things, at these events. Although the Company sells tickets well in advance of its larger events, poor weather conditions can have an effect on the Company's results of operations.

Significant growth in the Company's revenues will depend on consistent investment in facilities. The Company has several capital projects underway at each of its speedways.

The Company does not believe that its financial performance has been materially affected by inflation. The Company has been able to mitigate the effects of inflation by increasing prices.

### **SEASONALITY AND QUARTERLY RESULTS**

In 1999, the Company derived a substantial portion of its total revenues from admissions and event related revenue attributable to 17 major NASCAR-sanctioned racing events, five IRL racing events, four NASCAR Craftsman Truck Series racing events, two major NHRA racing events, and two WOO racing events. In 2000, the Company currently will sponsor 17 major annual racing events sanctioned by NASCAR,

including ten Winston Cup and seven Busch Grand National Series racing events. The Company will also sponsor four Indy Racing Northern Light Series racing events, two NASCAR Craftsman Truck Series racing events, three major NHRA racing events, and seven WOO racing events in 2000. As a result, the Company's business has been, and is expected to remain, highly seasonal.

In 1999 and 1998, the Company's second and fourth quarters accounted for 68% and 74%, respectively, of its total annual revenues and 80% and 97%, respectively, of its total annual operating income. The Company sometimes produces minimal operating income or losses during its third quarter when it hosts only one major NASCAR race weekend. The concentration of racing events in the second quarter, and the growth in the Company's operations with attendant increases in overhead expenses, will tend to increase operating losses or minimize operating income in future first and third quarters.

Also, racing schedules may be changed from time to time and can lessen the comparability of operating results between quarterly results of successive years and increase or decrease the seasonal nature of the Company's motorsports business.

The results of operations for the three months ended March 31, 2000 and 1999 are not indicative of the results that may be expected for the entire year because of the seasonality discussed above.

Set forth below is certain comparative summary information with respect to the Company's scheduled major NASCAR-sanctioned racing events for 2000 and 1999:

**NUMBER OF SCHEDULED MAJOR  
NASCAR-SANCTIONED EVENTS**

	2000	1999
	----	----
1st Quarter.....	4	4
2nd Quarter.....	8	8
3rd Quarter.....	2	2
4th Quarter.....	3	3
	--	--
Total.....	17	17
	==	==

**RESULTS OF OPERATIONS**

**THREE MONTHS ENDED MARCH 31, 2000 COMPARED TO THREE MONTHS ENDED MARCH 31, 1999**

**TOTAL REVENUES.** Total revenues for the three months ended March 31, 2000 increased by \$13.2 million, or 24.8%, to \$66.3 million, over such revenues for the same period in 1999. This improvement was due to increases in all revenue items, particularly event related and other operating revenue.

**ADMISSIONS.** Admissions for the three months ended March 31, 2000 increased by \$1.1 million, or 5.4%, over admissions for the same period in 1999. This increase was due primarily to growth in NASCAR-sanctioned racing events held during the current quarter. The growth in admissions reflects the continued increases in attendance and additions to permanent seating capacity, and to a lesser extent, increases in ticket prices.

**EVENT RELATED REVENUE.** Event related revenue for the three months ended March 31, 2000 increased by \$5.2 million, or 18.6%, over such revenue for the same period in 1999. This increase was due primarily to increases in broadcast rights and sponsorship fees, and to growth in attendance, including related increases in concessions and souvenir sales.

**OTHER OPERATING REVENUE.** Other operating revenue for the three months ended March 31, 2000 increased by \$6.9 million, or 129.7%, over such revenue for the same period in 1999. This increase was due to growth in revenues of Oil-Chem associated with the commencement of media and other promotional campaigns, and to revenues derived from



apparel and other merchandise sold through outside venues, including FLE, MBM and WMI, and from The Texas Motor Speedway Club which opened March 26, 1999.

**DIRECT EXPENSE OF EVENTS.** Direct expense of events for the three months ended March 31, 2000 increased by \$1.5 million, or 7.4%, over such expense for the same period in 1999. This increase was due to increased operating costs associated with the growth in attendance, including related increases in concessions and souvenir sales, and to higher race purses and sanctioning fees. As a percentage of admissions and event related revenues combined, direct expense of events for the three months ended March 31, 2000 was 39.3% compared to 41.4% for the same period in 1999.

**OTHER DIRECT OPERATING EXPENSE.** Other direct operating expense for the three months ended March 31, 2000 increased by \$7.0 million, or 199.2%, over such expense for the same period in 1999. This increase includes expenses associated with commencement of Oil-Chem's media and other promotional campaigns. The increase also includes expenses associated with other operating revenues derived from apparel and other merchandise sold through outside venues, including FLE, MBM and WMI, from The Texas Motor Speedway Club, and with the increase in Oil-Chem revenues.

**GENERAL AND ADMINISTRATIVE.** General and administrative expense for the three months ended March 31, 2000 increased by \$2.3 million, or 21.5%, over such expense for the same period in 1999. This increase was attributable to increases in operating costs associated with the growth and expansion at the Company's speedways and operations. The increase also reflects the operating growth of WMI and MBM, which was acquired in July 1999, and of The Texas Motor Speedway Club which opened in March 1999. As a percentage of total revenues, general and administrative expense for the three months ended March 31, 2000 was 19.8% compared to 20.3% for the same period in 1999.

**DEPRECIATION AND AMORTIZATION.** Depreciation and amortization expense for the three months ended March 31, 2000 increased by \$631,000, or 8.9%, over such expense for the same period in 1999. This increase results primarily from additions to property and equipment at the Company's speedways.

**OPERATING INCOME.** Operating income for the three months ended March 31, 2000 increased by \$1.7 million, or 14.5%, over such income for 1999. This increase was due to the factors discussed above.

**INTEREST EXPENSE, NET.** Interest expense, net for the three months ended March 31, 2000 was \$6.5 million compared to \$6.3 million for the same period in 1999. This increase is due primarily to higher interest rates on the senior subordinated notes issued in May 1999 and the revolving Credit Facility. Those increases were offset by a reduction in outstanding borrowings under the Credit Facility during the current period.

**ACQUISITION LOAN COST AMORTIZATION.** Acquisition loan cost amortization of \$2.3 million for the three months ended March 31, 1999 represents financing costs incurred in obtaining interim financing to fund the LVMS acquisition. Associated deferred financing costs of \$4.1 million were amortized over the loan term which matured May 28, 1999.

**OTHER INCOME.** Other income for the three months ended March 31, 2000 increased by \$30,000 over such income for the same period in 1999. This increase results primarily from the gain on sale of one TMS condominium in the three months ended March 31, 2000. No sales of TMS condominiums occurred in the three months ended March 31, 1999.

**INCOME TAX PROVISION.** The Company's effective income tax rate for the three months ended March 31, 2000 and 1999 was 40% and 41%, respectively.

**NET INCOME.** Net income for the three months ended March 31, 2000 increased by \$2.4 million, or 119.4%, over such income for the same period in 1999. This increase

was due to the factors discussed above.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company has historically met its working capital and capital expenditure requirements through a combination of cash flow from operations, bank borrowings and other debt and equity offerings. The Company expended significant amounts of cash in the first quarter of 2000 for improvements and expansion at its speedway facilities. Significant changes in the Company's financial condition and liquidity during the three months ended March 31, 2000 resulted primarily from: (1) net cash generated by operations amounting to \$18.2 million, (2) capital expenditures amounting to \$28.8 million, and (3) reducing outstanding borrowings under the Credit Facility by \$40.0 million with proceeds from the sale of the LVMS Industrial Park. At March 31, 2000, the Company had \$90.0 million in outstanding borrowings under the \$250.0 million Credit Facility.

Management anticipates that cash from operations, and funds available through the Credit Facility, will be sufficient to meet the Company's operating needs through 2000, including planned capital expenditures at its speedway facilities. Based upon anticipated future growth and financing requirements, management expects that the Company will, from time to time, engage in additional financing of a character and in amounts to be determined. While the Company expects to continue to generate positive cash flows from its existing speedway operations, and has generally experienced improvement in its financial condition, liquidity and credit availability, such resources, as well as possibly others, could be needed to fund the Company's continued growth, including the continued expansion and improvement of its speedway facilities.

## **CAPITAL EXPENDITURES**

Significant growth in the Company's revenues depends, in large part, on consistent investment in facilities. Therefore, the Company expects to continue to make substantial capital improvements in its facilities to meet increasing demand and to increase revenue. Currently, a number of significant capital projects are underway.

In 2000, AMS plans to continue improving and expanding its on-site roads and available parking and make other site improvements. In 2000, BMS added approximately 13,000 permanent seats, further expanded concessions, restroom and other fan amenities, and is making other site improvements. LMSC plans to add approximately 11,000 permanent seats, again featuring stadium-style terrace seating, and further expand concessions, restroom and other fan amenities, and make other site improvements. Also, LMSC and TMS are constructing 4/10-mile, modern, lighted, dirt track facilities. LVMS added approximately 7,000 permanent seats, further expanded concessions, restroom and other fan amenities, and is making other site improvements. LVMS also reconstructed and expanded one of its dragstrips into a "state-of-the-art" dragway with permanent grandstand seating, luxury suites, and extensive fan amenities and facilities. Subject to governmental approval, SPR plans to continue improving and expanding its on-site roads and available parking in 2000, reconfiguring traffic patterns and entrances to ease congestion and improve traffic flow, as well as make other site improvements. Pending governmental approvals, in 2000 or 2001, the Company expects to begin major renovations at SPR, including its ongoing reconfiguration into a "stadium-style" road racing course, the addition of up to 35,000 grandstand bleacher seats, and improving and expanding concessions, restroom and other fan amenities facilities. TMS plans to continue improving and expanding its on-site roads and available parking and making other site improvements. In 2000, after adding approximately 31,000 permanent seats, exclusive of SPR, the Company's total permanent seating capacity will exceed 710,000 and the total number of luxury suites will be approximately 666.

The estimated aggregate cost of capital expenditures in 2000 will approximate \$90 million. Numerous factors, many of which are beyond the Company's control, may

influence the ultimate costs and timing of various capital improvements at the Company's facilities, including undetected soil or land conditions, additional land acquisition costs, increases in the cost of construction materials and labor, unforeseen changes in the design, litigation, accidents or natural disasters affecting the construction site and national or regional economic changes. In addition, the actual cost could vary materially from the Company's estimates if the Company's assumptions about the quality of materials or workmanship required or the cost of financing such construction were to change. Construction is also subject to state and local permitting processes, which if changed, could materially affect the ultimate cost.

In addition to expansion and improvements of its existing speedway facilities and business operations, the Company is continually evaluating new opportunities that will add value for the Company's stockholders, including the acquisition and construction of new speedway facilities, the expansion and development of its existing Legends Cars and Oil-Chem products and markets and the expansion into complementary businesses.

## **DIVIDENDS**

The Company does not anticipate paying any cash dividends in the foreseeable future. Any decision concerning the payment of dividends on the Common Stock will depend upon the results of operations, financial condition and capital expenditure plans of the Company, as well as such factors as permissibility under the 1999 Credit Facility, the Senior Subordinated Notes and as the Board of Directors, in its sole discretion, may consider relevant. The 1999 Credit Facility and Senior Subordinated Notes preclude the payment of any dividends.

## **IMPACT OF NEW ACCOUNTING STANDARDS**

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 101 "Revenue Recognition in Financial Statements" which summarizes certain of the staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. SAB No. 101, as amended, where applicable, provides for restatement of prior financial statements or reporting a change in accounting principle no later than the second quarter of fiscal years beginning after December 15, 1999. The Company has assessed its revenue recognition policies for Speedway Club membership fees, and expects to report a change in accounting principle under SAB No. 101 in the second quarter of 2000. However, the change is not expected to materially impact the Company's financial position or future results of operations.

## **SALE OF LAS VEGAS INDUSTRIAL PARK**

In January 2000, the Company sold the 1.4 million square-foot Las Vegas Industrial Park and 280 acres of undeveloped land to Las Vegas Industrial Park, LLC, an entity owned by the Company's Chairman and Chief Executive Officer, for approximately \$53.3 million paid in cash of \$40.0 million and a note receivable of \$13.3 million. The sales price was based on an independent fair value appraisal and approximates the Company's net carrying value as of December 31, 1999 and selling costs.

## **LITIGATION SETTLEMENT - MAY 1999 IRL RACE EVENT**

On May 1, 1999, during the running of an IRL event at LMSC, an on-track accident occurred that caused race car debris to enter the spectator seating area. Three deaths resulted, and all three decedents' estates filed separate wrongful death lawsuits against SMI, IRL and others in the Superior Court of Mecklenburg County, North Carolina. The Estate of Dexter Mobley lawsuit was filed on May 28, 1999, and the Estates of Randy Pyatte and Jeffrey Patton lawsuits were filed on August 26, 1999. These suits sought unspecified compensatory and punitive damages. All three lawsuits were settled in May 2000. Settlement had no material adverse affect on the

Company's financial position or results of operations.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

**INTEREST RATE RISK.** The Company's financial instruments with market risk exposure consist only of bank revolving credit facility borrowings which are sensitive to changes in interest rates. A change in interest rates of one percent on the balance outstanding at March 31, 2000 would cause a change in interest expense of approximately \$900,000. The Company's senior subordinated notes payable and convertible subordinated debentures are fixed interest rate debt obligations.

**EQUITY PRICE RISK.** The Company has marketable equity securities, all classified as "available for sale." Such investments are subject to price risk, which the Company attempts to minimize generally through portfolio diversification.

As of and during the three months ended March 31, 2000, borrowings under bank revolving credit facility decreased \$40.0 million to \$90.0 million. See Note 5 to the accompanying March 31, 2000 financial statements for additional information on the terms and conditions of the Company's debt obligations. There have been no other significant changes in the Company's interest rate risk or equity price risk as of and during the three months ended March 31, 2000.

## PART II - OTHER INFORMATION

### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

- 10.1 Contract For Sale of Real Estate dated as of December 23, 1999 between Las Vegas Motor Speedway, LLC and Las Vegas Industrial Park, LLC.
- 10.2 Subordinated Promissory Note dated January 12, 2000 by Las Vegas Industrial Park, LLC in favor of Las Vegas Motor Speedway, LLC.
- 10.3 Deed of Trust, Assignment of Rents and Fixture Filing dated as of January 12, 2000 among Las Vegas Industrial Park, LLC, National Title Co. and Las Vegas Motor Speedway, LLC.
- 10.4 Guaranty dated as of January 12, 2000 by O. Bruton Smith to and in favor of Las Vegas Motor Speedway, LLC.
- 27.0 Financial data schedule for the three month period ended March 31, 2000.

(b) No reports were filed on Form 8-K during the fiscal quarter covered by

this Form 10-Q.

**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.

**SPEEDWAY MOTORSPORTS, INC.**  
(REGISTRANT)

*Date: May 10, 2000*

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*By: /s/ O. Bruton Smith*

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*O. Bruton Smith*

**CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

*Date: May 10, 2000*

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*By: /s/ William R. Brooks*

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*William R. Brooks*

**VICE PRESIDENT, CHIEF FINANCIAL  
OFFICER, TREASURER AND DIRECTOR**  
(PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER)

INDEX TO EXHIBITS TO  
QUARTERLY REPORT ON FORM 10-Q FOR  
SPEEDWAY MOTORSPORTS, INC.  
FOR THE QUARTER ENDED MARCH 31, 2000

EXHIBIT NUMBER -----	DESCRIPTION OF EXHIBITS -----
10.1	Contract For Sale of Real Estate dated as of December 23, 1999 between Las Vegas Motor Speedway, LLC and Las Vegas Industrial Park, LLC.
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10.3	Deed of Trust, Assignment of Rents and Fixture Filing dated as of January 12, 2000 among Las Vegas Industrial Park, LLC, National Title Co. and Las Vegas Motor Speedway, LLC.
10.4	Guaranty dated as of January 12, 2000 by O. Bruton Smith to and in favor of Las Vegas Motor Speedway, LLC.
27.0	Financial data schedule for the three month period ended March 31, 2000.

## EXHIBIT 10.1

### CONTRACT FOR SALE OF REAL ESTATE

Las Vegas Motor Speedway, LLC, a Nevada limited liability company ("SELLER"), agrees to sell and convey and Las Vegas Industrial Park, LLC, a Nevada limited liability company ("PURCHASER"), agrees to purchase the tract of land and all improvements thereon situated in Clark County, NV ("Property"), described below on the following terms:

1. **DESCRIPTION:** Approximately 100 acres with 27 industrial building that are part of tax parcel 123-23-000-003-00 attached as Exhibit A as well as 280 acres in tax parcels 123-14-000-002-00 and 123-23-000-001-00 attached as Exhibit B.
2. **PRICE:** \$53,200,000 payable at closing as follows:
  - a. Cash of \$39,900,000; and
  - b. A note for \$13,300,000; principal and all interest on which shall be due and payable 30 months from the date of Closing, bearing interest at an annual rate equal to 30 day LIBOR plus two percent (2.0%). This note shall be secured by a lien on the Property and by a personal guaranty of O. Bruton Smith..
3. **BUYERS INTENDED USE OF THE PROPERTY:** PURCHASER intends to use the Property for all lawful purposes.
4. **ENVIRONMENTAL WARRANTIES BY SELLER:** The Property does not contain any: (i) hazardous wastes, hazardous substances or hazardous materials, (ii) toxic substances or toxic pollutants, (iii) petroleum products, petroleum waste materials, or petroleum debris, (iv) PCB's, (v) underground storage tanks, or (vi) asbestos, the continued presence of which would constitute a violation of federal, state or local laws, including specifically all environmental protection laws, in effect at the time of closing.
5. **CLOSING DATE:** Not later than January 31, 2000. Exclusive possession of the Property to be given by SELLER to PURCHASER at time of closing.
6. **REVENUE STAMPS AND DEED:** To be furnished and paid for by SELLER.
7. **RECORDING FEES:** To be paid by PURCHASER.
8. **PRORATION OF TAXES, ETC.:** Current taxes and assessments, rents, interest, on mortgages assumed and insurance premiums on policies transferred shall be apportioned as of the closing date. If closing shall occur before the tax rate is fixed, the taxes shall be apportioned upon the basis of the tax rate for the next preceding year applied to the latest assessed valuation, unless the Property was substantially improved since last assessed valuation.
9. **DESTRUCTION BY CASUALTY, ETC.:** Any loss due to casualty prior to closing shall be borne by the SELLER.
10. **CONDITION OF PREMISES:** PURCHASER has inspected the Property and is purchasing Property "as is".
11. **TITLE:** SELLER will execute and deliver to PURCHASER a general warranty deed conveying a good fee simple and marketable title to the Property with full warranties, subject only to restrictive covenants of record and easements for streets, roads and public utilities of record or apparent.
12. **OTHER TERMS AND CONDITIONS:** NONE



IN WITNESS WHEREOF the parties have set their hands and seals this 23rd day of December, 1999.

**SELLER:**

**LAS VEGAS MOTOR SPEEDWAY, LLC**

By: /s/ William R. Brooks  
-----  
William R. Brooks, Manager

**PURCHASER:**

**LAS VEGAS INDUSTRIAL PARK, LLC**

By: /s/ O. Bruton Smith  
-----  
O. Bruton Smith, Manager

## EXHIBIT 10.2

### SUBORDINATED PROMISSORY NOTE

\$13,300,000.00 January 12, 2000 Charlotte, North Carolina

FOR VALUE RECEIVED, LAS VEGAS INDUSTRIAL PARK, LLC, a Nevada limited liability company ("Maker"), promises to pay to the order of LAS VEGAS MOTOR SPEEDWAY, LLC, a Nevada limited liability company ("Noteholder"), at the Noteholder's office at 5401 East Independence Boulevard, Charlotte, North Carolina 28218 (or at such other place or places as the Noteholder may designate), the principal sum of THIRTEEN MILLION THREE HUNDRED THOUSAND DOLLARS (\$13,300,000.00).

The Subordinated Promissory Note shall bear interest at the LIBOR Rate (as hereinafter defined) plus two hundred (200) basis points.

"LIBOR Rate" means, for any day, the rate per annum (rounded upward, if necessary, to the next higher 1/100th of 1%) which is equal to: (i) the rate for deposits in Dollars which appears on the Dow Jones Market Screen 3750 at approximately 11:00 a.m. (London time) on such day for a term equal to one month, from time to time, with each change in such rate to be effective as of the opening of business on the effective date of the change in such rate; provided, that if the day for which such rate is to be determined is not a Business Day, the LIBOR Rate for such day shall be such rate for the next preceding Business Day; provided further, that if such rate is not reported on Dow Jones Market Screen 3750, such rate shall be the rate determined by the Noteholder from another recognized source or interbank quotation, divided by (ii) 1.00 minus the reserve requirement (expressed as a percentage) with respect to eurocurrency liabilities prescribed for member banks of the Federal Reserve System by the Board of Governors of the Federal Reserve System from time to time (if and only to the extent that the Lenders have eurocurrency liabilities subject thereto) and any other similar reserve requirements imposed against a category of liabilities which includes eurocurrency deposits or a category of assets which includes eurocurrency loans. If, for any reason, the rate described in clause (a) (i) is not available, such rate shall be the rate per annum at which, in the reasonable opinion of the Noteholder, Dollars in an amount substantially equal to the amount of the applicable Loan are being offered by leading reference banks for settlement in the London interbank market at approximately 11:00 a.m. (London time), on the Business Day next preceding the applicable borrowing date for a term equal to one month.

"Business Day" means (a) for all purposes other than as set forth in clause (b) below, any day other than a Saturday, Sunday or legal holiday on which banks in Charlotte, North Carolina and New York, New York, are open for the conduct of their commercial banking business, and (b) with respect to all notices and determinations in connection with, and payments of principal and interest on, any LIBOR Rate Loan, any day that is a Business Day described in clause (a) and that is also a day for trading by and between banks in Dollar deposits in the London interbank market.

"Dollars" or "\$" means, unless otherwise qualified, dollars in lawful currency of the United States.

This Subordinated Promissory Note shall be payable as follows:

1. If not payable sooner, the outstanding principal balance of this Subordinated Promissory Note shall be due and payable on July 12, 2002.

If any default should occur under the terms of this Subordinated Promissory Note, the then remaining principal amount and accrued but unpaid interest shall bear interest at a variable rate per annum equal to the Prime Rate plus 3.5% (i.e., three hundred fifty basis points) until such principal and interest have been paid in full. In the event of any acceleration upon such a default, this Subordinated Promissory Note shall become immediately due and payable, without presentation, demand, protest or notice of any kind, all of which are hereby waived by the Maker.

In the event this Subordinated Promissory Note is not paid when due at any stated or accelerated maturity, the Maker shall pay, in addition to principal and interest, all costs of collection, including reasonable attorneys' fees (determined without reference to any statutory presumption and based on actual costs incurred by the Bank and the standard hourly rates for the attorneys and paralegals performing the services rendered and associated out-of-pocket costs).

Interest hereunder shall be computed on the basis of a three hundred sixty (360) day year for the actual number of days in the interest period.

This Subordinated Promissory Note is and shall be subordinated in all respects to the \$45,000,000.00 credit facility ("Senior Debt") between the Maker and First Union National Bank, as Administrative Agent, dated of even date, and any liens on the property of Maker in favor of Noteholder shall in all respects be subordinated to any lien now or hereafter placed on the property of Maker in favor of First Union National Bank, as Administrative Agent. A default by the Maker with respect to the Senior Debt shall constitute a default under this Subordinated Promissory Note allowing the Noteholder, at Noteholder's option, to accelerate the indebtedness evidenced hereby and to declare the outstanding principal balance of this Subordinated Promissory Note, and all accrued but unpaid interest thereon, to be immediately due and payable.

**[SEE ATTACHED SIGNATURE PAGE]**

IN WITNESS WHEREOF, the Maker has caused this Subordinated Promissory Note to be executed as of the day and year first above written, all pursuant to authority duly granted.

**MAKER:**  
**LAS VEGAS INDUSTRIAL PARK, LLC, a Nevada**  
limited liability company

*By:*     */s/ William R. Brooks*  
-----  
*Title: Manager*  
-----

**EXHIBIT 10.3**

**RECORDING REQUESTED BY  
AND WHEN RECORDED MAIL TO:**

Parker, Poe, Adams & Bernstein, L.L.P.  
2500 Charlotte Plaza  
Charlotte, NC 28204  
Attention: Gates Grainger, Esq.

APN: 123-23-000-001, 123-14-000-002, Ptn. 123-23-000-003 & 123-26-101-001  
Space above this line for Recorder's Use

**DEED OF TRUST, ASSIGNMENT OF RENTS  
AND FIXTURE FILING**

[ ] If this box is checked, this document is a CONSTRUCTION TRUST DEED securing a construction loan.

**[NOTICE: THE OBLIGATIONS SECURED HEREBY PROVIDE THE PERIODIC INCREASES AND/OR DECREASES IN THE APPLICABLE INTEREST RATE.**

**NOTICE: THE OBLIGATIONS SECURED HEREBY INCLUDE REVOLVING CREDIT OBLIGATIONS WHICH PERMIT BORROWING, REPAYMENT AND REBORROWING.]**

This Deed of Trust is made as of January 12, 2000, by LAS VEGAS INDUSTRIAL PARK, LLC, a Nevada limited liability company, as trustor ("Trustor"), to NATIONAL TITLE CO., as trustee ("Trustee"), for the benefit of LAS VEGAS MOTOR SPEEDWAY, LLC, a Nevada limited liability company, as beneficiary ("Beneficiary").

1. GRANT IN TRUST.

1.1 The Property. For the purpose of securing payment and performance of the Secured Obligations defined in Section 2 below, Trustor hereby irrevocably and unconditionally grants, conveys, transfers and assigns to Trustee, in trust for the benefit of Beneficiary, with power of sale and right of entry and possession, all estate, right, title and interest which Trustor now has or may later acquire in the following property (collectively, the "Property"):

(a) The real property located in the County of Clark, State of Nevada, as described in EXHIBIT A hereto;

(b) All buildings, structures, improvements, fixtures and appurtenances now or hereafter placed on such real property, and all apparatus and equipment now or hereafter attached in any manner to the real property or any

building on the real property, including all pumping plants, engines, pipes, ditches and flumes, and also all gas, electric, cooking, heating, cooling, air conditioning, lighting, refrigeration and plumbing fixtures and equipment, all of which shall be considered to the fullest extent of the law to be real property for purposes of this Deed of Trust;

(c) All easements and rights of way appurtenant to such real property; all crops (growing or to be grown on such real property); all standing timber upon such real property; all development rights or credits and air rights; all water and water rights (whether riparian, appropriative, or otherwise, and whether or not appurtenant to such real property) and shares of stock pertaining to such water or water rights, ownership of which affect such real property; all minerals, oil, gas, and other hydrocarbon substances and rights thereto in, on, under, or upon such real property;

(d) All existing and future leases, subleases, subtenancies, licenses, occupancy agreements and concessions relating to the use and enjoyment of all or any part of such real property, and any and all guaranties and other agreements relating to or made in connection with any of the foregoing;

(e) All proceeds, including all claims to and demands for them, of the voluntary or involuntary conversion of any of the real property, buildings or the other property described above into cash or liquidated claims, including proceeds of all present and future fire, hazard or casualty insurance policies and all condemnation awards or payments now or later to be made by any public body or decree by any court of competent jurisdiction for any taking or in connection with any condemnation or eminent domain proceeding, and all causes of action and their proceeds for any breach of warranty, misrepresentation, damage or injury to, or defect in, the real property, buildings or the other property described above or any part of them; and

(f) All proceeds of, additions and accretions to, substitutions and replacements for, and changes in any of the property described above.

1.2 Fixture Filing. This Deed of Trust constitutes a financing statement filed as a fixture filing under NRS 104.9402(6) of the Nevada Uniform Commercial Code covering any Property which now is or later may become a fixture attached to the real property described in Paragraph 1.1(a) or any building located thereon.

## 2. THE SECURED OBLIGATIONS.

2.1 Purpose of Securing. Trustor makes the grant, conveyance, transfer and assignment set forth in Section 1 for the purpose of securing the following obligations (the "Secured Obligations") in any order of priority that Beneficiary may choose:

(a) Payment of all obligations of Las Vegas Industrial Park, LLC ("Obligor") to Beneficiary arising under the instrument(s) or agreement(s) described below (the "Debt Instrument"):

a promissory note dated of even date, payable by Obligor as maker in the stated principal amount of Thirteen Million Three Hundred Thousand Dollars (\$13,300,000.00) to the order of Beneficiary.

a certain \_\_\_\_\_ Agreement dated as of \_\_\_\_\_, 2000, between Obligor and Beneficiary which provides for extensions of credit in a principal amount not exceeding \_\_\_\_\_ Dollars (\$\_\_\_\_\_).

a certain \_\_\_\_\_ Guaranty dated \_\_\_\_\_, 2000, in the principal amount of \_\_\_\_\_ Dollars (\$\_\_\_\_\_ ) given by Obligor to Beneficiary in support of the obligations of \_\_\_\_\_ to Beneficiary.

Describe \_\_\_\_\_.

This Deed of Trust also secures payment of all obligations of Obligor under the Debt Instrument which arise after the Debt Instrument is extended, renewed, modified or amended pursuant to any written agreement between Obligor and Beneficiary, and all obligations of Obligor under any successor agreement or instrument which restates and supersedes the Debt Instrument in its entirety.

(b) Payment and performance of all obligations of Trustor under this Deed of Trust; and

(c) Payment and performance of all future advances and other obligations that Trustor (or any successor in interest to Trustor) or Obligor (if different from Trustor) may agree to pay and/or perform (whether as principal, surety or guarantor) to or for the benefit of Beneficiary, when a writing signed by Trustor (or any successor in interest to Trustor) evidences said parties' agreement that such advance or obligation be secured by this Deed of Trust.

This Deed of Trust does not secure any obligation which expressly states that it is unsecured, whether contained in the foregoing Debt Instrument or in any other document, agreement or instrument.

2.2 Terms of Secured Obligations. All persons who may have or

acquire an interest in all or any part of the Property will be considered to have notice of, and will be bound by, the terms of the Debt Instrument described in Paragraph 2.1(a) and each other agreement or instrument made or entered into in connection with each of the Secured Obligations. The Debt Instrument, among other things, provides for the following:

a revolving line of credit to Obligor pursuant to which Obligor may borrow, repay extensions of credit, and re-borrow amounts which have been repaid. The unpaid balance of the revolving line of credit may at certain times be zero. A zero balance does not affect Beneficiary's agreement to make further extensions of credit under the Debt Instrument. Beneficiary's interest under this Deed of Trust will remain in full force and effect notwithstanding a zero balance under the revolving line of credit.

an interest rate which may vary from time to time on one or more of the obligations arising under the Debt Instrument.

### 3. ASSIGNMENT OF RENTS.

3.1 Assignment. Trustor hereby irrevocably, absolutely, presently and unconditionally assigns to Beneficiary all rents, royalties, issues, profits, revenue, income and proceeds of the Property, whether now due, past due or to become due, including all prepaid rents and security deposits (collectively, the "Rents"), and confers upon Beneficiary the right to collect such Rents with or without taking possession of the Property. In the event that anyone establishes and exercises any right to develop, bore for or mine for any water, gas, oil or mineral on or under the surface of the Property, any sums that may become due and payable to Trustor as bonus or royalty payments, and any damages or other compensation payable to Trustor in connection with the exercise of any such rights, shall also be considered Rents assigned under this Paragraph. This is an absolute assignment, not an assignment for security only.

3.2 Grant of License. Notwithstanding the provisions of Paragraph 3.1, Beneficiary hereby confers upon Trustor a license ("License") to collect and retain the Rents as they become due and payable, so long as no Event of Default, as defined in Paragraph 5.2, shall exist and be continuing. If an Event of Default has occurred and is continuing, Beneficiary shall have the right, which it may choose to exercise in its sole discretion, to terminate this License without notice to or demand upon Trustor, and without regard to the adequacy of the security for the Secured Obligations.

### 4. RIGHTS AND DUTIES OF THE PARTIES

4.1 Representations and Warranties. Trustor represents and warrants that Trustor lawfully possesses and holds fee simple title to all of the Property, unless Trustor's present interest in the Property is described in EXHIBIT A as a leasehold interest, in which case Trustor lawfully possesses and holds a leasehold interest in the Property as stated



**in EXHIBIT A.**

4.2 Taxes, Assessments, Liens and Encumbrances. Trustor shall pay prior to delinquency all taxes, levies, charges and assessments, including assessments on appurtenant water stock, imposed by any public or quasi-public authority or utility company which are (or if not paid, may become) a lien on all or part of the Property or any interest in it, or which may cause any decrease in the value of the Property or any part of it. Trustor shall immediately discharge any lien on the Property which Beneficiary has not consented to in writing, and shall also pay when due each obligation secured by or reducible to a lien, charge or encumbrance which now or hereafter encumbers or appears to encumber all or part of the Property, whether the lien, charge or encumbrance is or would be senior or subordinate to this Deed of Trust.

4.3 Damages and Insurance and Condemnation Proceeds.

(a) Trustor hereby absolutely and irrevocably assigns to Beneficiary, and authorizes the payor to pay to Beneficiary, the following claims, causes of action, awards, payments and rights to payment (collectively, the "Claims"):

(i) all awards of damages and all other compensation payable directly or indirectly because of a condemnation, proposed condemnation or taking for public or private use which affects all or part of the Property or any interest in it;

(ii) all other awards, claims and causes of action, arising out of any breach of warranty or misrepresentation affecting all or any part of the Property, or for damage or injury to, or defect in, or decrease in value of all or part of the Property or any interest in it;

(iii) all proceeds of any insurance policies payable because of loss sustained to all or part of the Property; and

(iv) all interest which may accrue on any of the foregoing.

(b) Trustor shall immediately notify Beneficiary in writing if:

(i) any damage occurs or any injury or loss is sustained to all or part of the Property, or any action or proceeding relating to any such damage, injury or loss is commenced; or

(ii) any offer is made, or any action or proceeding is commenced, which relates to any actual or proposed condemnation or taking of all or part of the Property.

If Beneficiary chooses to do so, it may in its own name appear in or prosecute any

action or proceeding to enforce any cause of action based on breach of warranty or misrepresentation, or for damage or injury to, defect in, or decrease in value of all or part of the Property, and it may make any compromise or settlement of the action or proceeding. Beneficiary, if it so chooses, may participate in any action or proceeding relating to condemnation or taking of all or part of the Property, and may join Trustor in adjusting any loss covered by insurance.

(c) All proceeds of the Claims assigned to Beneficiary under this Paragraph shall be paid to Beneficiary. In each instance, Beneficiary shall apply those proceeds first toward reimbursement of all of Beneficiary's costs and expenses of recovering the proceeds, including attorneys' fees. Trustor further authorizes Beneficiary, at Beneficiary's option and in Beneficiary's sole discretion, and regardless of whether there is any impairment of the Property, (i) to apply the balance of such proceeds, or any portion of them, to pay or prepay some or all of the Secured Obligations in such order or proportion as Beneficiary may determine, or (ii) to hold the balance of such proceeds, or any portion of them, in a non-interest-bearing account to be used for the cost of reconstruction, repair or alteration of the Property, or (iii) to release the balance of such proceeds, or any portion of them, to Trustor. If any proceeds are released to Trustor, neither Beneficiary nor Trustee shall be obligated to see to, approve or supervise the proper application of such proceeds. If the proceeds are held by Beneficiary to be used to reimburse Trustor for the costs of restoration and repair of the Property, the Property shall be restored to the equivalent of its original condition, or such other condition as Beneficiary may approve in writing. Beneficiary may, at Beneficiary's option, condition disbursement of the proceeds on Beneficiary's approval of such plans and specifications prepared by an architect satisfactory to Beneficiary, contractor's cost estimates, architect's certificates, waivers of liens, sworn statements of mechanics and materialmen, and such other evidence of costs, percentage of completion of construction, application of payments, and satisfaction of liens as Beneficiary may reasonably require.

4.4 Insurance. Trustor shall provide and maintain in force at all times all risk property damage insurance on the Property and such other type of insurance on the Property as may be required by Beneficiary in its reasonable judgment. At Beneficiary's request, Trustor shall provide Beneficiary with a counterpart original of any policy, together with a certificate of insurance setting forth the coverage, the limits of liability, the carrier, the policy number and the expiration date. Each such policy of insurance shall be in an amount, for a term, and in form and content satisfactory to Beneficiary, and shall be written only by companies approved by Beneficiary. In addition, each policy of hazard insurance shall include a Form 438BFU or equivalent loss payable endorsement in favor of Beneficiary.

#### 4.5 Maintenance and Preservation of Property.

(a) Trustor shall keep the Property in good condition and repair and shall not commit or allow waste of the Property. Trustor shall not remove or

demolish the Property or any part of it, or alter, restore or add to the Property, or initiate or allow any change in any zoning or other land use classification which affects the Property or any part of it, except with Beneficiary's express prior written consent in each instance.

(b) If all or part of the Property becomes damaged or destroyed, Trustor shall promptly and completely repair and/or restore the Property in a good and workmanlike manner in accordance with sound building practices, regardless of whether or not Beneficiary agrees to disburse insurance proceeds or other sums to pay costs of the work of repair or reconstruction under Paragraph 4.3.

(c) Trustor shall not commit or allow any act upon or use of the Property which would violate any applicable law or order of any governmental authority, whether now existing or later to be enacted and whether foreseen or unforeseen, or any public or private covenant, condition, restriction or equitable servitude affecting the Property. Trustor shall not bring or keep any article on the Property or cause or allow any condition to exist on it, if that could invalidate or would be prohibited by any insurance coverage required to be maintained by Trustor on the Property or any part of it under this Deed of Trust.

(d) If Trustor's interest in the Property is a leasehold interest, Trustor shall observe and perform all obligations of Trustor under any lease or leases and shall refrain from taking any actions prohibited by any lease or leases. Trustor shall preserve and protect the leasehold estate and its value.

(e) If the Property is agricultural, Trustor shall farm the Property in a good and husbandlike manner. Trustor shall keep all trees, vines and crops on the Property properly cultivated, irrigated, fertilized, sprayed and fumigated, and shall replace all dead or unproductive trees or vines with new ones. Trustor shall prepare for harvest, harvest, remove and sell any crops growing on the Property. Trustor shall keep all buildings, fences, ditches, canals, wells and other farming improvements on the Property in first class condition, order and repair.

(f) Trustor shall perform all other acts which from the character or use of the Property may be reasonably necessary to maintain and preserve its value.

4.6 Releases, Extensions, Modifications and Additional Security. Without affecting the personal liability of any person, including Trustor (or Obligor, if different from Trustor), for the payment of the Secured Obligations or the lien of this Deed of Trust on the remainder of the Property for the unpaid amount of the Secured Obligations, Beneficiary and Trustee are respectively empowered as follows:

(a) Beneficiary may from time to time and without notice:

(i) release any person liable for payment of any Secured

**Obligation;**

- (ii) extend the time for payment, or otherwise alter the terms of payment, of any Secured Obligation;
- (iii) accept additional real or personal property of any kind as security for any Secured Obligation, whether evidenced by deeds of trust, mortgages, security agreements or any other instruments of security; or
- (iv) alter, substitute or release any property securing the Secured Obligations.

(b) Trustee may perform any of the following acts when requested to do so by Beneficiary in writing:

- (i) consent to the making of any plat or map of the Property or any part of it;
- (ii) join in granting any easement or creating any restriction affecting the Property;
- (iii) join in any subordination or other agreement affecting this Deed of Trust or the lien of it; or
- (iv) reconvey the Property or any part of it without any warranty.

4.7 Reconveyance. When all of the Secured Obligations have been paid in full and no further commitment to extend credit continues, Trustee shall reconvey the Property, or so much of it as is then held under this Deed of Trust, without warranty to the person or persons legally entitled to it. In the reconveyance, the grantee may be described as "the person or persons legally entitled thereto," and the recitals of any matters or facts shall be conclusive proof of their truthfulness. Neither Beneficiary nor Trustee shall have any duty to determine the rights of persons claiming to be rightful grantees of any reconveyance.

4.8 Compensation and Reimbursement of Costs and Expenses.

(a) Trustor agrees to pay fees in the maximum amounts legally permitted, or reasonable fees as may be charged by Beneficiary and Trustee when the law provides no maximum limit, for any services that Beneficiary or Trustee may render in connection with this Deed of Trust, including Beneficiary's providing a statement of the Secured Obligations or Trustee's rendering of services in connection with a reconveyance. Trustor shall also pay or reimburse all of Beneficiary's and Trustee's costs and expenses which may be incurred in rendering

any such services.

(b) Trustor further agrees to pay or reimburse Beneficiary for all costs, expenses and other advances which may be incurred or made by Beneficiary or Trustee to protect or preserve the Property or to enforce any terms of this Deed of Trust, including the exercise of any rights or remedies afforded to Beneficiary or Trustee or both of them under Paragraph 5.3, whether any lawsuit is filed or not, or in defending any action or proceeding arising under or relating to this Deed of Trust, including attorneys' fees and other legal costs, costs of any sale of the Property and any cost of evidence of title.

(c) Trustor shall pay all obligations arising under this Paragraph immediately upon demand by Trustee or Beneficiary. Each such obligation shall be added to, and considered to be part of, the principal of the Secured Obligations, and shall bear interest from the date the obligation arises at the rate provided in any instrument or agreement evidencing the Secured Obligations. If more than one rate of interest is applicable to the Secured Obligations, the highest rate shall be used for purposes hereof. If the instrument or agreement evidencing the Secured Obligations does not state a rate of interest, interest shall accrue at the rate of ten percent (10%) per annum.

#### 4.9 Exculpation and Indemnification.

(a) Beneficiary shall not be directly or indirectly liable to Trustor or any other person as a consequence of any of the following:

(i) Beneficiary's exercise of or failure to exercise any rights, remedies or powers granted to it in this Deed of Trust;

(ii) Beneficiary's failure or refusal to perform or discharge any obligation or liability of Trustor under any agreement related to the Property or under this Deed of Trust;

(iii) Beneficiary's failure to produce Rents from the Property or to perform any of the obligations of the lessor under any lease covering the Property;

(iv) any waste committed by lessees of the Property or any other parties, or any dangerous or defective condition of the Property; or

(v) any loss sustained by Trustor or any third party resulting from any act or omission of Beneficiary in operating or managing the Property upon exercise of the rights or remedies afforded Beneficiary under Paragraph 5.3, unless the loss is caused by the wilful misconduct and bad faith of Beneficiary.

Trustor hereby expressly waives and releases all liability of the types described above, and agrees that no such liability shall be asserted against or imposed upon Beneficiary.

(b) Trustor agrees to indemnify Trustee and Beneficiary against and hold them harmless from all losses, damages, liabilities, claims, causes of action, judgments, court costs, attorneys' fees and other legal expenses, cost of evidence of title, cost of evidence of value, and other costs and expenses which either may suffer or incur in performing any act required or permitted by this Deed of Trust or by law or because of any failure of Trustor to perform any of its obligations. This agreement by Trustor to indemnify Trustee and Beneficiary shall survive the release and cancellation of any or all of the Secured Obligations and the full or partial release and/or reconveyance of this Deed of Trust.

4.10 Defense and Notice of Claims and Actions. At Trustor's sole expense, Trustor shall protect, preserve and defend the Property and title to and right of possession of the Property, and the security of this Deed of Trust and the rights and powers of Beneficiary and Trustee created under it, against all adverse claims. Trustor shall give Beneficiary and Trustee prompt notice in writing if any claim is asserted which does or could affect any of these matters, or if any action or proceeding is commenced which alleges or relates to any such claim.

4.11 Substitution of Trustee. From time to time, Beneficiary may substitute a successor to any Trustee named in or acting under this Deed of Trust in any manner now or later to be provided at law, or by a written instrument executed and acknowledged by Beneficiary and recorded in the office of the recorder of the county where the Property is situated. Any such instrument shall be conclusive proof of the proper substitution of the successor Trustee, who shall automatically upon recordation of the instrument succeed to all estate, title, rights, powers and duties of the predecessor Trustee, without conveyance from it.

4.12 Site Visits, Observation and Testing. Beneficiary shall have the right at any reasonable time to enter and visit the Property for the purposes of performing appraisals, observing the Property, taking and removing soil or groundwater samples, and conducting tests on any part of the Property. Beneficiary shall have no duty, however, to visit or observe the Property or to conduct tests, and no site visit, observation or testing by Beneficiary shall impose any liability on Beneficiary. In no event shall any site visit, observation or testing by Beneficiary be a representation that Hazardous Substances are or are not present in, on or under the Property, or that there has been or shall be compliance with any law, regulation or ordinance pertaining to Hazardous Substances or any other applicable governmental law. Neither Trustor nor any other party is entitled to rely on any site visit, observation or testing by Beneficiary. Beneficiary owes no duty of care to protect Trustor or any other party against, or to inform Trustor or any other party of, any Hazardous Substances or any other adverse condition affecting the Property.

Beneficiary shall give Trustor reasonable notice before entering the Property. Beneficiary shall make reasonable efforts to avoid interfering with Trustor's use of the Property in exercising any rights provided in this Paragraph. For purposes of this Paragraph, "Hazardous Substance" means any substance, material or waste which is or becomes designated, classified or regulated as being "toxic" or "hazardous" or which is or become similarly designated, classified or regulated under any federal, state or local law, regulation or ordinance.

4.13 Impound Account. At the request of Beneficiary, Trustor will monthly pay to Beneficiary an amount equal to one-twelfth (1/12th) of the annual costs of taxes and assessments on the Property plus the estimated next insurance premiums on policies of insurance required under Paragraph 4.4 of this Deed of Trust divided by the number of months between the date of computation and the date the insurance premiums are due. Beneficiary may release the amounts paid under this Paragraph to Trustor for payment by Trustor of such taxes, assessments and insurance premiums, or Beneficiary may use such amounts to itself pay such taxes, assessments and insurance premiums, at Beneficiary's option.

## 5. ACCELERATING TRANSFERS, DEFAULT AND REMEDIES.

### 5.1 Accelerating Transfers

(a) "Accelerating Transfer" means any sale, contract to sell, conveyance, encumbrance, lease, or other transfer, whether voluntary, involuntary, by operation of law or otherwise, of all or any material part of the Property or any interest in it, including any transfer or exercise of any right to drill for or to extract any water (other than for Trustor's own use), oil, gas or other hydrocarbon substances or any mineral of any kind on or under the surface of the Property. If Trustor is a corporation, "Accelerating Transfer" also means any transfer or transfers of shares possessing, in the aggregate, more than fifty percent (50%) of the voting power. If Trustor is a partnership, "Accelerating Transfer" also means withdrawal or removal of any general partner, dissolution of the partnership under Nevada law, or any transfer or transfers of, in the aggregate, more than fifty percent (50%) of the partnership interests. If Trustor is a limited liability company, "Accelerating Transfer" also means withdrawal or removal of any manager, dissolution of the limited liability company under Nevada law, or any transfer or transfers of, in the aggregate, more than fifty percent (50%) of the membership interests.

(b) Trustor agrees that Trustor shall not make any Accelerating Transfer, unless the transfer is preceded by Beneficiary's express written consent to the particular transaction and transferee. Beneficiary may withhold such consent in its sole discretion. If any Accelerating Transfer occurs, Beneficiary in its sole discretion may declare all of the Secured Obligations to be immediately due and payable, and Beneficiary and Trustee may invoke any rights and remedies provided

**by Paragraph 5.3 of this Deed of Trust.**

5.2 Events of Default. The occurrence of any one or more of the following events, at the option of Beneficiary, shall constitute an event of default ("Event of Default") under this Deed of Trust:

- (a) Obligor fails to make any payment, when due, under the Debt Instrument (after giving effect to any applicable grace period), or any other default occurs under and as defined in the Debt Instrument or in any other instrument or agreement evidencing any of the Secured Obligations and such default continues beyond any applicable cure period;
- (b) Trustor fails to make any payment or perform any obligation which arises under this Deed of Trust;
- (c) Any representation or warranty made in connection with this Deed of Trust or the Secured Obligations proves to have been false or misleading in any material respect when made; or
- (d) Any default occurs under any other deed of trust on all or any part of the Property, or under any obligation secured by such deed of trust, whether such deed of trust is prior to or subordinate to this Deed of Trust.

5.3 Remedies. At any time after the occurrence of an Event of Default, Beneficiary and Trustee shall be entitled to invoke any and all of the rights and remedies described below, as well as any other rights and remedies authorized by law. All of such rights and remedies shall be cumulative, and the exercise of any one or more of them shall not constitute an election of remedies.

- (a) Beneficiary may declare any or all of the Secured Obligations to be due and payable immediately.
- (b) Beneficiary may apply to any court of competent jurisdiction for, and obtain appointment of, a receiver for the Property.
- (c) Beneficiary, in person, by agent or by court-appointed receiver, may enter, take possession of, manage and operate all or any part of the Property, and in its own name or in the name of Trustor sue for or otherwise collect any and all Rents, including those that are past due, and may also do any and all other things in connection with those actions that Beneficiary may in its sole discretion consider necessary and appropriate to protect the security of this Deed of Trust. Such other things may include: entering into, enforcing, modifying, or canceling leases on such terms and conditions as Beneficiary may consider proper; obtaining and evicting tenants; fixing or modifying Rents; completing any unfinished construction; contracting for and making repairs and alterations; performing such



acts of cultivation or irrigation as necessary to conserve the value of the Property; and preparing for harvest, harvesting and selling any crops that may be growing on the property. Trustor hereby irrevocably constitutes and appoints Beneficiary as its attorney-in-fact to perform such acts and execute such documents as Beneficiary in its sole discretion may consider to be appropriate in connection with taking these measures, including endorsement of Trustor's name on any instruments. Trustor agrees to deliver to Beneficiary all books and records pertaining to the Property, including computer-readable memory and any computer hardware or software necessary to access or process such memory, as may reasonably be requested by Beneficiary in order to enable Beneficiary to exercise its rights under this Paragraph.

(d) Either Beneficiary or Trustee may cure any breach or default of Trustor, and if it chooses to do so in connection with any such cure, Beneficiary or Trustee may also enter the Property and/or do any and all other things which it may in its sole discretion consider necessary and appropriate to protect the security of this Deed of Trust. Such other things may include: appearing in and/or defending any action or proceeding which purports to affect the security of, or the rights or powers of Beneficiary or Trustee under, this Deed of Trust; paying, purchasing, contesting or compromising any encumbrance, charge, lien or claim of lien which in Beneficiary's or Trustee's sole judgment is or may be senior in priority to this Deed of Trust, such judgment of Beneficiary or Trustee to be conclusive as among the parties to this Deed of Trust; obtaining insurance and/or paying any premiums or charges for insurance required to be carried under this Deed of Trust; otherwise caring for and protecting any and all of the Property; and/or employing counsel, accountants, contractors and other appropriate persons to assist Beneficiary or Trustee. Beneficiary and Trustee may take any of the actions permitted hereunder either with or without giving notice to any person.

(e) Beneficiary may bring an action in any court of competent jurisdiction to foreclose this instrument or to obtain specific enforcement of any of the covenants or agreements of this Deed of Trust.

(f) Beneficiary may cause the Property to be sold by Trustee as permitted by applicable law. Before any such trustee's sale, Beneficiary or Trustee shall give such notice of default and election to sell as may then be required by law. When all time periods then legally mandated have expired, and after such notice of sale as may then be legally required has been given, Trustee shall sell the Property, either as a whole or in separate parcels, and in such order as Trustee may determine, at a public auction to be held at the time and place specified in the notice of sale. Neither Trustee nor Beneficiary shall have any obligation to make demand on Trustor before any trustee's sale. From time to time in accordance with then applicable law, Trustee may, and in any event at Beneficiary's request shall, postpone any trustee's sale by public announcement at the time and place noticed for that sale. At any trustee's sale, Trustee shall sell to the highest bidder at public auction for cash in lawful money of the United States. Any person, including

Trustor, Trustee or Beneficiary, may purchase at the trustee's sale. Trustee shall execute and deliver to the purchaser(s) a deed or deeds conveying the property being sold without any covenant or warranty whatsoever, express or implied. The recitals in any such deed of any matters or facts, including any facts bearing upon the regularity or validity of any trustee's sale, shall be conclusive proof of their truthfulness. Any such deed shall be conclusive against all persons as to the facts recited in it.

#### 5.4 Application of Sale Proceeds and Rents.

(a) Beneficiary and Trustee shall apply the proceeds of any sale of the Property in the following manner: first, to pay the portion of the Secured Obligations attributable to the costs, fees and expenses of the sale, including costs of evidence of title in connection with the sale; and, second, to pay all other Secured Obligations in any order and proportions as Beneficiary in its sole discretion may choose. The remainder, if any, shall be remitted to the person or persons entitled thereto.

(b) Beneficiary shall apply any and all Rents collected by it, and any and all sums other than proceeds of any sale of the Property which Beneficiary may receive or collect under Paragraph 5.3, in the following manner: first, to pay the portion of the Secured Obligations attributable to the costs and expenses of operation and collection that may be incurred by Trustee, Beneficiary or any receiver; and, second, to pay all other Secured Obligations in any order and proportions as Beneficiary in its sole discretion may choose. The remainder, if any, shall be remitted to the person or persons entitled thereto. Beneficiary shall have no liability for any funds which it does not actually receive.

### 6. MISCELLANEOUS PROVISIONS

#### 6.1 No Waiver or Cure.

(a) Each waiver by Beneficiary or Trustee must be in writing, and no waiver shall be construed as a continuing waiver. No waiver shall be implied from any delay or failure by Beneficiary or Trustee to take action on account of any default of Trustor. Consent by Beneficiary or Trustee to any act or omission by Trustor shall not be construed as a consent to any other or subsequent act or omission or to waive the requirement for Beneficiary's or Trustee's consent to be obtained in any future or other instance.

(b) If any of the events described below occurs, that event alone shall not cure or waive any breach, Event of Default or notice of default under this Deed of Trust or invalidate any act performed pursuant to any such default or notice; or nullify the effect of any notice of default or sale (unless all Secured Obligations then due have been paid and performed); or impair the security of this Deed of Trust; or

prejudice Beneficiary, Trustee or any receiver in the exercise of any right or remedy afforded any of them under this Deed of Trust; or be construed as an affirmation by Beneficiary of any tenancy, lease or option, or a subordination of the lien of this Deed of Trust:

- (i) Beneficiary, its agent or a receiver takes possession of all or any part of the Property;
- (ii) Beneficiary collects and applies Rents, either with or without taking possession of all or any part of the Property;
- (iii) Beneficiary receives and applies to any Secured Obligation proceeds of any Property, including any proceeds of insurance policies, condemnation awards, or other claims, property or rights assigned to Beneficiary under this Deed of Trust;
- (iv) Beneficiary makes a site visit, observes the Property and/or conducts tests thereon;
- (v) Beneficiary receives any sums under this Deed of Trust or any proceeds of any collateral held for any of the Secured Obligations, and applies them to one or more Secured Obligations;
- (vi) Beneficiary, Trustee or any receiver performs any act which it is empowered or authorized to perform under this Deed of Trust or invokes any right or remedy provided under this Deed of Trust.

## 6.2 Powers of Beneficiary and Trustee.

- (a) Trustee shall have no obligation to perform any act which it is empowered to perform under this Deed of Trust unless it is requested to do so in writing and is reasonably indemnified against loss, cost, liability and expense.
- (b) Beneficiary may take any of the actions permitted under Paragraphs 5.3(b) and/or 5.3(c) regardless of the adequacy of the security for the Secured Obligations, or whether any or all of the Secured Obligations have been declared to be immediately due and payable, or whether notice of default and election to sell has been given under this Deed of Trust.
- (c) From time to time, Beneficiary or Trustee may apply to any court of competent jurisdiction for aid and direction in executing the trust and enforcing the rights and remedies created under this Deed of Trust. Beneficiary or Trustee may from time to time obtain orders or decrees directing, confirming or approving acts in executing this trust and enforcing these rights and remedies.

### 6.3 Nonborrower Trustor.

(a) If any Trustor ("Nonborrower Trustor") is not the Obligor under the Debt Instrument described in Paragraph 2.1(a), such Nonborrower Trustor authorizes Beneficiary to perform any of the following acts at any time, all without notice to Nonborrower Trustor and without affecting Beneficiary's rights or Nonborrower Trustor's obligations under this Deed of Trust:

(i) Beneficiary may alter any terms of the Debt Instrument or any part of it, including renewing, compromising, extending or accelerating, or otherwise changing the time for payment of, or increasing or decreasing the rate of interest on, the Debt Instrument or any part of it;

(ii) Beneficiary may take and hold security for the Debt Instrument, accept additional or substituted security for the Debt Instrument, and subordinate, exchange, enforce, waive, release, compromise, fail to perfect, sell or otherwise dispose of any such security;

(iii) Beneficiary may apply any security now or later held for the Debt Instrument in any order that Beneficiary in its sole discretion may choose, and may direct the order and manner of any sale of all or any part of it and bid at any such sale;

(iv) Beneficiary may release Obligor of its liability for the Debt Instrument or any part of it; and

(v) Beneficiary may substitute, add or release any one or more guarantors or endorsers of the Debt Instrument.

(b) Nonborrower Trustor waives:

(i) Any right it may have to require Beneficiary to proceed against Obligor, proceed against or exhaust any security held from Obligor, or pursue any other remedy in Beneficiary's power to pursue;

(ii) Any defense based on any legal disability of Obligor, any discharge or limitation of the liability of Obligor to Beneficiary, whether consensual or arising by operation of law or any bankruptcy, reorganization, receivership, insolvency, or debtor-relief proceeding, or from any other cause, or any claim that Nonborrower Trustor's obligations exceed or are more burdensome than those of Obligor;

(iii) All presentments, demands for performance, notices of nonperformance, protests, notices of protest, notices of dishonor, notices of acceptance of this Deed of Trust and of the existence, creation, or incurring

of new or additional indebtedness of Obligor, and demands and notices of every kind;

(iv) Any defense based on or arising out of any defense that Obligor may have to the payment or performance of the Debt Instrument or any part of it; and

(v) All rights of subrogation, reimbursement, indemnification and contribution (contractual, statutory or otherwise), including any claim or right of subrogation under the Bankruptcy Code (Title 11 of the U.S. Code) or any successor statute, all rights to enforce any remedy that the Beneficiary may have against Obligor, and all rights to participate in any security now or later to be held by Beneficiary for the Debt Instrument.

(c) Nonborrower Trustor assumes full responsibility for keeping informed of Obligor's financial condition and business operations and all other circumstances affecting Obligor's ability to pay and perform its obligations to Beneficiary, and agrees that Beneficiary shall have no duty to disclose to Nonborrower Trustor any information which Beneficiary may receive about Obligor's financial condition, business operations, or any other circumstances bearing on its ability to perform.

(d) For purposes of this Paragraph 6.3, all references to the Debt Instrument shall also include any instrument or agreement executed by Obligor subsequent to the date of this Deed of Trust which is secured by this Deed of Trust in accordance with the provisions of Paragraph 2.1 (c).

6.4 Merger. No merger shall occur as a result of Beneficiary's acquiring any other estate in or any other lien on the Property unless Beneficiary consents to a merger in writing.

6.5 Joint and Several Liability. If Trustor consists of more than one person, each shall be jointly and severally liable for the faithful performance of all of Trustor's obligations under this Deed of Trust.

6.6 Applicable Law. This Deed of Trust shall be governed by Nevada law.

6.7 Successors in Interest. The terms, covenants and conditions of this Deed of Trust shall be binding upon and inure to the benefit of the heirs, successors and assigns of the parties. However, this Paragraph does not waive the provisions of Paragraph 5.1.

6.8 Interpretation. Whenever the context requires, all words used in the singular will be construed to have been used in the plural, and vice versa, and each gender will include any other gender. The captions of the sections of this Deed of Trust are for

convenience only and do not define or limit any terms or provisions. The word "include(s)" means "include(s), without limitation," and the word "including" means "including, but not limited to." The word "obligations" is used in its broadest and most comprehensive sense, and includes all primary, secondary, direct, indirect, fixed and contingent obligations. It further includes all principal, interest, prepayment charges, late charges, loan fees and any other fees and charges accruing or assessed at any time, as well as all obligations to perform acts or satisfy conditions. No listing of specific instances, items or matters in any way limits the scope or generality of any language of this Deed of Trust. The Exhibits to this Deed of Trust are hereby incorporated in this Deed of Trust. "NRS" means Nevada Revised Statutes, and references to particular sections of NRS includes any amendment or recodification of such section.

6.9 In-House Counsel Fees. Whenever Trustor is obligated to pay or reimburse Beneficiary or Trustee for any attorneys' fees, those fees shall include the allocated costs for services of in-house counsel.

6.10 Waiver of Marshaling. Trustor waives all rights, legal and equitable, it may now or hereafter have to require marshaling of assets or to direct the order in which any of the Property will be sold in the event of any sale under this Deed of Trust, including any rights provided by NRS 100.040 and 100.050. Each successor and assign of Trustor, including any holder of a lien subordinate to this Deed of Trust, by acceptance of its interest or lien agrees that it shall be bound by the above waiver, as if it had given the waiver itself.

6.11 Severability. If any provision of this Deed of Trust should be held unenforceable or void, that provision shall be deemed severable from the remaining provisions and in no way affect the validity of this Deed of Trust except that if such provision relates to the payment of any monetary sum, then Beneficiary may, at its option, declare all Secured Obligations immediately due and payable.

6.12 Notices. Trustor hereby requests that a copy of notice of default and notice of sale be mailed to it at the address set forth below. That address is also the mailing address of Trustor as debtor under the Nevada Uniform Commercial Code. Beneficiary's address given below is the address for Beneficiary as secured party under the Nevada Uniform Commercial Code.

6.13 Incorporation of Certain Nevada Covenants. The following covenants, Nos. 1, 2 (an amount equal to the full replacement value), 3, 4 (the default rate provided for in the Debt Instrument), 6, 7 (a reasonable), 8 and 9 of NRS 107.030, are hereby adopted and made a part of this Deed of Trust, provided, that with respect to covenant Nos. 1, 2, 3, and 4 in the event of any conflict between such covenants and the Debt Instrument or the other provisions of this Deed of Trust, the Debt Instrument or such other provisions shall prevail. Upon any Event of Default by Trustor hereunder, Beneficiary may (a) declare all sums secured immediately due and payable without demand or notice and/or (b) have a receiver appointed as a matter of right without regard to the sufficiency

of the Property or any other security or guaranty and without any showing as required by NRS 107.100. All remedies provided in this Deed of Trust are distinct and cumulative to any other right or remedy under this Deed of Trust or afforded by law or equity and may be exercised concurrently, independently or successively. A sale of Property conducted pursuant to Covenants Nos. 6, 7 and 8 of NRS 107.030 may be conducted either as to the whole of the Property or in separate parcels and in such order as Beneficiary or Trustee may determine.

[ ] If this box is checked, \_\_\_\_\_ signs as Trustor solely for the purpose of subjecting any potential community property interest in the Property to this Deed of Trust.

*Addresses for Notices:*

*LAS VEGAS INDUSTRIAL PARK, LLC, a Nevada  
limited liability company*

*P.O. Box 18747  
Charlotte, NC 28218*

*By: /s/ William R. Brooks*

*Name: William R. Brooks*

*Title: Manager*

STATE OF NC  
-----

COUNTY OF Union  
-----

This instrument was acknowledged before me on Jan. 12, 2000 by William R. Brooks as Manager of LAS VEGAS INDUSTRIAL PARK, LLC, a Nevada limited liability company.

*s/ Donna Bowen*  
-----  
*Notary Public*  
*My commission expires: 8-12-03*  
-----

**[NOTARY SEAL]**



## GUARANTY

THIS GUARANTY is made as of January 12, 2000, by O. BRUTON SMITH, an individual (the "Guarantor"), to and for the benefit of LAS VEGAS MOTOR SPEEDWAY, LLC, a Nevada limited liability company (the "Noteholder"), in order to induce the "Noteholder" to accept that certain Subordinated Promissory Note made by LAS VEGAS INDUSTRIAL PARK, LLC, a Nevada limited liability company (the "Maker") dated of even date, in the original principal face amount of Thirteen Million Three Hundred Thousand Dollars (\$13,300,000.00) (the "Note"), which Note is secured by a Deed of Trust, Assignment of Rents and Fixture Filing ("Deed of Trust") dated of even date from Maker for the benefit of Noteholder, securing real property in Clark County, Nevada.

1. The Guarantor does hereby unconditionally guaranty to the Noteholder:

- a. The due performance and full and prompt payment, whether at maturity or by acceleration or otherwise, of the indebtedness evidenced by the Note in accordance with the terms and conditions of the Note and all other obligations of Maker evidenced by the Note and the Deed of Trust;
- b. All costs and expenses, including reasonable attorneys' fees, paid or incurred in the enforcement or collection of the Note or this Guaranty; provided, that such reasonable attorney's fees shall be actually incurred at standard hourly rates and without giving effect to any statutory presumption.

2. The Guarantor represents and warrants that he has the full right, power and authority to enter into this Guaranty and, if so requested by Noteholder, to execute such further assurances of such right, power and authority.

3. The Guarantor hereby unconditionally agrees that his liability hereunder shall not be affected in any manner whatsoever by:

- a. Any amendments, modifications or extensions of time for payment of amounts due under the Note or Deed of Trust or other obligations of Maker under the Note or the Deed of Trust, whether made with or without notice to the Guarantor;
- b. The release of the Maker from any of its obligations under the Note or Deed of Trust or the release of any security securing the Note, whether made with or without notice to the Guarantor; and
- c. Any delay or election by Noteholder in exercising any right or remedy under the Note, any document securing the Note, or this Guaranty.

4. The Guarantor hereby waives:

a. Presentment, demand for payments of the Maker or anyone else, protest, and notice of nonpayment, dishonor, or protest of the Note, and all other notices and demands required by the Note or applicable law; and

b. Any right or claim of right to cause a marshaling of the assets of Maker or to cause the Noteholder to first proceed against any security securing the Note.

5. This Guaranty shall be construed in accordance with the laws of the State of North Carolina.

**[SEE ATTACHED SIGNATURE PAGE]**

IN WITNESS WHEREOF, the Guarantor has duly executed this Guaranty under seal as of the date set forth above.

**GUARANTOR:**

*/s/ O. Bruton Smith* (SEAL)  
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*O. BRUTON SMITH*

## ARTICLE 5

This schedule contains summary financial information extracted from the financial statements of Speedway Motorsports, Inc. for the three months ended March 31, 2000 and is qualified in its entirety by reference to such financial statements.

CIK: 0000934648

NAME: SPEEDWAY MOTORSPORTS, INC.

MULTIPLIER: 1,000

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 31 2000
PERIOD START	JAN 01 2000
PERIOD END	MAR 31 2000
CASH	42,687
SECURITIES	1,168
RECEIVABLES	67,163
ALLOWANCES	992
INVENTORY	17,634
CURRENT ASSETS	104,710
PP&E	763,154
DEPRECIATION	114,456
TOTAL ASSETS	976,045
CURRENT LIABILITIES	148,060
BONDS	418,277
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	416
OTHER SE	335,844
TOTAL LIABILITY AND EQUITY	976,045
SALES	12,227
TOTAL REVENUES	66,264
CGS	10,552
TOTAL COSTS	52,652
OTHER EXPENSES	(204)
LOSS PROVISION	0
INTEREST EXPENSE	6,473
INCOME PRETAX	7,343
INCOME TAX	2,937
INCOME CONTINUING	4,406
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	4,406
EPS BASIC	0.11
EPS DILUTED	0.11

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**End of Filing**

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