

SPEEDWAY MOTORSPORTS INC

FORM 10-Q (Quarterly Report)

Filed 11/8/2006 For Period Ending 9/30/2006

| | |
|-------------|---|
| 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 |

Powered By **EDGAR**Online

<http://www.edgar-online.com/>

© Copyright 2006. All Rights Reserved.

Distribution and use of this document restricted under EDGAR Online's Terms of Use.

**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 September 30, 2006

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.)

5555 Concord Parkway South, Concord, North Carolina
(Address of principal executive offices)

28027
(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 No

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

As of November 8, 2006, there were 43,788,729 shares of common stock outstanding.

Table of Contents

INDEX TO FORM 10-Q

| | <u>PAGE</u> |
|---|-------------|
| PART I - FINANCIAL INFORMATION | |
| Item 1. Financial Statements | 3 |
| Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations | 28 |
| Item 3. Quantitative and Qualitative Disclosures About Market Risk | 42 |
| Item 4. Controls and Procedures | 42 |
| PART II - OTHER INFORMATION | |
| Item 1. Legal Proceedings | 44 |
| Item 2. Unregistered Sales of Equity Securities and Use of Proceeds | 45 |
| Item 6. Exhibits | 45 |
| Signatures | 46 |

This Quarterly Report on Form 10-Q may contain “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Such forward-looking statements may include (1) statements in this Quarterly Report on Form 10-Q that reflect projections or expectations of the Company’s future financial or economic performance; (2) statements that are not historical information; (3) statements of the Company’s beliefs, intentions, objectives, plans, and strategies for future operations, including those contained in “Legal Proceedings”, “Controls and Procedures”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Quantitative and Qualitative Disclosures About Market Risk”; (4) statements relating to the Company’s operations or activities, including revenues, costs and margins for 2006 and beyond; and (5) statements relating to the Company’s future capital projects, hosting of races, broadcasting rights, sponsorships, financing needs, petroleum or other commodities, and legal proceedings and other contingencies. Words such as “anticipates”, “approximates”, “believes”, “estimates”, “could”, “expects”, “hopes”, “intends”, “likely”, “may”, “objectives”, “plans”, “possible”, “projects”, “seeks”, “should”, “will” and variations of such words and similar expressions are intended to identify such forward-looking statements. 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 the Company’s 2005 Annual Report on Form 10-K, Item 1A “Risk Factors” and any subsequent Quarterly Reports on Form 10-Q. At this date, there have been no material changes to those risk factors. Forward-looking statements included in this report are based on information available to the Company as of the filing date of this report, and the Company assumes no obligation to update any such forward-looking information contained in this report.

The Company’s website is located at www.speedwaymotorsports.com. The Company makes available free of charge, through its website, the Company’s annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and other reports filed or furnished pursuant to Section 13(a) or 15(d) under the Exchange Act. These reports are available as soon as reasonably practicable after we electronically file those materials with the United States Securities and Exchange Commission (SEC). The Company also posts on its website the charters of the Company’s Audit, Compensation, and Nominating/Corporate Governance Committees; Corporate Governance Guidelines, Code of Business Conduct and Ethics, and any amendments or waivers thereto; and certain other corporate governance materials contemplated by SEC or New York Stock Exchange regulations. The documents are also available in print, free of charge, to any requesting shareholder by contacting the Company’s corporate secretary at its executive offices.

Table of Contents

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

SPEEDWAY MOTORSPORTS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

(Unaudited)

| | September 30, 2006 | December 31, 2005 |
|---|-----------------------|----------------------|
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 124,329 | \$ 117,888 |
| Short-term investments | 3,103 | 3,022 |
| Accounts and notes receivable | 69,507 | 39,138 |
| Inventories | 16,448 | 34,556 |
| Prepaid expenses and other current assets | 4,667 | 4,165 |
| Deferred income taxes | 2,207 | 2,519 |
| Total Current Assets | <u>220,261</u> | <u>201,288</u> |
| Notes and Other Receivables: | | |
| Affiliates | 7,528 | 8,822 |
| Other | 2,562 | 2,597 |
| Other Assets | 29,449 | 25,296 |
| Property and Equipment, Net | 1,028,762 | 979,652 |
| Equity Investments in Associated Entities | 137,600 | 136,842 |
| Other Intangible Assets, Net | 101,700 | 101,797 |
| Goodwill | 58,513 | 58,132 |
| Total | <u>\$1,586,375</u> | <u>\$1,514,426</u> |

See notes to consolidated financial statements.

Table of Contents

SPEEDWAY MOTORSPORTS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS—(Continued)
(In thousands, except share amounts)
(Unaudited)

| | September 30, 2006 | December 31, 2005 |
|--|-----------------------|----------------------|
| Liabilities and Stockholders' Equity | | |
| Current Liabilities: | | |
| Current maturities of long-term debt | \$ 113 | \$ 4,847 |
| Accounts payable | 26,244 | 18,772 |
| Deferred race event income, net | 112,296 | 101,966 |
| Accrued income taxes | 4,518 | 6,061 |
| Accrued interest | 7,895 | 2,464 |
| Accrued expenses and other liabilities | 26,145 | 26,553 |
| Total Current Liabilities | 177,211 | 160,663 |
| Long-term Debt | 428,451 | 425,388 |
| Payable to Affiliate | 2,594 | 2,594 |
| Deferred Income, Net | 11,414 | 11,869 |
| Deferred Income Taxes | 160,296 | 186,450 |
| Other Liabilities | 1,946 | 1,314 |
| Total Liabilities | 781,912 | 788,278 |
| Commitments and Contingencies (Notes 2 and 8) | | |
| 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—43,771,000 in 2006 and 43,891,000 in 2005 | 444 | 442 |
| Additional Paid-in Capital | 227,327 | 216,333 |
| Retained Earnings | 601,443 | 519,022 |
| Accumulated Other Comprehensive Income | 20 | 683 |
| Treasury stock at cost, shares—674,000 in 2006 and 283,000 in 2005 | (24,771) | (10,332) |
| Total Stockholders' Equity | 804,463 | 726,148 |
| Total | \$ 1,586,375 | \$ 1,514,426 |

See notes to consolidated financial statements.

Table of Contents

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

| | Three Months Ended September 30: | |
|-------------------------------------|-------------------------------------|-----------------|
| | 2006 | 2005 |
| Revenues: | | |
| Admissions | \$27,500 | \$26,982 |
| Event related revenue | 30,592 | 28,719 |
| NASCAR broadcasting revenue | 15,749 | 13,659 |
| Other operating revenue | 10,909 | 10,656 |
| Total Revenues | <u>84,750</u> | <u>80,016</u> |
| Expenses and Other: | | |
| Direct expense of events | 21,218 | 20,240 |
| NASCAR purse and sanction fees | 10,832 | 9,949 |
| Other direct operating expense | 8,526 | 8,802 |
| General and administrative | 18,690 | 17,972 |
| Depreciation and amortization | 10,176 | 9,569 |
| Interest expense, net (Note 5) | 6,302 | 5,551 |
| Losses on equity investees | 1,041 | 7 |
| Other (income) expense, net | (23) | 721 |
| Total Expenses and Other | <u>76,762</u> | <u>72,811</u> |
| Income Before Income Taxes | 7,988 | 7,205 |
| Provision For Income Taxes | (3,286) | (2,803) |
| Net Income | <u>\$ 4,702</u> | <u>\$ 4,402</u> |
| Basic Earnings Per Share | \$ 0.11 | \$ 0.10 |
| Weighted Average Shares Outstanding | 43,762 | 43,881 |
| Diluted Earnings Per Share | \$ 0.11 | \$ 0.10 |
| Weighted Average Shares Outstanding | 43,948 | 44,179 |

See notes to consolidated financial statements.

Table of Contents

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

| | Nine Months Ended September 30: | |
|-------------------------------------|------------------------------------|------------------|
| | 2006 | 2005 |
| Revenues: | | |
| Admissions | \$132,252 | \$133,705 |
| Event related revenue | 135,147 | 119,557 |
| NASCAR broadcasting revenue | 121,599 | 105,337 |
| Other operating revenue | 30,147 | 31,887 |
| Total Revenues | <u>419,145</u> | <u>390,486</u> |
| Expenses and Other: | | |
| Direct expense of events | 77,702 | 71,601 |
| NASCAR purse and sanction fees | 77,670 | 70,604 |
| Other direct operating expense | 25,662 | 27,092 |
| General and administrative | 57,642 | 55,619 |
| Depreciation and amortization | 30,356 | 28,141 |
| Interest expense, net (Note 5) | 16,351 | 16,479 |
| Losses on equity investees | 2,486 | 68 |
| Other income, net | (1) | (156) |
| Total Expenses and Other | <u>287,868</u> | <u>269,448</u> |
| Income Before Income Taxes | 131,277 | 121,038 |
| Provision For Income Taxes | <u>(48,856)</u> | <u>(47,084)</u> |
| Net Income | <u>\$ 82,421</u> | <u>\$ 73,954</u> |
| Basic Earnings Per Share | \$ 1.88 | \$ 1.68 |
| Weighted Average Shares Outstanding | 43,806 | 43,913 |
| Diluted Earnings Per Share | \$ 1.87 | \$ 1.67 |
| Weighted Average Shares Outstanding | 44,013 | 44,195 |

See notes to consolidated financial statements.

Table of Contents

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

| | Outstanding Common Stock | | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Income | Treasury Stock | Total Stockholders' Equity |
|---|-----------------------------|--------|----------------------------------|----------------------|---|-------------------|----------------------------------|
| | Shares | Amount | | | | | |
| Balance, January 1, 2006 | 43,891 | \$ 442 | \$216,333 | \$519,022 | \$ 683 | \$(10,332) | \$ 726,148 |
| Net income | — | — | — | 82,421 | — | — | 82,421 |
| Fair market value adjustment to interest rate swap, net of tax | — | — | — | — | 363 | — | 363 |
| Interest rate swap adjustment, net of tax | — | — | — | — | (1,052) | — | (1,052) |
| Change in net unrealized gain on marketable equity securities, net of tax | — | — | — | — | 26 | — | 26 |
| Comprehensive income | | | | | | | 81,758 |
| Exercise of stock options | 271 | 2 | 6,554 | — | — | — | 6,556 |
| Tax benefit from exercise of stock options | — | — | 3,606 | — | — | — | 3,606 |
| Share-based compensation | — | — | 834 | — | — | — | 834 |
| Repurchases of common stock at cost | (391) | — | — | — | — | (14,439) | (14,439) |
| Balance, September 30, 2006 | 43,771 | \$ 444 | \$227,327 | \$601,443 | \$ 20 | \$(24,771) | \$ 804,463 |

See notes to consolidated financial statements.

Table of Contents

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

| | Nine Months Ended September 30: | |
|---|------------------------------------|----------------|
| | 2006 | 2005 |
| Cash Flows from Operating Activities: | | |
| Net income | \$ 82,421 | \$ 73,954 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Loss (gain) on disposal of property and equipment | 197 | (950) |
| Depreciation and amortization | 30,356 | 28,141 |
| Amortization of deferred income | (1,042) | (1,042) |
| Deferred income tax provision | 10,185 | (14,107) |
| Tax benefit from exercise of stock options | — | 670 |
| Losses on equity investees | 2,486 | 68 |
| Share-based compensation | 834 | — |
| Changes in operating assets and liabilities: | | |
| Accounts and notes receivable | (30,975) | (12,850) |
| Prepaid and accrued income taxes | (37,072) | 26,024 |
| Inventories | 17,879 | (24,735) |
| Prepaid expenses and other current assets | (502) | (1,674) |
| Accounts payable | 4,526 | 21,012 |
| Deferred race event income | 10,330 | 2,421 |
| Accrued expenses and other liabilities | 3,301 | 13,315 |
| Deferred income | 634 | 523 |
| Other assets and liabilities | 1,014 | 866 |
| Net Cash Provided By Operating Activities | <u>94,572</u> | <u>111,636</u> |
| Cash Flows from Financing Activities: | | |
| Borrowings under long-term debt | — | 3,153 |
| Principal payments on long-term debt | (1,671) | (110) |
| Payments of loan amendment costs | (462) | (863) |
| Exercise of common stock options | 6,556 | 4,098 |
| Tax benefit from exercise of stock options | 3,606 | — |
| Repurchases of common stock | (14,439) | (6,563) |
| Net Cash (Used) Provided By Financing Activities | <u>(6,410)</u> | <u>(285)</u> |

See notes to consolidated financial statements.

Table of Contents

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

| | Nine Months Ended September 30: | |
|---|------------------------------------|------------------|
| | 2006 | 2005 |
| Cash Flows from Investing Activities: | | |
| Payments for: | | |
| Capital expenditures | \$ (77,174) | \$ (71,416) |
| Expenditures for AMS tornado restoration | — | (12,407) |
| Equity investments in associated entities, other investments and business acquisition | (7,129) | (14,631) |
| Proceeds from: | | |
| Sales of property and equipment | 647 | 899 |
| Insurance recovery for AMS tornado damage | — | 20,500 |
| Increase in notes and other receivables: | | |
| Affiliates | (390) | (349) |
| Other | (348) | — |
| Repayment of notes and other receivables: | | |
| Affiliates | 1,684 | 1,377 |
| Other | 989 | 4,113 |
| Net Cash Used By Investing Activities | <u>(81,721)</u> | <u>(71,914)</u> |
| Net Increase In Cash and Cash Equivalents | 6,441 | 39,437 |
| Cash and Cash Equivalents at Beginning of Period | <u>117,888</u> | <u>216,731</u> |
| Cash and Cash Equivalents at End of Period | <u>\$124,329</u> | <u>\$256,168</u> |
| Supplemental Cash Flow Information: | | |
| Cash paid for interest, net of amounts capitalized | \$ 15,315 | \$ 14,512 |
| Cash paid for income taxes | 73,518 | 35,054 |
| Supplemental Non-Cash Investing and Financing Activities Information: | | |
| Increase in accounts payable for capital expenditures for 2006 and 2005, and AMS tornado damage restoration expenditures for 2005 | 2,946 | 8,095 |
| Net liabilities assumed for business acquisition | 381 | 480 |

See notes to consolidated financial statements.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

The consolidated financial statements include the accounts of Speedway Motorsports, Inc. (SMI) and all of its wholly-owned subsidiaries, Atlanta Motor Speedway LLC (AMS), Bristol Motor Speedway LLC (BMS), Charlotte Motor Speedway LLC a/k/a Lowe's Motor Speedway (LMS), Nevada Speedway LLC d/b/a Las Vegas Motor Speedway (LVMS), Speedway Sonoma LLC a/k/a Infineon Raceway (IR), Texas Motor Speedway, Inc. (TMS), Speedway Systems LLC d/b/a SMI Properties and subsidiaries (SMI Properties), 600 Racing, Inc. (600 Racing), Motorsports By Mail LLC (MBM), Oil-Chem Research Corp. (Oil-Chem) and subsidiaries, SMISC Holdings, Inc., SMI Trackside LLC (SMI Trackside), Speedway Funding LLC, Speedway Motorsports International Limited (BVI) (SMIL) and consolidated joint ventures, Speedway Properties Company LLC a/k/a Performance Racing Network (PRN), Speedway Media LLC a/k/a Racing Country USA (RCU), Speedway TBA LLC a/k/a North Carolina Speedway (NCS), and TSI Management Company LLC d/b/a The Source International LLC (TSI) (collectively, the Company). Hereafter, references to "the Company's" or "six" speedways exclude NCS, where no National Association for Stock Car Auto Racing, Inc. (NASCAR) sanctioned races are being held at this time.

See Note 1 to the December 31, 2005 Consolidated Financial Statements in the Company's Annual Report on Form 10-K for further description of the Company's business operations, properties and scheduled events.

Joint Venture Equity Investments —In August 2005, the Company and International Speedway Corporation (ISC) formed an equally-owned joint venture SMISC, LLC (SMISC) which operates independently under the trade name Motorsports Authentics (MA) to produce, market and sell motorsports licensed merchandise.

Team Caliber. In September 2005, MA acquired certain tangible and intangible assets and operations of Team Caliber, Inc. from Roush Corporation d/b/a Roush Racing, and entered into a long-term license agreement with Roush Racing for exclusive and non-exclusive motorsports merchandise distribution for various racing drivers and teams in NASCAR's NEXTEL Cup, Busch and Craftsman Truck Series. Team Caliber markets and distributes licensed motorsports merchandise, including die-cast replicas of motorsports vehicles, apparel, gifts and memorabilia through collectible, mass retail and trackside distribution channels. Financial terms of the acquisition were not material for presentation.

Action Performance. In December 2005, an indirect subsidiary of SMISC named Motorsports Authentics, Inc. purchased Action Performance Companies, Inc. (Action) for \$13.00 per common share or approximately \$245 million in cash plus transaction costs. Action is involved in the design, promotion, marketing and distribution of licensed merchandise with products including a broad range of motorsports related die-cast replica collectibles, apparel, gifts and other memorabilia, and has license agreements with many of the top NASCAR teams and drivers. Motorsports Authentics, Inc. merged with and into Action, with the surviving entity being Motorsports Authentics, Inc. The Company funded its share of the purchase price with available cash and cash equivalents.

At September 30, 2006, the operations of MA are comprised of Action and Team Caliber. MA is presently finalizing the purchase allocations, including valuation of intangible assets acquired and liabilities assumed. The acquisitions were not significant individually or combined. As of September 30, 2006, presenting summarized financial information on assets, liabilities and operating results of the investees was not required.

2. SIGNIFICANT ACCOUNTING POLICIES

These unaudited consolidated financial statements should be read in conjunction with the Company's consolidated financial statements included in its 2005 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 in accordance with accounting principles generally accepted in the United States. 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.

Table of Contents

Joint Venture Equity Investments —The equity method is used to account for investments in joint ventures and other associated entities in which the Company has significant influence, generally representing equity ownership of at least 20% and not more than 50%. As further described in Note 1, the Company's 50% owned joint venture MA is comprised of Action and Team Caliber. MA has a November 30 fiscal year end that the Company adopted for reporting its share of MA's operating results so that reporting periods coincide. The Company records its 50% share of MA's net income or loss based on their most recent quarterly financial statements. The Company's share of MA's operating results for December 1, 2005 through August 31, 2006 are included in "losses on equity investees" for the three and nine months ended September 30, 2006. All significant intercompany profits or losses were eliminated in applying the equity method of accounting.

Revenue and Expense Recognition —The Company classifies its revenues as admissions, event related revenue, NASCAR broadcasting revenue, and other operating revenue. "Admissions" includes ticket sales for all Company events. "Event related revenue" includes amounts received from sponsorship and naming rights fees, luxury suite rentals, souvenir sales, commissions from food and beverage sales, promotional and hospitality revenues, track rentals, driving school and karting revenues, broadcasting rights other than NASCAR broadcasting revenue, and other event and speedway related revenues. "NASCAR broadcasting revenue" includes rights fees obtained for domestic television broadcasts of NASCAR-sanctioned events held at the Company's speedways. "Other operating revenue" includes TSI, MBM and certain SMI Properties merchandising revenues, bulk petroleum transactions reported individually as gross revenue or on a net profit or loss basis, oil and gas investment revenues, Legends Car and parts sales, The Speedway Club at LMS and The Texas Motor Speedway Club (together the "Speedway Clubs") revenues, Oil-Chem revenues, and industrial park and office tower rentals. "Earnings or losses on equity investees" include the Company's share of joint venture equity investee profits or losses.

The Company classifies its expenses to include direct expense of events, NASCAR purse and sanction fees, and other direct operating expense, among other categories. "Direct expense of events" principally includes cost of souvenir sales, non-NASCAR race purses and sanctioning fees, property and event insurance, compensation of certain employees, advertising, sales and admission taxes, cost of driving school and karting revenues, event settlement payments to non-NASCAR sanctioning bodies and outside event support services. "NASCAR purse and sanction fees" includes payments to NASCAR for associated events held at the Company's speedways. "Other direct operating expense" includes the cost of TSI, MBM and certain SMI Properties merchandising, gross bulk petroleum, oil and gas investment, Legends Car, Speedway Clubs, Oil-Chem, and industrial park rental revenues.

Event Revenues and Deferred Race Event Income, Net —The Company recognizes admissions, NASCAR broadcasting and event related revenues when an event is held. Souvenir sales and commissions from food and beverage sales are recognized at time of sale. Advance revenues and certain related direct expenses pertaining to specific events are deferred until the event is held. Deferred expenses primarily include race purses and sanction fees remitted to NASCAR or other sanctioning bodies and sales and admission taxes and credit card processing fees on advance revenues. Deferred race event income relates to scheduled events to be held in upcoming periods. If circumstances prevent a race from being held during the racing season: (1) generally advance revenue is refundable and (2) all deferred direct event expenses would be immediately recognized except for race purses and sanction fees which would be refundable from NASCAR or other sanctioning bodies, and for sales and admission taxes which would be refundable from taxing authorities. Management believes this accounting policy results in appropriate matching of revenues and expenses associated with the Company's racing events and helps ensure comparability and consistency between its financial statements.

Non-Event Souvenir Merchandise and Other Revenues —The Company recognizes revenue when products are shipped, title transfers to customers, right of return or cancellation provisions expire, sales prices are final and collection is probable. For products sold on consignment through electronic media programming or other promotional activities, revenues are recognized upon product shipment by promoters to customers, or purchase by reseller customers, and expiration of any right of return or cancellation provisions. Product sold on consignment with right of return or cancellation provisions has not been significant.

Table of Contents

Bulk Petroleum Transactions and Oil and Gas Investments—The Company is engaged in the purchase and sale of bulk petroleum products, associated commodity transactions, and oil and gas investing activities, including exploration, drilling and production arrangements. The Company has conducted these business activities primarily in Africa, Central America, North America, Russia, South America, and the United Kingdom. The Company may expand such business activities into other foreign regions, including Asia and the Middle East, among others. Oasis Trading Group LLC (Oasis), a United States entity, provides the Company strategic, management and operational capabilities in connection with these activities. The Company provides financing and access to financial markets for such activities. The Company and Oasis generally share equally the profits and losses on all transactions and activities. At times, the Company enters into futures contracts associated with petroleum products and utilizes letters of credit for the purchase and sale of bulk petroleum products. The Company also has profit and loss sharing arrangements with certain foreign entities on the purchasing and selling of specified bulk petroleum products, and the Company's share of profits and losses is negotiated on a transaction-by-transaction basis, but generally ranges from 30% to 50%. Purchases, sales, oil and gas investment activities, futures contracts, and letters of credit hereafter are collectively associated with or referred to as "bulk petroleum transactions or bulk petroleum activities".

In May 2006, the Company amended the Credit Facility (as defined below) to provide for, among other things, increased flexibility with respect to permitted investments by or in Oil-Chem and its direct or indirect subsidiaries (Oil-Chem). Under this amendment, the Company may invest up to an aggregate of \$50,000,000 in Oil-Chem for bulk petroleum activities. In May 2006, the Company formed Speedway Motorsports International Limited (BVI) (SMIL), a wholly-owned subsidiary of Oil-Chem. Since May 2006 and through September 30, 2006, SMIL has acquired a majority interest in two foreign entities owning certain oil and gas mineral rights in Russia for cash consideration aggregating approximately \$4,112,000; their operations through September 30, 2006 were not significant. As of September 30, 2006, these investments aggregate \$5,282,000, and include other assets of \$4,708,000 and capitalized expenditures of \$574,000. These entities are consolidated and minority interests pertaining to these investments aggregate \$489,000, are included in other liabilities, and will be reported separately if and when significant.

The Company evaluates the underlying transactional terms and conditions, along with associated accounting guidance, in determining whether revenues, costs, and operating profits or losses, including changes in the fair value of commodity hedges and shared profits and losses, from bulk petroleum transactions should be reported on a gross or net basis. Gross revenues and product and associated operating costs from bulk petroleum transactions are included in other operating revenue and other direct operating expense, respectively. The Company had a contract to supply petroleum products that was considered an energy supply contract and was treated as a derivative under Statement of Financial Accounting Standards ("SFAS") No. 133 "Accounting for Derivative Instruments and Hedging Activities". That contract expired September 30, 2006. The Company estimated the fair value of this derivative contract based on a pricing model using Nymex and gulf market prices, and determined that its fair value was not significant as of December 31, 2005. Operating profits or losses associated with the trading contract have been reported on a net basis in other operating revenue.

There were no bulk petroleum transactions reported on a gross basis in the three and nine months ended September 30, 2006 or 2005. For bulk petroleum transactions reported on a net basis, associated billings for the three months ended September 30, 2006 and 2005 totaled \$54,755,000 and \$47,853,000, and for the nine months ended September 30, 2006 and 2005 totaled \$150,007,000 and \$47,853,000, respectively. Net realized profits or losses associated with bulk petroleum transactions during these periods were not significant. There were no revenues from Russian oil and gas investing activities in the three and nine months ended September 30, 2006 and associated operating costs were not significant. As of December 31, 2005, the Company was party to certain futures contracts associated with bulk petroleum inventory. These instruments were current liabilities having a fair market value of \$238,000 as of December 31, 2005. There were no futures contracts outstanding as of September 30, 2006. The Company reports the changes in fair value, and settlement gains or losses, of futures contracts in other operating revenue. For derivative energy supply and futures contracts, net gains (losses) amounted to \$1,405,000 and \$3,018,000 for the three and nine months ended September 30, 2006, and (\$434,000) and \$314,000 for the three and nine months ended September 30, 2005. The Company's Credit Facility contains a separate sub-limit for letters of credit of up to \$75,000,000 for use in bulk petroleum and other business transactions. As of September 30, 2006, the Company had no outstanding letters of credit associated with bulk petroleum transactions.

Table of Contents

Bulk petroleum transactions may involve concentrations of credit and other risks different from the Company's motorsports operations. At September 30, 2006, the Company had credit risk concentration in receivables associated with bulk petroleum sales and purchase transactions. Approximately \$35,721,000 or 51% of the Company's total accounts receivable are due from a relatively small number of petroleum industry customers and merchants in Central America and Russia. Also, from time to time, bulk petroleum inventory products may be located in and managed by a relatively small number of vendors in Central America or Russia. At September 30, 2006, there was no bulk petroleum product inventory.

At September 30, 2006, uncertainty exists as to the full realization of approximately \$12,900,000 due from one foreign entity because of problems with respect to access to funds, creditworthiness and certain other factors outside of management's control when conducting operations in a foreign country. Management is currently pursuing available recoverability alternatives. The Company has recorded a net allowance for uncollectible amounts of approximately \$4,000,000 based on management's estimate of ultimate realization after possible recovery, settlement and other costs. This assessment is subjective and based on facts, circumstances and assumptions existing at the time of evaluation, all of which are subject to significant change. Such changes, if significantly negative or unfavorable, could have a material adverse impact on the outcome of management's realization assessment and the Company's financial condition or future results of operations. Under its profit and loss sharing arrangement, the Company has recorded a net receivable of approximately \$3,100,000 from Oasis, a portion of which pertains to that entity's reimbursable share of loss associated with this recoverability assessment. Oasis's ability to repay the Company this or any future amount is somewhat dependent on sufficient profitability of future bulk petroleum transactions. Therefore, uncertainty exists regarding the recoverability of this amount.

Realization of receivables, inventories and investments, and the ability to invest and compete successfully and profitably, are subject to many factors outside management's control. Factors that can adversely impact realization include changes or deterioration in customer financial condition and creditworthiness, current and future market demand, customary risks associated with oil and gas exploration, drilling, production and other business activities, regional and global market and economic conditions, including geopolitical situations in and surrounding specific countries or regions, government actions that restrict transactions, access to or transfers of assets or funds, other factors outside of management's control when conducting operations in a foreign country, global petroleum product supply and demand, regional or worldwide natural disasters such as hurricanes that adversely impact supply channels, merchandising, distribution and operating costs, and other factors. Default on payment by one or more customers, or should inventory not be realized or recovered, could have a material adverse impact on the Company's operating results. SMIL may expand or increase its investment with the two foreign entities discussed above if sufficiently proven and developable reserves are found. SMIL may also make other foreign investments, and participate with others, including entering into contracts or joint venture arrangements, involving oil and gas exploration, development and production activities depending on opportunities that may arise. The carrying value of current and future investments could become impaired from insufficient sustained profitability and operating cash flows resulting from the aforementioned and other factors. Such factors, if significantly negative or unfavorable, could result in an impairment charge that has a material adverse impact on the Company's financial condition or future results of operations.

Naming Rights —The Company presently has two ten-year naming rights agreements that renamed Sears Point Raceway as Infineon Raceway and Charlotte Motor Speedway as Lowe's Motor Speedway. Combined gross fees aggregating approximately \$69,000,000 are receivable over the ten-year agreement terms that commenced in 2002 for IR and 1999 for LMS. Annual contracted fee revenues, and associated expenses, are recognized as associated events are held each year in accordance with the respective agreement terms.

Food and Beverage Management Agreement —Levy Premium Foodservice Limited Partnership and Compass Group USA, Inc. (collectively, the Levy Group) have exclusive rights to provide on-site food, beverage, and hospitality catering services for essentially all events and operations of the Company's six speedways and other outside venues under a long-term food and beverage management agreement. The agreements provide for, among other items, specified annual fixed and periodic gross revenue based commission payments to the Company over the contract period. The Company's commission based net revenues associated with activities provided by the Levy Group are reported in event related revenue or other operating revenue depending on the venue at which provided.

Table of Contents

Quarterly Reporting —The Company recognizes revenues and operating expenses for all events in the calendar quarter in which conducted. Changes in race schedules at the Company’s speedways from time to time lessen the comparability of operating results between quarterly financial statements of successive years and increase or decrease the seasonal nature of its motorsports business.

Recently Issued Accounting Standards —As of January 1, 2006, the Company implemented SFAS No. 123R “Share-Based Payment” which, among other things, generally requires recognizing compensation cost for the grant-date fair value of stock options and other equity-based compensation over the requisite service period, and applies to all awards granted, modified, vesting, repurchased or cancelled after the required effective date of January 1, 2006. The Company elected the modified prospective method of transitioning to SFAS No. 123R, and as of January 1, 2006 began recognizing compensation expense related to stock option and other share-based compensation grants, including immediate recognition for grantees who are retirement-eligible rather than ratably over the vesting period regardless of retirement-eligibility. All stock options granted under the Company’s 1994 Stock Option Plan, 2004 Stock Incentive Plan and Formula Stock Option Plan for Directors have an exercise price equal to the market value of the underlying common stock at grant date. See Note 9 for additional information on the Company’s stock compensation plans, impact of adoption and required disclosures under SFAS No. 123R.

In May 2005, SFAS No. 154, “Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20, Accounting Changes and FASB Statement No. 3” was issued which, among other things, changes the accounting and reporting requirements for a change in accounting principle and provides guidance on error corrections. SFAS No. 154 requires retrospective application to prior period financial statements of a voluntary change in accounting principle unless impracticable to determine the period-specific effects or cumulative effect of the change, and restatement with respect to the reporting of error corrections. SFAS No. 154 applies to all voluntary changes in accounting principles, and to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. SFAS No. 154 also requires that a change in method of depreciation or amortization for long-lived, non-financial assets be accounted for as a change in accounting estimate that is effected by a change in accounting principle. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

In June 2006, Financial Accounting Standards Board (FASB) Interpretation No. 48 “Accounting for Uncertainties in Income Taxes – an Interpretation of FASB Statement No. 109” was issued which, among other things, clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with FASB Statement No. 109 “Accounting for Income Taxes”. FASB Interpretation No. 48 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest and penalties, disclosures and transition. Evaluation of a tax position will include determining whether it is more likely than not a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position meets the more-likely-than-not recognition threshold, it is presumed the position will be examined by appropriate taxing authorities having full knowledge of all relevant information. A tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to be recognized in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the first subsequent financial reporting period in which that threshold is no longer met. The requirement to assess the need for a valuation allowance for deferred tax assets based on the sufficiency of future taxable income is unchanged by this Interpretation. FASB Interpretation No. 48 is effective for fiscal years beginning after December 15, 2006. The Company is currently assessing the impact, if any, of adopting FASB Interpretation No. 48 on its financial position and future results of operations.

In June 2006, the Emerging Issues Task Force reached a consensus on Issue No. 06-3, “How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement”. EITF No. 06-3 pertains to any tax assessed by governmental authorities that are directly imposed on revenue-producing transactions,

Table of Contents

including, but not limited to sales, use, value added, and certain excise taxes. EITF No. 06-3 also provides guidance on disclosing accounting policies for presenting such taxes on a gross or net basis and the amount of such taxes reported on a gross basis. EITF No. 06-3 is effective for fiscal years beginning after December 15, 2006. The Company is currently assessing the impact, if any, EITF No. 06-3 will have on its financial statement disclosures.

In September 2006, the SEC issued Staff Accounting Bulletin (SAB) No. 108, “Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements.” SAB No. 108 provides guidance on considering the effects of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment. SAB No. 108 establishes an approach that requires quantification of financial statement errors based on the effects on each of a company’s balance sheet and statement of operations and related financial statement disclosures. SAB No. 108 permits existing public companies to record the cumulative effect of initially applying this approach in the first year ending after November 15, 2006 by reflecting necessary correcting adjustments to the carrying values of assets and liabilities, if any, as offsetting adjustments to retained earnings as of the beginning of that year. Additionally, the use of the cumulative effect transition method requires detailed disclosure of the nature and amount of each individual error corrected through cumulative adjustment and how and when it arose. The Company continues to assess the impact of SAB No. 108, and at this time, management does not believe it will materially impact the Company’s financial statements or disclosures.

In September 2006, SFAS No. 157 “Fair Value Instruments” was issued which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value instruments. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. SFAS No. 157, among other things, clarifies various market participation assumptions and fair value measurement, expands disclosures about using fair values in interim and annual periods subsequent to initial recognition, and applies for derivatives and other financial instruments measured at fair value under SFAS No. 133 “Accounting for Derivative Instruments and Hedging Activities” at initial recognition and in all subsequent periods. This statement also nullifies certain guidance in EITF No. 02-3 “Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities”. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is currently assessing the impact, if any, adopting SFAS No. 157 may have on its financial statements or disclosures.

Segment Disclosures —Each quarter the Company evaluates the possible effects of SFAS No. 131 “Disclosures about Segments of an Enterprise and Related Information” on its financial statement disclosures. The Company’s motorsports related operations: (1) comprise one operating segment and encompass all admissions, event related, NASCAR broadcasting, and other motorsports related souvenir merchandising operating revenues and associated expenses, and joint venture equity investee earnings or losses associated with motorsports merchandising; (2) encompass similar types and classes of customers and similar methods for providing or distributing motorsports related services, souvenirs and other merchandise; and (3) include all revenues and expenses associated with motorsports events and related promotional and merchandising activities conducted at Company and non-Company speedways. Other Company operations are comprised of non-motorsports and non-event related merchandising activities, principally for bulk petroleum transactions and micro-lubricants, that are not material relative to those of motorsports related operations. As such, management believes the Company has only one reportable segment.

2005 Gain on Sale of Land Held For Development —In the third quarter 2004, the Company sold certain land which management was developing and marketing. Other income, net for the nine months ended September 30, 2005 reflects recognition of previously deferred gain of \$1,062,000 from the 2004 sale which was being recognized into income using the installment method. The associated note receivable was collected in full in the first quarter 2005 resulting in gain recognition.

2005 AMS Tornado Damage —In July 2005, a tornado struck AMS causing significant damage to its facilities. The Company assessed damages and established restoration plans and costs using outside insurance administrators and consultants, internal construction and development personnel, and other consultants. Under applicable authoritative guidance, the Company recognized a third quarter 2005 loss on damaged property and equipment of \$16,679,000, a gain to the extent of such loss based on expected insurance recoveries at that time pending final resolution of insurance claims, and an approximate \$500,000 pre-tax charge to earnings for associated uninsured losses. The Company ceased depreciating

Table of Contents

damaged property and equipment in July 2005 and began depreciating new and restored assets when placed in service. Restoration progressed sufficiently to allow AMS to conduct its NASCAR NEXTEL Cup Series and other races as scheduled in October 2005. The Company's settlement of insurance claims was substantially completed in the fourth quarter 2005, and the ultimate outcome did not materially adversely effect its financial position or results of operations.

Income Taxes — At September 30, 2006 and December 31, 2005, the Company had significant net noncurrent deferred tax liabilities, the majority of which pertain to accelerated depreciation on its property and equipment for tax reporting purposes. In evaluating the potential effects of a tax advice memorandum published by the Internal Revenue Service (IRS), the Company filed in 2005 a change in tax accounting method with the IRS with respect to, among other things, changing tax depreciation methods and extending depreciable lives for certain significant motorsports facility assets. The tax method accounting change is expected to reduce the Company's tax depreciation expense for certain previous years and is being included in federal and state taxable income over four years beginning in 2005. As of and through September 30, 2006 and December 31, 2005, the change resulted in reclassifying noncurrent deferred income taxes of approximately \$28,092,000 and \$18,716,000 to current accrued income taxes and accelerating the payment of additional noncurrent deferred income tax liabilities of approximately \$28,092,000 in each of 2007 and 2008. Accelerated taxes of \$18,716,000 were paid in 2005, after using alternative minimum tax credit carryforwards of approximately \$9,109,000 in 2005. Accelerated taxes of \$28,092,000 were paid in the nine months ended September 30, 2006. Management believes the Company's use of a seven-year recovery period prior to 2004 was appropriate in view of then existing tax law and related guidance. Management believes filing the change in tax accounting method was the best course of action to minimize costs and uncertainty. Management anticipates that cash and cash equivalents and cash flow from operations will be sufficient to fund these payments. Management believes the Company has sufficiently provided for income taxes and associated reserves, and no current or future charge to earnings is expected at this time resulting from the tax accounting change. These amounts should be substantially recovered in succeeding years from increased tax depreciation as these assets continue to be depreciated for tax purposes over longer periods. As such, management does not believe the tax accounting change will have a material adverse effect on the Company's financial position or future results of operations. See Note 8 to the December 31, 2005 Consolidated Financial Statements for additional information on deferred tax liabilities and the 2005 tax accounting method change.

In February 2006, the IRS began performing a periodic examination of the Company's federal income tax returns for the year ended December 31, 2003. While management has no reason to believe significant adjustments may result, the review is still underway and its outcome is presently undeterminable.

In May 2006, the State of Texas enacted "House Bill 3" (the Bill) which replaces its current franchise tax with a defined margin tax, applies to taxable entities conducting business in Texas, and is accounted for as an income tax under SFAS No. 109 "Accounting for Income Taxes". SFAS No. 109 stipulates accounting for the effects of tax law changes in the period of enactment. As such, the Company accounted for the tax law change in its second quarter 2006. The effect was to reduce the Company's income tax expense by \$2,523,000, and effective income tax rate by 1.9%, for the nine months ended September 30, 2006. The Texas Comptroller has requested a formal opinion from the Texas Attorney General on whether the margin tax is an impermissible income tax that violates the Texas constitution. Texas law requires voter approval of any state income tax, and at this time, such approval had not been obtained for the Bill. If a constitutional challenge is filed, the Bill gives the Texas Supreme Court jurisdiction and allows the Court to grant injunctive or declaratory relief. The Court would have 120 days from the date the challenge is filed to make a ruling. Should the Court grant injunctive and declaratory relief, or other legislative action occur in Texas, which effectively overturns or reverses the Bill, the Company would likely be required to effect such further tax law change in the period of enactment. The effect of any such change could increase the Company's future income tax expense by amounts similar to that recorded in the second quarter 2006.

Other Contingencies — LMS's property includes areas used as solid waste landfills for many years. Landfilling of general categories of municipal solid waste on the LMS property ceased in 1992, but LMS currently allows certain property to be used for land clearing and inert debris landfilling (LCID). Landfilling for construction and demolition debris (C&D) has ceased on the LMS property. Management believes the Company's operations, including the landfills on its property, comply with all applicable federal, state and local environmental laws and regulations. Management is not aware of any situation related to landfill operations which would have a material adverse effect on the Company's financial position, future results of operations or cash flows.

Table of Contents

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

3. INVENTORIES —Inventories consist of the following components (in thousands):

| | September 30, | December 31, |
|--|------------------|------------------|
| | 2006 | 2005 |
| Souvenirs and apparel | \$ 9,032 | \$ 8,724 |
| Finished vehicles, parts and accessories | 5,237 | 4,985 |
| Bulk petroleum, micro-lubricant™ and other | 2,179 | 20,847 |
| Total | <u>\$ 16,448</u> | <u>\$ 34,556</u> |

All inventories are stated at the lower of cost or market with provisions for differences between cost and estimated market value based on assumptions about current and future demand, market conditions and trends that might adversely impact realization, and at September 30, 2006 and December 31, 2005, inventories reflect provisions of \$7,787,000 and \$8,003,000. Those provisions pertain to inventories other than bulk petroleum inventories. At September 30, 2006, there were no bulk petroleum inventories. Bulk petroleum inventories with specific costs aggregating approximately \$19,697,000 at December 31, 2005 were recovered upon resale in 2006. See Note 2 “Bulk Petroleum Transactions” for additional discussion on these activities.

4. GOODWILL AND OTHER INTANGIBLE ASSETS —Goodwill and other intangible assets represents the excess of business acquisition costs over the fair value of net assets acquired, and all such intangible assets are associated with the Company’s motorsports related activities and reporting unit. Acquired intangible assets are valued using the direct value method. The Company follows SFAS No. 142 “Goodwill and Other Intangible Assets” which specifies, among other things, nonamortization of goodwill and other intangible assets with indefinite useful lives and expanded testing for possible impairment at least annually. Nonamortizable intangible assets for race event sanctioning and renewal agreements and driving school license agreements are considered to have indefinite useful lives because their renewal and cash flow generation are expected to continue indefinitely. The Company evaluates goodwill and other intangible assets for possible impairment annually as of April 1, or when events or circumstances indicate possible impairment may have occurred. Management’s latest annual assessment of goodwill and other intangible assets as of April 1, 2006 indicated there had been no impairment.

As of September 30, 2006 and December 31, 2005, gross carrying values and accumulated amortization by class of intangible asset are as follows (dollars in thousands):

| | September 30, 2006 | | | December 31, 2005 | | | Estimated Amortization Period (Years) |
|--|----------------------------|-----------------------------|------------------|----------------------------|-----------------------------|------------------|--|
| | Gross Carrying Value | Accumulated Amortization | Net | Gross Carrying Value | Accumulated Amortization | Net | |
| Nonamortizable race event sanctioning and renewal agreements | \$ 98,783 | — | \$ 98,783 | \$ 98,783 | — | \$ 98,783 | — |
| Amortizable network and other media promotional contracts | 3,320 | \$ (403) | 2,917 | 3,320 | \$ (306) | 3,014 | 30 |
| Total | <u>\$102,103</u> | <u>\$ (403)</u> | <u>\$101,700</u> | <u>\$102,103</u> | <u>\$ (306)</u> | <u>\$101,797</u> | |

Changes in the gross carrying value of other intangible assets and goodwill during the nine months ended September 30, 2006 are as follows (in thousands):

| | Other Intangible Assets | Goodwill |
|---|-------------------------------|-----------------|
| Balance, beginning of period | \$102,103 | \$58,132 |
| Increase from adjustments to previously recorded purchase price | — | 381 |
| Balance, end of period | <u>\$102,103</u> | <u>\$58,513</u> |

Table of Contents

Changes in the gross carrying value of goodwill reflect the Company's final purchase accounting associated with the 2005 acquisition of certain Jim Russell Group, Inc. (JRG) operations (principally driving school and karting activities and replacement car parts sales) that resulted in increasing goodwill and accrued expenses by \$381,000.

5. LONG-TERM DEBT

Bank Credit Facility and 2006 Amendments —The Company has a long-term, senior revolving credit facility (the Credit Facility or the Revolving Facility) obtained from a syndicate of banks led by Bank of America, N.A. as an agent and lender. The Revolving Facility as amended: (i) provides for borrowings in an aggregate principal amount of up to \$400,000,000, and includes separate sub-limits of \$10,000,000 for borrowings under 15-day swing line loans and \$75,000,000 for letters of credit; (ii) matures March 2010; (iii) allows annual aggregate payments of dividends and repurchases of SMI securities of up to \$75,000,000, increasing up to \$150,000,000 subject to maintaining certain financial covenants; (iv) limits annual capital expenditures to \$80,000,000, plus up to an additional aggregate of \$175,000,000 for certain specified capital expenditures; (v) includes an “accordion” feature that provides for additional borrowings of up to \$100,000,000 subject to meeting certain specified conditions; (vi) allows the Company to consummate motorsports industry related transactions provided that aggregate cash consideration in any fiscal year does not exceed 35% of its consolidated net worth at the immediately preceding fiscal year end; and (vii) allows the Company to consummate other acquisitions consistent with its business provided that cash consideration paid for such other acquisitions does not exceed an aggregate of \$100,000,000 over the Credit Facility term. Loans made pursuant to the Revolving Facility may be borrowed, repaid and reborrowed from time to time until the fifth anniversary of the Credit Facility, subject to certain conditions on the date borrowed. Interest is based, at the Company's option, upon LIBOR plus 0.875% to 1.75% or the greater of Bank of America's prime rate or the Federal Funds rate plus 0.5%. The margin applicable to LIBOR borrowings is adjustable periodically based upon certain ratios of funded debt to earnings before interest, taxes, depreciation and amortization (EBITDA).

In August 2006, the Company amended the Credit Facility which, among other things, modified the following terms and conditions: (i) the revolving credit facility overall borrowing limit was increased from \$250,000,000 to \$400,000,000, (ii) outstanding borrowings under the five-year term loan of \$48,438,000 were reconstituted and converted into borrowings under the revolving credit facility, (iii) allows an aggregate of \$175,000,000 for certain specified capital expenditures, and (iv) revived a previously expired “accordion” feature that provides for additional borrowings of up to \$100,000,000 subject to meeting specified conditions.

In May 2006, the Company amended the Credit Facility to provide, among other things, for increased flexibility with respect to permitted investments by or in certain subsidiaries, and for Company investment of up to an aggregate of \$50,000,000, associated with the Company's bulk petroleum and certain other businesses. The amendment allows for additional investments, contracts and contract assignment associated with the Company's buying and selling of bulk petroleum products to specified foreign parties. See Note 2 “Bulk Petroleum Transactions” for additional discussion on these activities.

At September 30, 2006 and December 31, 2005, outstanding borrowings under the Revolving Facility were \$98,438,000 and \$50,000,000, and under the term loan were \$0 and \$48,438,000, respectively. As discussed above, the August 2006 amendment reconstituted and converted outstanding term loan borrowings into borrowings under the Revolving Facility. As of September 30, 2006, outstanding letters of credit amounted to \$1,172,000, with none associated with bulk petroleum transactions (see Note 2), and the Company could borrow up to an additional \$300,390,000 under the Credit Facility.

The Credit Facility contains a number of affirmative and negative financial covenants. These financial covenants require the Company to maintain certain ratios of funded debt to EBITDA, funded senior debt to EBITDA and earnings

Table of Contents

before interest and taxes (EBIT) to interest expense, and to maintain a minimum net worth. Negative covenants restrict, among other things, the incurrence and existence of liens, making specified types of investments, restricted payments, dividends, equity and debt security repurchases, capital expenditures, transactions with affiliates, acquisitions, sales of assets, and the incurrence of debt. Indebtedness under the Credit Facility is guaranteed by all operative Company subsidiaries except Oil-Chem and its subsidiaries (the “Guarantors”), and is secured by a pledge of all the capital stock and limited liability company interests, as the case may be, of the Guarantors.

Senior Subordinated Notes —In May 2003, the Company completed a private placement of 6 ³/₄ % Senior Subordinated Notes due 2013 in the aggregate principal amount of \$230,000,000, filed a registration statement in August 2003 to exchange these notes for substantially identical notes registered under the Securities Act, and completed the exchange offer in September 2003. These 2003 notes were issued at par, and net proceeds, after commissions and fees, approximated \$224,200,000. Such proceeds, along with borrowings under the Credit Facility, were used to fully redeem the Company’s former senior subordinated notes in June 2003. In July 2004, the Company completed a private placement of an \$100,000,000 add-on offering to the \$230,000,000 Senior Subordinated Notes issued in May 2003 to fund the North Carolina Speedway acquisition as further discussed in Note 2 to the December 31, 2005 Consolidated Financial Statements. The Company filed a registration statement in August 2004 to exchange these add-on notes for substantially identical registered notes and completed the exchange offer in October 2004. The add-on notes are identical to the Senior Subordinated Notes issued in May 2003 with the same interest rate, maturity, covenants, limitations, and other terms and are governed by the same indenture (hereafter both issuances are referred to as the Senior Subordinated Notes).

The Senior Subordinated Notes mature in 2013, are guaranteed by all operative Company subsidiaries except Oil-Chem and its subsidiaries, and interest payments are due semi-annually June 1 and December 1. The Indenture governing the Senior Subordinated Notes permits annual dividend payments of up to approximately \$0.40 per share of common stock, increasable subject to meeting certain financial covenants. The Senior Subordinated Notes are subordinated to all present and future senior secured indebtedness of the Company, including the Credit Facility described above. The Company may redeem some or all of the Senior Subordinated Notes on or after June 1, 2008 at annually declining redemption premiums.

The Credit Facility and Senior Subordinated Notes contain certain other requirements and restrictive financial covenants and limitations on capital expenditures, acquisitions, dividends, repurchase or issuance of SMI securities, and other limitations or prohibitions on incurring other indebtedness, pledges of assets to any third party, transactions with affiliates, guarantees, asset sales, investments, distributions and redemptions. The Credit Facility and Senior Subordinated Notes Indenture agreements contain cross-default provisions. The Company was in compliance with all applicable covenants under the Credit Facility and Senior Subordinated Notes as of September 30, 2006. See Note 6 to the December 31, 2005 Consolidated Financial Statements for further information on the terms and conditions of the Credit Facility and the Senior Subordinated Notes.

Interest Rate Swaps —The Company at times uses interest rate swaps for non-trading purposes to hedge interest rate risk and optimize a combination of variable and fixed interest rate debt. In August 2003, the Company entered into two interest rate swap transactions with a financial institution that provide fixed interest rate features on certain variable rate term loan obligations and variable interest rate features on certain fixed rate senior subordinated debt obligations. The Company presently has one interest rate swap relating to certain variable rate debt obligations. Changes in fair value and differentials paid or received in periodic settlements are reflected as an adjustment to interest expense and included in operating activities in the statement of cash flows. As discussed below, in June 2005, the Company terminated a fair value hedge interest rate swap that provided variable interest rate features on certain fixed rate term loan obligations. For early terminated swap agreements, net settlement payments at termination are deferred when received and amortized into income as a yield adjustment to interest expense over the underlying hedged debt term.

Under the present interest rate swap agreement, the Company pays a 3.87% fixed interest rate and receives a variable interest rate based on LIBOR on a principal notional amount of \$50,000,000. The agreement provides for quarterly settlement and expires corresponding with the underlying hedged debt term. In the second quarter 2006, the cash flow swap agreement was determined not to meet the conditions for assuming no ineffectiveness under SFAS No. 133 “Accounting for Derivative Instruments and Hedging Activities” and was reclassified from accumulated other comprehensive income as a reduction in interest expense of \$1,722,000, before income taxes of \$670,000. Interest expense for the third quarter 2006

Table of Contents

reflects the cash flow hedge market value change of \$652,000. At September 30, 2006 and December 31, 2005, the Company has reflected a net derivative asset for this swap of \$1,070,000 and \$1,128,000. In June 2005, the fair value hedge swap agreement was terminated and settled with a \$501,000 net payment to the Company. The \$501,000 net gain was deferred when received and is being amortized into income as an adjustment to interest expense over the underlying hedged debt term through May 2013. Such interest expense adjustments reflected for the three and nine months ended September 30, 2006 and 2005 were not significant. Interest expense reflects net settlement receipts totaling \$199,000 and \$148,000 for the three months ended September 30, 2006 and 2005, and \$422,000 and \$353,000 for the nine months ended September 30, 2006 and 2005.

Subsidiary Guarantees — Amounts outstanding under the Credit Facility and Senior Subordinated Notes are guaranteed by all of SMI's operative subsidiaries except for Oil-Chem and its subsidiaries. These guarantees are full and unconditional and joint and several. The parent company has no independent assets or operations. There are no restrictions on the subsidiaries' ability to pay dividends or advance funds to SMI.

Interest Expense, Net — Interest expense, interest income and capitalized interest costs are summarized as follows (in thousands):

| | Three Months Ended September 30: | | Nine Months Ended September 30: | |
|---|-------------------------------------|----------|------------------------------------|----------|
| | 2006 | 2005 | 2006 | 2005 |
| Gross interest costs | \$ 8,064 | \$ 7,300 | \$21,074 | \$20,890 |
| Less: capitalized interest costs | (630) | (195) | (1,398) | (602) |
| Interest expense | 7,434 | 7,105 | 19,676 | 20,288 |
| Interest income | (1,132) | (1,554) | (3,325) | (3,809) |
| Interest expense, net | \$ 6,302 | \$ 5,551 | \$16,351 | \$16,479 |
| Weighted-average interest rate on borrowings under bank revolving credit facility | 6.4% | 4.8% | 6.2% | 4.5% |

6. PER SHARE AND OTHER EQUITY INFORMATION — The following schedule reconciles basic and diluted earnings per share (in thousands except per share amounts):

| | Three Months Ended September 30: | | Nine Months Ended September 30: | |
|---|-------------------------------------|----------|------------------------------------|----------|
| | 2006 | 2005 | 2006 | 2005 |
| Net income applicable to common stockholders and assumed conversions | \$ 4,702 | \$ 4,402 | \$82,421 | \$73,954 |
| Weighted average common shares outstanding | 43,762 | 43,881 | 43,806 | 43,913 |
| Dilution effect of assumed conversions: | | | | |
| Common stock equivalents—stock awards | 186 | 298 | 207 | 282 |
| Weighted average common shares outstanding and assumed conversions | 43,948 | 44,179 | 44,013 | 44,195 |
| Basic earnings per share | \$ 0.11 | \$ 0.10 | \$ 1.88 | \$ 1.68 |
| Diluted earnings per share | \$ 0.11 | \$ 0.10 | \$ 1.87 | \$ 1.67 |
| Anti-dilutive common stock equivalents excluded in computing diluted earnings per share | 45 | 18 | 38 | 35 |

Stock Repurchase Program — In April 2005, the Company's Board of Directors approved a stock repurchase program authorizing SMI to repurchase up to 1,000,000 shares of the Company's outstanding \$.01 par value common stock from time to time, depending on market conditions, share price, applicable limitations under the Credit Facility and Senior Subordinated Notes (see Note 5), and other factors the Board of Directors or their designees, in their sole discretion, may consider relevant. The purchases can be in the open market or private transactions. The stock repurchase program is presently funded using the Company's available cash and cash equivalents and may be suspended or discontinued at any time. During the nine months ended September 30, 2006, the Company repurchased 391,500 shares of common stock for \$14,440,000.

7. RELATED PARTY TRANSACTIONS

Notes and other receivables from affiliates at September 30, 2006 and December 31, 2005 include \$1,075,000 and \$1,042,000, including accrued interest, due from a partnership in which the Company's Chairman and Chief Executive Officer is a partner. The note is collateralized by certain partnership land. The Board of Directors, including SMI's independent directors, have reviewed this transaction and determined it an appropriate use of available Company funds based on interest rates at the original transaction date, underlying note collateral and creditworthiness of the Company's Chairman and his partnership.

Notes and other receivables from affiliates at September 30, 2006 and December 31, 2005 include \$939,000 and \$1,906,000 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 before July 30, 2002 and accrued interest. The Board of Directors, including SMI's independent directors, have reviewed this compensatory arrangement and determined it an appropriate use of available Company funds based on interest rates at the time of transaction and creditworthiness of the Chairman. As of July 30, 2002, the Company indicated to the Chairman that it would no longer make payments under the split-dollar life insurance trust arrangements or advances for his benefit.

Before July 30, 2002, the Company made loans to, and paid certain expenses on behalf of, Sonic Financial Corporation (Sonic Financial), a Company affiliate through common ownership by the Company's Chairman and Chief Executive Officer, for various corporate purposes. Also, the Company and Sonic Financial currently share various expenses in the ordinary course of business. Notes and other receivables from affiliates at September 30, 2006 and December 31, 2005 include \$5,514,000 and \$5,579,000 due from Sonic Financial. The amounts due were reduced from shared expenses net of accrued interest by \$19,000 and \$29,000 in the three months ended September 30, 2006 and 2005, and \$65,000 and \$96,000 in the nine months ended September 30, 2006 and 2005. The Board of Directors, including SMI's independent directors, have reviewed these transactions and determined them to be an appropriate use of available Company funds based on interest rates at the time of transaction and creditworthiness of Sonic Financial and the Company's Chairman.

The amounts due from affiliates discussed in the preceding three paragraphs all bear interest at 1% over prime, are payable on demand, and because the Company does not anticipate or require repayment before September 30, 2007, have been classified as noncurrent assets in the accompanying consolidated balance sheet. Changes in amounts due from December 31, 2005 in the preceding paragraphs primarily reflect increases for accrued interest on outstanding balances and decreases from repayments by, and shared expenses with, affiliates. All increases pertain to note receivable arrangements in place before July 30, 2002.

Notes and other receivables from affiliates at December 31, 2005 also include \$295,000 due from a corporation that was a Company affiliate through common ownership by the Company's Chairman and Chief Executive Officer. The amount was repaid in full during the nine months ended September 30, 2006. The amount due was payable on demand and collateralized by certain personal property. The Board of Directors, including SMI's independent directors, have reviewed these transactions and determined them to be an appropriate use of available Company funds based on the underlying collateral and creditworthiness of the Company's Chairman and the affiliate.

Amounts payable to affiliate at September 30, 2006 and December 31, 2005 consist of \$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% and the remainder at prime plus 1%. The entire amount is classified as long-term based on expected repayment dates. The Company believes the terms of these loans and advances are more favorable than those that could be obtained in an arm's-length transaction with an unrelated third party.

600 Racing and SMI Properties each lease an office and warehouse facility from Chartown, a Company affiliate through common ownership by the Company's Chairman and Chief Executive Officer, under annually renewable lease agreements. Rent

Table of Contents

expense for 600 Racing approximated \$49,000 each period for the three months ended September 30, 2006 and 2005, and \$148,000 each period for the nine months ended September 30, 2006 and 2005. Rent expense for SMI Properties approximated \$83,000 each period for the three months ended September 30, 2006 and 2005, and \$250,000 each period for the nine months ended September 30, 2006 and 2005. The Company believes the leases contain terms more favorable to the Company than could be obtained from unaffiliated third parties. Additionally, a special committee of independent and disinterested SMI directors on the Company's behalf evaluated these leases, assisted by independent counsel and real estate experts, and concluded the leases are in the best interests of the Company and its stockholders. The economic terms of the leases were based on several factors, including projected earnings capacity of 600 Racing and SMI Properties, the quality, age, condition and location of the facilities, and rent paid for comparable commercial properties. At September 30, 2006 and December 31, 2005, amounts owed to Chartown were not significant.

LVMS purchased new and used vehicles for employee use from certain subsidiary dealerships of Sonic Automotive, Inc. (SAI), an entity in which the Company's Chairman and Chief Executive Officer is a controlling stockholder, for approximately \$296,000 and \$236,000 in the nine months ended September 30, 2006 and 2005. Vehicles sold to SAI approximated \$139,000 and \$105,000 in the nine months ended September 30, 2006 and 2005. Vehicles purchased from and sold to SAI in the three months ended September 30, 2006 and 2005 were not significant. The Company believes the purchase and sale terms approximated market value and were no less favorable than could be obtained in an arm's-length transaction with an unrelated third party. At September 30, 2006 and December 31, 2005, there were no amounts due to or from SAI.

Oil-Chem sold zMax micro-lubricant™ product to certain SAI dealerships for resale to service customers of the dealerships in the ordinary course of business. Total purchases from Oil-Chem by SAI dealerships approximated \$292,000 and \$543,000 for the three months ended September 30, 2006 and 2005, and \$1,110,000 and \$1,309,000 for the nine months ended September 30, 2006 and 2005. At September 30, 2006, approximately \$140,000 was due from SAI and amounts due at December 31, 2005 were not significant. The Company believes these sales occurred on terms no less favorable than could be obtained in an arm's-length transaction with an unrelated third party.

SMI Properties purchased and sold motorsports merchandise, and received commissions for merchandise sold during Company events from two entities owned by Motorsports Authentics, a 50% owned joint venture formed in August 2005 (see Note 1). In the three months ended September 30, 2006, merchandise purchases approximated \$2,971,000 and merchandise sales and event related commissions approximated \$607,000. In the nine months ended September 30, 2006, merchandise purchases approximated \$8,955,000 and merchandise sales and event related commissions approximated \$3,701,000. The Company believes purchase, sale and commission terms approximated market value and were no less favorable than could be obtained in an arm's-length transaction with an unrelated third party. Net amounts owed to MA approximated \$1,460,000 at September 30, 2006 and \$739,000 at December 31, 2005.

In connection with supervising and managing significant construction and renovation projects at various SMI speedways, the Company incurred charges of approximately \$161,000 from SAI in 2005 for project management services provided by SAI employees with expertise in these areas. There were no significant project management services provided in the three and nine months ended September 30, 2006. The Company believes the terms of providing these services were no less favorable than, and commensurate with, terms that could be obtained in an arm's-length transaction with an unrelated third party. At September 30, 2006 and December 31, 2005, \$161,000 was owed to SAI and is included in current liabilities.

With respect to the foregoing transactions, interest expense accrued on amounts payable to, and interest income earned on amounts due from, affiliates is summarized as follows (in thousands):

| | Three Months Ended September 30: | | Nine Months Ended September 30: | |
|------------------|-------------------------------------|-------|------------------------------------|-------|
| | 2006 | 2005 | 2006 | 2005 |
| Interest expense | \$ 36 | \$ 32 | \$ 104 | \$ 93 |
| Interest income | 135 | 119 | 390 | 350 |

Table of Contents

8. LEGAL PROCEEDINGS — The Company is involved in various lawsuits in the normal course of business, some of which involve material claims. Management does not believe the outcome of these lawsuits or incidents will have a material adverse effect on the Company's financial position, future results of operations or cash flows.

On May 20, 2000, near the end of a NASCAR-sanctioned event hosted at LMS, 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 resulted from excessive interior corrosion resulting from improperly manufactured bridge components. Tindall Corporation designed, manufactured and constructed the portion of the pedestrian bridge that failed. Tindall contends that a product that Tindall purchased from Anti-Hydro International, Inc. and that Tindall incorporated into the bridge caused the corrosion. To date, 103 individuals claiming injuries from the bridge failure on May 20, 2000, had filed a total of 48 separate lawsuits. Generally, the plaintiffs filed these negligence lawsuits and a wrongful death lawsuit against SMI, LMS, 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. The federal lawsuits have all been resolved. The North Carolina state court lawsuits were consolidated before one judge. On January 20, 2003, the trial of the first of these cases began. This trial resulted in a directed verdict and dismissal of SMI at the close of all evidence. On March 27, 2003, the jury returned a verdict finding that LMS was not negligent in connection with the collapse of the pedestrian bridge, and finding that Tindall was negligent. However, LMS was determined by the Court to be responsible for the acts and omissions of Tindall and, therefore, LMS will be jointly and severally liable for future verdicts. In addition, the Court dismissed all claims for punitive damages in all lawsuits.

Currently, all but two state court lawsuits involving two individuals in connection with this incident have been resolved by the defendants. One of the remaining lawsuits was dismissed by the trial court and is on appeal to the North Carolina Court of Appeals. The remaining lawsuit is scheduled for trial in March 2007, and will be tried solely on the issue of damages. Management believes that neither the dispositions that have occurred, nor dispositions that may occur in the future, in the bridge collapse cases have had or will have a material adverse effect on the Company's financial position, future results of operations or cash flows.

The Company is involved in several lawsuits pending in North Carolina state court whereby various contractors are seeking to enforce liens against the Company based upon work allegedly performed by them under contracts with a third-party unrelated to the Company. The lawsuits seek foreclosure of the alleged liens against the Company's property on which the liens have been filed. Several of these lawsuits have been resolved with no material adverse effect on the Company's financial position or results of operations. The remaining liens being claimed range from approximately \$34,000 to \$1,300,000, with the total remaining liens asserted amounting to approximately \$3,300,000. The Company denies the claims in the remaining lawsuits and is vigorously defending against them. Management does not expect that the disposition of the remaining lawsuits will have a material adverse effect on the Company's financial position, future results of operations or cash flows.

Jonie Shires filed a lawsuit against Bristol Motor Speedway and an employee Josh King in Tennessee federal court. The plaintiff alleges traumatic brain injury caused by an alleged blow to her head from a falling tent pole. The plaintiff seeks damages in the amount of \$5,000,000. The Company is seeking indemnity from the plaintiff's employer. The Company has filed a motion for summary judgment seeking a dismissal of all of the plaintiff's claims, and is awaiting the Court's ruling on the motion. The Company is defending this lawsuit vigorously and management does not expect the disposition of this case will have a material adverse effect on the Company's financial position, future results of operations or cash flows.

The Company is a party to other litigation incidental to its business. Management does not believe the resolution of any or all of such litigation is likely to have a material adverse effect on the Company's financial condition, future results of operations or cash flows.

9. STOCK COMPENSATION PLANS AND ADOPTION OF SFAS NO. 123R "SHARE-BASED PAYMENT"

2004 Stock Incentive Plan — Awards under the 2004 Stock Incentive Plan (the 2004 Plan) may be in the form of incentive stock options, non-statutory stock options or restricted stock. Under the 2004 Plan, 2,500,000 shares of SMI's

Table of Contents

common stock are reserved for issuance, subject to various restrictions and adjustments including the following: (1) no more than 1,000,000 shares may be granted in the form of restricted stock awards; (2) if shares subject to award under the 2004 Plan are forfeited, or the award otherwise terminates or is canceled for any reason without the issuance of such shares, those shares will be available for future awards; (3) no individual may be granted options aggregating more than 100,000 shares of common stock during any calendar year; and (4) in the case of restricted stock awards that are designated as performance awards, no individual may be granted an aggregate of more than 35,000 shares of common stock during any calendar year. At September 30, 2006, approximately 2,053,000 shares are available for future grant. Exercise prices for awarded stock options generally may not be less than the fair or trading value of the Company's common stock at, and exercise periods may not exceed ten years from, the option grant date. The 2004 Plan is scheduled to terminate ten years from adoption in February 2004. The exercise price of all stock options granted under the 2004 Plan was the fair or trading value of the Company's common stock at grant date and expire ten years from grant date. The Company granted options under the 2004 Plan to purchase 15,000 shares of common stock to a management employee as of February 7, 2006 at an exercise price per share of \$35.68, which equaled market value at date of grant and vest in equal installments over three years. Stock options granted in 2005 vest immediately or in equal installments over three years. There were no awards of restricted stock under the 2004 Plan prior to 2006. As of March 1, 2006, the Company awarded 1,380 shares of restricted stock under the 2004 Plan at an award price per share of \$36.25, which equaled market value at award date and vest in equal installments over three years. The restricted stock award is included in all stock option disclosures presented below.

1994 Stock Option Plan — The 1994 Stock Option Plan (the 1994 Plan) expired by its terms on December 21, 2004, and no further options can be granted under that plan. Adoption of the 2004 Plan described above, and termination of the 1994 Plan, did not adversely affect rights under any outstanding stock options previously granted under the 1994 Plan. All options granted to purchase shares under the 1994 Plan generally expire ten years from grant date. The exercise price of all stock options granted through 2004 was the fair or trading value of the Company's common stock at grant date. All stock options granted under the 1994 Plan are fully vested.

As further described in Note 11 to the December 31, 2005 Consolidated Financial Statements, effective October 19, 2005, the Company's Board of Directors approved the accelerated vesting of all then outstanding, unvested stock options granted under the 1994 Stock Option Plan and the 2004 Stock Incentive Plan. Unvested options to purchase 485,850 shares of common stock with an average exercise price of \$37.00 per share became exercisable upon vesting acceleration. This accelerated vesting reduced non-cash compensation expense that would have been recorded in periods following application of SFAS No. 123R.

Formula Stock Option Plan —The Formula Stock Option Plan is for the benefit of the Company's outside directors. The plan authorizes options to purchase up to an aggregate of 800,000 shares of common stock. At September 30, 2006, options for 290,000 shares are available for future grant. Under the plan, before February 1 of each year, each outside director is awarded an option to purchase 10,000 shares of common stock at an exercise price equal to the fair market value per share at award date. All options to purchase shares under this plan generally vest in six months, and expire ten years, from grant date. The Company granted options under the Formula Stock Option Plan to purchase 10,000 shares of common stock to each of five outside directors as of January 3, 2006 at an exercise price per share of \$34.97 which equaled market value at date of grant and vest in six months.

Employee Stock Purchase Plan —The SMI Employee Stock Purchase Plan (the ESPP) provides employees the opportunity to acquire stock ownership in the Company. The authorized number of shares of common stock issuable under the ESPP is 800,000. At September 30, 2006, approximately 439,000 shares are available for future grant. Prior to each January 1, the Compensation Committee of the Board of Directors determines whether eligible employees electing to participate will be granted the right to purchase shares of common stock for the upcoming calendar year and, if granted, the number of shares available for purchase under each option. All employee grants are for the same number of shares and grant date. No participant can be granted the right to purchase more than 500 shares in each calendar year, nor can an employee purchase stock under this or all other employee stock purchase plans in excess of \$25,000 of fair market value at the grant date in each calendar year. The stock purchase price is 90% of the lesser of fair market value at grant date or exercise date. Grants may be exercised once at the end of each calendar quarter, and unexercised grants expire at each calendar year end. No shares were granted to employees under the ESPP for the calendar years 2006 or 2005.

Table of Contents

Adoption of SFAS No. 123R “Share-Based Payment” — As of January 1, 2006, the Company implemented SFAS No. 123R “Share-Based Payment”, which is further described in Note 2, using the modified prospective method of transitioning to SFAS No. 123R, and began recognizing compensation expense related to stock option and other share-based compensation grants. Prior to January 1, 2006, the Company accounted for stock-based employee compensation using Accounting Principles Board (APB) Opinion No. 25 “Accounting for Stock Issued to Employees” and related Interpretations, and applied the disclosure provisions of SFAS No. 148 “Accounting for Stock-Based Compensation—Transition and Disclosure—an Amendment of FASB No. 123” and presented the pro forma effect on net income and earnings per share based on the fair value recognition provisions of SFAS No. 123R for periods prior to adoption. Under the modified prospective transition method, share-based compensation cost is recognized for (1) unvested share-based awards granted before January 1, 2006 based on the grant date fair value estimated using the original provisions of SFAS No. 123 and (2) share-based awards granted after January 1, 2006 based on grant-date fair value estimated using the provisions of SFAS No. 123R. All stock options granted under the 1994 Plan, 2004 Plan and Formula Stock Option Plan for Directors have an exercise price equal to the market value of the underlying common stock at grant date. Based on the terms of these stock option plans and the ESPP, no share-based compensation cost has been reflected in net income for these plans prior to January 1, 2006. The Company’s practice has been to issue new shares upon option exercise; however, repurchases of shares in the open market are permitted.

Adoption of SFAS No. 123R did not have a material impact on the Company’s financial statements, results of operations or cash flows, or the assumptions used for computing grant-date fair values. For the three and nine months ended September 30, 2006, share-based compensation expense totaled \$127,000 and \$834,000 before income taxes of \$50,000 and \$324,000 and is included in general and administrative expense. There were no significant unvested awards granted to retirement-eligible employees prior to January 1, 2006 that required compensation expense recognition. Prior period results were not restated. Prior to adoption of SFAS No. 123R, the Company presented the tax benefits from stock option exercises in cash flows from operations on the Consolidated Statement of Cash Flows in accordance with applicable accounting standards. SFAS No. 123R requires classification of cash flows resulting from such tax benefits, including those pertaining to restricted stock awards, if any, in cash flows from financing activities on a prospective basis. In determining excess additional paid-in-capital upon adoption of SFAS No. 123R, the Company utilized the simplified alternative provided in FASB Staff Position FAS 123R-3 “Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards”.

The following table illustrates the pro forma effect on net income and earnings per share had the Company applied the fair value recognition provisions of SFAS No. 123R to share-based employee compensation for the three and nine months ended September 30, 2005. The fair value of stock option grants under the 1994 Plan, 2004 Plan and Formula Stock Option Plan is estimated using various factors and assumptions described below and amortized into expense over the associated vesting periods (in thousands, except per share amounts):

| | Three Months Ended: | Nine Months Ended: |
|---|--------------------------------|-------------------------------|
| | September 30, 2005 | |
| Net income as reported | \$ 4,402 | \$ 73,954 |
| Less: Share-based compensation expense determined using fair value method for all awards net of taxes | (388) | (1,458) |
| Pro forma net income | <u>\$ 4,014</u> | <u>\$ 72,496</u> |
| Basic earnings per share : | | |
| As reported | \$ 0.10 | \$ 1.68 |
| Pro forma | \$ 0.09 | \$ 1.65 |
| Diluted earnings per share: | | |
| As reported | \$ 0.10 | \$ 1.67 |
| Pro forma | \$ 0.09 | \$ 1.64 |

The fair value of stock option grants for the 1994 Plan, 2004 Plan and Formula Stock Option Plan is estimated on grant date using the Black-Scholes option-pricing model based on the following factors and assumptions. Expected volatility is based

Table of Contents

on implied volatilities from historical volatility of the Company's stock and other factors. The Company uses historical data to estimate option exercises, forfeitures and employee terminations within the pricing model. Employee groups have similar historical exercise experience and are combined for valuation purposes. The expected term of granted options is estimated based on historical exercise experience and represents the time period that granted options are expected to be outstanding. Risk-free interest rates for periods within the expected life of options are based on the US Treasury yield curve in effect at the time of grant. The Company believes the pricing model and approach utilized to develop the underlying assumptions are appropriate for estimating the fair values of share-based awards. These fair value and other estimates are not intended to predict future events or value ultimately realizable by employees who receive equity awards, and subsequent events are not indicative of the reasonableness of original estimates.

| | Three Months Ended September 30: | | Nine Months Ended September 30: | |
|--|-------------------------------------|-----------|------------------------------------|-------------|
| | 2006 | 2005 | 2006 | 2005 |
| Options granted | — | — | 65,000 | 50,000 |
| Weighted average grant-date fair values | — | — | \$ 10.06 | \$ 9.52 |
| Total intrinsic value of options exercised | \$583,000 | \$403,000 | \$3,564,000 | \$2,080,000 |
| Expected volatility | — | — | 28.0% | 24.2% |
| Risk-free interest rates | — | — | 4.4% | 3.6% |
| Expected lives (in years) | — | — | 4.6 | 4.6 |
| Dividend yield | — | — | 0.9% | 0.8% |

Options outstanding and exercisable for the 1994 Plan, 2004 Plan and Formula Stock Option Plan combined as of September 30, 2006 are as follows (shares in thousands):

| Range of Exercise Prices | Options Outstanding | | | Options Exercisable | | |
|--------------------------|-----------------------|---|-------------------|-----------------------|---|------------|
| | Number Outstanding | Weighted Average | | Number Exercisable | Weighted Average | |
| Exercise Price | | Remaining Contractual Life- In Years | Exercise Price | | Remaining Contractual Life- In Years | |
| \$18.85 | 96 | \$18.85 | 5.0 | 96 | \$18.85 | 5.0 |
| 22.31-22.38 | 106 | 22.34 | 4.3 | 106 | 22.34 | 4.3 |
| 23.00-24.38 | 87 | 24.05 | 2.3 | 87 | 24.05 | 2.3 |
| 25.28-26.36 | 257 | 26.10 | 6.1 | 257 | 26.10 | 6.1 |
| 26.88-29.13 | 295 | 28.47 | 3.7 | 295 | 28.47 | 3.7 |
| 29.64-31.05 | 214 | 29.71 | 7.3 | 214 | 29.71 | 7.3 |
| 33.81-35.68 | 110 | 34.60 | 6.9 | 95 | 34.42 | 6.5 |
| 37.00 | 471 | 37.00 | 8.3 | 471 | 37.00 | 8.3 |
| 38.18-41.13 | 327 | 40.04 | 5.5 | 275 | 40.24 | 4.8 |
| <u>\$18.85-\$41.13</u> | <u>1,963</u> | <u>\$31.62</u> | <u>6.0</u> | <u>1,896</u> | <u>\$31.38</u> | <u>5.9</u> |

See Note 11 to the December 31, 2005 Consolidated Financial Statements for additional information and terms of the Company's stock incentive, stock option and employee stock purchase plans.

Table of Contents

The following is a summary of vested and non-vested option activity regarding the 1994 Plan, 2004 Plan and Formula Stock Option Plan during the nine months ended September 30, 2006 (shares and aggregate intrinsic value in thousands):

| Vested and Non-vested Options | 1994 Stock Option Plan | | | | 2004 Stock Incentive Plan | | | | Formula Stock Option Plan | | | |
|---------------------------------|------------------------|---|---|---------------------------|---------------------------|---|---|---------------------------|---------------------------|---|---|---------------------------|
| | Shares | Weighted Average Exercise Price Per Share | Weighted Average Remaining Contractual Term (Yrs) | Aggregate Intrinsic Value | Shares | Weighted Average Exercise Price Per Share | Weighted Average Remaining Contractual Term (Yrs) | Aggregate Intrinsic Value | Shares | Weighted Average Exercise Price Per Share | Weighted Average Remaining Contractual Term (Yrs) | Aggregate Intrinsic Value |
| Outstanding, January 1, 2006 | 1,378 | \$ 29.50 | — | — | 431 | \$ 37.45 | — | — | 380 | \$ 27.23 | — | — |
| Granted | — | — | — | — | 15 | 35.68 | — | — | 50 | 34.97 | — | — |
| Expired, forfeited or cancelled | (17) | 39.03 | — | — | (3) | 37.64 | — | — | — | — | — | — |
| Exercised | (221) | 23.69 | — | — | (10) | 37.00 | — | — | (40) | 24.25 | — | — |
| Outstanding, September 30, 2006 | 1,140 | \$ 30.48 | 5.2 | \$ 7,699 | 433 | \$ 37.40 | 8.5 | \$ 11 | 390 | \$ 28.53 | 5.6 | \$ 3,162 |
| Exercisable, September 30, 2006 | 1,140 | \$ 30.48 | 5.2 | \$ 7,699 | 366 | \$ 37.24 | 8.4 | \$ — | 390 | \$ 28.53 | 5.6 | \$ 3,162 |

As of September 30, 2006, there was approximately \$408,000 of total unrecognized compensation cost related to nonvested share-based awards granted under the 2004 Plan and the Formula Stock Option Plan that is expected to be recognized over a weighted-average period of 0.9 years. Outstanding and exercisable stock options with no intrinsic value as of September 30, 2006 are excluded from the aggregate intrinsic values presented above. In the three and nine months ended September 30, 2006 and 2005, options to purchase 50,000 shares of common stock vested under the Formula Stock Option Plan. There were no capitalized share-based compensation costs at September 30, 2006. The following is a summary of non-vested option activity regarding the 1994 Plan, 2004 Plan and Formula Stock Option Plan during the nine months ended September 30, 2006 (shares and weighted average grant-date fair value in thousands):

| Non-vested Options | 1994 Stock Option Plan | | | | 2004 Stock Incentive Plan | | | | Formula Stock Option Plan | | | |
|--------------------------------|------------------------|---|---|--|---------------------------|---|---|--|---------------------------|---|---|--|
| | Shares | Weighted Average Exercise Price Per Share | Weighted Average Remaining Contractual Term (Yrs) | Weighted Average Grant-date Fair Value | Shares | Weighted Average Exercise Price Per Share | Weighted Average Remaining Contractual Term (Yrs) | Weighted Average Grant-date Fair Value | Shares | Weighted Average Exercise Price Per Share | Weighted Average Remaining Contractual Term (Yrs) | Weighted Average Grant-date Fair Value |
| Non-vested, January 1, 2006 | — | — | — | — | 52 | \$ 38.97 | 9.9 | \$ 579 | — | — | — | — |
| Granted | — | — | — | — | 15 | 35.68 | 10.0 | 150 | 50 | \$ 34.97 | 10.0 | \$ 495 |
| Vested | — | — | — | — | — | — | — | — | (50) | 34.97 | 9.5 | (495) |
| Forfeited | — | — | — | — | — | — | — | — | — | — | — | — |
| Non-vested, September 30, 2006 | — | — | — | — | 67 | \$ 38.23 | 9.3 | \$ 729 | — | — | — | — |

Table of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read along with the Consolidated Financial Statements and Notes.

OVERVIEW

The Company's revenues and expenses are classified in the following categories because they are important to, and used by, management in assessing operations: admissions, event related revenue, NASCAR broadcasting revenue, and other operating revenue. "Admissions" includes ticket sales for all of our events. "Event related revenue" includes amounts received from sponsorship and naming rights fees, luxury suite rentals, souvenir sales, commissions from food and beverage sales, promotional and hospitality revenues, track rentals, driving school and karting revenues, broadcasting rights other than NASCAR broadcasting revenue, and other event and speedway related revenues. "NASCAR broadcasting revenue" includes rights fees obtained for domestic television broadcasts of NASCAR-sanctioned events held at the Company's speedways.

"Other operating revenue" includes: revenues of TSI, which develops electronic media promotional programming and is a wholesale and retail distributor of racing and other sports related souvenir merchandise and apparel; certain merchandising revenues of SMI Properties and its wholly-owned subsidiary, MBM, a wholesale and retail mail-order distributor of racing and other sports related souvenir merchandise and apparel; bulk petroleum transactions; oil and gas investment revenues; Legends Car and parts sales of 600 Racing; restaurant, catering and membership income from the Speedway Clubs at LMS and TMS; revenues of Oil-Chem, which produces an environmentally-friendly micro-lubricant™; and industrial park and office rentals. "Earnings or losses on equity investees" include the Company's share of its Motorsports Authentics merchandising joint venture equity investee profits or losses. The Company's revenue items produce different operating margins. Broadcast rights, sponsorships, ticket sales, commissions from food and beverage sales, and luxury suite and track rentals produce higher margins than souvenir sales, as well as sales of TSI, Legends Cars, Oil-Chem, SMI Trackside, MBM, bulk petroleum transactions, oil and gas investment activities, or other operating revenues.

The Company classifies its expenses to include direct expense of events, NASCAR purse and sanction fees, and other direct operating expense, among other categories. "Direct expense of events" principally includes cost of souvenir sales, non-NASCAR race purses and sanctioning fees, property and event insurance, compensation of certain employees, advertising, sales and admission taxes, cost of driving school and karting revenues, event settlement payments to non-NASCAR sanctioning bodies and outside event support services. "NASCAR purse and sanction fees" includes payments to NASCAR for associated events held at the Company's speedways. "Other direct operating expense" includes the cost of TSI, MBM and certain SMI Properties merchandising, gross bulk petroleum, Legends Car, Speedway Clubs, Oil-Chem and industrial park rental revenues.

The Company sponsors and promotes outdoor motorsports events. Weather conditions surrounding these events affect sales of tickets, concessions and souvenirs, among other things. Although the Company sells a substantial number of tickets well in advance of its larger events, poor weather conditions can have a negative effect on the Company's results of operations. Poor weather can affect current periods as well as successive events in future periods because consumer demand can be affected by the success of past events.

The Company does not believe 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 2006, the Company plans to hold 19 major annual racing events sanctioned by NASCAR, including 11 NEXTEL Cup and eight Busch Series racing events. The Company also plans to hold two Indy Racing League (IRL) racing events, seven NASCAR Craftsman Truck Series racing events, two International Race of Champions (IROC) racing events, four major National Hot Rod Association (NHRA) racing events, and three World of Outlaws (WOO) racing events. In 2005, the Company held 19 major annual racing events sanctioned by NASCAR, including 11 NEXTEL Cup and eight Busch Series

Table of Contents

racing events, two IRL racing events, seven NASCAR Craftsman Truck Series racing events, four major NHRA racing events, one Champ Car World Series (formerly known as CART) (CCWS) racing event, two IROC racing events, and two WOO racing events. The Company's business has been, and is expected to remain, highly seasonal.

The Company sometimes produces minimal operating income during the third quarter when it hosts only one major NASCAR race weekend. Concentration of racing events in any particular future quarter, and the growth in the Company's operations with attendant increases in overhead expenses, may tend to minimize operating income in respective future quarters. Racing schedules may change from time to time which 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 nine months ended September 30, 2006 and 2005 are not indicative of results that may be expected for the entire year because of such seasonality.

Set forth below is certain comparative summary information with respect to the Company's scheduled major NASCAR-sanctioned racing events for 2006 and 2005, and reflects that BMS hosted a NASCAR NEXTEL Cup and a Busch Series race in the first quarter 2006 that were held in the second quarter 2005.

| | Number of scheduled major NASCAR-sanctioned events | |
|-------------|--|------|
| | 2006 | 2005 |
| 1st Quarter | 6 | 4 |
| 2nd Quarter | 6 | 8 |
| 3rd Quarter | 2 | 2 |
| 4th Quarter | 5 | 5 |
| Total | 19 | 19 |

Near-term Operating Factors

There are many factors that affect the Company's growth potential, future operations and financial results, including the following operating factors:

General Factors and Current Operating Trends –The Company's year-to-date results for the 2006 race season reflect ongoing increases in sponsorship, luxury suite rentals, advertising and other corporate event related revenues. All of the Company's 2006, and most of its 2007, NASCAR NEXTEL Cup and Busch event sponsorships are already sold, and pre-sales for other corporate event related revenues are showing similar trends. For the Company's upcoming 2006 events, ticket sales at AMS and LMS were similar to, and at TMS were below, ticket sales at the same time last year. Ticket and other sales can be negatively impacted after an inaugural race such as TMS's additional NASCAR NEXTEL Cup and Busch Series racing events first held in November 2005. Net deferred race event income at September 30, 2006 as compared to September 30, 2005 is higher principally due to increases in advance corporate sponsorship and other promotional revenues for upcoming NASCAR NEXTEL Cup and Busch Series racing events. However, at this time, management is unable to determine whether event results will differ from those previously estimated. The 2006 to-date broadcast television and cable ratings for the NASCAR NEXTEL Cup and Busch Series have shown slight decreases from the prior year. Also, the 2005 "Chase for the Cup" – the last ten races of season – achieved strong ratings increases over the prior year.

Fuel prices and interest rates have risen for various reasons, including geopolitical, economic and other factors and may continue to rise. Natural disasters such as Hurricanes Katrina and Rita can cause significant increases in fuel prices and significant adverse economic effects. The national incidents of September 11, 2001, along with the Iraq war and terrorism alerts, have raised a combination of operating factors rarely encountered, including public concerns regarding air travel, military actions, and additional national or local catastrophic incidents. Economic conditions could be severely affected by future actual or threatened events of a similar nature or other national, regional or local incidents, which could materially adversely affect the Company's future operating results. Although the Company sells a substantial number of tickets well in advance of its larger events, poor weather conditions surrounding racing events can have a negative effect on successive events in future periods because consumer demand can be affected by the success of past events. These factors affect consumer and corporate spending sentiment. Reduced consumer spending impacted the demand for souvenir, apparel and

Table of Contents

other merchandise at certain non-event company and outside venues, with related effects on event related and other operating revenues. While management believes the Company's strong operating cash flow will continue, economic conditions, rising fuel prices, and the competitiveness of racing can affect ticket, corporate marketing, sponsorships and other sales. Management believes long-term ticket demand, including corporate marketing and promotional spending, should continue to grow. However, management decided not to increase many ticket and concession prices in 2006 to help foster fan support and mitigate any near-term demand weakness.

NASCAR Broadcasting Rights Agreement – Fiscal 2006 is the Company's sixth and last year under the current multi-year consolidated domestic television broadcast rights agreement for NASCAR NEXTEL Cup and Busch Series events. Broadcasting revenues continue to be a significant long-term revenue source for the Company's core business, representing approximately 26% of 2005 total revenues. Total contracted revenues under this domestic broadcast rights agreement, based on the current race schedule, are approximately \$162.7 million in 2006. This reflects an increase of approximately \$21.7 million or 15% over 2005.

A substantial portion of the Company's recent profit growth has resulted from a significant increase in television revenues received from the arrangements NASCAR has made with various television networks. NASCAR ratings may also impact attendance at Company events and sponsorship opportunities. The current six-year NASCAR domestic television broadcast rights agreements with NBC Sports, Turner Sports, FOX and FX expire after 2006. NASCAR recently announced that it reached new combined eight-year agreements with FOX, ABC/ESPN, TNT and SPEED Channel for the domestic broadcast rights to all NASCAR NEXTEL Cup and Busch Series events for 2007 through 2014. NASCAR also announced that these agreements have a \$4.48 billion contract period value, representing approximately \$560 million in gross average annual rights fees for the industry and a 40% average annual increase over the current contract annual average of \$400 million. However, NASCAR recently announced that 2007 industry rights fees would approximate \$505 million, which are lower than the 2006 rights fees of approximately \$574 million. Although initially lower, this eight-year arrangement provides the Company with a significant increase in average annual contracted revenues through 2014, and annual increases averaging 3% per year. Management believes this new long-term contracted revenue source helps solidify the Company's financial strength and stabilize our earnings and cash flows, and bodes well for SMI and its industry in the future.

Management also believes these new contracts have long-term strategic benefits. For instance, over the past several years major sports programming has begun to shift between network and cable. Cable broadcasters can support a higher investment through subscriber fees not available to networks, which is resulting in increased rights fees for these sports properties. However, cable reaches fewer households than network broadcasts. NASCAR's decision to retain approximately two-thirds of its event schedule on network television is believed to be important to the sport's future growth, and should continue to drive increased fan and media awareness for all three NASCAR racing series, which should help increase long-term attendance and corporate marketing appeal. Management believes ESPN's involvement should result in the Busch Series benefiting from the improved continuity of season-long presence on ESPN, and motorsports in general should benefit from increased ancillary programming and nightly and weekly NASCAR-branded programming and promotions, similar to those ESPN provides with the other major sports.

Future changes in race schedules would impact these amounts. Similar to many televised sports, overall seasonal averages for motorsports may increase or decrease from year to year, while television ratings for certain individual events may fluctuate from year to year for any number of reasons. While this long-term rights agreement will likely result in annual revenue increases over the contract period, associated annual increases in purse and sanction fees paid to NASCAR may continue. The Company's share of the television broadcast revenues are contracted, and purse and sanction fees are negotiated, with NASCAR on an annual basis.

Accounting for Share-Based Compensation – As of January 1, 2006, the Company implemented SFAS No. 123R "Share-Based Payment" which, among other things, generally requires recognizing compensation cost for the grant-date fair value of stock options and other equity-based compensation over the requisite service period, and applies to all awards granted, modified, vesting, repurchased or cancelled after the required effective date of January 1, 2006. The Company elected the modified prospective method of transitioning to SFAS No. 123R, and as of January 1, 2006 began recognizing compensation expense related to stock option and other share-based compensation grants, including immediate recognition for grantees who are retirement-eligible rather than ratably over the vesting period regardless of retirement-eligibility. All

Table of Contents

stock options granted under the Company's 1994 Stock Option Plan, 2004 Stock Incentive Plan and Formula Stock Option Plan for Directors have an exercise price equal to the market value of the underlying common stock at grant date. As further described in Note 11 to the December 31, 2005 Consolidated Financial Statements, effective October 19, 2005, our Board of Directors approved the accelerated vesting of all then outstanding, unvested stock options granted under our 1994 Stock Option Plan and 2004 Stock Incentive Plan. This accelerated vesting reduced non-cash compensation expense that would have been recorded in periods following application of SFAS No. 123R. Adoption of SFAS No. 123R did not have a material impact on the Company's financial statements, results of operations or cash flows. See Note 9 to the Consolidated Financial Statements for additional information on the Company's stock compensation plans, impact of adoption and required disclosures under SFAS No. 123R.

Income Taxes – As further described in Note 8 to the December 31, 2005 Consolidated Financial Statements, the Company has significant net noncurrent deferred tax liabilities, the majority of which pertain to accelerated depreciation on its property and equipment for tax reporting purposes. In evaluating the potential effects of a tax advice memorandum published by the IRS, the Company filed in 2005 a change in tax accounting method with the IRS with respect to, among other things, changing tax depreciation methods and extending depreciable lives for certain significant motorsports facility assets. The tax method accounting change is expected to reduce the Company's tax depreciation expense for certain previous years and is being included in federal and state taxable income over four years beginning in 2005. As of and through September 30, 2006 and December 31, 2005, the change resulted in reclassifying noncurrent deferred income taxes of approximately \$28.1 million and \$18.7 million to current accrued income taxes and accelerating the payment of additional noncurrent deferred income tax liabilities of approximately \$28.1 million in each of 2007 and 2008. Accelerated taxes of \$18.7 million were paid in 2005, after using alternative minimum tax credit carryforwards of approximately \$9.1 million in 2005. Accelerated taxes of \$28.1 million were paid in the nine months ended September 30, 2006. Management believes the Company's use of a seven-year recovery period prior to 2004 was appropriate in view of then existing tax law and related guidance. Management believes the filing of the change in tax accounting method is the best course of action to minimize costs and uncertainty. Management anticipates that cash and cash equivalents and cash flow from operations will be sufficient to fund these payments. Management believes the Company has sufficiently provided for income taxes and associated reserves, and no current or future charge to earnings is expected at this time resulting from the tax accounting change. These amounts should be substantially recovered in succeeding years from increased tax depreciation as these assets continue to be depreciated for tax purposes over longer periods. As such, management does not believe the tax accounting change will have a material adverse effect on the Company's financial position or future results of operations.

In May 2006, the State of Texas enacted "House Bill 3" (the Bill) which replaces its current franchise tax with a defined margin tax, applies to taxable entities conducting business in Texas, and is accounted for as an income tax under SFAS No. 109 "Accounting for Income Taxes". SFAS No. 109 stipulates accounting for the effects of tax law changes in the period of enactment. As such, the Company accounted for the tax law change in its second quarter 2006. The effect was to reduce the Company's income tax expense by \$2.5 million, and effective income tax rate by 1.9%, for the nine months ended September 30, 2006. The Texas Comptroller has requested a formal opinion from the Texas Attorney General on whether the margin tax is an impermissible income tax that violates the Texas constitution. Texas law requires voter approval of any state income tax, and at this time, such approval had not been obtained for the Bill. If a constitutional challenge is filed, the Bill gives the Texas Supreme Court jurisdiction and allows the Court to grant injunctive or declaratory relief. The Court would have 120 days from the date the challenge is filed to make a ruling. Should the Court grant injunctive and declaratory relief, or other legislative action occur in Texas, which effectively overturns or reverses the Bill, the Company would likely be required to effect such further tax law change in the period of enactment. The effect of any such change could increase the Company's future income tax expense by amounts similar to that recorded in the second quarter 2006.

Joint Venture Equity Investments – As further discussed in Note 1 to the Consolidated Financial Statements, in August 2005, the Company and ISC formed SMISC, LLC, an equally-owned joint venture, operating as an independent company named Motorsports Authentics, to produce, market and sell motorsports licensed merchandise. In September 2005, Motorsports Authentics acquired certain tangible and intangible assets and operations of Team Caliber, Inc. from Roush Corporation d/b/a Roush Racing, and entered into a long-term license with Roush Racing for exclusive and non-exclusive motorsports merchandise distribution for various racing drivers and teams in NASCAR NEXTEL Cup, Busch and Craftsman Truck Series. Team Caliber markets and distributes licensed motorsports merchandise, including die-cast replicas

Table of Contents

of motorsports vehicles, apparel, gifts and memorabilia through collectible, mass retail and trackside distribution channels. In December 2005, the joint venture purchased Action Performance Companies, Inc., the leader in design, promotion, marketing and distribution of licensed merchandise with products including a broad range of motorsports related die-cast replica collectibles, apparel, gifts and other memorabilia, and has license agreements with many of the top NASCAR teams and drivers. In addition, Action designs and sells products relating to other motorsports including the NHRA, Formula One and IRL and also has licenses to manufacture apparel and memorabilia for the National Basketball Association, Major League Baseball, and multiple other branded organizations. The net assets and operations of Action and Team Caliber are now operated on a combined basis by MA which currently markets its products primarily through a combination of mass retail, domestic wholesale, trackside, international and collector's clubs.

As further described in Note 2 to the Consolidated Financial Statements, the Company uses the equity method of accounting for its 50% ownership in MA, whose operations are presently comprised of Action and Team Caliber. The Company's 50% share of MA's operating results for December 1, 2005 through August 31, 2006 are included in the Company's three and nine month 2006 consolidated statements of income. The Company's investment in MA is sizable and its share of future associated profits or losses may or may not be significant. Resulting profits or losses could be affected by or depend on future demand, trends, and other market conditions and factors such as the success of motorsports, the popularity of its licensed drivers and teams, particularly NASCAR's NEXTEL Cup Series, competition for MA products, and the success of MA management in achieving sustained profitability and successful integration. Their ability to compete successfully and profitably depends on a number of factors both within and outside management's control. There may be increases in the Company's investment in these associated entities, including additional equity contributions or loans to MA. The carrying value of these equity investments could become impaired for changes in profitability, operating cash flows, market and economic conditions, and other factors that could adversely impact their recovery.

Bulk Petroleum Transactions and Oil and Gas Investments – The Company is engaged in the purchase and sale of bulk petroleum products, associated commodity transactions, and oil and gas investing activities, including exploration, drilling and production arrangements. The Company has conducted these business activities primarily in Africa, Central America, North America, Russia, South America, and the United Kingdom. The Company may expand such business activities into other foreign regions, including Asia and the Middle East, among others. Oasis Trading Group LLC (Oasis), a United States entity, provides the Company strategic, management and operational capabilities in connection with these activities. The Company provides financing and access to financial markets for such activities. The Company and Oasis generally share equally the profits and losses on all transactions and activities. At times, the Company enters into futures contracts associated with petroleum products and utilizes letters of credit for the purchase and sale of bulk petroleum products. The Company also has profit and loss sharing arrangements with certain foreign entities on the purchasing and selling of specified bulk petroleum products, and the Company's share of profits and losses is negotiated on a transaction-by-transaction basis, but generally ranges from 30% to 50%. Purchases, sales, oil and gas investment activities, futures contracts, and letters of credit are collectively associated with or referred to as "bulk petroleum transactions or bulk petroleum activities". See Note 2 to the Consolidated Financial Statements for further information on the Company's accounting policies, disclosures on revenues, commodity hedge fair values and other information associated with bulk petroleum and oil and gas investments.

Although these bulk petroleum activities have increased and may increase further, the Company's business and its core business has been and remains motorsports. Management recognizes that this bulk petroleum business has financial and operational risks different from those of the Company's core operations. However, many are risks ordinarily experienced by any new business, risks ordinarily associated with conducting business in foreign countries, as well as risks generally associated with petroleum products, commodities, oil and gas investing activities, hedging and similar transactions of this nature.

Bulk petroleum transactions and investing activities may involve concentrations of credit and others risks different from the Company's motorsports operations. As further described in Note 2 to the Consolidated Financial Statements, the Company has credit risk concentration in receivables associated with bulk petroleum sales and purchase transactions. Approximately \$35.7 million or 51% of the Company's total accounts receivable are due from a relatively small number of petroleum industry customers and merchants in Central America and Russia. Also, from time to time, bulk petroleum inventory products may be located in and managed by a relatively small number of vendors in Central America or Russia. At September 30, 2006, there was no bulk petroleum product inventory.

Table of Contents

At September 30, 2006, uncertainty exists as to the full realization of approximately \$12.9 million due from one foreign entity because of problems with respect to access to funds, creditworthiness and certain other factors outside of management's control when conducting operations in a foreign country. Management is currently pursuing available recoverability alternatives. The Company has recorded a net allowance for uncollectible amounts of approximately \$4.0 million based on management's estimate of ultimate realization after possible recovery, settlement and other costs. This assessment is subjective and based on facts, circumstances and assumptions existing at the time of evaluation, all of which are subject to significant change. Such changes, if significantly negative or unfavorable, could have a material adverse impact on the outcome of management's realization assessment and the Company's financial condition or future results of operations. Under its profit and loss sharing arrangement, the Company has recorded a net receivable of approximately \$3.1 million from Oasis, a portion of which pertains to that entity's reimbursable share of loss associated with this recoverability assessment. Oasis's ability to repay the Company this or any future amount is somewhat dependent on sufficient profitability of future bulk petroleum transactions. Therefore, uncertainty exists regarding the recoverability of this amount.

The Company's Credit Facility contains a separate sub-limit for letters of credit of up to \$75.0 million for use in bulk petroleum and other business transactions. Under the Credit Facility as amended in May 2006, the Company may invest up to an aggregate of \$50.0 million in Oil-Chem and its direct or indirect subsidiaries (Oil-Chem) for bulk petroleum activities. In May 2006, the Company formed Speedway Motorsports International Limited (BVI) (SMIL), a wholly-owned subsidiary of Oil-Chem. Since May 2006 and through September 30, 2006, SMIL has acquired a majority interest in two foreign entities owning certain oil and gas mineral rights in Russia for cash consideration aggregating approximately \$4.1 million; their operations through September 30, 2006 were not significant. As of September 30, 2006, these investments, including associated capital expenditures, aggregated \$5.3 million.

Realization of receivables, inventories and investments, and the ability to invest and compete successfully and profitably, are subject to many factors outside management's control. Factors that can adversely impact realization include changes or deterioration in customer financial condition and creditworthiness, current and future market demand, customary risks associated with oil and gas exploration, drilling, production and other business activities, regional and global market and economic conditions, including geopolitical situations in and surrounding specific countries or regions, government actions that restrict transactions, access to or transfers of assets or funds, other factors outside of management's control when conducting operations in a foreign country, global petroleum product supply and demand, regional or worldwide natural disasters such as hurricanes that adversely impact supply channels, merchandising, distribution and operating costs, and other factors. Default on payment by one or more customers, or should inventory not be realized or recovered, could have a material adverse impact on the Company's operating results. SMIL may expand or increase its investment with the two foreign entities discussed above if sufficiently proven and developable reserves are found. SMIL may also make other foreign investments, and participate with others, including entering into contracts or joint venture arrangements, involving oil and gas exploration, development and production activities depending on opportunities that may arise. The carrying value of current and future investments could become impaired from insufficient sustained profitability and operating cash flows resulting from the aforementioned and other factors. Such factors, if significantly negative or unfavorable, could result in an impairment charge that has a material adverse impact on the Company's financial condition or future results of operations.

Bulk petroleum transactions and oil and gas investing activities may continue to occur in the near future, and they may or may not be significant. While revenues could become significant, resulting profit margins could be affected by market and other factors such as transaction, unrecoverable and other operating costs, and could be less than those on existing operations. The accounting for bulk petroleum transactions, including related futures, can be affected by many factors, including contract terms, title transfer, settlement timing, underlying futures terms and other transactional terms or conditions. Future transactions and resulting gains or losses, if any, could be reported on either a gross or net basis. Mark-to-market accounting could be used for certain futures contracts and bulk petroleum purchases or supply contracts could constitute an energy contract that is deemed a derivative depending on the underlying transactional terms and conditions. Also, future gains or losses on such contracts could be significant depending on fluctuations in market prices of the associated covered petroleum products and timing differences between maturities of futures contracts and sales of petroleum products. Depending on settlement timing and other transactional factors, accounts receivable, inventories, liabilities, and outstanding letters of credit could significantly increase during and between reporting periods. At this time, management is unable to determine whether resulting revenues or profits or losses could be material.

Table of Contents

Non-Event Souvenir and Other Merchandising Revenues – Management intends to develop new merchandising opportunities, expand product offerings through electronic media promotional programming, and market racing and other sports-related souvenir merchandise and apparel with corporate customers and other third-party venues. The Company’s other operating revenues may increase depending on, among other factors, the success of such efforts, the success of motorsports, particularly NASCAR’s NEXTEL Cup Series, and future market demand, trends and competition for our non-event products and outside venues. The Company’s ability to compete successfully depends on a number of factors both within and outside management’s control. These revenue items may produce lower operating margins than broadcast rights, sponsorships, ticket sales, commissions from food and beverage sales, and luxury suite and track rentals. While revenues may increase, there may be associated increases in receivables and inventory levels whose realization is subject to changes in market and economic conditions and other factors that might adversely impact realization.

Reiterated 2006 Earnings Guidance – In connection with the Company’s third quarter 2006 earnings release, the Company confirmed its previous full year 2006 guidance of \$2.45-\$2.55 per diluted share assuming current industry and economic trends continue, and excluding its 50% share of Motorsports Authentics joint venture operating results, the Company’s non-core businesses, capital expenditures exceeding current plans, the impact of further increases in fuel prices, interest rates, geopolitical conflicts and other unforeseen factors.

Insurance Coverage – Heightened concerns and challenges regarding property, casualty, liability, business interruption, and other insurance coverage have resulted from the national incidents on September 11, 2001, natural disasters and incidents such as the pedestrian bridge collapse at LMS in 2000. It has become increasingly difficult to obtain high policy limits of coverage at reasonable costs, including coverage for acts of terrorism. The Company has a material investment in property and equipment at each of its six speedway facilities that are generally located near highly populated cities and hold motorsports events typically attended by large numbers of fans. These operational, geographical, and situational factors, among others, have resulted in significant increases in insurance premium costs, and further increases are possible. While management believes it has reasonable limits of property, casualty, liability, and business interruption insurance in force, including coverage for acts of terrorism, management cannot guarantee that such coverage would be adequate should a catastrophic event occur. The occurrence of such an incident at any of the Company’s speedway facilities could have a material adverse effect on its financial position, future results of operations or cash flows if asset damage and/or its liability were to exceed insurance coverage limits. The occurrence of additional incidents, and particularly incidents at sporting events, entertainment or other public venues, may significantly impair the Company’s ability to obtain such insurance coverage in the future. The Company uses a combination of insurance and self-insurance to manage various risks associated with its speedway and other properties, and motorsports events and other business risks.

The Company may increase the marketing of certain products using self-insured promotional warranty programs which could subject it to increased risk of loss should the number and amount of claims significantly increase. Also, as described in “Bulk Petroleum Transactions” above, the Company is conducting, and may further increase, bulk petroleum transactions for which customary insurance is obtained with experienced carriers. While management believes it has reasonable limits of property, casualty, and liability insurance in force, including coverage for environmental pollution and loss of or damaged cargo, management cannot guarantee that such coverage would be adequate should a significant incident occur. The occurrence of such an incident could have a material adverse effect on the Company’s financial position and future results of operations if damages, losses and/or its liability were to exceed insurance coverage limits. The Company has increased and may further increase its self-insurance limits which could subject the Company to increased risk of loss should the number of incidents, damages, casualties or other claims below such self-insured limits increase. While management believes it has reasonable self-insurance limits in place, management cannot guarantee that the number of uninsured losses will not increase. An increase in the number of uninsured losses could have a material adverse effect on the Company’s financial position and future results of operations.

Table of Contents

RESULTS OF OPERATIONS

Three Months Ended September 30, 2006 Compared To Three Months Ended September 30, 2005

Total Revenues for the three months ended September 30, 2006 increased by \$4.7 million, or 5.9%, over such revenue for the same period in 2005 due to the factors discussed below.

Admissions for the three months ended September 30, 2006 increased by \$518,000, or 1.9%, over such revenue for the same period in 2005. This increase is due primarily to continued growth in admissions at NASCAR-sanctioned racing events held at BMS in the current period.

Event Related Revenue for the three months ended September 30, 2006 increased by \$1.9 million, or 6.5%, over such revenue for the same period in 2005. This increase is due primarily to increased sponsorship, camping and other event related revenues associated with NASCAR-sanctioned racing events held at BMS, and to higher ancillary broadcasting rights revenue and track rentals in the current period.

NASCAR Broadcasting Revenue for the three months ended September 30, 2006 increased by \$2.1 million, or 15.3%, over such revenue for the same period in 2005. This increase is due to increases in annual contractual broadcast rights fees for NASCAR-sanctioned racing events held at BMS in the current period.

Other Operating Revenue for the three months ended September 30, 2006 increased by \$253,000, or 2.4%, over such revenue for the same period in 2005. This increase is due primarily to higher net bulk petroleum and, to a lesser degree Speedway Club and 600 Racing, revenues in the current period. The overall increase was partially offset by lower TSI and other non-event merchandising and Oil-Chem revenues in the current period.

Direct Expense of Events for the three months ended September 30, 2006 increased by \$978,000, or 4.8%, over such expense for the same period in 2005. This increase is due primarily to higher operating costs associated with the growth in admissions and event related revenues for NASCAR-sanctioned racing events held at BMS, and to higher insurance costs, in the current period. The overall increase was partially offset by lower operating costs associated with lower TSI and other non-event merchandising revenues, and decreased advertising costs for various events held, in the current period.

NASCAR Purse and Sanction Fees for the three months ended September 30, 2006 increased by \$883,000, or 8.9%, over such expense for the same period in 2005. This increase is due primarily to higher annual contractual race purses and sanctioning fees for NASCAR-sanctioned racing events held at BMS in the current period.

Other Direct Operating Expense for the three months ended September 30, 2006 decreased by \$276,000, or 3.1%, from such expense for the same period in 2005. This decrease is due primarily to decreased operating costs associated with lower TSI and other non-event merchandising revenues, and to lower operating costs associated with Oil-Chem, in the current period. The overall decrease was partially offset by increased operating costs associated with higher Speedway Club revenues, and by operating costs associated with oil and gas investment activities, in the current period.

General and Administrative Expense for the three months ended September 30, 2006 increased by \$718,000, or 4.0%, over such expense for the same period in 2005. This increase is due primarily to increased operating costs associated with growth and expansion at the Company's speedways and operations, to increased property and other taxes, and to a lesser degree, compensation expense associated with January 1, 2006 adoption of SFAS No. 123R "Share-Based Payment" as further discussed in Note 9 to the Consolidated Financial Statements.

Depreciation and Amortization Expense for the three months ended September 30, 2006 increased by \$607,000, or 6.3%, over such expense for the same period in 2005. This increase reflects 2005 cessation of depreciation on property and equipment damaged by the tornado that struck AMS in July 2005 and current period depreciation on reconstructed AMS facilities when placed into service, and increased depreciation expense from additions to property and equipment at the Company's other speedways and facilities.

Interest Expense, Net for the three months ended September 30, 2006 was \$6.3 million compared to \$5.6 million for the same period in 2005. The change reflects interest expense associated with a cash flow hedge swap agreement that does not meet the

Table of Contents

conditions for assuming no ineffectiveness, increased average interest rates on borrowings under the bank revolving credit facility, and to a lesser degree, lower interest income earned from lower average invested cash balances. Those changes were offset by higher investment interest rates on invested cash balances and higher capitalized interest, during the current period.

Losses on Equity Investees for the three months ended September 30, 2006 of \$1.0 million, compared to \$7,000 for the same period in 2005, primarily represents the Company's share of joint venture equity investee operating results (see Note 2 to the Consolidated Financial Statements for additional information).

Other Expense (Income), Net. Other income, net for the three months ended September 30, 2006 was \$23,000 compared to other expense, net of \$721,000 for the same period in 2005. This change is due primarily to a 2005 charge for uninsured losses associated with the tornado that struck AMS in July 2005 (see Note 2 to the Consolidated Financial Statements for additional information), and also reflects a gain recognized on the sale of one TMS condominium in the same period last year and a combination of individually insignificant items.

Income Tax Provision. The Company's effective income tax rate for the three months ended September 30, 2006 and 2005 was 41.1% and 38.9%, respectively. The current period reflects increased effective state income tax rates resulting primarily from utilization and expiration of certain state net operating loss carryforwards.

Net Income for the three months ended September 30, 2006 increased by \$300,000, or 6.8%, over such income for the same period in 2005. This change is due to the factors discussed above.

Nine Months Ended September 30, 2006 Compared To Nine Months Ended September 30, 2005

Total Revenues for the nine months ended September 30, 2006 increased by \$28.7 million, or 7.3%, over such revenues for the same period in 2005 due to the factors discussed below.

Admissions for the nine months ended September 30, 2006 decreased by \$1.5 million, or 1.1%, from such revenue for the same period in 2005. The decrease is due primarily to lower attendance at NASCAR-sanctioned racing events held at LMS and TMS in the current period, which management believes were negatively impacted by rising fuel prices and interest rates and declines in consumer spending. The overall decrease was partially offset by continued growth in admissions at NASCAR-sanctioned racing events held at LVMS and, to a lesser degree, at BMS in the current period.

Admissions revenue was negatively impacted by poor weather surrounding certain NASCAR racing events held at AMS, BMS and LVMS in the first quarter 2006.

Event Related Revenue for the nine months ended September 30, 2006 increased by \$15.6 million, or 13.0%, over such revenue for the same period in 2005. This increase is due primarily to increased sponsorship, display advertising, luxury suite rentals, camping and other event related revenues associated with NASCAR-sanctioned racing events held in the current period. The increase is also due to current period revenues of JRG driving school acquired in July 2005, and to higher track rentals and ancillary broadcasting rights revenue in the current period. The overall increase was partially offset by lower commissions from food and beverage sales and souvenir sales that were negatively impacted by poor weather surrounding certain NASCAR racing events held at AMS, BMS and LVMS in the first quarter 2006.

NASCAR Broadcasting Revenue for the nine months ended September 30, 2006 increased by \$16.2 million, or 15.4%, over such revenue for the same period in 2005. This increase is due to increases in annual contractual broadcast rights fees for NASCAR-sanctioned racing events held in the current period.

Other Operating Revenue for the nine months ended September 30, 2006 decreased by \$1.7 million, or 5.5%, from such revenue for the same period in 2005. This decrease is due to a recovery allowance reflected for certain bulk petroleum transactions, and to lower TSI and other non-event merchandising and, to a lesser degree, Oil-Chem revenues in the current period. The overall decrease was partially offset by higher net bulk petroleum transactions and higher Legends Car and Speedway Club revenues in the current period.

Table of Contents

Direct Expense of Events for the nine months ended September 30, 2006 increased by \$6.1 million, or 8.5%, over such expense for the same period in 2005. This increase is due primarily to higher operating costs associated with the growth in event related revenues and to operating costs associated with current period revenues of JRG acquired in July 2005. The overall increase was partially offset by lower insurance costs and lower souvenir sales resulting from the negative impact of poor weather surrounding certain NASCAR racing events held at AMS, BMS and LVMS in the first quarter 2006.

NASCAR Purse and Sanction Fees for the nine months ended September 30, 2006 increased by \$7.1 million, or 10.0%, over such expense for the same period in 2005. This increase is due to higher annual contractual race purses and sanctioning fees for NASCAR-sanctioned racing events held in the current period.

Other Direct Operating Expense for the nine months ended September 30, 2006 decreased by \$1.4 million or 5.3%, from such expense for the same period in 2005. This decrease is due primarily to decreased operating costs associated with lower TSI and other non-event merchandising revenues and bulk petroleum transactions, and to lower advertising and other operating costs associated with Oil-Chem in the current period. The overall decrease was partially offset by increased operating costs associated with higher Legends Car and Speedway Club revenues, and by operating costs associated with oil and gas investment activities, in the current period.

General and Administrative Expense for the nine months ended September 30, 2006 increased by \$2.0 million, or 3.6%, over such expense for the same period in 2005. This increase is due to increased operating costs associated with growth and expansion at the Company's speedways and operations, and to increased property taxes and utilities costs. The increase also reflects compensation expense associated with January 1, 2006 adoption of SFAS No. 123R "Share-Based Payment" as further discussed in Note 9 to the Consolidated Financial Statements.

Depreciation and Amortization Expense for the nine months ended September 30, 2006 increased by \$2.2 million, or 7.9%, over such expense for the same period in 2005. This increase is due primarily to increased depreciation expense from additions to property and equipment at the Company's speedways and other facilities, and reflects 2005 cessation of depreciation on property and equipment damaged by the tornado that struck AMS in July 2005 and current period depreciation on reconstructed AMS facilities when placed into service.

Interest Expense, Net for the nine months ended September 30, 2006 was \$16.4 million compared to \$16.5 million for the same period in 2005. The change reflects interest expense associated with a cash flow hedge swap agreement that does not meet the conditions for assuming no ineffectiveness, increased average interest rates on borrowings under the bank revolving credit facility, and to a lesser degree, lower interest income earned from lower average invested cash balances. Those changes were offset by higher investment interest rates on invested cash balances and higher capitalized interest, during the current period.

Losses on Equity Investees for the nine months ended September 30, 2006 of \$2.5 million, compared to \$68,000 for the same period last year, primarily represents the Company's share of joint venture equity investee operating results (see Note 2 to the Consolidated Financial Statements for additional information).

Other Income, Net. Other income, net for the nine months ended September 30, 2006 was \$1,000 compared to \$156,000 for the same period in 2005. The change reflects first quarter 2005 recognition of previously deferred gain on the sale of certain land in the third quarter 2004 which was being recognized into income using the installment method. The associated note receivable was collected in full in the first quarter 2005 resulting in gain recognition. No such gain was recognized in 2006. The change also reflects a 2005 charge for uninsured losses associated with the tornado that struck AMS in July 2005 (see Note 2 to the Consolidated Financial Statements for additional information), the gain recognized on the sale of one TMS condominium in the current period compared to two TMS condominiums in 2005, and a combination of individually insignificant items.

Income Tax Provision. The Company's effective income tax rate for the nine months ended September 30, 2006 and 2005 was 37.2% and 38.9%, respectively. As further discussed in Note 2 to the Consolidated Financial Statements, the 2006 tax rate reflects decreased effective state income tax rates resulting from accounting for the State of Texas replacing its current franchise tax with a defined margin tax which is being accounted for as an income tax under SFAS No. 109 "Accounting for Income Taxes" in the period of enactment.

Table of Contents

Net Income for the nine months ended September 30, 2006 increased by \$8.5 million, or 11.4%, over such income for the same period in 2005. This increase is 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 flows from operations, bank borrowings and other debt and equity offerings. Significant changes in the Company's financial condition and liquidity during the nine months ended September 30, 2006 resulted primarily from:

- (1) net cash provided by operations amounting to \$94.6 million;
- (2) repurchases of common stock amounting to \$14.4 million;
- (3) cash received on exercise of common stock options amounting to \$6.6 million;
- (4) cash outlays for equity investments in associated entities and other investments amounting to \$7.1 million;
- (5) cash received on repayments of notes and other receivables amounting to \$2.7 million; and
- (6) cash outlays for capital expenditures amounting to \$77.2 million.

Cash flows from operations in the nine months ended September 30, 2006 compared to 2005 reflect: (1) payments of approximately \$28.1 million in 2006 for accelerated income taxes under our tax method accounting change, and (2) changes in bulk petroleum receivables, inventory and associated accounts payable in 2006 as further described in Note 2 to the Financial Statements.

The Company had the following contractual obligations as of September 30, 2006 (in thousands):

| | Payments Due By Period | | | | |
|--|---------------------------------|---------------------|-----------------|------------------|----------------------|
| | Total | Less than 1 Year | 1-3 Years | 3-5 Years | More than 5 Years |
| Contractual Cash Obligations : ⁽¹⁾ | | | | | |
| Current liabilities, excluding current maturities of long-term debt, deferred race event income and accrued income taxes | \$ 60,284 | \$ 60,284 | — | — | — |
| Long-term debt, including current maturities | 428,564 | 113 | \$ 13 | \$ 98,438 | \$330,000 |
| Income taxes payable ⁽²⁾ | 60,702 | 32,610 | 28,092 | — | — |
| Payable to affiliate | 2,594 | — | — | — | 2,594 |
| Other liabilities | 1,458 | — | — | 1,458 | — |
| Interest on fixed rate debt obligations ⁽¹⁾ | 147,572 | 22,275 | 44,550 | 44,550 | 36,197 |
| Operating leases | 2,715 | 1,055 | 1,083 | 393 | 184 |
| Total Contractual Cash Obligations | \$703,889 | \$116,337 | \$73,738 | \$144,839 | \$368,975 |
| | Commitment Expiration By Period | | | | |
| | Total | Less than 1 Year | 1-3 Years | 3-5 Years | More than 5 Years |
| Other Commercial Commitments : | | | | | |
| Letters of credit | \$ 1,172 | \$ 1,172 | — | — | — |
| Contingent guarantee obligations | 11,250 | 1,250 | \$ 2,500 | \$ 2,500 | \$ 5,000 |
| Total Other Commercial Commitments | \$ 12,422 | \$ 2,422 | \$ 2,500 | \$ 2,500 | \$ 5,000 |

- (1) Contractual cash obligations above exclude: (a) interest payments under the Company's floating rate Revolving Credit Facility which had outstanding borrowings aggregating \$98.4 million and average interest rates of 6.2% for the nine months ended September 30, 2006 (cash paid for interest, net of amounts capitalized, was approximately \$15.3 million

Table of Contents

in the nine months ended September 30, 2006); (b) income taxes that may be paid in future years (cash paid for income taxes was approximately \$73.5 million in the nine months ended September 30, 2006); (c) any impact for likely future reversal of net deferred income tax liabilities when reversal occurs other than those discussed below in Item No. 2; (d) capital expenditures that may be made although not under contract as of September 30, 2006 (cash paid for capital expenditures was approximately \$77.2 million in the nine months ended September 30, 2006).

- (2) Reflects current and noncurrent income taxes payable as of September 30, 2006, including accelerated amounts as more fully described above in “Near-term Operating Factors – Income Taxes”.

FUTURE LIQUIDITY

At September 30, 2006, the Company’s cash and cash equivalents totaled \$124.3 million, short-term investments totaled \$3.1 million, outstanding borrowings under the \$400.0 million Revolving Facility amounted to \$98.4 million, and outstanding letters of credit amounted to \$1.2 million. At September 30, 2006, the Company had availability for borrowing up to an additional \$300.4 million, including up to an additional \$73.8 million in letters of credit, under the Credit Facility. At September 30, 2006, net noncurrent deferred tax liabilities totaled \$160.3 million. While primarily representing the tax effects of temporary differences between financial and income tax bases of assets and liabilities, the likely future reversal of net deferred income tax liabilities could negatively impact cash flows from operations in the years in which reversal occurs.

The Company anticipates that cash from operations and funds available through the Credit Facility will be sufficient to meet its operating needs at least through 2007, including estimated planned capital expenditures, additional repurchases of common stock if any, income tax liabilities, payment of future dividends, if any, that may be declared, and any additional investments in or loans to its Motorsports Authentics joint venture. Based upon anticipated future growth and financing requirements, the Company may, 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 its debt securities, and purchase its debt and equity securities, depending on liquidity, prevailing market conditions, and such factors as permissibility under the Credit Facility and Senior Subordinated Notes, and as the Board of Directors, in its sole discretion, may consider relevant. The Credit Facility and the Senior Subordinated Notes agreements do not restrict the ability of the Company’s subsidiaries to transfer, advance or dividend funds to the parent company, SMI, or other subsidiaries. While management expects to continue to generate positive cash flows from the Company’s existing speedway operations, and has generally experienced improvement in its financial condition, liquidity and credit availability, additional liquidity and other resources could be needed to fund continued growth, including the continued expansion and improvement of the Company’s speedways, other facilities and ancillary businesses.

Credit Facility —The Company’s Credit Facility, as amended, consists of a senior revolving facility provided by a syndicate of banks led by Bank of America, N.A. as an agent and lender. The Revolving Facility: (i) provides for borrowings in an aggregate principal amount of up to \$400.0 million, and includes separate sub-limits of \$10.0 million for borrowings under 15-day swing line loans and \$75.0 million for letters of credit; (ii) matures March 2010; (iii) allows annual aggregate payments of dividends and repurchases of SMI securities of up to \$75.0 million, increasing up to \$150.0 million subject to maintaining certain financial covenants; (iv) limits annual capital expenditures to \$80.0 million, plus up to an additional aggregate of \$175.0 million for certain specified capital expenditures; (v) includes an “accordion” feature that provides for additional borrowings of up to \$100.0 million subject to meeting specified conditions; (vi) allows the Company to consummate motorsports industry related transactions provided that aggregate cash consideration in any fiscal year does not exceed 35% of its consolidated net worth at the immediately preceding fiscal year end; and (vii) allows the Company to consummate other acquisitions consistent with its business provided that cash consideration paid for such other acquisitions does not exceed an aggregate of \$100.0 million over the Credit Facility term. Loans made pursuant to the Revolving Facility may be borrowed, repaid and reborrowed from time to time until the fifth anniversary of the Credit Facility, subject to certain conditions on the date borrowed.

In May 2006, the Company amended the Credit Facility to provide for, among other things, increased flexibility with respect to permitted investments by or in certain subsidiaries, and Company investment of up to an aggregate of \$50.0 million, associated with the Company’s bulk petroleum and certain other businesses. The amendment allows for additional investments, contracts and contract assignment, associated with the Company’s buying and selling of bulk petroleum products, to specified foreign parties. See “Near-term Operating Factors - Bulk Petroleum Transactions” for additional

Table of Contents

discussion on these activities. In August 2006, the Company's Credit Facility was amended to, among other things, increase the revolving credit facility overall borrowing limit from \$250.0 million to \$400.0 million, reconstitute and convert outstanding borrowings under a five-year term loan of \$48.4 million into borrowings under the revolving credit facility, allow an aggregate of \$175.0 million for certain specified capital expenditures, and revive a previously expired "accordion" feature that provides for additional borrowings of up to \$100.0 million subject to meeting certain specified conditions.

The Credit Facility contains a number of affirmative and negative financial covenants. These financial covenants require us to maintain certain ratios of funded debt to earnings before interest, taxes, depreciation and amortization (EBITDA), funded senior debt to EBITDA and earnings before interest and taxes (EBIT) to interest expense, and to maintain a minimum net worth. Negative covenants restrict, among other things, the incurrence and existence of liens, making specified types of investments, restricted payments, dividends, equity and debt security repurchases, capital expenditures, transactions with affiliates, acquisitions, sales of assets, and the incurrence of debt. Indebtedness under the Credit Facility is guaranteed by all operative Company subsidiaries except Oil-Chem and its subsidiaries (the Guarantors), and is secured by a pledge of all the capital stock and limited liability company interests, as the case may be, of the Guarantors. See Note 5 to the Consolidated Financial Statements for additional information.

Senior Subordinated Notes —The Senior Subordinated Notes mature on June 1, 2013 and interest is paid semi-annually June 1 and December 1. On or after June 1, 2008, the Company may redeem some or all of the Senior Subordinated Notes at any time at annually declining redemption premiums. In the event of a change of control, the Company must offer to repurchase the Senior Subordinated Notes at 101% of par value plus accrued and unpaid interest. The Indenture governing the Senior Subordinated Notes (the "Senior Subordinated Notes Indenture"), among other things, restricts the Company's ability to: incur additional debt; pay dividends and make distributions; incur liens; make specified types of investments; apply net proceeds from certain asset sales; engage in transactions with affiliates; merge or consolidate; sell equity interests of subsidiaries; and sell, assign, transfer, lease, convey, or dispose of assets. The Senior Subordinated Notes Indenture permits annual dividend payments of up to approximately \$0.40 per share of common stock, increasable subject to meeting certain financial covenants. The Senior Subordinated Notes Indenture and the Credit Facility agreement contain cross-default provisions. See Note 5 to the Consolidated Financial Statements for additional information.

Capital Expenditures —Management believes significant growth in the Company's revenues depends, in part, on consistent investment in facilities. As such, 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.

At September 30, 2006, the Company had various construction projects underway to increase and improve facilities for fan amenities and for other site improvements at its speedways. Similar to prior years, the Company continues to expand concessions, camping, restrooms and other fan amenities at certain facilities. In 2005, LVMS began construction of approximately 16,000 new permanent grandstand seats, for a net increase of approximately 11,000, that were completed in March 2006. In 2006, construction of approximately 12,000 new premium front-stretch and club-style permanent seats at AMS was completed in October 2006. The Company is renovating and modernizing certain infield garages, media centers, scoring towers and other facilities, resurfacing or modifying the banking of certain speedways, and purchasing additional land for expansion or development. The Company also plans to continue improving and expanding on-site roads and available parking, and reconfiguring traffic patterns and entrances to ease congestion and improve traffic flow at its speedways. In March 2006, the Company announced construction plans for a 126-unit condominium project at LVMS, which would include trackside office space, banquet facilities, spa and health club and other amenities. Commencement of construction is subject to governmental approval and permitting processes, which could materially adversely affect the ultimate cost and timing of construction.

The estimated aggregate cost of capital expenditures in 2006 approximates \$95.0 to \$105.0 million. The increase over previous estimates reflects increasing construction material and other costs which continue to rise.

Numerous factors, many of which are beyond the Company's control, may influence the ultimate costs and timing of various capital improvements at its facilities, including:

- undetected soil or land conditions;

Table of Contents

- additional land acquisition costs;
- increases in the cost of construction materials and labor;
- unforeseen changes in 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 estimates if 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 adversely affect the ultimate cost and timing of construction.

The Company also continually evaluates new opportunities that will add value for its stockholders, including the acquisition and construction of new speedway facilities, the expansion and development of existing bulk petroleum business, Legends Cars and Oil-Chem products and markets, and the expansion into new and complementary businesses.

Dividends —Any decision concerning the payment of common stock dividends depends upon the Company’s results of operations, financial condition and capital expenditure plans, applicable limitations under the Credit Facility and Senior Subordinated Notes, and other factors the Board of Directors, in its sole discretion, may consider relevant. As further described above and in Note 5 to the Consolidated Financial Statements, the Credit Facility allows annual aggregate payments of dividends and repurchases of SMI securities of up to \$75.0 million, and increasable up to \$150.0 million, subject to maintaining certain financial covenants. The Senior Subordinated Notes Indenture permits annual dividend payments of up to approximately \$0.40 per share of common stock, increasable subject to meeting certain financial covenants. On October 2, 2006, the Company’s Board of Directors approved an annual cash dividend of \$0.33 per share of common stock aggregating approximately \$14.4 million payable on October 31, 2006 to shareholders of record as of October 16, 2006. The 2006 annual cash dividend will be paid using available cash and cash investments.

Stock Repurchase Program —In April 2005, the Company’s Board of Directors approved a stock repurchase program authorizing SMI to repurchase up to 1.0 million shares of outstanding common stock from time to time, depending on market conditions, share price, applicable limitations under the Credit Facility and Senior Subordinated Notes (see Note 5 to the Consolidated Financial statements), and other factors the Board of Directors or their designees, in their sole discretion, may consider relevant. The purchases can be in the open market or private transactions. The stock repurchase program is presently funded using the Company’s available cash and cash equivalents and may be suspended or discontinued at any time. In the nine months ended September 30, 2006, the Company repurchased 391,500 shares of common stock for approximately \$14.4 million, and could repurchase up to an additional 326,000 shares under the current authorization as of September 30, 2006.

OFF-BALANCE SHEET ARRANGEMENTS

As further described in “Liquidity and Capital Resources” above, the Company had aggregate outstanding letters of credit of \$1.2 million, none of which were associated with bulk petroleum transactions, and contingent guarantee obligations of \$11.3 million as of September 30, 2006. As further described in “Near-term Operating Factors” above, the Credit Facility provides for a separate sub-limit for letters of credit to \$75.0 million for use in the Company’s bulk petroleum and other business transactions. The Company presently does not have any other off-balance sheet arrangements (including off-balance sheet obligations, guarantees, commitments, or other contractual cash obligations, other commercial commitments or contingent obligations) that have, or are reasonably likely to have, a current or future material effect on its financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources.

RECENTLY ISSUED ACCOUNTING STANDARDS

See Note 2 to the Consolidated Financial Statements – “Recently Issued Accounting Standards” and “Segment Disclosures” for information on recently issued accounting pronouncements, their applicable adoption dates and possible effects, if any, on the Company’s financial statements and disclosures, and for information on segment disclosures.

Table of Contents

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk —The Company’s financial instruments with interest rate risk exposure consist of cash and cash investments, notes receivable, the Revolving Facility, and an interest rate swap agreement that are sensitive to changes in interest rates. A change in interest rates of one percent on floating notes receivable and debt balances outstanding at September 30, 2006, excluding the interest rate swap, would cause an approximate change in annual interest income of \$59,000 and annual interest expense of \$984,000.

As discussed in Note 5 to the Consolidated Financial Statements, the Company uses interest rate swap agreements at times for non-trading purposes to hedge interest rate risk and optimize a combination of variable and fixed interest rate debt. The Company presently has one interest rate swap transaction related to variable rate debt obligations. The swap has a principal notional amount of \$50.0 million, provides for quarterly settlement and expires corresponding with the debt term. At September 30, 2006 and December 31, 2005, the Company has reflected a net derivative asset for this swap of approximately \$1.1 million. Fair value estimates are based on relevant market information at a specific point in time, and changes in assumptions or market conditions could significantly affect estimates.

As discussed in “Liquidity and Capital Resources” above and Note 5 to the Consolidated Financial Statements, the Credit Facility has a revolving credit facility overall borrowing limit of \$400.0 million, separate sub-limits for 15-day swing line loans of \$10.0 million and for letters of credit of \$75.0 million, matures March 2010, and interest is based at the Company’s option, upon LIBOR plus 0.875% to 1.75% or the greater of Bank of America’s prime rate or the Federal Funds rate plus 0.5%. The Credit Facility was amended in May 2006 to provide, among other things, for increased flexibility with respect to permitted investments by or in certain subsidiaries, and for Company investment of up to an aggregate of \$50.0 million, associated with the Company’s bulk petroleum and certain other businesses. The amendment allows for additional investments, contracts and contract assignment, associated with the Company’s buying and selling of bulk petroleum products, to specified foreign parties. Also, the Credit Facility was amended in August 2006 to, among other things, increase the revolving credit facility overall borrowing limit from \$250.0 million to \$400.0 million, reconstitute and convert outstanding borrowings under a five-year term loan of \$48.4 million into borrowings under the revolving credit facility, allow an aggregate of \$175.0 million for certain specified capital expenditures, and revive a previously expired “accordion” feature that provides for additional borrowings of up to \$100.0 million subject to meeting specified conditions.

Equity Price Risk — The Company has marketable equity securities, all classified as “available for sale” which are included in other noncurrent assets. Such investments are subject to price risk, which the Company attempts to minimize generally through portfolio diversification. The carrying value of marketable equity securities amounted to \$197,000 and \$204,000 at September 30, 2006 and December 31, 2005.

Other Market Risk —As further described in Note 2 to the Consolidated Financial Statements – “Bulk Petroleum Transactions”, the Company was party to certain commodity hedges associated with bulk petroleum inventory that had a fair market value (liabilities) of \$238,000 at December 31, 2005. Counterparties for these commodity hedges were major financial institutions. There were no such hedges as of September 30, 2006. As of September 30, 2006, the Company had aggregate outstanding letters of credit of \$1.2 million, none of which were associated with bulk petroleum transactions. As described in “Liquidity and Capital Resources” above, the Company also had contingent guarantee obligations of \$11.3 million as of September 30, 2006.

As of and during the nine months ended September 30, 2006, there have been no other significant changes in the Company’s interest rate risk, equity price risk or other market risk.

Item 4. Controls and Procedures

Management Evaluation of Disclosure Controls and Procedures —The Company’s Chief Executive Officer and Chief Financial Officer (its principal executive officer and principal financial officer, respectively) have concluded, based on their evaluation as of the end of the period covered by this report, that the Company’s disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports filed or submitted by it under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms,

Table of Contents

and include controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

The Company's management, including the Chief Executive Officer and Chief Financial Officer, does not expect that the Company's disclosure controls and procedures or internal controls over financial reporting will prevent or detect all errors or fraud should any occur. Any control system and procedures, no matter how well designed and operated, can provide only reasonable, but not absolute, assurance that the objectives of the control systems and procedures are being met. Because of the inherent limitations in all control systems, no evaluation can provide absolute assurance that all control issues or instances of error or fraud, if any, are detected.

Changes in Internal Controls Over Financial Reporting —There were no changes in the Company's internal control over financial reporting in the third quarter of 2006 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved in various lawsuits in the normal course of business, some of which involve material claims. New or material developments on the more significant of these lawsuits are described below.

On May 20, 2000, near the end of a NASCAR-sanctioned event hosted at LMS, 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 resulted from excessive interior corrosion resulting from improperly manufactured bridge components. Tindall Corporation designed, manufactured and constructed the portion of the pedestrian bridge that failed. Tindall contends that a product that Tindall purchased from Anti-Hydro International, Inc. and that Tindall incorporated into the bridge caused the corrosion. To date, 103 individuals claiming injuries from the bridge failure on May 20, 2000, had filed a total of 48 separate lawsuits. Generally, the plaintiffs filed these negligence lawsuits and a wrongful death lawsuit against SMI, LMS, 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. The federal lawsuits have all been resolved. The North Carolina state court lawsuits were consolidated before one judge. On January 20, 2003, the trial of the first of these cases began. This trial resulted in a directed verdict and dismissal of SMI at the close of all evidence. On March 27, 2003, the jury returned a verdict finding that LMS was not negligent in connection with the collapse of the pedestrian bridge, and finding that Tindall was negligent. However, LMS was determined by the Court to be responsible for the acts and omissions of Tindall and, therefore, LMS will be jointly and severally liable for future verdicts. In addition, the Court dismissed all claims for punitive damages in all lawsuits.

Currently, all but two state court lawsuits involving two individuals in connection with this incident have been resolved by the defendants. One of the remaining lawsuits was dismissed by the trial court and is on appeal to the North Carolina Court of Appeals. The remaining lawsuit is scheduled for trial in March 2007, and will be tried solely on the issue of damages. Management believes that neither the dispositions that have occurred, nor dispositions that may occur in the future, in the bridge collapse cases have had or will have a material adverse effect on the Company's financial position, future results of operations or cash flows.

The Company is involved in several lawsuits pending in North Carolina state court whereby various contractors are seeking to enforce liens against the Company based upon work allegedly performed by them under contracts with a third-party unrelated to the Company. The lawsuits seek foreclosure of the alleged liens against the Company's property on which the liens have been filed. Several of these lawsuits have been resolved with no material adverse effect on the Company's financial position or results of operations. The remaining liens being claimed range from approximately \$34,000 to \$1.3 million, with the total remaining liens asserted amounting to approximately \$3.3 million. The Company denies the claims in the remaining lawsuits and is vigorously defending against them. Management does not expect that the disposition of the remaining lawsuits will have a material adverse effect on the Company's financial position, future results of operations or cash flows.

Jonie Shires filed a lawsuit against Bristol Motor Speedway and an employee Josh King in Tennessee federal court. The plaintiff alleges traumatic brain injury caused by an alleged blow to her head from a falling tent pole. The plaintiff seeks damages in the amount of \$5,000,000. The Company is seeking indemnity from the plaintiff's employer. The Company has filed a motion for summary judgment seeking a dismissal of all of the plaintiff's claims, and is awaiting the Court's ruling on the motion. The Company is defending this lawsuit vigorously and management does not expect the disposition of this case will have a material adverse effect on the Company's financial position, future results of operations or cash flows.

The Company is a party to other litigation incidental to its business. Management does not believe the outcome of any of these lawsuits or incidents will have a material adverse effect on the Company's financial position, future results of operations or cash flows.

Table of Contents

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In April 2005, the Company's Board of Directors approved a stock repurchase program authorizing the repurchase from time to time of up to 1.0 million shares of the Company's outstanding \$.01 par value common stock in open market or private transactions. The amount of repurchases made by the Company under the program in any given month or quarter may vary as a result of changes in the Company's business, operating results, working capital or other factors. As set forth in the table below, the Company repurchased 89,000 and 391,500 shares of common stock for approximately \$3.2 million and \$14.4 million in the three and nine months ended September 30, 2006, respectively.

| Period | Issuer Purchases of Equity Securities | | | Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs |
|----------------|---------------------------------------|------------------------------|--|--|
| | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | |
| January 2006 | 50,000 | \$ 35.37 | 50,000 | 667,500 |
| February 2006 | 47,500 | 35.98 | 47,500 | 620,000 |
| March 2006 | 57,500 | 36.55 | 57,500 | 562,500 |
| April 2006 | 47,500 | 37.91 | 47,500 | 515,000 |
| May 2006 | 57,500 | 38.58 | 57,500 | 457,500 |
| June 2006 | 42,500 | 37.33 | 42,500 | 415,000 |
| July 2006 | 45,500 | 36.69 | 45,500 | 369,500 |
| August 2006 | 23,500 | 36.33 | 23,500 | 346,000 |
| September 2006 | 20,000 | 36.58 | 20,000 | 326,000 |
| Total | 391,500 | \$ 36.88 | 391,500 | 326,000 |

Item 6. Exhibits

Exhibits filed with this Form 10-Q are as follows:

| Exhibit Number | Description |
|----------------|---|
| 10.1 | Fourth Amendment, dated May 15, 2006, to the Credit Agreement dated May 16, 2003, as amended, among SMI and certain of its subsidiaries and related parties, and the various Lenders identified on the signature pages thereto (the Lenders), including Bank of America, N.A. as Administrative Agent for the Lenders, Wachovia Bank N.A., as Syndication Agent, Caylon New York Branch and SunTrust Bank, as the Documentation Agents, and Banc of America Securities LLC, as Lead Arranger and Book Manager, for the Lenders. |
| 10.2 | Fifth Amendment, dated August 30, 2006, to the Credit Agreement dated May 16, 2003, as amended, among SMI and certain of its subsidiaries and related parties, and the various Lenders identified on the signature pages thereto (the Lenders), including Bank of America, N.A. as Administrative Agent for the Lenders, Wachovia Bank N.A., as Syndication Agent, Caylon New York Branch and SunTrust Bank, as the Documentation Agents, and Banc of America Securities LLC, as Lead Arranger and Book Manager, for the Lenders. |
| 31.1 | Certification of Mr. O. Bruton Smith pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Mr. William R. Brooks pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of Mr. O. Bruton Smith pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of Mr. William R. Brooks pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

Table of Contents

SIGNATURES

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

SPEEDWAY MOTORSPORTS, INC.
(Registrant)

Date: November 8 , 2006

By: /s/ O. Bruton Smith
O. Bruton Smith
Chairman and Chief Executive Officer

Date: November 8 , 2006

By: /s/ William R. Brooks
William R. Brooks
*Executive Vice President, Chief Financial
Officer, and Treasurer
(Principal Financial and Accounting Officer)*

FOURTH AMENDMENT TO CREDIT AGREEMENT

THIS FOURTH AMENDMENT TO CREDIT AGREEMENT, dated as of May 15, 2006 (this “Amendment”), relating to the Credit Agreement referenced below, is by and among Speedway Motorsports, Inc., a Delaware corporation (“SMI”), and Speedway Funding, LLC, a Delaware limited liability company (“Speedway Funding” and together with SMI, the “Borrowers”), the subsidiaries and related parties identified as Guarantors on the signature pages hereto, the Lenders identified on the signature pages hereto, Bank of America, N.A., a national banking association, as Administrative Agent for the Lenders (in such capacity, the “Administrative Agent”), Wachovia Bank, National Association, as Syndication Agent (in such capacity, the “Syndication Agent”), Calyon New York Branch (successor in interest to Credit Lyonnais New York Branch) and SunTrust Bank, as the Documentation Agents (in such capacity, the “Documentation Agents”), and Banc of America Securities LLC, as Lead Arranger and Book Manager for the Lenders. Terms used herein but not otherwise defined herein shall have the meanings provided to such terms in the Credit Agreement.

WITNESSETH

WHEREAS, a \$300 million credit facility has been extended to the Borrowers pursuant to the terms of that Credit Agreement dated as of May 16, 2003, as amended as of November 7, 2003, March 15, 2005 and as of December 2, 2005 (as amended and modified from time to time, the “Credit Agreement”) among the Borrowers, the subsidiaries and related parties identified as guarantors therein, the Lenders from time to time party thereto, Bank of America, N.A., as Administrative Agent, Wachovia Bank, National Association, as Syndication Agent, Credit Lyonnais, New York Branch, Fleet National Bank, and SunTrust Bank, as the Documentation Agents, and Banc of America Securities LLC, as Lead Arranger and Book Manager for the Lenders;

WHEREAS, the Borrowers have requested certain modifications to the Credit Agreement;

WHEREAS, the requested modifications require the approval of the Lenders;

WHEREAS, the Lenders have agreed to the requested modifications on the terms and conditions set forth herein;

NOW, THEREFORE, IN CONSIDERATION of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Amendments. The Credit Agreement is amended in the following respects:

(a) The definition of “Material Subsidiary” in Section 1.1 is amended to read as follows:

“Material Subsidiary” means any wholly owned Subsidiary whose assets constitute more than 5% of the consolidated assets of Speedway Motorsports and its consolidated Subsidiaries as of the end of the immediately preceding fiscal quarter or that generates more

than 5% of the Consolidated EBITDA of Speedway Motorsports and its consolidated Subsidiaries for the period of four consecutive fiscal quarters ending as of the end of the immediately preceding fiscal quarter. Notwithstanding the foregoing in no event shall an Unrestricted Subsidiary be deemed to be a Material Subsidiary.”

(b) The definition of “ Permitted Investments ” in Section 1.1 is amended to read as follows:

“ “ Permitted Investments ” means Investments which are either (i) cash and Cash Equivalents; (ii) accounts receivable created, acquired or made by any Credit Party or Subsidiary in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; (iii) Investments consisting of stock, obligations, securities or other property received by any Credit Party or Subsidiary in settlement of accounts receivable (created in the ordinary course of business) from insolvent obligors; (iv) Investments existing as of the Closing Date and set forth in Schedule 1.1C; (v) Guaranty Obligations permitted by Section 8.1, (vi) Permitted Motorsports Transactions or other acquisitions permitted by Section 8.4(c); (vii) loans to directors, officers, employees, agents, customers or suppliers that do not exceed an aggregate principal amount of \$500,000 at any one time outstanding for Speedway Motorsports and all of its Subsidiaries taken together; (viii) Investments received as consideration in connection with or arising by virtue of any merger, consolidation, sale or other transfer of assets permitted under Section 8.4; (ix) Intercompany Indebtedness; (x) Capital Stock or other securities of any Person which is traded on the New York Stock Exchange, the American Stock Exchange, the London Stock Exchange, the Paris Bourse or NASDAQ, provided the aggregate basis at any one time in such Investments does not exceed \$2,500,000 and such investments have not been purchased on margin; (xi) loans or advances to Persons to the extent necessary to enable them to pay taxes, fees and other expenses as and when required to maintain liquor licenses provided such loans or advances (A) are customary in Speedway Motorsports’ business and (B) the aggregate principal amount outstanding at any one time of such loans or advances does not exceed \$2,000,000; (xii) other investment grade Investments (at least a BBB-and Baa3 rating (or the equivalent thereof) by S&P and Moody’s) with a maturity of less than five years provided such Investments do not exceed \$40,000,000 in the aggregate (including, without limitation, privately offered, unregistered funds provided the fund has a AAA rating (or the equivalent thereof) or better by S&P or Moody’s); (xiii) non-investment grade Investments with a maturity of less than three years (and non-investment grade open end mutual funds) provided such Investments do not exceed \$10,000,000 in the aggregate; and (xiv) additional Investments in Oil-Chem, or Investments in NewCo or any Unrestricted Subsidiary, provided such additional Investments do not in the aggregate exceed \$50,000,000 (it being agreed that Investments made pursuant to this clause may be in the form of the contribution of contractual rights to purchase or sell Petroleum Products, as that term is defined in Section 8.3).”

(c) The definition of “Subsidiary” in Section 1.1 is amended to read as follows:

“ “Subsidiary” means, as to any Person, (a) any corporation more than 50% of whose stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not at the time, any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time owned by such Person directly or indirectly through Subsidiaries, and (b) any partnership, association, joint venture, limited liability company or other entity in which such Person directly or indirectly through Subsidiaries has more than 50% equity interest at any time. Unless otherwise provided, “Subsidiary” shall mean a subsidiary of Speedway Motorsports. The term “Subsidiary” shall not include any Unrestricted Subsidiaries.”

(d) New definitions for “NewCo”, “Oil-Chem” and “Unrestricted Subsidiaries” are added to Section 1.1 in correct alphabetical order to read as follows:

“ “NewCo” means a direct or indirect subsidiary of Oil-Chem formed with the intention of purchasing and selling Petroleum Products and which may be formed under the laws of a jurisdiction outside of the United States.

“Oil-Chem” means Oil-Chem Research Corporation, an Illinois corporation.

“Unrestricted Subsidiaries” means, collectively, Oil-Chem, NewCo and each subsidiary thereof.”

(e) Section 8.3 is amended to read as follows:

“ 8.3 Nature of Business.

None of the Credit Parties or their Subsidiaries will substantively alter the character or conduct of the business conducted by any such Person as of the Closing Date; provided, however, Speedway Motorsports (but no other Credit Party), may purchase and sell crude and refined bulk petroleum and related products (“Petroleum Products”). The activities of Speedway Motorsports with respect to the purchase and sale of Petroleum Products will be limited solely to entering into contracts with the parties identified on Schedule 8.3 and, should Speedway Motorsports so elect, the subsequent assignment of such contracts to an Unrestricted Subsidiary. The activities of Speedway Motorsports pursuant to this Section 8.3 shall be deemed to be within the ordinary course of business for these entities.”

(f) A new Schedule 8.3 is added to the Credit Agreement in the form attached hereto.

2. Consent to Sale of Jim Russell Group. The Administrative Agent and the Lenders consent to the sale by SPR, LLC of all of the capital stock in Jim Russell Group, Inc.

3. Consent to Conversions. The Administrative Agent and the Lenders consent to the conversion from corporate status to limited liability company status in their respective initial states of domicile for each of Atlanta Motor Speedway, Inc., Bristol Motor Speedway, Inc., Las Vegas Motor Speedway, Inc. and SPR, Inc.

4. Conditions Precedent. This Amendment shall be effective as of the date hereof upon satisfaction of each of the following conditions precedent:

- (a) the execution of this Amendment by the Credit Parties and the Required Lenders; and
- (b) receipt by the Administrative Agent of all other fees and expenses owing in connection with this Amendment.

5. Representations and Warranties. Each of the Credit Parties hereby represents and warrants in connection herewith that as of the date hereof (after giving effect hereto) (i) the representations and warranties set forth in Section 6 of the Credit Agreement are true and correct in all material respects (except those which expressly relate to an earlier date), and (ii) no Default or Event of Default has occurred and is continuing under the Credit Agreement.

6. Acknowledgments, Affirmations and Agreements. Each of the Credit Parties (i) acknowledges and consents to all of the terms and conditions of this Amendment, (ii) affirms all of its obligations under the Credit Documents and (iii) agrees that this Amendment does not operate to reduce or discharge the Guarantors' obligations under the Credit Agreement or the other Credit Documents.

7. Credit Agreement. Except as expressly modified hereby, all of the terms and provisions of the Credit Agreement remain in full force and effect.

8. Expenses. The Borrowers jointly and severally agree to pay all reasonable costs and expenses in connection with the preparation, execution and delivery of this Amendment, including the reasonable fees and expenses of the Administrative Agent's legal counsel.

9. Counterparts. This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original. It shall not be necessary in making proof of this Amendment to produce or account for more than one such counterpart.

10. Governing Law. This Amendment shall be deemed to be a contract under, and shall for all purposes be construed in accordance with, the laws of the State of North Carolina.

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Amendment to be duly executed and delivered as of the date first above written.

BORROWERS :

SPEEDWAY MOTORSPORTS, INC.,
a Delaware corporation

By: /s/ William R. Brooks

Name: William R. Brooks

Title: VP

SPEEDWAY FUNDING, LLC,
a Delaware limited liability company

By: /s/ William R. Brooks

Name: William R. Brooks

Title: President

[Signatures Continue]

GUARANTORS :

600 RACING, INC.,
a North Carolina corporation
ATLANTA MOTOR SPEEDWAY, LLC,
a Georgia limited liability company
BRISTOL MOTOR SPEEDWAY, LLC,
a Tennessee limited liability company
CHARLOTTE MOTOR SPEEDWAY, LLC,
a North Carolina limited liability company
INEX CORP.,
a North Carolina corporation
LAS VEGAS MOTOR SPEEDWAY, LLC,
a Delaware limited liability company
MOTORSPORTS BY MAIL, LLC
a North Carolina limited liability company
NEVADA SPEEDWAY, LLC,
a Delaware limited liability company
SMI TRACKSIDE, LLC,
a North Carolina limited liability company
SMISC HOLDINGS, INC.,
a North Carolina corporation
SPEEDWAY MEDIA, LLC,
a North Carolina limited liability company
SPEEDWAY PROPERTIES COMPANY, LLC,
a Delaware limited liability company
SPEEDWAY SONOMA, LLC,
a Delaware limited liability company
SPR, LLC, a Delaware limited liability company
TEXAS MOTOR SPEEDWAY, INC.,
a Texas corporation
TRACKSIDE HOLDING CORPORATION,
a North Carolina corporation

By: /s/ William R. Brooks

Name: William R. Brooks

Title: VP

SPEEDWAY SYSTEMS LLC,
a North Carolina limited liability company

By: SPR, LLC,
its manager

By: /s/ William R. Brooks

Name: William R. Brooks

Title: VP

[Signatures Continue]

ADMINISTRATIVE
AGENT :

BANK OF AMERICA, N.A.,
in its capacity as Administrative Agent

By: /s/ Ronaldo Naval

Name: Ronaldo Naval

Title: Vice President

LENDERS :

BANK OF AMERICA, N.A.,
in its capacity as a Lender, Swingline Lender and Issuing Lender

By: /s/ Tucker S. Sampson

Name: Tucker S. Sampson

Title: Managing Director

BANK OF THE WEST

By: /s/ Sidney Jordan

Name: Sidney Jordan

Title: Vice President

CAROLINA FIRST

By: /s/ Charles D. Chamberlain

Name: Charles D. Chamberlain

Title: Executive Vice President

COMERICA BANK

By: /s/ Chris Stergiadis

Name: Chris Stergiadis

Title: Vice President

CALYON NEW YORK BRANCH (successor in interest to Credit
Lyonnais New York Branch), in its capacity as Documentation Agent and
as a Lender

By: /s/ David Cagle

Name: David Cagle

Title: Managing Director

By: /s/ Brian Myers

Name: Brian Myers

Title: Managing Director

FIRST TENNESSEE BANK NATIONAL ASSOCIATION

By: /s/ Gerald Hallenbeck

Name: Gerald Hallenbeck

Title: Regional President

FIRSTTRUST BANK

By: /s/ Kent D. Nelson

Name: Kent D. Nelson

Title: Senior Vice President

JPMORGAN CHASE BANK, N.A.

By: /s/ Sean Golden

Name: Sean Golden

Title: AVP

RBC CENTURA BANK

By: /s/ David Faris

Name: David Faris

Title: Officer

REGIONS BANK

By: /s/ Elaine B. Passman

Name: Elaine B. Passman

Title: Vice President

SOVEREIGN BANK

By: /s/ William R. Weiller

Name: William R. Weiller

Title: EVP/Managing Director

SUNTRUST BANK, in its capacity
as Documentation Agent and as a Lender

By: /s/ Thomas F. Parrott

Name: Thomas F. Parrott

Title: Vice President

US BANK NATIONAL ASSOCIATION

By: /s/ William J. Hronek

Name: William J. Hronek

Title: Senior Vice President

WACHOVIA BANK, NATIONAL ASSOCIATION,
in its capacity as Syndication Agent and as a Lender

By: /s/ Douglas T. Davis

Name: Douglas T. Davis

Title: Director

[Signatures Continue]

Schedule 8.3

SPEEDWAY CONTRACTS

ARAMCO – Saudia Arabia

ADNOC – United Arab Emirates

ENOC - United Arab Emirates

KPC - Kuwait

Rosneft/Russnest/Rusoil – Russia (Old Yukos)

Lukoil/Latasco - Russia

FIFTH AMENDMENT TO CREDIT AGREEMENT

THIS FIFTH AMENDMENT TO CREDIT AGREEMENT, dated as of August 30, 2006 (this “Amendment”), relating to the Credit Agreement referenced below, is by and among Speedway Motorsports, Inc., a Delaware corporation (“SMI”), and Speedway Funding, LLC, a Delaware limited liability company (“Speedway Funding” and together with SMI, the “Borrowers”), the subsidiaries and related parties identified as Guarantors on the signature pages hereto, the Lenders identified on the signature pages hereto, Bank of America, N.A., a national banking association, as Administrative Agent for the Lenders (in such capacity, the “Administrative Agent”), Wachovia Bank, National Association, as Syndication Agent (in such capacity, the “Syndication Agent”), Calyon New York Branch (successor in interest to Credit Lyonnais New York Branch) and SunTrust Bank, as the Documentation Agents (in such capacity, the “Documentation Agents”), and Banc of America Securities LLC, as Lead Arranger and Book Manager for the Lenders. Terms used herein but not otherwise defined herein shall have the meanings provided to such terms in the Credit Agreement.

WITNESSETH

WHEREAS, a \$300 million credit facility has been extended to the Borrowers pursuant to the terms of that Credit Agreement dated as of May 16, 2003, as amended as of November 7, 2003, March 15, 2005, December 2, 2005 and as of May 15, 2006 (as amended and modified from time to time, the “Credit Agreement”) among the Borrowers, the subsidiaries and related parties identified as guarantors therein, the Lenders from time to time party thereto, Bank of America, N.A., as Administrative Agent, Wachovia Bank, National Association, as Syndication Agent, Credit Lyonnais, New York Branch, Fleet National Bank, and SunTrust Bank, as the Documentation Agents, and Banc of America Securities LLC, as Lead Arranger and Book Manager for the Lenders;

WHEREAS, the Borrowers have requested certain modifications to the Credit Agreement;

WHEREAS, the requested modifications require the approval of the Lenders;

WHEREAS, the Lenders have agreed to the requested modifications on the terms and conditions set forth herein;

NOW, THEREFORE, IN CONSIDERATION of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Consent. On the Closing Date, the original principal amount of the Term Loan was \$50 million. The outstanding principal amount of the Term Loan as of the date hereof is \$48,437,500 million. The Borrowers have requested that rather than being repaid, the remaining principal balance of the Term Loan be reconstituted as and converted into additional Revolving Loans. The Lenders hereby agree to the foregoing request on the terms and subject to the conditions hereafter provided.

2. Amendments. The Credit Agreement is amended in the following respects:

(a) Additional Definitions. New definitions for “Administrative Questionnaire” and “Related Parties” are added to Section 1.1 in correct alphabetical order to read as follows:

“ “ Administrative Questionnaire ” means an Administrative Questionnaire in a form supplied by the Administrative Agent.

“ Related Parties ” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents and advisors of such Person and of such Person’s Affiliates.”

(b) Permitted Investments. In the definition of “Permitted Investments” in Section 1.1, the “and” before clause (xiv) is deleted, the period at the end of the definition is replaced by a semicolon and the word “and”, and a new clause (xv) is added to read as follows:

“(xv) Investments in connection with a condominium development at the Las Vegas Motor Speedway provided such Investments do not exceed \$175,000,000 in the aggregate;”

(c) Increase in Revolving Committed Amount. In Section 2.1 (Revolving Loans), the text “TWO HUNDRED FIFTY MILLION DOLLARS (\$250,000,000)” is replaced with the text “FOUR HUNDRED MILLION DOLLARS (\$400,000,000)”.

(d) Accordion Provision. In Section 2.5 (Increase in Commitments), the text “during the period from the Closing Date until May 16, 2005” and the text “and/or the Term Loan” is deleted.

(e) Electronic Delivery. In Section 7.1, the following text is added at the end of the Section:

“The Borrowers hereby acknowledge that (a) the Administrative Agent will make available to the Lenders and the Issuing Lender materials and/or information provided by or on behalf of the Borrowers hereunder (collectively, “ Borrower Materials ”) by posting Borrower Materials on IntraLinks or another similar electronic system (the “ Platform ”) and (b) certain of the Lenders may be “public-side” Lenders (*i.e.*, Lenders that do not wish to receive material non-public information with respect to either Borrower or its securities) (each, a “ Public Lender ”). The Borrowers hereby agree that (w) all Borrower Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked “PUBLIC” which, at a minimum, shall mean that the word “PUBLIC” shall appear prominently on the first page thereof; (x) by marking Borrower Materials “PUBLIC,” the Borrowers shall be deemed to have authorized the Administrative Agent, the Issuing Lender and the Lenders to treat such Borrower Materials as not

containing any material non-public information with respect to either Borrower or its securities for purposes of United States Federal and state securities laws (provided, however, that to the extent such Borrower Materials constitute Confidential Information, they shall be treated as set forth in Section 11.11); (y) all Borrower Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated "Public Investor;" and (z) the Administrative Agent shall be entitled to treat any Borrower Materials that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not designated "Public Investor."

(f) Capital Expenditures. In Section 8.13, the parenthetical express "(exclusive of Permitted Motorsports transactions and acquisitions permitted by Section 8.4(c), repair of casualty damage and other activities permitted under Section 7.7 and any capital expenditures made in connection with pre-sold condominium units)" is amended and restated to read as follows:

"(exclusive of Permitted Motorsports transactions and acquisitions permitted by Section 8.4(c), repair of casualty damage and other activities permitted under Section 7.7 and any capital expenditures made in connection with pre-sold condominium units or capital expenditures not to exceed \$175,000,000 in the aggregate for a condominium development at the Las Vegas Motor Speedway)"

(g) Notices. In Section 11.1, the text following the colon at the end of the first paragraph of the Section through the end of the Section is deleted and replaced with the following:

" if to the Borrowers or the Guarantors:

Speedway Motorsports, Inc.
P.O. Box 18747
Charlotte, North Carolina 28218
Attn: Chief Financial Officer
Telephone: (704) 532-3306
Telecopy: (704) 532-3312
Electronic Mail Address: bbrooks@smicorporate.com

with copies to:

Speedway Motorsports, Inc.
P.O. Box 600
Concord, North Carolina 28026-0600
Attn: Chief Financial Officer

Speedway Funding, LLC
c/o Griffin Corporate Services
2920 North Green Valley Parkway
Suite 3-321-8
Henderson, Nevada 89014

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient). Notices delivered through electronic communications to the extent provided in subsection (b) below, shall be effective as provided in such subsection (b).

(b) Electronic Communications. Notices and other communications to the Lenders and the Issuing Lender hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, provided that the foregoing shall not apply to notices to any Lender or the Issuing Lender pursuant to Section 2 if such Lender or the Issuing Lender, as applicable has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent or the Borrowers may, in their discretion, agree to accept notices and other communications to them hereunder by electronic communications pursuant to procedures approved by them, provided that approval of such procedures may be limited to particular notices or communications. Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) The Platform. the PLATFORM IS PROVIDED "AS IS" AND "AS AVAILABLE." the AGENT PARTIES (AS DEFINED BELOW) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE BORROWER MATERIALS OR THE ADEQUACY OF THE PLATFORM, AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS IN OR OMISSIONS FROM THE BORROWER MATERIALS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM

VIRUSES OR OTHER CODE DEFECTS, IS MADE BY ANY AGENT PARTY IN CONNECTION WITH THE BORROWER MATERIALS OR THE PLATFORM. In no event shall the Administrative Agent or any of its Related Parties (collectively, the "Agent Parties") have any liability to any Borrower, any Lender, the Issuing Lender or any other Person for losses, claims, damages, liabilities or expenses of any kind (whether in tort, contract or otherwise) arising out of any Borrower's or the Administrative Agent's transmission of Borrower Materials through the Internet, except to the extent that such losses, claims, damages, liabilities or expenses are determined by a court of competent jurisdiction by a final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Agent Party; provided, however, that in no event shall any Agent Party have any liability to any Borrower, any Lender, the Issuing Lender or any other Person for indirect, special, incidental, consequential or punitive damages (as opposed to direct or actual damages).

(d) Change of Address, Etc. . Each of the Borrowers, the Administrative Agent, the Issuing Lender and the Swing Line Lender may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the other parties hereto. Each other Lender may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the Borrowers, the Administrative Agent, the Issuing Lender and the Swing Line Lender. In addition, each Lender agrees to notify the Administrative Agent from time to time to ensure that the Administrative Agent has on record (i) an effective address, contact name, telephone number, telecopier number and electronic mail address to which notices and other communications may be sent and (ii) accurate wire instructions for such Lender.

(e) Reliance by Agent, Issuing Lender and the Lenders. . The Administrative Agent, the Issuing Lender and the Lenders shall be entitled to rely and act upon any notices (including telephonic Notice of Borrowings) purportedly given by or on behalf of the Borrowers even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. the Borrowers shall indemnify the Administrative Agent, the Issuing Lender, each Lender and the Related Parties of each of them from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Borrowers. All telephonic notices to and other telephonic communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording."

(h) Successors and Assigns. . In Section 11.3(b)(iii), the text is replaced with the following:

" (iii) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee in the amount of \$3,500; provided, however, that the

Administrative Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment. The assignee, if it is not a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.”

(i) No Advisory or Fiduciary Responsibility . A new Section 11.20 is added to read as follows:

“11.20 No Advisory or Fiduciary Responsibility . In connection with all aspects of each transaction contemplated hereby, each Borrower and each other Credit Party acknowledges and agrees that: (i) the credit facility provided for hereunder and any related arranging or other services in connection therewith (including in connection with any amendment, waiver or other modification hereof or of any other Credit Document) are an arm’s-length commercial transaction among the Borrowers, each other Credit Party and their respective Affiliates, on the one hand, and the Administrative Agent and the Arranger, on the other hand, and the Borrowers and each other Credit Party is capable of evaluating and understanding and understands and accepts the terms, risks and conditions of the transactions contemplated hereby and by the other Credit Documents (including any amendment, waiver or other modification hereof or thereof); (ii) in connection with the process leading to such transaction, the Administrative Agent and the Arranger each is and has been acting solely as a principal and is not the financial advisor, agent or fiduciary, for the Borrowers, any other Credit Party or any of their respective Affiliates, stockholders creditors or employees or any other Person; (iii) neither the Administrative Agent nor the Arranger has assumed or will assume an advisory, agency or fiduciary responsibility in favor of the Borrowers or any other Credit Party with respect to any of the transactions contemplated hereby or the process leading thereto, including with respect to any amendment, waiver or other modification hereof or of any other Credit Document (irrespective of whether the Administrative Agent or the Arranger has advised or is currently advising the Borrowers, any other Credit Party or any of their respective Affiliates on other matters) and neither the Administrative Agent nor the Arranger has any obligation to the Borrowers, any other Credit Party or any of their respective Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Credit Documents; (iv) the Administrative Agent and the Arranger and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Borrowers, the other Credit Parties and their respective Affiliates, and neither the Administrative Agent nor the Arranger have any obligation to disclose any of such interests by virtue of any advisory, agency or fiduciary relationship; and (v) the Administrative Agent and the Arranger have not provided and will not provide any legal, accounting, regulatory or tax advice with respect to any of the transaction contemplated hereby (including any amendment, waiver or other modification hereof or of any other Credit Documents) and each of the Borrowers and the other Credit Parties has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate. Each of the Borrowers and the other Credit Parties hereby waives and releases, to the fullest extent permitted by law, any claims that it may have against the Administrative Agent and the Arranger with respect to any breach or alleged breach of agency or fiduciary duty.”

(j) New Revolving Commitments; Schedule of Lenders and Commitments. After giving effect to the increase in the Revolving Committed Amount as provided in Section 2(a) hereof, the Revolving Commitment and the Revolving Commitment Percentage of each Lender shall be as set forth on Schedule 2.1(a) attached hereto. Schedule 2.1(a) to the Credit Agreement is amended and restated in its entirety to read as Schedule 2.1(a) attached hereto.

3. Conditions Precedent. This Amendment shall be effective as of the date hereof upon satisfaction of each of the following conditions precedent:

(a) Executed Amendment. the Administrative Agent's receipt of counterparts of this Amendment duly executed by the Borrowers, all the Lenders and the Administrative Agent.

(b) Secretary's Certificate. the Administrative Agent's receipt of a duly executed certificate of an executive officer of each Credit Party, in form and substance satisfactory to the Administrative Agent and the Lenders, attaching each of the following documents and certifying that each is true, correct and complete and in full force and effect as of the date hereof:

(i) Articles of Incorporation. Copies of its articles of incorporation or certificate of formation, certified to be true and complete as of a recent date by the appropriate Governmental Authority of the state of its organization, unless an executive officer certifies in the secretary's certificate that the copies of its articles of incorporation or certificate of formation previously delivered to the Administrative Agent at the closing of the Credit Agreement or in connection with a prior amendment or joinder agreement have not been amended, supplemented or otherwise modified and remain in full force and effect as of the date hereof;

(ii) Bylaws. Copies of its bylaws or operating agreement, unless an executive certifies in the secretary's certificate that the copies of its bylaws or operating agreement previously delivered to the Administrative Agent at the closing of the Credit Agreement or in connection with a prior amendment or joinder agreement have not been amended, supplemented or otherwise modified and remain in full force and effect as of the date hereof;

(iii) Resolutions. Copies of its resolutions approving and adopting this Amendment, the transactions contemplated herein, and authorizing the execution and delivery hereof; and

(iv) Incumbency. Incumbency certificates identifying the executive officers of each Credit Party who are authorized to execute this Amendment and related documents and to act on such Credit Party's behalf in connection with this Amendment and the Credit Documents.

(c) Fees. All fees (including all reasonable fees, expenses and disbursements of Moore & Van Allen PLLC) due in connection herewith, which fees shall be deemed fully earned and due and payable on the effective date of this Amendment.

4. Representations and Warranties. Each of the Credit Parties hereby represents and warrants in connection herewith that as of the date hereof (after giving effect hereto) (a) the representations and warranties set forth in Section 6 of the Credit Agreement are true and correct in all material respects (except those which expressly relate to an earlier date), and (b) no Default or Event of Default has occurred and is continuing under the Credit Agreement.

5. Acknowledgments, Affirmations and Agreements. Each of the Credit Parties (i) acknowledges and consents to all of the terms and conditions of this Amendment, (ii) affirms all of its obligations under the Credit Documents and (iii) agrees that this Amendment does not operate to reduce or discharge the Guarantors' obligations under the Credit Agreement or the other Credit Documents.

6. Credit Agreement. Except as expressly modified hereby, all of the terms and provisions of the Credit Agreement remain in full force and effect.

7. Expenses. The Borrowers jointly and severally agree to pay all reasonable costs and expenses in connection with the preparation, execution and delivery of this Amendment, including the reasonable fees and expenses of the Administrative Agent's legal counsel.

8. Counterparts. This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original. It shall not be necessary in making proof of this Amendment to produce or account for more than one such counterpart.

9. Governing Law. This Amendment shall be deemed to be a contract under, and shall for all purposes be construed in accordance with, the laws of the State of North Carolina.

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Amendment to be duly executed and delivered as of the date first above written.

THE BORROWERS :

SPEEDWAY MOTORSPORTS, INC.,
a Delaware corporation

By: /s/ William R. Brooks

Name: William R. Brooks

Title: VP

SPEEDWAY FUNDING, LLC,
a Delaware limited liability company

By: /s/ William R. Brooks

Name: William R. Brooks

Title: President

[Signatures Continue]

GUARANTORS :

600 RACING, INC.,
a North Carolina corporation
ATLANTA MOTOR SPEEDWAY, LLC,
a Georgia limited liability company
BRISTOL MOTOR SPEEDWAY, LLC,
a Tennessee limited liability company
CHARLOTTE MOTOR SPEEDWAY, LLC,
a North Carolina limited liability company
INEX CORP.,
a North Carolina corporation
LAS VEGAS MOTOR SPEEDWAY, LLC,
a Delaware limited liability company
MOTORSPORTS BY MAIL, LLC
a North Carolina limited liability company
NEVADA SPEEDWAY, LLC,
a Delaware limited liability company
SMI TRACKSIDE, LLC,
a North Carolina limited liability company
SMISC HOLDINGS, INC.,
a North Carolina corporation
SPEEDWAY MEDIA, LLC,
a North Carolina limited liability company
SPEEDWAY PROPERTIES COMPANY, LLC,
a Delaware limited liability company
SPEEDWAY SONOMA, LLC,
a Delaware limited liability company
SPR, LLC, a Delaware limited liability company
TEXAS MOTOR SPEEDWAY, INC.,
a Texas corporation
TRACKSIDE HOLDING CORPORATION,
a North Carolina corporation

By: /s/ William R. Brooks

Name: William R. Brooks

Title: VP

SPEEDWAY SYSTEMS LLC,
a North Carolina limited liability company

By: SPR, LLC,
its manager

By: /s/ William R. Brooks

Name: William R. Brooks

Title: President

[Signatures Continue]

ADMINISTRATIVE
AGENT :

BANK OF AMERICA, N.A.,
in its capacity as the Administrative Agent

By: /s/ Kristine Thennes
Name: Kristine Thennes
Title: Vice President

LENDERS :

BANK OF AMERICA, N.A.,
in its capacity as a Lender, Swingline Lender and Issuing Lender

By: /s/ Tucker S. Sampson
Name: Tucker S. Sampson
Title: Managing Director

BANK OF THE WEST

By: /s/ Sidney Jordan
Name: Sidney Jordan
Title: Vice President

CALYON NEW YORK BRANCH (successor in interest to Credit
Lyonnais New York Branch), in its capacity as Documentation Agent and
as a Lender

By: /s/ Samuel L. Hill
Name: Samuel L. Hill
Title: Managing Director

By: /s/ David Cagle
Name: David Cagle
Title: Managing Director

CAROLINA FIRST

By: /s/ Charles D. Chamberlain
Name: Charles D. Chamberlain
Title: Executive Vice President

COMERICA BANK

By: /s/ Chris Stergiadis
Name: Chris Stergiadis
Title: Vice President

FIRST TENNESSEE BANK NATIONAL ASSOCIATION

By: /s/ Gerald Hallenbeck

Name: Gerald Hallenbeck

Title: Regional President

FIRSTTRUST BANK

By: /s/ Kent D. Nelson

Name: Kent D. Nelson

Title: Senior Vice President

JPMORGAN CHASE BANK, N.A.

By: /s/ Sean Golden

Name: Sean Golden

Title: AVP

RBC CENTURA BANK

By: /s/ David Faris

Name: David Faris

Title: SVP

REGIONS BANK

By: /s/ Elaine B. Passman

Name: Elaine B. Passman

Title: Vice President

SOVEREIGN BANK

By: /s/ Kathryn McEnroe Williams

Name: Kathryn McEnroe Williams

Title: VP

SUNTRUST BANK, in its capacity
as Documentation Agent and as a Lender

By: /s/ Randy M. Boone

Name: Randy M. Boone

Title: Vice President

US BANK NATIONAL ASSOCIATION

By: /s/ William J. Hronek

Name: William J. Hronek

Title: Senior Vice President

WACHOVIA BANK, NATIONAL ASSOCIATION,
in its capacity as Syndication Agent and as a Lender

By: /s/ Douglas T. Davis

Name: Douglas T. Davis

Title: Director

