SPEEDWAY MOTORSPORTS INC

FORM 10-Q
(Quarterly Report)

Filed 8/14/2001 For Period Ending 6/30/2001

Address	US HIGHWAY 29 NORTH PO BOX 600
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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)

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

For the quarterly period ended June 30, 2001

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	51-0363307
(State or other jurisdiction of incorporation or organization)	(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)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

As of August 14, 2001, there were 41,749,718 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)

	June 30, 2001	December 31, 2000
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 57,157	$ 30,737
Accounts and notes receivable	40,156	30,433
Prepaid income taxes	--	2,946
Inventories	17,782	16,487
Prepaid expenses	2,920	2,700
Total Current Assets	118,015	83,303
Property and Equipment, Net	810,066	798,481
Goodwill and Other Intangible Assets, Net	57,706	59,105
Other Assets:		
Speedway condominiums held for sale	4,482	4,419
Marketable equity securities	732	864
Notes and other receivables from affiliates	22,943	21,214
Notes receivable, other	12,105	11,645
Other assets	12,233	12,926
Total Other Assets	52,495	51,068
TOTAL	$1,038,282	$ 991,957

See notes to consolidated financial statements.

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

	June 30, 2001	December 31, 2000
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 165	$ 168
Accounts payable	11,814	9,683
Deferred race event income, net	55,002	72,052
Accrued income taxes	22,605	--
Accrued interest	9,078	9,591
Accrued expenses and other liabilities	13,733	13,689
Total Current Liabilities	112,397	105,183
Long-Term Debt	403,197	409,929
Payable to Affiliates	3,700	3,911
Deferred Income, Net	14,006	17,130
Deferred Income Taxes	74,242	74,106
Other Liabilities	1,868	2,357
Total Liabilities	609,410	612,616
Commitments and Contingencies (Notes 5, 9 and 10)		
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 - 41,750,000 in 2001 and 41,739,000 in 2000	418	417
Additional paid-in capital	161,374	161,159
Retained earnings	267,482	218,215
Accumulated other comprehensive loss - unrealized loss on marketable equity securities	(402)	(450)
Total Stockholders' Equity	428,872	379,341
TOTAL	$ 1,038,282	$ 991,957

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 June 30, 2001	Three Months Ended June 30, 2000
REVENUES:		
Admissions	$ 69,761	$ 70,906
Event related revenue	95,194	77,353
Other operating revenue	10,505	12,195
Total Revenues	175,460	160,454
EXPENSES AND OTHER:		
Direct expense of events	61,746	52,691
Other direct operating expense	9,001	10,420
General and administrative	16,586	13,129
Depreciation and amortization	8,221	7,870
Interest expense, net	6,147	6,778
Expenses of cancelled CART race (Note 10)	3,469	--
Other income, net	(904)	(220)
Total Expenses and Other	104,266	90,668
Income Before Income Taxes	71,194	69,786
Income Tax Provision	27,991	28,068
NET INCOME	$ 43,203	$ 41,718
BASIC EARNINGS PER SHARE:		
Basic Earnings Per Share (Notes 2 and 6)	$ 1.03	$ 1.00
Weighted average shares outstanding	41,744	41,656
DILUTED EARNINGS PER SHARE:		
Diluted Earnings Per Share (Notes 2 and 6)	$ 0.98	$ 0.95
Weighted average shares outstanding	44,387	44,714

See notes to consolidated financial statements.

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

(Unaudited)

	Six Months Ended June 30, 2001	Six Months Ended June 30, 2000
REVENUES:		
Admissions	$ 89,739	$ 91,800
Event related revenue	133,028	110,496
Other operating revenue	19,668	23,683
Total Revenues	242,435	225,979
OPERATING EXPENSES:		
Direct expense of events	85,320	73,917
Other direct operating expense	16,283	20,972
General and administrative	30,326	26,253
Depreciation and amortization	16,577	15,620
Interest expense, net	12,178	13,251
Expenses of cancelled CART race (Note 10)	3,469	--
Other income, net	(2,921)	(424)
Total Expenses and Other	161,232	149,589
Income Before Income Taxes and Cumulative Effect of Accounting Change	81,203	76,390
Income Tax Provision	31,936	30,712
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	49,267	45,678
Cumulative Effect of Accounting Change for Club Membership Fees (Note 2)	--	(1,257)
NET INCOME	$ 49,267	$ 44,421
BASIC EARNINGS PER SHARE:		
Before Cumulative Effect Of Accounting Change	$ 1.18	$ 1.10
Accounting Change (Notes 2 and 6)	--	(0.03)
Basic Earnings Per Share	$ 1.18	$ 1.07
Weighted average shares outstanding	41,742	41,652
DILUTED EARNINGS PER SHARE:		
Before Cumulative Effect Of Accounting Change	$ 1.13	$ 1.05
Accounting Change (Notes 2 and 6)	--	(0.03)
Diluted Earnings Per Share	$ 1.13	$ 1.02
Weighted average shares outstanding	44,457	44,788

See notes to consolidated financial statements.

SPEEDWAY MOTORSPORTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(In thousands)
(Unaudited)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stock-holders' Equity
	Shares	Amount				
BALANCE - JANUARY 1, 2001	41,739	$ 417	$161,159	$218,215	$ (450)	$379,341
Net income	--	--	--	49,267	--	49,267
Net unrealized gain on marketable equity securities	--	--	--	--	48	48
Exercise of stock options	3	--	47	--	--	47
Issuance of stock under employee stock purchase plan	8	1	168	--	--	169
BALANCE - JUNE 30, 2001	41,750	$ 418	$161,374	$267,482	$ (402)	$428,872

See notes to consolidated financial statements.

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

	Six Months Ended June 30, 2001	Six Months Ended June 30, 2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 49,267	$ 44,421
Adjustments to reconcile net income to net cash provided by operating activities:		
Cumulative effect of accounting change	--	1,257
Depreciation and amortization	16,577	15,620
Amortization of deferred income	(2,979)	(790)
Changes in operating assets and liabilities:		
Accounts receivable	(7,846)	(3,562)
Prepaid and accrued income taxes	25,551	29,577
Inventories	(1,295)	(2,143)
Accounts payable	2,131	(3,378)
Deferred race event income	(17,050)	(43,576)
Accrued expenses and other liabilities	(469)	(433)
Deferred income	(145)	636
Other assets and liabilities	(506)	242
Net Cash Provided By Operating Activities	63,236	37,871
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt	(6,508)	(40,062)
Issuance of stock under employee stock purchase plan	47	167
Exercise of common stock options	169	--
Net Cash Used By Financing Activities	(6,292)	(39,895)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(27,074)	(55,693)
Proceeds from sale of property held for sale	--	40,000
Purchases of marketable equity securities and other investments	(16)	(2,311)
Proceeds from sales of marketable equity securities and distribution from equity method investee	632	15
Increase in notes and other receivables	(5,935)	(3,233)
Repayment of notes and other receivables	1,869	1,074
Net Cash Used By Investing Activities	(30,524)	(20,148)
Net Increase (Decrease) In Cash and Cash Equivalents	26,420	(22,172)
Cash and Cash Equivalents At Beginning Of Period	30,737	56,270
Cash and Cash Equivalents At End Of Period	$ 57,157	$ 34,098
SUPPLEMENTAL INFORMATION OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Increase in notes receivable for sale of LVMS Industrial Park and land	$ --	$ 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 forward-looking statements, include those discussed in Exhibit 99.1 to the Company's fiscal 2000 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. (SMI) and its wholly-owned subsidiaries, Atlanta Motor Speedway, Inc. (AMS), Bristol Motor Speedway, Inc. (BMS), Charlotte Motor Speedway LLC and subsidiaries a/k/a Lowe's Motor Speedway at Charlotte (LMSC), Nevada Speedway LLC d/b/a Las Vegas Motor Speedway (LVMS), Sears Point Raceway LLC (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, 2000 consolidated financial statements for further description of the Company's business operations, properties and scheduled events.

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, 2000 included in its 2000 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 and other sanctioned racing events which occur on the last full weekend of a calendar quarter. When major racing events occur on the last full 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 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 24-25, 2001 and March 25-26, 2000. A major NASCAR sanctioned racing event occurred at TMS on the weekends of March 31-April 1, 2001 and April 1-2, 2000. Accordingly, the revenues and operating expenses of these race events are recognized in the second quarter of both calendar years, and the reporting periods for the three and six months ended June 30, 2001 and 2000 are comparable.

Accounting Change For Club Membership Fees - As reported in the Company's Annual Report on Form 10-K for fiscal 2000, the operating results for the three and six months ended June 30, 2000 were restated for the effects of retroactive application of an accounting change for net club membership fees. The operating results for the six months ended June 30, 2000 also reflect the cumulative effect of the accounting change as of January 1, 2000, reducing net income by $1,257,000 after income taxes of $824,000, and basic and diluted earnings per share by $0.03.

Notes Receivable, Other - At June 30, 2001, notes receivable of approximately $12,105,000 are past their scheduled due date. Management is currently reviewing available recoverability alternatives, and believes property collateralizing such notes receivable is sufficient to ensure full collectibility. As such, no allowance for uncollectible amounts has been recorded.

Speedway Condominiums Held for Sale - The Company has constructed 46 condominiums at AMS and 76 condominiums at TMS, of which 44 and 66, respectively, have been sold or contracted for sale as of June 30, 2001. Speedway condominiums held for sale represent 2 condominiums at AMS and 10 condominiums at TMS which are substantially complete and are being marketed.

Certain TMS condominium sales contracts provide buyers the right to require Company repurchase within three years from the purchase date. Gain recognition is deferred until the buyer's right expires. Aggregate gains approximating $2,100,000, before income taxes, were recognized upon expiration of such buyer rights in the six months ended June 30, 2001, and are included in other income. Gains recognized in the three months ended June 30, 2001 were insignificant. Unexpired buyer rights under sales contracts aggregate approximately $450,000 as of June 30, 2001, and substantially all expire in 2001.

Interest Rate Swap (See Note 5) - The Company at times may use interest rate swaps for non-trading purposes to hedge interest rate risk and optimize its combination of variable and fixed interest rate debt. The Company's swap is designated as a fair value hedge of the underlying fixed rate debt obligation, and meets the conditions for assuming no ineffectiveness using the short-cut method under Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities". As such, market value changes of both the interest rate swap and underlying debt obligation are reflected in interest expense as equal and offsetting unrealized gains or losses, and as corresponding adjustments to other long-term debt and the associated senior subordinated debt. Net payments received or made under the swap are recognized as an adjustment to interest expense.

Reclassifications - Certain prior year accounts were reclassified to conform with current year presentation.

3. INVENTORIES

Inventories as of June 30, 2001 and December 31, 2000 consist of the following components (in thousands):

	June 30, 2001	December 31, 2000
Souvenirs and apparel	$ 9,573	$ 9,421
Finished vehicles, parts and accessories	4,968	4,212
Oil additives, food and other	3,241	2,854
Total	$17,782	$16,487

4. PROPERTY AND EQUIPMENT

Construction In Progress - At June 30, 2001, the Company had various construction projects underway to increase and improve facilities for fan amenities and make other site improvements at each of its speedways. In addition, the Company plans to continue major renovations at SPR, including its ongoing reconfiguration into a "stadium-style" road racing course, adding a significant number of grandstand and hillside terrace seats, adding luxury suites, and improving and expanding concessions, restroom and other fan amenities and facilities. SPR also plans to continue improving and expanding its on-site roads and available parking, reconfiguring traffic patterns and entrances to ease congestion and improve traffic flow. The estimated aggregate cost of capital expenditures in 2001 will approximate $55,000,000.

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 Bank of America, 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 Bank of America's prime rate or the Federal Funds rate plus .5%. At June 30, 2001 and December 31, 2000, the Company had $90,000,000 in outstanding borrowings under the Credit Facility.

Senior Subordinated Notes - At June 30, 2001 and December 31, 2000, the Company had outstanding 8 1/2% senior subordinated notes in the aggregate principal amount of $250,000,000 (the Senior Notes). Semi-annual interest payments are due February 15 and August 15. The Senior Notes are unsecured, mature in August 2007, and are redeemable at the Company's option after August 15, 2002.

Convertible Subordinated Debentures - At June 30, 2001 and December 31, 2000, the Company had outstanding 5 3/4% convertible subordinated debentures in the aggregate principal amount of $59,500,000 and $66,000,000. During the three and six months ended June 30, 2001, debentures aggregating $2,000,000 and $6,500,000 in principal were repurchased substantially at par. Semi-annual interest payments are due March 31 and September 30. 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 at various redemption prices. As of June 30, 2001 and 2000, 1,913,000 and 2,379,000 shares of common stock would be issuable upon conversion (see Note 6).

See Note 5 to the December 31, 2000 Consolidated Financial Statements for additional discussion of the terms and conditions of the bank credit facility, senior subordinated notes and convertible subordinated debentures.

Interest Expense - Interest expense, net for the three months ended June 30, 2001 and 2000 includes interest expense of $7,098,000 and $7,734,000, and interest income of $951,000 and $956,000. The Company capitalized interest costs of $718,000 and $784,000 during the three months ended June 30, 2001 and 2000. The weighted-average interest rate on borrowings under the bank revolving credit facility during the three months ended June 30, 2001 and 2000 was 5.3% and 7.6%.

Interest expense, net for the six months ended June 30, 2001 and 2000 includes interest expense of $14,519,000 and $15,314,000, and interest income of $2,341,000 and $2,063,000. The Company capitalized interest costs of $1,408,000 and $1,797,000 during the six months ended June 30, 2001 and 2000. The weighted-average interest rate on borrowings under the bank revolving credit facility during the six months ended June 30, 2001 and 2000 was 6.2% and 7.4%.

Interest Rate Swap (See Note 2) - On June 22, 2001, the Company entered into an interest rate swap transaction with a financial institution that provides variable interest rate features on certain fixed rate senior subordinated debt obligations. The agreement provides that the Company pay a variable interest rate based on LIBOR, and that the Company receive a fixed interest rate of 5.9%, on a principal notional amount of $125,000,000. The agreement contains early cancellation penalties, which correspond to the underlying hedged debt, and expires in August 2007. At June 30, 2001, the interest rate swap's estimated fair value was an obligation of approximately $2,300,000 which was reflected in other long-term debt. The hedged debt was adjusted to fair value by an equal and offsetting adjustment to the underlying senior subordinated debt. As such, the adjustments to fair value had no net effect on the accompanying statement of operations. As of July 31, 2001, the swap's estimated fair value had improved by approximately $2,650,000 to $350,000 as receivable by the Company had the swap agreement been settled on that date.

6. PER SHARE DATA

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):

	Net Income	Weighted Average Shares	Earnings Per Share
Three Months Ended June 30, 2001:			
Basic earnings per share	$ 43,203	41,744	$ 1.03
Dilution adjustments:			
Common stock equivalents - stock options	--	704	
5 3/4% Convertible debentures	471	1,939	
Diluted earnings per share	$ 43,674	44,387	$ 0.98
Three Months Ended June 30, 2000:			
Basic earnings per share (Note 2)	$ 41,718	41,656	$ 1.00
Dilution adjustments:			
Common stock equivalents - stock options	--	679	
5 3/4% Convertible debentures	578	2,379	
Diluted earnings per share	$ 42,296	44,714	$ 0.95
Six Months Ended June 30, 2001:			
Basic earnings per share	$ 49,267	41,742	$ 1.18
Dilution adjustments:			
Common stock equivalents - stock options	--	707	
5 3/4% Convertible debentures	980	2,008	
Diluted earnings per share	$ 50,247	44,457	$ 1.13
Six Months Ended June 30, 2000:			
Basic earnings per share before cumulative effect of accounting change (Note 2)	$ 45,678	41,652	$ 1.10
Cumulative effect of accounting change, net of taxes	(1,257)	41,652	(0.03)
Basic earnings per share	44,421	41,652	1.07
Dilution adjustments:			
Common stock equivalents - stock options	--	757	
5 3/4% Convertible debentures	1,140	2,379	
Diluted earnings per share	$ 45,561	44,788	$ 1.02

7. RELATED PARTY TRANSACTIONS

Notes and other receivables at June 30, 2001 and December 31, 2000 include $908,000 and $886,000 due from a partnership in which the Company's Chairman and Chief Executive Officer is a partner, including accrued interest. 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 or require repayment before June 30, 2002, the balance has been classified as a noncurrent asset in the accompanying consolidated balance sheet.

Notes and other receivables at June 30, 2001 and December 31, 2000 include $6,050,000 and $4,945,000 due from the Company's Chairman and Chief Executive Officer. The amount due represents premiums paid by the Company under a split-dollar life insurance trust arrangement on behalf of the Chairman, cash advances and expenses paid by the Company on behalf of the Chairman, and accrued interest. The amount due bears interest at 1% over prime and is payable on demand. Because the Company does not anticipate or require repayment before June 30, 2002, the balance has been classified as a noncurrent asset in the accompanying consolidated balance sheet.

Notes and other receivables at June 30, 2001 and December 31, 2000 include $15,986,000 and $15,383,000 due from Las Vegas Industrial Park, LLC, an entity owned by the Company's Chairman and Chief Executive Officer, including accrued interest. 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 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 collateralized by the underlying sold property, and is scheduled to mature in July 2002. Because the Company does not anticipate or require repayment before June 30, 2002, 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), a Company affiliate through common ownership, and of Las Vegas Industrial Park, LLC. At June 30, 2001 and December 31, 2000, accounts receivable include $1,323,000 and $940,000 due from Sonic Financial, and $3,137,000 and $1,643,000 due from Las Vegas Industrial Park, LLC. The amounts are classified as short-term based on expected repayment dates.

Amounts payable to affiliates at June 30, 2001 and December 31, 2000 include $2,594,000 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 prime plus 1%. The entire amount is classified as long-term based on expected repayment dates. Amounts payable to affiliates at June 30, 2001 and December 31, 2000 also include $1,106,000 and $1,317,000 owed to a former LVMS shareholder and executive officer in equal monthly payments through December 2003 at 6.4% imputed interest.

8. STOCK OPTION PLANS

Formula Stock Option Plan - In 2001, the Company granted options to four outside directors to purchase an aggregate of 60,000 and 15,000 shares at exercise prices per share of $22.31 and $23.21, respectively, representing fair market value at award dates under the Formula Stock Option Plan.

9. LEGAL PROCEEDINGS AND CONTINGENCIES (SEE NOTE 10)

On May 1, 1999, during the running of an Indy Racing Northern Light Series (IRL) racing event at LMSC, an on-track accident occurred that caused race debris to enter the spectator seating area (the "May 1999 IRL Accident"). On February 13, 2001, the parents of Haley A. McGee filed a personal injury action related to the May 1999 IRL Accident against SMI, LMSC and IRL in the Superior Court of Mecklenburg County, North Carolina. This lawsuit seeks unspecified damages and punitive damages related to the injuries of the minor, Haley A. McGee, as well as the medical expenses incurred and wages lost by her parents. On April 23, 2001, SMI filed its answer in this action. SMI intends to defend itself and to deny the allegations of negligence as well as related claims for punitive damages. Management does not believe the outcome of this lawsuit will have a material adverse effect on the Company's financial position or future results of operations.

On May 20, 2000, near the end of a NASCAR-sanctioned event hosted at LMSC, a portion of a pedestrian bridge leading from its track facility to a parking area failed. In excess of 100 people were injured to varying degrees. Preliminary investigations indicate the failure was the result of excessive interior corrosion resulting from improperly manufactured bridge components. All personal injury claims resulting from this incident are currently being handled by the bridge's manufacturer, Tindall Corporation, and its insurer.

To date, 30 separate lawsuits have been filed by individuals claiming injuries from the bridge failure on May 20, 2000, including 5 new lawsuits filed since the beginning of the second quarter of 2001. Generally, these lawsuits were filed against SMI, LMSC, Tindall Corporation and Anti-Hydro International, Inc., in the North Carolina Superior Courts of Cabarrus, Mecklenburg, Rowan, Union and Wake Counties, and in the United States District Courts for the Middle District and Western District of North Carolina, seeking unspecified compensatory and punitive damages. SMI has filed answers in all of the actions except two and preliminary discovery has begun in many of the cases but is not complete. SMI intends to defend itself and denies the allegations of negligence as well as related claims for punitive damages. Additional lawsuits involving this incident may be filed in the future. Management does not believe the outcome of these lawsuits or this incident will have a material adverse effect on the Company's financial position or future results of operations. The five additional plaintiffs filing claims in this matter since the beginning of the second quarter of 2001 are as follows: Michael Kevin Neal and Torene Rumfelt Neal, May 2, 2001; Jack T. Blevins, Sr., Tina Louise Blevins and Bridget Repsher, May 14, 2001; Jeff Hill and Jodi Hill, May 30, 2001; Cindy Taylor, Arthur M. Taylor and Brody Patrick Wright (a minor), June 21, 2001; Hurley Long and Pauline Long, July 23, 2001.

On February 8, 2000, a lawsuit, styled Robert L. "Larry" Carrier v. Speedway Motorsports, Inc. and Bristol Motor Speedway, Inc., was filed in the Chancery Court for Sullivan County, Tennessee. This suit alleges that SMI and BMS interfered with the use of a leasehold property rented to the plaintiff by BMS. The complaint is seeking $15 million in compensatory, and $60 million in punitive, damages as well as injunctive relief. On August 8, 2001, the trial court denied all motions for summary judgment previously filed by plaintiff and the defendants and the matter is being scheduled for trial. SMI believes that the allegations are without merit and is defending itself vigorously. Management does not believe the outcome of this lawsuit will have a material adverse effect on the Company's financial position or future results of operations.

10. CHAMPIONSHIP AUTO RACING TEAMS RACING EVENT IN APRIL 2001 NOT HELD

A major Championship Auto Racing Teams (CART) racing event originally scheduled at TMS on April 29, 2001 was not conducted as a result of a decision made by CART's sanctioning body. At this time, neither the Company nor CART have determined whether the race will be rescheduled. The Company offered refunds of paid tickets and certain other event revenues. On May 3, 2001, the Company filed a legal action against CART, which is currently pending in the United States District Court for the Eastern District of Texas, claiming, among other things, that CART was negligent and that it breached its contract. The Company is seeking recovery of the associated race purse, sanction fees, certain other event related costs incurred by the Company, and various lost revenues and other damages. While management believes the Company will ultimately prevail, at this time, management is unable to determine the outcome or effects of any favorable resolution of this matter may have on the Company's financial position or future results of operations. All event related costs, including those for which recovery is sought, have been reflected as a current period expense, and no lost revenues or damage awards have been recognized, pending ultimate resolution of the recovery proceedings.

11. CONDENSED NON-GUARANTOR FINANCIAL INFORMATION

The Company's Credit Facility and Senior Subordinated Notes are joint and severally guaranteed by all of the Company's wholly-owned subsidiaries except for certain minor wholly-owned subsidiaries.

The following table presents condensed consolidating financial information of the Company's guarantor and non-guarantor subsidiaries as of June 30, 2001 and December 31, 2000 and for the three and six months ended June 30, 2001 and 2000 (in thousands):

Condensed Consolidating Balance Sheets As Of June 30, 2001 and December 31, 2000

June 30, 2001	Parent Only	Guarantors	Non-Guarantors	Eliminations	Consolidated
Current assets	$ 50,017	$ 62,359	$ 5,639	--	$ 118,015
Property and equipment, net	11,938	796,139	1,989	--	810,066
Goodwill and other intangible assets, net	4,906	48,152	4,648	--	57,706
Other assets	27,675	24,707	113	--	52,495
Advances to and investments in subsidiaries, net	838,189	(90,177)	(13,702)	$ (734,310)	--
Total assets	$ 932,725	$ 841,180	$ (1,313)	$ (734,310)	$1,038,282
Current liabilities	$ 41,478	$ 66,902	$ 1,934	$ 2,083	$ 112,397
Long-term debt	402,077	252	1,032	(164)	403,197
Other liabilities	60,298	33,556	(27)	(11)	93,816
Total liabilities	503,853	100,710	2,939	1,908	609,410
Total stockholders' equity and (deficiency)	428,872	740,470	(4,252)	(736,218)	428,872
Total liabilities and stockholders' equity (deficiency)	$ 932,725	$ 841,180	$ (1,313)	$ (734,310)	$1,038,282

December 31, 2000	Parent Only	Guarantors	Non-Guarantors	Eliminations	Consolidated
Current assets	$ 15,423	$ 63,008	$ 7,280	$ (2,408)	$ 83,303
Property and equipment, net	10,640	784,506	2,685	650	798,481
Goodwill and other intangible assets, net	5,066	49,314	4,725	--	59,105
Other assets	27,017	24,608	108	(665)	51,068
Advances to and investments in subsidiaries, net	805,871	(227,732)	(14,837)	(563,302)	--
Total assets	$ 864,017	$ 693,704	$ (39)	$ (565,725)	$ 991,957
Current liabilities	$ 15,694	$ 86,972	$ 1,983	$ 534	$ 105,183
Long-term debt	408,788	305	1,000	(164)	409,929
Other liabilities	60,194	37,348	(27)	(11)	97,504
Total liabilities	484,676	124,625	2,956	359	612,616
Total stockholders' equity and (deficiency)	379,341	569,079	(2,995)	(566,084)	379,341
Total liabilities and stockholders' equity (deficiency)	$ 864,017	$ 693,704	$ (39)	$ (565,725)	$ 991,957

Condensed Consolidating Statements Of Operations For the Three Months Ended June 30, 2001 and 2000

2001	Parent Only	Guarantors	Non-Guarantors	Eliminations	Consolidated
Total revenues	$ 212	$172,971	$ 2,277	--	$175,460
Total expenses and other ..	430	99,945	3,891	--	104,266
Equity in net income (loss) of subsidiaries	44,295	--	--	$(44,295)	--
Net income (loss)	$ 43,203	$ 45,301	$ (1,006)	$(44,295)	$ 43,203

	2000				
	Parent Only	Guarantors	Non-Guarantors	Eliminations	Consolidated
Total revenues	$ 139	$156,415	$ 3,900	--	$160,454
Total expenses and other ..	1,272	85,255	4,141	--	90,668
Equity in net income (loss) of subsidiaries	41,688	--	--	$(41,688)	
Net income (loss)	$ 41,718	$ 41,976	$ (288)	$(41,688)	$ 41,718

Condensed Consolidating Statements Of Operations For the Six Months Ended June 30, 2001 and 2000

2001	Parent Only	Guarantors	Non-Guarantors	Eliminations	Consolidated
Total revenues	$ 812	$236,464	$ 5,159	--	$242,435
Total expenses and other ..	646	153,423	7,163	--	161,232
Equity in net income (loss) of subsidiaries	51,261	--	--	$(51,261)	--
Net income (loss)	$ 49,267	$ 52,522	$ (1,261)	$(51,261)	$ 49,267

2000	Parent Only	Guarantors	Non-Guarantors	Eliminations	Consolidated
Total revenues	$ 139	$217,225	$ 8,615	--	$225,979
Total expenses and other ..	2,062	137,544	9,983	--	149,589
Equity in net income (loss) of subsidiaries	45,645	--	--	$(45,645)	
Net income (loss)	$ 44,421	$ 46,463	$ (818)	$(45,645)	$ 44,421

Condensed Consolidating Statements Of Cash Flows For the Six Months Ended June 30, 2001 and 2000

	2001				2000			
	Parent Only	Guarantors	Non-Guarantors	Consolidated	Parent Only	Guarantors	Non-Guarantors	Consolidated
Net cash provided (used) by operations	$ 42,012	$ 21,828	$ (604)	$ 63,236	$ 15,382	$ 22,276	$ 213	$ 37,871
Net cash used by financing activities	(6,292)	--	--	(6,292)	(39,895)	--	--	(39,895)
Net cash provided (used) by investing activities	(2,598)	(27,931)	5	(30,524)	(2,859)	(16,963)	(326)	(20,148)

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 an environmentally-friendly, metal energizer; from Racing Country USA, a nationally syndicated radio show; from SoldUSA, an internet auction and e-commerce company; 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 broadcast rights fees, food, beverage and souvenir sales, sponsorship fees, promotional and hospitality revenues, and luxury suite and track rentals. "Other operating revenue" includes the two Speedway Clubs, Legends Car, industrial park rental, MBM, Oil-Chem, SoldUSA and WMI revenues. The Company's revenue items produce different operating margins. Broadcast rights, sponsorships, ticket sales, and luxury suite and track rentals produce higher margins than concessions and souvenir sales, as well as sales of Legends Cars, MBM, Oil-Chem, 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 Clubs, Legends Car, industrial park rental, MBM, Oil-Chem, 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 a negative effect on the Company's results of operations.

Significant growth in the Company's revenues depends, in large part, 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 generally been able to mitigate the effects of inflation by increasing prices.

Seasonality and Quarterly Results

In 2001, the Company currently will sponsor 17 major annual racing events sanctioned by the National Association for Stock Car Auto Racing, Inc. ("NASCAR"), including ten Winston Cup and seven Busch Grand National Series racing events. The Company will also sponsor three Indy Racing Northern Light Series ("IRL") racing events, three NASCAR Craftsman Truck Series racing events, four major National Hot Rod Association ("NHRA") racing events, seven World of Outlaws ("WOO") racing events, and three UDTRA Pro Dirt Car Series ("UDTRA") racing events in 2001. In 2000, the Company derived a substantial portion of its total revenues from admissions and event related revenue attributable to 17 major NASCAR-sanctioned racing events, four IRL racing events, two NASCAR Craftsman Truck Series racing events, three major NHRA racing events, seven WOO racing events, and three Hav-A-Tampa Dirt Late Model Series ("HAT") racing events. As a result, the Company's business has been, and is expected to remain, highly seasonal.

In 2000 and 1999, the Company's second and fourth quarters accounted for 67% and 68%, respectively, of its total annual revenues and 86% and 89%, 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.

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

The results of operations for the three and six months ended June 30, 2001 and 2000 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 2001 and 2000:

Number of scheduled major NASCAR-sanctioned events

	2001	2000
1st Quarter	4	4
2nd Quarter	8	8
3rd Quarter	2	2
4th Quarter	3	3
Total	17	17

RESULTS OF OPERATIONS

AMS hosted an Indy Racing Northern Light Series racing event in the second quarter of 2001 which was held in the third quarter of 2000. The second quarter 2001 IRL event results are included in admissions and event related revenues and direct expense of events. The third quarter 2000 IRL event was hosted under a restructured sanctioning agreement whereby net event results were included in event related revenue. Also, BMS hosted a major NHRA-sanctioned Nationals racing event in the second quarter of 2001 which was held in the third quarter of 2000. An IRL racing event hosted by LVMS in the second quarter of 2000, whereby net events results were included in event related revenue, was not held in the current period.

A major Championship Auto Racing Teams (CART) racing event originally scheduled at TMS in April 2001 was not conducted as a result of a decision made by CART's sanctioning body. See Note 10 to the June 30, 2001 consolidated financial statements and Part II - "Item 1. Legal Proceedings" for additional information on this matter.

Three Months Ended June 30, 2001 Compared To Three Months Ended June 30, 2000

Total Revenues. Total revenues for the three months ended June 30, 2001 increased by $15.0 million, or 9.4%, over such revenues for the same period in 2000. This improvement was due primarily to an increase in event related revenue.

Admissions. Admissions for the three months ended June 30, 2001 decreased by $1.1 million, or 1.6%, from such revenue for the same period in 2000. This decrease was due primarily to lower attendance at NASCAR-sanctioned racing events held at LMSC and TMS, an IRL racing event held at TMS, and World of Outlaws and UDTRA Pro Dirt Car Series racing events held at BMS during the current period as compared to last year. The overall decrease was partially offset by increased admissions at NASCAR-sanctioned racing events held at BMS and SPR during the current period. The overall decrease was also partially offset by an IRL racing event hosted at AMS, and a major NHRA-sanctioned Nationals racing event hosted at BMS, in the second quarter of 2001 which were held in the third quarter of 2000.

Event Related Revenue. Event related revenue for the three months ended June 30, 2001 increased by $17.8 million, or 23.1%, over such revenue for the same period in 2000. This increase was due primarily to increases in broadcast rights fees for NASCAR-sanctioned racing events held during the current period. The increase was also due to the IRL racing event hosted at AMS, and the NHRA racing event hosted at BMS, in the second quarter of 2001 which were held in the third quarter of 2000. The overall increase was partially offset by lower corporate suite rental, hospitality and other event related revenues during the current period as compared to the same period in 2000. The overall increase was also partially offset by the IRL racing event hosted at LVMS in the second quarter of 2000 which was not held in the current period.

Other Operating Revenue. Other operating revenue for the three months ended June 30, 2001 decreased by $1.7 million, or 13.9%, from such revenue for the same period in 2000. This decrease was due primarily to decreased Oil-Chem revenues associated with reduced direct-response advertising while FTC litigation with Oil-Chem continues. See Part II - "Item 1. Legal Proceedings" for additional information on this legal matter. The decrease was also, to a lesser extent, due to decreased MBM sales revenue in the current period as compared to the same period in 2000.

Direct Expense of Events. Direct expense of events for the three months ended June 30, 2001 increased by $9.1 million, or 17.2%, over such expense for the same period in 2000. This increase was due primarily to higher race purses and sanctioning fees for NASCAR-sanctioned racing events held during the current period. The increase was also due to the IRL racing event hosted at AMS, and the NHRA racing event hosted at BMS, in the second quarter of 2001 which were held in the third quarter of 2000. The increase also reflects higher advertising and other promotional costs for events held during the current period as compared to the same period in 2000.

Other Direct Operating Expense. Other direct operating expense for the three months ended June 30, 2001 decreased by $1.4 million, or 13.6%, from such expense for the same period in 2000. This decrease was due primarily to reduced direct-response advertising while FTC litigation with Oil-Chem continues, and decreased operating costs associated with reduced Oil-Chem revenues in the current period as compared to the same period in 2000. The decrease was also due to decreased operating costs associated with reduced MBM sales revenues and advertising expenses in the current period as compared to the same period in 2000.

General and Administrative. General and administrative expense for the three months ended June 30, 2001 increased by $3.5 million, or 26.3%, over such expense for the same period in 2000. This increase was attributable to increases in operating costs associated with the growth and expansion at the Company's speedways and operations, and to legal and testing costs associated with the FTC litigation with Oil-Chem.

Depreciation and Amortization. Depreciation and amortization expense for the three months ended June 30, 2001 increased by $351,000, or 4.5%, over such expense for the same period in 2000. This increase results primarily from additions to property and equipment at the Company's speedways.

Interest Expense, Net. Interest expense, net for the three months ended June 30, 2001 was $6.1 million compared to $6.8 million for the same period in 2000. This decrease was due primarily to lower interest rates on the revolving Credit Facility and a reduction in outstanding Convertible Subordinated Debentures during the current period.

Expenses of Cancelled CART Race. Expenses of cancelled CART race of $3.5 million for the three months ended June 30, 2001 represent principally race event costs associated with the CART-sanctioned race originally scheduled at TMS on April 29, 2001. The race was not conducted as a result of a decision made by CART's sanctioning body. The Company has filed a legal action against CART claiming, among other things, that CART was negligent and breached its contract, and is seeking recovery of various expenses, lost revenues and other damages. See Note 10 to the June 30, 2001 consolidated financial statements and Part II - "Item 1. Legal Proceedings" for additional information on this matter.

Other Income. Other income for the three months ended June 30, 2001 increased by $684,000 over such income for the same period in 2000. This increase results primarily from gains on sales of two TMS condominiums in the current period, and to larger gains recognized on sales of marketable equity securities and other investments in the current period as compared to the same period in 2000.

Income Tax Provision. The Company's effective income tax rate for the three months ended June 30, 2001 and 2000 was 39% and 40%, respectively.

Net Income. Net income for the three months ended June 30, 2001 increased by $1.5 million, or 3.6%, to $43.2 million, over such income for the same period in 2000. This increase was due to the factors discussed above.

Six Months Ended June 30, 2001 Compared To Six Months Ended June 30, 2000

Total Revenues. Total revenues for the six months ended June 30, 2001 increased by $16.5 million, or 7.3%, over such revenues for the same period in 2000. This improvement was due primarily to an increase in event related revenue.

Admissions. Admissions for the six months ended June 30, 2001 decreased by $2.1 million, or 2.2%, from such revenue for the same period in 2000. This decrease was due primarily to lower attendance at NASCAR-sanctioned racing events held at LMSC, LVMS and TMS, an IRL racing event held at TMS, and World of Outlaws and UDTRA Pro Dirt Car Series racing events held at BMS during the current period as compared to last year. The overall decrease was partially offset by increased admissions at NASCAR-sanctioned racing events held at AMS, BMS and SPR during the current period. The overall decrease was also partially offset by an IRL racing event hosted at AMS, and a major NHRA-sanctioned Nationals racing event hosted at BMS, in the second quarter of 2001 which were held in the third quarter of 2000.

Event Related Revenue. Event related revenue for the six months ended June 30, 2001 increased by $22.5 million, or 20.4%, over such revenue for the same period in 2000. This increase was due primarily to increases in broadcast rights fees for NASCAR-sanctioned racing events held during the current period and, to a lesser extent, an increase in track rental revenues. The increase was also due to the IRL racing event hosted at AMS, and the NHRA racing event hosted at BMS, in the second quarter of 2001 which were held in the third quarter of 2000. The overall increase was partially offset by lower corporate suite rental, hospitality and other event related revenues during the current period as compared to the same period in 2000. The overall increase was also partially offset by the IRL racing event hosted at LVMS in the second quarter of 2000 which was not held in the current period.

Other Operating Revenue. Other operating revenue for the six months ended June 30, 2001 decreased by $4.0 million, or 17.0%, from such revenue for the same period in 2000. This decrease was due primarily to decreased Oil-Chem revenues associated with reduced direct-response advertising while FTC litigation with Oil-Chem continues.

Direct Expense of Events. Direct expense of events for the six months ended June 30, 2001 increased by $11.4 million, or 15.4%, over such expense for the same period in 2000. This increase was due primarily to higher race purses and sanctioning fees for NASCAR-sanctioned racing events. The increase was also due to the IRL racing event hosted at AMS, and the NHRA racing event hosted at BMS, in the second quarter of 2001 which were held in the third quarter of 2000. The increase also reflects higher advertising and other promotional costs for events held during the current period as compared to the same period in 2000.

Other Direct Operating Expense. Other direct operating expense for the six months ended June 30, 2001 decreased by $4.7 million, or 22.4%, from such expense for the same period in 2000. This decrease was due primarily to reduced direct-response advertising while FTC litigation with Oil-Chem continues, and decreased operating costs associated with reduced Oil-Chem revenues in the current period as compared to the same period in 2000. The decrease was also due to decreased operating costs associated with reduced MBM sales revenues and advertising expenses in the current period as compared to the same period in 2000.

General and Administrative. General and administrative expense for the six months ended June 30, 2001 increased by $4.1 million, or 15.5%, over such expense for the same period in 2000. This increase was attributable to increases in operating costs associated with the growth and expansion at the Company's speedways and operations, and to legal and testing costs associated with the FTC litigation with Oil-Chem.

Depreciation and Amortization. Depreciation and amortization expense for the six months ended June 30, 2001 increased by $957,000, or 6.1%, over such expense for the same period in 2000. This increase results primarily from additions to property and equipment at the Company's speedways.

Interest Expense, Net. Interest expense, net for the six months ended June 30, 2001 was $12.2 million compared to $13.3 million for the same period in 2000. This decrease was due primarily to lower interest rates on the revolving Credit Facility, a reduction in outstanding Convertible Subordinated Debentures during the current period, and to higher interest income earned on cash investments. The overall decrease was offset by lower capitalized interest during the current period.

Expenses of Cancelled CART Race. Expenses of cancelled CART race of $3.5 million for the six months ended June 30, 2001 represent principally race event costs associated with the CART-sanctioned race, originally scheduled at TMS on April 29, 2001, which was not conducted as a result of a decision made by CART's sanctioning body.

Other Income. Other income for the six months ended June 30, 2001 increased by $2.5 million over such income for the same period in 2000. This increase results primarily from gains recognized upon expiration in the current period of buyer rights under certain TMS condominium sales contracts whereby buyers could require Company repurchase within three years from date of purchase. Recognition of such gains was deferred until the buyer's right expired. The increase also results from gains on sales of two TMS condominiums in the current period, and to larger gains recognized on sales of marketable equity securities and other investments in the current period as compared to the same period in 2000.

Income Tax Provision. The Company's effective income tax rate for the six months ended June 30, 2001 and 2000 was 39% and 40%, respectively.

Income Before Cumulative Effect of Accounting Change. Income before accounting change for the six months ended June 30, 2001 increased by $3.6 million, or 7.9%, to $49.3 million, over such income for the same period in 2000. This increase was due to the factors discussed above.

Cumulative Effect of Accounting Change. Cumulative effect of accounting change for Club Membership Fees of $1.3 million for the six months ended June 30, 2000 represents the cumulative effect, net of income taxes of $824,000, as of January 1, 2000, of the Company's change in revenue recognition policies for Speedway Club membership fees. Net revenues from membership fees previously were recognized as income when billed and associated expenses were incurred. Under the new method, net membership revenues are deferred when billed and amortized into income over ten years.

Net Income. Net income for the six months ended June 30, 2001 increased by $4.8 million, or 10.9%, to $49.3 million, over such income for the same period in 2000. 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 six months of 2001 for improvements and expansion at its speedway facilities. Significant changes in the Company's financial condition and liquidity during the six months ended June 30, 2001 resulted primarily from: (1) net cash generated by operations amounting to $63.2 million, (2) capital expenditures amounting to $27.1 million, and (3) reducing outstanding Convertible Subordinated Debentures by $6.5 million. At June 30, 2001, 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 2001, 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. The Company may, from time to time, redeem or retire convertible subordinated debentures and other debt, and purchase its other securities, depending on liquidity, prevailing market conditions, as well as such factors as permissibility under the Credit Facility, the Senior Subordinated Notes, and as the Board of Directors, in its sole discretion, may consider relevant. 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 2001, the Company continued major renovations at SPR, including its ongoing reconfiguration and modernization into a "stadium-style" road racing course, adding up to 25,000 new grandstand seats, 64,000 new hillside terrace seats, and 19 new luxury suites. Also, SPR plans to continue improving and expanding its on-site roads and available parking, and reconfiguring traffic patterns and entrances to ease congestion and improve traffic flow. Completion of such renovation and expansion at SPR is presently scheduled for 2003. Similar to 2000, at each of its speedways in 2001, the Company plans to further expand concessions, restroom and other fan amenities for the convenience, comfort and enjoyment of fans, and to continue improving and expanding its on-site roads and available parking to ease congestion and improve traffic flow.

The estimated aggregate cost of capital expenditures in 2001 will approximate $55 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 Credit Facility, the Senior Subordinated Notes and as the Board of Directors, in its sole discretion, may consider relevant. The Credit Facility and Senior Subordinated Notes preclude the payment of any dividends.

Recently Issued Accounting Standards

The Company adopted Statement of Financial Accounting Standards (SFAS) No.
133 "Accounting for Derivative Instruments and Hedging Activities" as of January 1, 2001. SFAS No. 133 established accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires, among other things, that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. Because the Company had no derivative instruments on January 1, 2001, adoption had no effect on the Company's financial statements or disclosures.

In July 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141 "Business Combinations" which requires, among other things, the purchase method of accounting for business combinations initiated after June 30, 2001, eliminates the pooling-of-interests method and clarifies the criteria for recording intangible assets separate from goodwill. The Company believes the adoption of SFAS No.141 will have no significant impact on its financial statements.

In July 2001, the Financial Accounting Standards Board issued SFAS No. 142 "Goodwill and Other Intangible Assets" which specifies, among other things, that goodwill and other intangible assets with indefinite useful lives will no longer be amortized, but instead will be evaluated for possible impairment at least annually. Under SFAS No. 142, the Company will cease amortizing goodwill, including goodwill from past business combinations, identify appropriate reporting units for purposes of assessing any possible future impairment of goodwill, and assess goodwill for impairment under transitional rules. The Company is required to adopt SFAS No.142 on January 1, 2002 and has not determined the impact, if any, that this statement will have on its consolidated financial position or results of operations. Goodwill amortization expense amounted to $445,000 and $889,000 in the three and six months ended June 30, 2001.

Near-term Operating Trends

There are many factors that affect the Company's growth potential, future operations and financial results. Fiscal 2001 will be the Company's first year under the multi-year consolidated domestic television broadcast and ancillary rights agreements for NASCAR Winston Cup and Busch Grand National Series events. These new agreements are expected to provide the Company with future increases in contracted broadcasting and other ancillary revenues. Total combined revenues under the domestic broadcast and ancillary rights agreements could approximate up to $67 million in 2001, representing a $37 million increase over 2000. These new rights agreements have associated increases in purse and sanction fees. Economic conditions and competitive racing can affect ticket and other sales. Management believes long-term ticket demand, including corporate marketing and promotional spending, should continue to grow. However, near-term ticket sales, particularly to corporate customers, and suite rentals, hospitality and other event revenues have been, and may continue to be, adversely impacted by challenging economic conditions. Management has decided not to increase many ticket and concession prices at least for 2001, to help foster fan support and mitigate any near term weakness.

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 and an interest rate swap agreement which are sensitive to changes in interest rates. The Company's Senior Subordinated Notes and Convertible Subordinated Debentures are fixed interest rate debt obligations. On June 22, 2001, the Company entered into an interest rate swap transaction that provides variable interest rate features on certain fixed rate senior subordinated debt obligations. The swap agreement provides that the Company pay a variable interest rate based on LIBOR, and that the Company receive a fixed interest rate of 5.9%, on a principal notional amount of $125,000,000. A change in interest rates of one percent on the Credit Facility balance outstanding at June 30, 2001 and the interest rate swap would cause a change in annual interest expense of approximately $2.1 million. At June 30, 2001, the interest rate swap's estimated fair value was an obligation of approximately $2,300,000.

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 and six months ended June 30, 2001, the Company repurchased Convertible Subordinated Debentures aggregating $6.5 million in principal at substantially par, and entered into an interest rate swap agreement. See Note 5 to the accompanying June 30, 2001 financial statements for additional information on the terms and conditions of the Company's debt obligations and swap agreement. There have been no other significant changes in the Company's interest rate risk or equity price risk as of and during the three and six months ended June 30, 2001.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

On May 1, 1999, during the running of an IRL event at LMSC, an on-track accident occurred that caused race debris to enter the spectator seating area (the "May 1999 IRL Accident"). On February 13, 2001, the parents of Haley A. McGee filed a personal injury action related to the May 1999 IRL Accident against SMI, LMSC and IRL in the Superior Court of Mecklenburg County, North Carolina. This lawsuit seeks unspecified damages and punitive damages related to the injuries of the minor, Haley A. McGee, as well as the medical expenses incurred and wages lost by her parents. On April 23, 2001, SMI filed its answer in this action. SMI intends to defend itself and to deny the allegations of negligence as well as related claims for punitive damages. Management does not believe the outcome of this lawsuit will have a material adverse effect on the Company's financial position or future results of operations.

On May 20, 2000, near the end of a NASCAR-sanctioned event hosted at LMSC, a portion of a pedestrian bridge leading from its track facility to a parking area failed. In excess of 100 people were injured to varying degrees. Preliminary investigations indicate the failure was the result of excessive interior corrosion resulting from improperly manufactured bridge components. All personal injury claims resulting from this incident are currently being handled by the bridge's manufacturer, Tindall Corporation, and its insurer.

To date, 30 separate lawsuits have been filed by individuals claiming injuries from the bridge failure on May 20, 2000, including 5 new lawsuits filed since the beginning of the second quarter of 2001. Generally, these lawsuits were filed against SMI, LMSC, Tindall Corporation and Anti-Hydro International, Inc., in the North Carolina Superior Courts of Cabarrus, Mecklenburg, Rowan, Union and Wake Counties, and in the United States District Courts for the Middle District and Western District of North Carolina, seeking unspecified compensatory and punitive damages. SMI has filed answers in all of the actions except two and preliminary discovery has begun in many of the cases but is not complete. SMI intends to defend itself and denies the allegations of negligence as well as related claims for punitive damages. Additional lawsuits involving this incident may be filed in the future. Management does not believe the outcome of these lawsuits or this incident will have a material adverse effect on the Company's financial position or future results of operations. The five additional plaintiffs filing claims in this matter since the beginning of the second quarter of 2001 are as follows: Michael Kevin Neal and Torene Rumfelt Neal, May 2, 2001; Jack T. Blevins, Sr., Tina Louise Blevins and Bridget Repsher, May 14, 2001; Jeff Hill and Jodi Hill, May 30, 2001; Cindy Taylor, Arthur M. Taylor and Brody Patrick Wright (a minor), June 21, 2001; Hurley Long and Pauline Long, July 23, 2001.

A major Championship Auto Racing Teams (CART) racing event originally scheduled at TMS on April 29, 2001 was not conducted as a result of a decision made by CART's sanctioning body. At this time, neither the Company nor CART have determined whether the race will be rescheduled. The Company offered refunds of paid tickets and certain other event revenues. On May 3, 2001, the Company filed a legal action against CART, which is currently pending in the United States District Court for the Eastern District of Texas, claiming, among other things, that CART was negligent and that it breached its contract. The Company is seeking recovery of the associated race purse, sanction fees, certain other event related costs incurred by the Company, and various lost revenues and other damages. At this time, management is unable to determine the impact that ultimate resolution of this matter may have on the Company's financial position or future results of operations.

On February 8, 2000, a lawsuit, styled Robert L. "Larry" Carrier v. Speedway Motorsports, Inc. and Bristol Motor Speedway, Inc., was filed in the Chancery Court for Sullivan County, Tennessee. This suit alleges that SMI and BMS interfered with the use of a leasehold property rented to the plaintiff by BMS. The complaint is seeking $15 million in compensatory, and $60 million in punitive, damages as well as injunctive relief. On August 8, 2001, the trial court denied all motions for summary judgment previously filed by plaintiff and the defendants and the matter is being scheduled for trial. SMI believes that the allegations are without merit and is defending itself vigorously. Management does not believe the outcome of this lawsuit will have a material adverse effect on the Company's financial position or future results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

At the Annual Meeting of Stockholders held on May 3, 2001, O. Bruton Smith and William P. Benton were elected directors by the Company's stockholders. Directors whose terms of office continued after the meeting were O. Bruton Smith, William R. Brooks, Edwin R. Clark, William P. Benton, Mark M. Gambill, Jack L. Kemp, and Tom E. Smith. In addition to election of two directors, the stockholders ratified the selection of Deloitte & Touche LLP as the principal auditors of the Company.

	Votes For	Votes Against	Votes Abstained	Unvoted
Election of O. Bruton Smith	38,526,564	0	1,135,593	2,079,653
Election of William P. Benton	39,425,493	0	236,664	2,079,653
Ratification of Deloitte & Touche LLP as principal auditors	39,641,158	4,496	16,503	2,079,653

Item 5. Other Information

On August 9, 2001, the Board of Directors approved an amendment to the Company's insider trading policy to permit its officers, directors and other insiders to enter into trading plans or other arrangements that comply with Rule 10b5-1 under the Securities Exchange Act of 1934. These plans will enable insiders to exercise Company-granted options and sell the Company's common stock without violating insider trading restrictions. The Board of Directors also specifically permitted the following executive officers and directors to adopt plans that are compliant with Rule 10b5-1: O. Bruton Smith; H.A. Wheeler; William R. Brooks; Edwin R. Clark; Marylaurel E. Wilks; William P. Benton; Mark M. Gambill; Tom E. Smith; and Jack L. Kemp. The Company expects that most, if not all, of these individuals will adopt plans to sell periodically some or all of the shares of common stock they own or are entitled to receive under options.

Item 6. Exhibits and Reports on Form 8-K

(a) None.

(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)

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Date: August 14, 2001          By:    /s/ O. Bruton Smith
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                                   O. Bruton Smith
                                   Chairman and Chief Executive Officer

Date: August 14, 2001          By:    /s/ William R. Brooks
      -----------------              ---------------------------
                                   William R. Brooks
                                   Vice President, Chief Financial
                                   Officer, Treasurer and Director
                                   (principal financial and accounting officer)
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