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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, 2004

OR

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

For the transition period from _____to _____

Commission File Number 1-13582

SPEEDWAY MOTORSPORTS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**51-0363307**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
5555 Concord Parkway South, Concord, North Carolina	**28027**
(Address of principal executive offices)	**(Zip Code)**

(704) 455-3239
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No ☐

As of November 4, 2004, there were 43,672,436 shares of common stock outstanding.

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The following Management's Discussion and Analysis of Financial Condition and Results of Operations, Quantitative and Qualitative Disclosures About Market Risk, Controls and Procedures, and Legal Proceedings 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, plans and objectives for future operations; (4) statements relating to our operations or activities for 2004 and beyond; and (5) statements relating to the Company's future capital projects, hosting of races, broadcasting rights, financing needs or sponsorships and legal proceedings and other contingencies. Words such as "expects", "anticipates", "approximates", "believes", "estimates", "hopes", "intends", "may", "plans", "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 Exhibit 99.1 to the Company's fiscal 2003 Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) and in the "Risk Factors" section of the prospectus to the Company's registration statement on Form S-4 (Registration No. 333-118679) filed with the SEC in September 2004. 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.gospeedway.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 the Company electronically files those materials with the 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 any 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.

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PART I - FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

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

	September 30, 2004	December 31, 2003
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 203,941	$ 134,472
Accounts receivable	27,062	27,937
Prepaid income taxes	—	5,955
Inventories	18,635	19,676
Prepaid expenses and other current assets	4,942	16,708
Total Current Assets	254,580	204,748
Property and Equipment, Net	912,150	886,700
Goodwill and Other Intangible Assets, Net	157,969	61,337
Notes and Other Receivables:		
Affiliates	10,035	11,089
Other	5,059	2,412
Other Assets	25,663	24,270
TOTAL	$1,365,456	$1,190,556
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt	$ 7,989	$ 3,353
Accounts payable	13,281	15,086
Deferred race event income, net	80,930	94,962
Accrued income taxes	15,470	—
Accrued interest	7,651	1,822
Accrued expenses and other liabilities	25,065	20,746
Total Current Liabilities	150,386	135,969
Long-Term Debt	420,760	337,014
Payable to Affiliate	2,594	2,594
Deferred Income, Net	12,720	11,780
Deferred Income Taxes	149,542	152,847
Other Liabilities	2,842	2,278
Total Liabilities	738,844	642,482
Commitments and Contingencies (Note 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 - 43,672,000 in 2004 and 42,887,000 in 2003	437	429
Additional paid-in capital	201,542	182,785
Retained earnings	424,979	364,865
Accumulated other comprehensive loss	(346)	(5)
Total Stockholders' Equity	626,612	548,074
TOTAL	$1,365,456	$1,190,556

See notes to consolidated financial statements.

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

	Three Months Ended September 30,	
	2004	2003
REVENUES:		
Admissions	$25,888	$24,070
Event related revenue	23,225	20,857
NASCAR broadcasting revenue	11,611	9,570
Other operating revenue	10,239	9,500
Total Revenues	70,963	63,997
EXPENSES AND OTHER:		
Direct expense of events	16,548	15,829
NASCAR purse and sanction fees	9,072	8,129
Other direct operating expense	9,638	8,191
General and administrative	16,915	14,832
Depreciation and amortization	8,969	8,890
Interest expense, net (Note 5)	6,014	4,838
Ferko litigation settlement (Note 1)	11,800	—
Other expense (income), net	(582)	233
Total Expenses and Other	78,374	60,942
Income (Loss) Before Income Taxes	(7,411)	3,055
Income Tax Provision (Benefit)	(2,913)	1,201
NET INCOME (LOSS)	$ (4,498)	$ 1,854
Basic Earnings (Loss) Per Share (Note 6)	$ (0.10)	$ 0.04
Weighted Average Shares Outstanding	43,468	42,528
Diluted Earnings (Loss) Per Share (Note 6)	$ (0.10)	$ 0.04
Weighted Average Shares Outstanding	43,724	42,801

See notes to consolidated financial statements.

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

	Nine Months Ended September 30,	
	2004	2003
REVENUES:		
Admissions	$128,692	$121,597
Event related revenue	106,904	98,955
NASCAR broadcasting revenue	88,930	73,198
Other operating revenue	33,466	26,148
Total Revenues	357,992	319,898
EXPENSES AND OTHER:		
Direct expense of events	64,397	60,091
NASCAR purse and sanction fees	63,113	55,889
Other direct operating expense	30,182	22,927
General and administrative	51,006	46,082
Depreciation and amortization	26,746	25,816
Interest expense, net (Note 5)	14,342	16,416
Ferko litigation settlement (Note 1)	11,800	—
Loss on early debt redemption and refinancing (Note 5)	—	12,800
FTC refund claims settlement (Note 2)	—	1,141
Other expense (income), net (Note 8)	(2,807)	486
Total Expenses and Other	258,779	241,648
Income Before Income Taxes	99,213	78,250
Income Tax Provision	39,099	30,765
NET INCOME	$ 60,114	$ 47,485
Basic Earnings Per Share (Note 6)	$ 1.39	$ 1.12
Weighted Average Shares Outstanding	43,211	42,422
Diluted Earnings Per Share (Note 6)	$ 1.38	$ 1.11
Weighted Average Shares Outstanding	43,529	42,696

See notes to consolidated financial statements.

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

	Common Stock				Accumulated Other Comprehensive Loss		
	Shares	Amount	Additional Paid - In Capital	Retained Earnings	Fair Market Value Adjustment	Unrealized Holding Loss	Total Stock - holders' Equity
BALANCE - JANUARY 1, 2004	42,887	$ 429	$182,785	$364,865	$ 6	$ (11)	$548,074
Net income	—	—	—	60,114	—	—	60,114
Fair market value adjustment to interest rate hedge, net of tax	—	—	—	—	(335)	—	(335)
Change in net unrealized gain (loss) on marketable equity securities, net of tax	—	—	—	—	—	(6)	(6)
Comprehensive income							59,773
Issuance of stock under employee stock purchase plan	90	1	2,344	—	—		2,345
Exercise of stock options	695	7	12,484	—	—		12,491
Tax benefit from exercise of stock options	—	—	3,929	—	—	—	3,929
BALANCE - SEPTEMBER 30, 2004	43,672	$ 437	$201,542	$424,979	$ (329)	$ (17)	$626,612

See notes to consolidated financial statements.

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

	Nine Months Ended September 30,	
	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 60,114	$ 47,485
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss (gain) on disposal of property and equipment	(702)	180
Loss on early debt redemption and refinancing	—	12,800
Depreciation and amortization	26,746	25,816
Amortization of deferred income	(1,308)	(1,462)
Changes in operating assets and liabilities:		
Accounts receivable	1,325	(4,255)
Inventories	91	(2,431)
Prepaid expenses and other current assets	12,966	(14,770)
Accounts payable	1,262	(3,275)
Deferred race event income	(14,032)	(5,920)
Accrued income taxes	21,425	17,426
Accrued expenses and other liabilities	9,860	4,174
Deferred income	1,055	580
Other assets and liabilities	1,395	855
Net Cash Provided By Operating Activities	120,197	77,203
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under long-term debt	100,132	360,000
Principal payments on long-term debt	(11,750)	(360,131)
Interest rate swap settlement receipts	288	—
Payments of debt redemption premium and debt issuance costs (Note 5)	(1,989)	(19,500)
Exercise of common stock options	12,491	5,391
Issuance of stock under employee stock purchase plan	2,345	1,061
Net Cash Provided (Used) By Financing Activities	101,517	(13,179)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(53,170)	(49,881)
Payments for business acquisitions	(100,539)	(2,852)
Proceeds from sales of property and equipment	807	685
Proceeds from sales of marketable equity securities	—	238
Increase in notes and other receivables:		
Affiliates	(314)	(477)
Other	(497)	(3,851)
Repayment of notes and other receivables:		
Affiliates	1,368	5,817
Other	100	—
Net Cash Used By Investing Activities	(152,245)	(50,321)
Net Increase In Cash and Cash Equivalents	69,469	13,703
Cash and Cash Equivalents At Beginning Of Period	134,472	112,638
Cash and Cash Equivalents At End Of Period	$ 203,941	$ 126,341
Supplemental Cash Flow Information:		
Cash paid for interest, net of amounts capitalized	$ 15,819	$ 19,428
Cash paid for income taxes	18,458	13,336
Supplemental Information Of Noncash Investing And Financing Activities:		
Land sale financed with note receivable	3,900	—

Net liabilities assumed for business acquisitions	—	4,087
Decrease in accounts payable for capital expenditures.	(3,067)	(4,508)

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, Inc. (AMS), Bristol Motor Speedway, Inc. (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, 600 Racing, Inc., Motorsports By Mail LLC (MBM), Oil-Chem Research Corp. (Oil-Chem), SMI Trackside LLC, Speedway Funding LLC, Speedway Properties Company LLC a/k/a Performance Racing Network (PRN), Speedway Media LLC a/k/a Racing Country USA (RCU), Speedway TBA, Inc. a/k/a North Carolina Speedway (NCS), and TSI Management Company LLC d/b/a The Source International LLC (TSI) (collectively, the Company).

Ferko Litigation Settlement and Purchase of North Carolina Speedway – In February 2002, Francis Ferko, as a shareholder of SMI, filed a lawsuit in the United States Federal Court for the Eastern District of Texas against the National Association for Stock Car Auto Racing, Inc. (NASCAR) and International Speedway Corporation (ISC) alleging, among other things, that NASCAR and ISC unlawfully refused to award SMI a NASCAR NEXTEL (formerly Winston) Cup Series race date at TMS. The plaintiff demanded judgment against defendants NASCAR and ISC for a NEXTEL Cup race date at TMS, monetary damages and other relief. The Company was named as a necessary party to the lawsuit, since the lawsuit was being brought on behalf of the Company by a shareholder. The Company did not assert any claim in this matter. In May 2004, the plaintiff, SMI, NASCAR and ISC entered into a settlement agreement to resolve this matter, which was approved by the Court on July 1, 2004 (the Ferko Settlement). As a result, the case was dismissed. In July 2004, as part of the Ferko Settlement, the Company acquired certain tangible and intangible assets and operations of North Carolina Speedway for approximately $100,400,000 in cash plus acquisition costs. Also, applicable law required SMI to reimburse the plaintiff for litigation expenses incurred in successfully bringing this suit on behalf of SMI. These and related settlement expenses approximating $11,800,000 were paid in cash in July 2004 and reflected as a third quarter 2004 charge to earnings. The acquisition was funded with proceeds from a July 2004 private placement of a $100,000,000 add-on offering to the $230,000,000 6¾% Senior Subordinated Notes due 2013 issued in May 2003 as further described in Note 5.

Intangible assets acquired in the Ferko settlement were principally non-amortizable race event sanctioning and renewal agreements with NASCAR for one annual NEXTEL Cup and Busch Series racing event at TMS. Under those sanctioning and renewal agreements, management intends to conduct a second NEXTEL Cup and Busch Series racing event at TMS beginning in November 2005. NCS operations presently consist principally of track rentals. Management's plans or intentions with respect to other future use or operations of NCS have not yet been determined. At this time, no NASCAR-sanctioned races are scheduled to be held at NCS in 2004 or beyond. The acquisition was accounted for using the purchase method, and the results of NCS operations after acquisition are included in the Company's consolidated statements of income. The acquisition was not significant and, therefore, unaudited pro forma financial information is not presented. The purchase price was allocated to assets and liabilities acquired at their estimated fair market values at acquisition date. The Company is presently finalizing this initial allocation, including valuation of intangible assets acquired. As such, the purchase price allocation is preliminary. However, based on current information, management believes the final purchase price allocation will not materially differ from that used in the accompanying September 30, 2004 consolidated balance sheet. The preliminary purchase price allocation by major category consisted of $4,670,000 for property and equipment and $95,869,000 for non-amortizable other intangible assets. See Note 4 for additional information on goodwill and other intangible assets.

Prior Year Business Acquisition – In August 2003, the Company acquired certain tangible and intangible assets and operations of The Source International for approximately $2,975,000 in cash and $4,170,000 of assumed net liabilities, including goodwill and other intangible assets with a fair value of $7,145,000. The Company acquired TSI for electronic media promotional programming and wholesale and retail distribution operations for racing and other sports related souvenir merchandise and apparel. The acquisition was accounted for using the purchase method, and the results of operations after acquisition are included in the Company's consolidated statements of income. The Company's final purchase accounting resulted in decreasing certain acquired tangible assets and increasing goodwill by $950,000 (see Note 4). The acquisition was not significant and, therefore, unaudited pro forma financial information is not presented.

See Note 1 to the December 31, 2003 Consolidated Financial Statements for further description of the Company's business operations, properties and scheduled events.

2. SIGNIFICANT ACCOUNTING POLICIES

These unaudited consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the fiscal year ended December 31, 2003 included in its 2003 Annual Report on Form 10-K.

In management's opinion, these unaudited consolidated financial statements contain all adjustments necessary for their fair presentation at interim periods. All such adjustments are of a normal recurring nature. The results of operations for interim periods are not necessarily indicative of operating results that may be expected for the entire year due to the seasonal nature of the Company's motorsports business.

Revenue 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 fees, naming rights fees, commissions from food and beverage sales, souvenir sales, promotional and hospitality revenues, luxury suite rentals, broadcasting rights other than NASCAR broadcasting revenue, track rentals, 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 from The Speedway Club at LMS and The Texas Motor Speedway Club (together the "Speedway Clubs"), Legends Car and parts sales, industrial park rentals, MBM, Oil-Chem, TSI and certain SMI Properties 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, 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 Speedway Clubs, Legends Car, industrial park rental, MBM, Oil-Chem, TSI and certain SMI Properties 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 sanctioning 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 generally recognizes revenue when products are shipped, title transfers to customers and collection is probable. Where product is sold through electronic media promotional programming on consignment, revenues are recognized upon product shipment to the promoter's customers.

Naming Rights - The Company presently has two ten-year naming rights agreements which renamed Sears Point Raceway as Infineon Raceway and Charlotte Motor Speedway as Lowe's Motor Speedway for combined gross fees aggregating approximately $69,000,000 to be received over the ten-year agreement terms which commenced in 2002 and 1999, respectively. 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 operating profits associated with such activities provided by the Levy Group are reported as net commission revenue in event related revenue and other operating revenue.

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.

Recently Issued Accounting Standards – In January 2003, Financial Accounting Standards Board (FASB) Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities" was issued which, among other things, provides guidance on identifying variable interest entities (VIE) and determining when assets, liabilities, noncontrolling interests, and operating results of a VIE should be included in a company's consolidated financial statements, and also requires additional disclosures by primary beneficiaries and other significant variable interest holders. In December 2003, the FASB issued a revision of FIN 46 (FIN 46R) to clarify certain provisions and exempt certain entities from its requirements. The Company presently does not hold an interest in a variable interest entity; therefore, application of FIN 46 and FIN 46R has not affected the Company's financial statements or disclosures.

Stock-Based Compensation and Formula Stock Option Plan – The Company continues to account for stock-based employee compensation using Accounting Principles Board (APB) Opinion No. 25 "Accounting for Stock Issued to Employees" which recognizes compensation cost based on the intrinsic value of equity instruments awarded as permitted under Statement of Financial Accounting Standards (SFAS) No. 123 "Accounting for Stock-Based Compensation". All stock options granted under the Company's 1994 Stock Option Plan and the 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 both stock option plans and the Employee Stock Purchase Plan, no compensation cost has been reflected in net income for these plans.

The Company has applied the disclosure provisions of SFAS No. 148 "Accounting for Stock-Based Compensation – Transition and Disclosure – an Amendment of FASB No. 123" which require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The following schedule illustrates the pro forma effect on net income and earnings per share had compensation cost for stock options and the employee stock purchase plan been determined using the fair value recognition provisions of SFAS No. 123 (in thousands, except per share amounts):

	Three Months Ended September 30:		Nine Months Ended September 30:	
	2004	2003	2004	2003
Net income (loss) as reported	$ (4,498)	$ 1,854	$60,114	$47,485
Less: Stock-based compensation expense determined using fair value method, net of taxes	(93)	(187)	(1,524)	(1,335)
Pro forma net income (loss)	$ (4,591)	$ 1,667	$58,590	$46,150
Basic Earnings (Loss) Per Share:				
As reported	$ (0.10)	$ 0.04	$ 1.39	$ 1.12
Pro forma	$ (0.11)	$ 0.04	$ 1.36	$ 1.09
Diluted Earnings (Loss) Per Share:				
As reported	$ (0.10)	$ 0.04	$ 1.38	$ 1.11
Pro forma	$ (0.11)	$ 0.04	$ 1.35	$ 1.08

The fair value of option grants for stock option and employee stock purchase plans is estimated on grant date using the Black-Scholes option-pricing model using the following assumptions:

	Three Months Ended September 30:		Nine Months Ended September 30:	
	2004	2003	2004	2003
Options granted	—	—	50,000	40,000
Weighted average grant-date fair values	—	—	$ 4.71	$ 6.03
Expected volatility	24.2%	33.3%	24.2%	33.3%
Risk-free interest rates	2.4%	2.2%	2.4%	2.2%
Expected lives (in years)	1.0-3.0	1.0-3.0	1.0-3.0	1.0-3.0
Dividend yield	2.0%	1.2%	2.0%	1.2%

Other Current Assets – Prepaid expenses and other current assets at December 31, 2003 include payments of $13,948,000 for mid-distillate petroleum products purchased for resale recorded at cost and associated transaction costs that were recovered upon resale in the nine months ended September 30, 2004. There were no unrecovered costs at September 30, 2004.

FTC Refund Claims Settlement – In 2001, the Federal Trade Commission (FTC) filed a complaint against SMI and Oil-Chem seeking to enjoin SMI and Oil-Chem from advertising zMax Power System for use in motor vehicles and to award equitable relief to address alleged injury to customers. In March 2003, a settlement was reached resolving all FTC claims against SMI and Oil-Chem without any admission of liability by SMI and Oil-Chem. The FTC staff confirmed the advertising claims SMI and Oil-Chem may make going forward and indicated no compliance action would be merited as a result of such advertising claims. To avoid protracted litigation with the FTC, as a part of the settlement, SMI and Oil-Chem offered a pro rata purchase price refund to certain customers who purchased zMax Power System before January 31, 2001. Under the settlement terms, aggregate refunds payable by SMI and Oil-Chem are not to exceed $1,000,000. Customer refund requests received have exceeded the maximum settlement payment. As such, refund payments aggregate $1,000,000 plus associated expenses. The Company recorded a charge to earnings in the second quarter 2003 of $1,141,000 pre-tax, or $693,000 after income taxes, for the FTC refund claims settlement and associated costs of refund processing.

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

3. INVENTORIES - Inventories as of September 30, 2004 and December 31, 2003 consist of the following components (in thousands):

	September 30, 2004	December 31, 2003
Souvenirs and apparel	$ 12,358	$ 13,233
Finished vehicles, parts and accessories	4,725	4,542
Oil lubricant and other	1,552	1,901
Total	$ 18,635	$ 19,676

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. At September 30, 2004 and December 31, 2003, inventories reflect provisions of $6,221,000 and $4,744,000.

4. GOODWILL AND OTHER INTANGIBLE ASSETS - Goodwill and other intangible assets represent 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 reporting unit. 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. Under SFAS No. 142, the Company periodically assesses goodwill and other intangible assets at the reporting unit level for possible impairment. Such assessment is performed annually as of April 1 or when events or circumstances indicate possible impairment may have occurred. There have been no events or circumstances which might indicate possible impairment of goodwill and other intangible assets since April 1, 2004, the latest assessment date.

All present goodwill and other intangible assets are associated with the Company's motorsports related operating segment. Other intangible assets consist principally of approximately $98,769,000 associated with indefinite-lived race event sanctioning and renewal agreements, including $95,869,000 acquired in the current period (see Note 1), and $3,320,000 with network and other contracts for media promotional programming related to TSI acquired in August 2003. Estimated annual amortization expense for the next five years is approximately $156,000 each year.

Goodwill and other intangible assets as of September 30, 2004 and December 31, 2003 are summarized as follows (dollars in thousands):

	Estimated Amortization Periods	September 30, 2004	December 31, 2003
Non-amortizable goodwill	—	$ 64,424	$ 63,564
Non-amortizable other intangible assets	—	98,769	2,900
Amortizable other intangible assets	30	3,320	3,320
Total		166,513	69,784
Less accumulated amortization		(8,544)	(8,447)
Net		$ 157,969	$ 61,337

Changes in the gross carrying value of other intangible assets for the nine months ended September 30, 2004 of $95,869,000 reflect race event sanctioning and renewal agreements associated with the acquisition of NCS (see Note 1). Changes in the gross carrying value of goodwill for the nine months ended September 30, 2004 are as follows (in thousands):

	Nine Months Ended September 30, 2004:
Balance, beginning of period	$ 63,564
Adjustments to previously recorded purchase price (Note 1)	950
Other	(90)
Balance, end of period	$ 64,424

5. LONG-TERM DEBT

Bank Credit Facility - The Company has a long-term, senior credit facility with a syndicate of banks led by Bank of America, N.A. as an agent and lender, consisting of a revolving credit facility with an overall borrowing limit of $250,000,000, separate sub-limits of $10,000,000 for standby letters of credit and for 15-day swing line loans, and a $50,000,000 five-year term loan (collectively, the Credit Facility). The Credit Facility has an unused commitment fee of 0.375%, matures in May 2008, and is secured by pledged capital stock and other equity interests of all operative Company subsidiaries except Oil-Chem. Interest is based, at the Company's option, upon (i) LIBOR plus 1.5% to 2.5% or (ii) 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). Outstanding borrowings under the revolving credit facility amounted to $50,000,000 at September 30, 2004 and $60,000,000 at December 31, 2003, and under the term loan amounted to $48,438,000 at September 30, 2004 and $50,000,000 at December 31, 2003. As of September 30, 2004, outstanding letters of credit amounted to $913,000, and the Company could borrow up to an additional $199,087,000 under the Credit Facility. Quarterly principal payments are due under the term loan as follows (for annual periods ending September 30): $7,813,000 in 2005, $12,500,000 in 2006, $14,063,000 in 2007 and $14,062,000 in 2008. The Company was in compliance with all applicable covenants as of September 30, 2004.

Senior Subordinated Notes - In May 2003, the Company completed a private placement of 6¾% 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. 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 NCS acquisition as further discussed in Note 1. The add-on notes were issued at par and net proceeds, after commissions and fees, approximated $98,250,000. The Company filed a registration statement in August 2004 to exchange these add-on notes for substantially identical notes registered under the Securities Act 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 redeemable at the Company's option at varying prices after June 1, 2008, and are guaranteed by all operative Company subsidiaries except Oil-Chem. Interest payments are due semi-annually on June 1 and December 1. 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 at any time on or after June 1, 2008 at annually declining redemption premiums, and on or before June 1, 2006, the Company may redeem up to 35% of the Senior Subordinated Notes with proceeds from certain equity offerings at a redemption premium. The Company was in compliance with all applicable covenants as of September 30, 2004.

The Credit Facility and Senior Subordinated Notes contain certain required 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, pledge of assets to any third party, transactions with affiliates, guarantees, asset sales, investments, distributions and redemptions. The Senior Subordinated Notes Indenture and Credit Facility agreements contain cross-default provisions. See Note 5 to the December 31, 2003 Consolidated Financial Statements for further information on the terms and conditions of the Credit Facility and the Senior Subordinated Notes.

Loss on Early Debt Redemption and Refinancing in Second Quarter 2003 - Loss on early debt redemption and refinancing in the nine months ended September 30, 2003 represents a charge associated with replacement of the Company's former bank revolving facility that was scheduled to mature in May 2004 and issuance of $230,000,000 in aggregate principal amount 6¾% Senior Subordinated Notes due 2013 in May 2003, and early redemption of $250,000,000 in aggregate principal amount 8½% Senior Subordinated Notes due 2007 (the Former Senior Subordinated Notes) in June 2003 at 104.25% of par value. The net redemption premium, associated unamortized net deferred loan costs, unamortized original issuance premium and gain recognition of a previously deferred cash flow hedge interest rate swap termination and settlement payment and transaction costs, all associated with the former debt arrangements, and aggregating approximately $12,800,000, before income taxes of $5,030,000, were reflected as a charge to earnings in the second quarter 2003.

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 two swaps are separately designated as cash flow and fair value hedges of the underlying fixed and variable rate debt obligations. The swaps have notional amounts, interest payments and maturity dates that match the underlying debt and meet the conditions for assuming no ineffectiveness using the short-cut method under SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities". Periodic settlements are reflected as adjustments to interest expense and included in financing activities in the statement of cash flows corresponding with the underlying hedged debt. 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 cash flow hedge, the Company pays a 3.54% fixed interest rate and receives a variable interest rate based on LIBOR, and under the fair value hedge, the Company pays a variable interest rate based on 1.97% over LIBOR and receives a 6.75% fixed interest rate, each on principal notional amounts of $50,000,000. The agreements provide for settlement every six months on June 1

and December 1, and expire in June 2008 and June 2013 corresponding with the underlying hedged debt terms. At September 30, 2004 and December 31, 2003, the Company has reflected net derivative assets (liabilities) for these hedges combined of approximately $349,000 and $(422,000), with $893,000 in assets and $432,000 in liabilities, and $(329,000) and $6,000 in other comprehensive income (loss), after income taxes (benefit) of $(215,000) and $4,000.

Subsidiary Guarantees - Amounts outstanding under the Credit Facility and Senior Subordinated Notes are guaranteed by all of SMI's operative subsidiaries except for one minor wholly-owned subsidiary, Oil-Chem. 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:	
	2004	2003	2004	2003
Gross interest costs	$ 6,676	$ 5,256	$16,488	$18,764
Less: capitalized interest costs	(208)	(133)	(1,055)	(1,131)
Interest expense	6,468	5,123	15,433	17,633
Interest income	(454)	(285)	(1,091)	(1,217)
Interest expense, net	$ 6,014	$ 4,838	$14,342	$16,416
Weighted-average interest rate on borrowings under bank revolving credit facility	3.2%	2.6%	3.2%	3.1%

As further discussed above, the Senior Subordinated Notes were issued on May 16, 2003 and the Former Senior Subordinated Notes were fully redeemed on June 15, 2003. The new notes were issued before redeeming the former notes because of a favorable interest rate environment and required redemption notice to Former Senior Subordinated Note holders by the Company. During May 16, 2003 to June 15, 2003, interest expense of $1,486,000, net of interest income of $180,000 earned on associated invested proceeds, was incurred on the Former Senior Subordinated Notes, along with interest expense on the Senior Subordinated Notes.

6. PER SHARE DATA - The following schedule reconciles basic and diluted earnings (loss) per share (dollars and shares in thousands):

	Three Months Ended September 30:		Nine Months Ended September 30:	
	2004	2003	2004	2003
Net income (loss) available to common stockholders and assumed conversion	$ (4,498)	$ 1,854	$60,114	$47,485
Weighted average common shares outstanding	43,468	42,528	43,211	42,422
Dilution effect of assumed conversions:				
Common stock equivalents - stock options	256	273	318	274
Weighted average common shares outstanding and assumed conversions	43,724	42,801	43,529	42,696
Basic earnings (loss) per share	$ (0.10)	$ 0.04	$ 1.39	$ 1.12
Diluted earnings (loss) per share	$ (0.10)	$ 0.04	$ 1.38	$ 1.11
Anti-dilutive common stock equivalent shares excluded in computing diluted earnings per share	47	141	61	203

Declaration of Cash Dividend - On October 4, 2004, the Company's Board of Directors approved an annual cash dividend of $0.31 per share of common stock aggregating approximately $13,538,000 payable on November 15, 2004 to shareholders of record as of November 1, 2004.

7. RELATED PARTY TRANSACTIONS

Notes and other receivables from affiliates at September 30, 2004 and December 31, 2003 include $998,000 and $979,000, 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, 2004 and December 31, 2003 include $2,833,000 and $3,764,000 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 Mr. Smith that it would no longer make payments under the split-dollar life insurance trust arrangements or advances for his benefit.

The Company has 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 before July 30, 2002. Notes and other receivables from affiliates at September 30, 2004 and December 31, 2003 include $5,909,000 and $6,051,000 due from Sonic Financial. 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, 2005, have been classified as noncurrent assets in the accompanying consolidated balance sheet. Changes in amounts due from December 31, 2003 in the preceding paragraphs primarily reflect increases for accrued interest on outstanding balances, and decreases from repayments by affiliates.

Notes and other receivables from affiliates at September 30, 2004 and December 31, 2003 also include $295,000 due from a corporation that is a Company affiliate through common ownership by the Company's Chairman and Chief Executive Officer. The amount due is payable on demand, is collateralized by certain personal property, and because the Company does not anticipate or require repayment before September 30, 2005, has been classified as noncurrent assets in the accompanying consolidated balance sheet. 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 affiliate.

Amounts payable to affiliate at September 30, 2004 and December 31, 2003 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% per annum. The remainder of the amount bears interest at prime plus 1%. The entire amount is classified as long-term based on expected repayment dates. 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 expense for 600 Racing approximated $49,000 each period for the three months ended September 30, 2004 and 2003, and $147,000 each period for the nine months ended September 30, 2004 and 2003. Rent expense for SMI Properties approximated $60,000 and $48,000 for the three months ended September 30, 2004 and 2003, and $173,000 and $147,000 for the nine months ended September 30, 2004 and 2003. 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, 2004 and December 31, 2003, there are no amounts owed to Chartown.

LVMS purchased new vehicles for employee use from Nevada Dodge, a former subsidiary of Sonic Automotive, Inc. (SAI), an entity in which the Company's Chairman and Chief Executive Officer is a controlling stockholder, director and officer, for approximately $297,000 and $245,000 in the nine months ended September 30, 2004 and 2003. Total purchases for the three months ended September 30, 2004 were not significant, and no vehicles were purchased in the three months ended September 30, 2003. The Company believes the purchase terms approximated market value and were no less favorable than could have been obtained in an arm's-length transaction with an unrelated third party.

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 $403,000 and $486,000 for the three months ended September 30, 2004 and 2003, and $1,200,000 and $1,539,000 for the nine months ended September 30, 2004 and 2003. At September 30, 2004 and December 31, 2003, Oil-Chem had $47,000 and $155,000 due from SAI. 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.

SAI and its dealerships frequently purchase various apparel items, which are screenprinted or embroidered with SAI and dealership logos, for its employees as part of internal marketing and sales promotions. Total purchases from SMI Properties and SMI Trackside by SAI and its dealerships approximated $40,000 and $208,000 for the three and nine months ended September 30, 2003. Total purchases for the three and nine months ended September 30, 2004 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. At September 30, 2004 and December 31, 2003, amounts due from SAI were not significant.

With respect to the foregoing transactions, interest expense accrued on amounts payable to, and interest income earned on amounts due from, affiliates for the three and nine months ended September 30, 2004 and 2003, is summarized as follows (in thousands):

	Three Months Ended September 30:		Nine Months Ended September 30:	
	2004	2003	2004	2003
Interest expense	$ 27	$ 27	$ 56	$ 83
Interest income	97	133	478	478

8. LEGAL PROCEEDINGS AND CONTINGENCIES

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

On February 8, 2000, Robert L. "Larry" Carrier filed a lawsuit against SMI and BMS in the Chancery Court for Sullivan County, Tennessee. This suit alleged that SMI and BMS interfered with the use of a leasehold property rented to the plaintiff by BMS. The complaint sought $15,000,000 in compensatory and $60,000,000 in punitive damages as well as injunctive relief. On October 11, 2002, the trial court entered a judgment against SMI and BMS for approximately $1,400,000 in damages plus costs. On February 19, 2003, the court entered into an amended judgment awarding approximately $2,400,000 to the plaintiff, and awarding BMS exclusive possession of the leased premises. A pre-tax charge to earnings of approximately $2,400,000 was reflected in 2002 for the litigation. The plaintiff and the Company appealed this judgment. On May 27, 2004, the Tennessee Court of Appeals reversed the trial court's award of damages against SMI and BMS and dismissed all of the plaintiff's claims. On July 26, 2004, the plaintiff filed an Application for Permission to Appeal with the Tennessee Supreme Court. The Tennessee Supreme Court has not yet determined whether to accept the plaintiff's request to appeal. Management does not believe the plaintiff's further efforts to appeal this matter will be successful, and therefore, reversed in the second quarter 2004 the previous

$2,400,000 pre-tax charge to earnings for this litigation which is included in other income for the nine months ended September 30, 2004.

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.

Through September 30, 2004, 103 individuals claiming injuries from the bridge failure on May 20, 2000, had filed a total of 48 separate lawsuits. Forty-four of these cases, involving 92 individuals, have been resolved by the defendants. 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 final federal lawsuits settled in September 2003. The defendants reached state court settlements in two lawsuits by two plaintiffs in January 2004, with claims being dismissed as to all defendants, including SMI and LMS. In addition, two state court lawsuits by two plaintiffs were dismissed in January and April 2004. No new lawsuits have been filed in this matter and no additional filings are anticipated.

All of the remaining lawsuits have been consolidated before one judge and are pending in Mecklenburg County. 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 of the 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. 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. On March 3, 2004, a verdict assessing damages against the defendants was entered by the Court in one lawsuit by two plaintiffs. The Company is vigorously defending itself in the remaining cases which are being tried solely on damages and are in discovery. 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 or future results of operations.

On February 13, 2002, Francis Ferko, as a shareholder of SMI, filed a lawsuit in the United States Federal Court for the Eastern District of Texas against NASCAR and International Speedway Corporation (ISC) alleging, among other things, that NASCAR and ISC unlawfully refused to award SMI a NASCAR NEXTEL (formerly Winston) Cup Series race date at TMS. The plaintiff demanded judgment against defendants NASCAR and ISC for a NEXTEL Cup race date at TMS, monetary damages and other relief. The Company was named as a necessary party to the lawsuit, since the lawsuit was brought on behalf of the Company by a shareholder. The Company did not assert any claim in this matter.

On May 14, 2004, the plaintiff, SMI, NASCAR and ISC entered into a settlement agreement to resolve this matter, which was approved by the Court on July 1, 2004 (the Ferko Settlement). As a result, the case was dismissed. As a part of the Ferko Settlement and NASCAR’s on-going NEXTEL Cup schedule realignment, TMS will host a second NEXTEL Cup race in November 2005. In addition, NASCAR added a second companion Busch Series race at TMS in November 2005. Also as a part of the Ferko Settlement, on July 2, 2004, SMI purchased substantially all of the assets and operations of the North Carolina Speedway located in Rockingham, North Carolina from ISC for approximately $100,400,000 in cash. In addition, applicable law requires the Company to reimburse the plaintiff for litigation expenses incurred in successfully bringing this suit on behalf of SMI. These and related litigation expenses totaling approximately $11,800,000 were paid in July 2004. See Note 10 for additional information.

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 that the Company's operations, including the landfills on our 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 adversely affect the Company's financial position or future results of operations.

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 or future results of operations.

9. STOCK COMPENSATION PLANS

New 2004 Stock Incentive Plan - The SMI 1994 Stock Option Plan (the 1994 Plan) will expire by its terms on December 21, 2004. In February 2004, the SMI Board of Directors adopted a new 2004 Stock Incentive Plan (the 2004 Plan) that was approved by stockholders at the 2004 Annual Meeting on April 21, 2004. The 2004 Plan allows SMI, among other things, to continue to provide equity-based incentives to, and continue to attract and retain, key employees, directors and other individuals providing services to the Company. Awards under the 2004 Plan may be in the form of incentive stock options, non-statutory stock options or restricted stock. Approval of the 2004 Plan did not amend or modify the 1994 Plan. SMI will continue to have the right to grant stock options under the 1994 Plan until its expiration in December 2004. Approval of the 2004 Plan did not, and termination of the 1994 Plan will not, adversely affect rights under any outstanding stock options previously granted under the 1994 Plan.

Under the 2004 Plan, 2,500,000 shares of SMI's 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.

The Company may be required to recognize compensation cost for restricted stock awards, if any, using the fair value method of accounting for stock-based employee compensation. Any compensation cost is not determinable until such time that restricted stock award amounts, prices and vesting provisions, among other factors, are known.

1994 Stock Option Plan - The Company granted options under the 1994 Stock Option Plan to purchase 10,000 shares of common stock to one outside director as of March 1, 2004 at an exercise price per share of $31.05 which equaled market value at date of grant.

Formula Stock Option Plan - The Company granted options under the Formula Stock Option Plan to purchase 10,000 shares of common stock to each of four outside directors as of January 2, 2004 at an exercise price per share of $28.77 which equaled market value at date of grant.

Employee Stock Purchase Plan – At the Company's 2004 Annual Meeting, stockholders voted to amend the SMI Employee Stock Purchase Plan to increase the authorized number of shares of common stock issuable thereunder from 400,000 to 800,000.

See Note 10 to the December 31, 2003 consolidated financial statements for additional information and terms of the Company's stock option plans.

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 the Company's events. "Event related revenue" includes amounts received from sponsorship fees, naming rights fees, commissions from food and beverage sales, souvenir sales, promotional and hospitality revenues, luxury suite rentals, broadcasting rights other than NASCAR broadcasting revenue, track rentals, and other event and speedway related revenue. "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 from The Speedway Club at LMS and The Texas Motor Speedway Club (together the Speedway Clubs), dining and entertainment facilities located at the respective speedways; from Legends Car operations of 600 Racing, Inc.; and industrial park rentals. The Company also derives additional revenue from Oil-Chem, which produces an environmentally-friendly micro-lubricant; and from SMI Properties and its wholly-owned subsidiaries, MBM, a wholesale and retail mail-order distributor of racing and other sports related souvenir merchandise and apparel, and from TSI, which develops electronic media promotional programming and is a wholesale and retail distributor of racing and other sports related souvenir merchandise and apparel.

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, 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 Speedway Clubs, Legends Car, industrial park rental, MBM, Oil-Chem, certain SMI Properties and TSI 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.

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 2004, the Company plans to conduct 17 major annual racing events sanctioned by NASCAR, including ten NEXTEL Cup and seven Busch Series racing events. The Company is also promoting two Indy Racing League (IRL) racing events, six NASCAR Craftsman Truck Series racing events, one Champ Car World Series (formerly known as CART) (CHAMP) racing event, 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. As a result, the Company's business has been, and is expected to remain, highly seasonal. In 2003, we derived a substantial portion of our total revenues from admissions, event related and NASCAR broadcasting revenue attributable to 17 major NASCAR-sanctioned racing events, two IRL racing events, five NASCAR Craftsman Truck Series racing events, four major NHRA racing events, and five WOO racing events.

Concentration of racing events in any particular quarter, and the growth in the Company's operations with attendant increases in overhead expenses, may tend to minimize operating income in certain 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, 2004 and 2003 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 2004 and 2003:

	Number of scheduled major NASCAR-sanctioned events	
	2004	2003
1st Quarter	5	7
2nd Quarter	6	4
3rd Quarter	2	2
4th Quarter	4	4
Total	17	17

RESULTS OF OPERATIONS

The more significant racing schedule changes that have occurred during the nine months ended September 30, 2004 as compared to 2003 include the following: AMS hosted a new NASCAR Craftsman Truck Series racing event in the first quarter 2004, TMS hosted a new IROC racing event in the second quarter 2004, and LVMS hosted a new Champ Car World Series (formerly known as CART) racing event in the third quarter 2004 whereby net event results are included in event related revenue.

Non-GAAP Financial Information. The following financial information is presented below using other than generally accepted accounting principles ("non-GAAP") and is reconciled to comparable information presented using GAAP. Non-GAAP net income and diluted earnings per share below are derived by adjusting GAAP basis amounts for certain items presented on the consolidated income statement net of income taxes. The non-GAAP financial information below is presented nowhere else in this Quarterly Report on Form 10-Q. Because the adjustments relate to charges for refinancing essentially all of the Company's long-term debt, the Ferko litigation settlement and the FTC settlement, management believes such information is useful and meaningful to investors, and is used by management, to assess the Company's core operations. This non-GAAP financial information may not be comparable to similarly titled measures used by other entities and should not be considered as alternatives to operating income (loss), net income (loss) or diluted earnings (loss) per share, which are determined in accordance with GAAP.

	Three Months Ended September 30:		Nine Months Ended September 30:	
	2004	2003	2004	2003
	(in thousands, except per share data)			
Net income (loss)	$ (4,498)	$ 1,854	$60,114	$47,485
Adjustments (net of taxes):				
Ferko litigation settlement [1]	7,163	—	7,163	—
Interim interest expense on debt redeemed, net [2]	—	—	—	902
Loss on early debt redemption and refinancing [3]	—	—	—	7,770
FTC refund claims settlement [4]	—	—	—	693
Non-GAAP net income	$ 2,665	$ 1,854	$67,277	$56,850
Diluted earnings (loss) per share	$ (0.10)	$ 0.04	$ 1.38	$ 1.11
Non-GAAP adjustments:				
Ferko litigation settlement [1]	0.16	—	0.16	—
Interim interest expense on debt redeemed [2]	—	—	—	0.02
Loss on early debt redemption and refinancing [3]	—	—	—	0.18
FTC refund claims settlement [4]	—	—	—	0.02
Non-GAAP diluted earnings per share	$ 0.06	$ 0.04	$ 1.54	$ 1.33

(1) Ferko litigation settlement represents a third quarter 2004 charge to earnings for litigation and related settlement expenses associated with a settlement agreement between SMI, NASCAR and ISC to resolve a lawsuit filed by Francis Ferko, as a shareholder of SMI, against NASCAR and ISC. The Company was named as a necessary party to the lawsuit, since the lawsuit was being brought on behalf of the Company by a shareholder. Also, applicable law required SMI to reimburse the

plaintiff for litigation expenses incurred in successfully bringing this suit on behalf of SMI. See Note 1 to the Consolidated Financial Statements for additional information.

(2) Interim interest expense on debt redeemed, net represents interest expense incurred on the 8½% Former Senior Subordinated Notes between May 16, 2003, issuance date of the 6¾% Senior Subordinated Notes, and June 15, 2003, redemption date of the Former Senior Subordinated Notes, net of interest income earned on associated invested proceeds during this period. The new notes were issued before redemption of the former notes because of a favorable interest rate environment and required redemption notice to Former Senior Subordinated Note holders by the Company. See Note 5 to the Consolidated Financial Statements for additional information.

(3) Loss on early debt redemption and refinancing represents a second quarter 2003 charge to earnings associated with replacement of the former bank credit facility that was maturing in May 2004 and issuance of the 6¾% Senior Subordinated Notes in May 2003, and redemption of the 8½% Former Senior Subordinated Notes in June 2003. The second quarter 2003 charge consisted of net redemption premium, associated unamortized net deferred loan costs, unamortized original issuance premium and gain recognition of a previously deferred cash flow hedge interest rate swap termination and settlement payment and transaction costs, all associated with the former debt arrangements. See Note 5 to the Consolidated Financial Statements for additional information.

(4) FTC refund claims settlement represents a second quarter 2003 charge to earnings for refund claims paid under a litigation settlement reached between the Federal Trade Commission ("FTC") and SMI and Oil-Chem and associated costs of refund processing. See Note 1 to the Consolidated Financial Statements for additional information.

Three Months Ended September 30, 2004 Compared To Three Months Ended September 30, 2003

Total Revenues for the three months ended September 30, 2004 increased by $7.0 million, or 10.9%, over such revenues for the same period in 2003 due to the factors discussed below.

Admissions for the three months ended September 30, 2004 increased by $1.8 million, or 7.6%, over such revenue for the same period in 2003. This increase is due primarily to continued growth in attendance at NASCAR-sanctioned racing events held at BMS, and to a lesser extent, increased attendance at a NASCAR-sanctioned Craftsman Truck Series race held at LVMS, in the current period.

Event Related Revenue for the three months ended September 30, 2004 increased by $2.4 million, or 11.4%, over such revenue for the same period in 2003. This increase is due primarily to increased event related revenues associated with NASCAR-sanctioned racing events held at BMS, and to LVMS hosting a new Champ Car World Series (formerly known as CART) race in the current period.

NASCAR Broadcasting Revenue for the three months ended September 30, 2004 increased by $2.0 million, or 21.3%, over such revenue for the same period in 2003. This increase is due primarily 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, 2004 increased by $739,000, or 7.8%, over such revenue for the same period in 2003. This increase is due primarily to current period revenues of TSI acquired in August 2003, which was partially offset by lower Oil-Chem revenues in the current period.

Direct Expense of Events for the three months ended September 30, 2004 increased by $719,000, or 4.5%, over such expense for the same period in 2003. This increase is due primarily to higher operating costs associated with the growth in attendance at NASCAR-sanctioned racing events held at BMS in the current period.

NASCAR Purse and Sanction Fees for the three months ended September 30, 2004 increased by $943,000, or 11.6%, over such expense for the same period in 2003. 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, 2004 increased by $1.4 million, or 17.7%, over such expense for the same period in 2003. This increase is due primarily to operating costs associated with current period revenues of TSI acquired in August 2003, which was partially offset by decreased advertising and other operating costs associated with lower Oil-Chem revenues in the current period.

General and Administrative Expense for the three months ended September 30, 2004 increased by $2.1 million, or 14.0%, over such expense for the same period in 2003. This increase is due primarily to increased operating costs associated with growth and expansion at the Company's speedways and operations and with TSI acquired in August 2003, and to repair costs for storm damage at AMS.

Depreciation and Amortization Expense for the three months ended September 30, 2004 increased by $79,000, or 0.9%, over such expense for the same period in 2003. This increase is due primarily to increased depreciation expense from additions to property and equipment at the Company's speedways.

Interest Expense, Net for the three months ended September 30, 2004 was $6.0 million compared to $4.8 million for the same period in 2003. This increase is due primarily to the $100.0 million add-on offering to the $230.0 million 6¾% Senior Subordinated Notes in July 2004. The overall increase was partially offset by lower average outstanding borrowings under the bank revolving credit facility and increased interest income earned on higher average invested cash balances during the current period.

Ferko Litigation Settlement of $11.8 million for the three months ended September 30, 2004 represents a charge to earnings for litigation and related settlement expenses associated with a settlement agreement between SMI, NASCAR and ISC to resolve a lawsuit filed by Francis Ferko, as a shareholder of SMI, against NASCAR and ISC. The Company was named as a necessary party to the lawsuit, since the lawsuit was being brought on behalf of the Company by a shareholder. Also, applicable law required SMI to reimburse the plaintiff for litigation expenses incurred in successfully bringing this suit on behalf of SMI. The third quarter 2004 pretax charge of $11.8 million, before income taxes of $4.6 million, reduced basic and diluted earnings per share for 2004 by $0.16. See Note 1 to the Consolidated Financial Statements for additional information.

Other Expense (Income), Net. Other income, net for the three months ended September 30, 2004 was $582,000 compared to other expense, net of $233,000 for the same period in 2003. This change is due primarily to a gain recognized on sale of AMS land in the current period. The remainder of the change was due to a combination of individually insignificant items.

Income Tax Provision (Benefit) . The Company's effective income tax rate for the three months ended September 30, 2004 and 2003 was 39.3%.

Net Income (Loss) was a net loss of $4.5 million for the three months ended September 30, 2004 compared to net income of $1.9 million for the same period in 2003. This change is due to the factors discussed above.

Nine Months Ended September 30, 2004 Compared To Nine Months Ended September 30, 2003

Total Revenues for the nine months ended September 30, 2004 increased by $38.1 million, or 11.9%, over such revenues for the same period in 2003 for the factors discussed below.

Admissions for the nine months ended September 30, 2004 increased by $7.1 million, or 5.8%, over such revenue for the same period in 2003. This increase is due primarily to continued growth in admissions at NASCAR-sanctioned racing events held at AMS, BMS, IR, LVMS and TMS, and to a lesser extent, AMS hosting a new NASCAR-sanctioned Craftsman Truck Series racing event and TMS hosting a new IROC racing event, in the current period. The overall increase was partially offset by lower admissions at NASCAR-sanctioned racing events held at LMS in the current period.

Event Related Revenue for the nine months ended September 30, 2004 increased by $7.9 million, or 8.0%, over such revenue for the same period in 2003. This increase is due primarily to increased sponsorship, camping and other event related revenues associated with the growth in admissions at NASCAR-sanctioned racing events held at AMS, BMS, IR, LVMS and TMS in the current period. The increase was also due, to a lesser extent, to LVMS hosting a new CHAMP race in the current period.

NASCAR Broadcasting Revenue for the nine months ended September 30, 2004 increased by $15.7 million, or 21.5%, over such revenue for the same period in 2003. 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, 2004 increased by $7.3 million, or 28.0%, over such revenue for the same period in 2003. This increase is due primarily to current period revenues of TSI acquired in August 2003, and to a lesser extent, an increase in Legends Car revenues. The overall increase was partially offset by lower Oil-Chem revenues in the current period.

Direct Expense of Events for the nine months ended September 30, 2004 increased by $4.3 million, or 7.2%, over such expense for the same period in 2003. This increase is due primarily to higher operating costs associated with the growth in admissions and other event related revenues at NASCAR-sanctioned racing events held at AMS, BMS, IR, LMS, LVMS and TMS in the current period. The increase also reflects higher advertising costs and new taxes on certain admission and other event related revenues in the current period.

NASCAR Purse and Sanction Fees for the nine months ended September 30, 2004 increased by $7.2 million, or 12.9%, over such expense for the same period in 2003. This increase is due primarily to higher annual contractual race purses and sanctioning fees for NASCAR-sanctioned racing events, and to a lesser extent, the new NASCAR Craftsman Truck Series racing event at AMS, held in the current period.

Other Direct Operating Expense for the nine months ended September 30, 2004 increased by $7.3 million or 31.6%, over such expense for the same period in 2003. This increase is due primarily to operating costs associated with current period revenues of TSI acquired in August 2003, and to a lesser extent, increased Legends Car revenues. The overall increase was partially offset by decreased advertising and other operating costs associated with lower Oil-Chem revenues in the current period.

General and Administrative Expense for the nine months ended September 30, 2004 increased by $4.9 million, or 10.7%, over such expense for the same period in 2003. This increase is due primarily to increased operating costs associated with growth and expansion at the Company's speedways and operations, and with TSI acquired in August 2003. The overall increase was partially offset by decreased legal costs associated with the FTC litigation settlement with Oil-Chem in March 2003 and other legal matters.

Depreciation and Amortization Expense for the nine months ended September 30, 2004 increased by $930,000, or 3.6%, over such expense for the same period in 2003. This increase is due primarily to increased depreciation expense from additions to property and equipment at the Company's speedways.

Interest Expense, Net for the nine months ended September 30, 2004 was $14.3 million compared to $16.4 million for the same period in 2003. As discussed further below, interest expense for the nine months ended September 30, 2003 includes $1.5 million of net interim interest expense on debt redeemed. This decrease also reflects the lower interest rate on the Senior Subordinated Notes issued in May 2003 compared to the Former Senior Subordinated Notes, and to a lesser extent, lower average outstanding borrowings under the bank revolving credit facility and increased interest income earned on higher average invested cash balances during the current period. The overall decrease was partially offset by the $100.0 million add-on offering to the $230.0 million 6¾% Senior Subordinated Notes in July 2004, and to a lesser extent, lower outstanding notes receivable during the current period.

Net interim interest expense on debt redeemed represents interest expense incurred on the Former Senior Subordinated Notes between May 16, 2003, issuance date of the Senior Subordinated Notes, and June 15, 2003, redemption date of the Former Senior Subordinated Notes, net of interest income earned on associated invested proceeds during the interim period. The new notes were issued before redemption of the former notes because of a favorable interest rate environment and required redemption notice to Former Senior Subordinated Note holders by the Company. See Note 5 to the Consolidated Financial Statements for additional information.

Ferko Litigation Settlement of $11.8 million for the nine months ended September 30, 2004 represents a charge to earnings for litigation and related settlement expenses associated with a settlement agreement between SMI, NASCAR and ISC to resolve a lawsuit filed by Francis Ferko, as a shareholder of SMI, against NASCAR and ISC. The Company was named as a necessary party to the lawsuit, since the lawsuit was being brought on behalf of the Company by a shareholder. Also, applicable law required SMI to reimburse the plaintiff for litigation expenses incurred in successfully bringing this suit on behalf of SMI. The third quarter 2004 charge of $11.8 million, before income taxes of $4.6 million, reduced basic and diluted earnings per share for 2004 by $0.16. See Note 1 to the Consolidated Financial Statements for additional information.

Loss on Early Debt Redemption and Refinancing of $12.8 million for the nine months ended September 30, 2003 represents a charge associated with replacement of the former bank credit facility and issuance of the Senior Subordinated Notes in May 2003, and redemption of the Former Senior Subordinated Notes in June 2003 at 104.25% of par value. The net redemption premium, associated unamortized net deferred loan costs, unamortized original issuance premium and recognition of a previously deferred gain from a cash flow hedge interest rate swap termination payment and transaction costs, all associated with the former debt arrangements, and aggregating approximately $12.8 million, before income taxes of $5.0 million, were reflected as a charge to earnings in the second quarter 2003. The charge reduced basic and diluted earnings per share for 2003 by $0.18. See Note 5 to the Consolidated Financial Statements for additional information.

FTC Refund Claims Settlement for the nine months ended September 30, 2003 represents a charge to earnings for refund claims paid under a litigation settlement reached between the FTC, SMI and Oil-Chem on March 20, 2003, and associated costs of refund processing. As part of the settlement, SMI and Oil-Chem offered a pro rata purchase price refund to certain customers who purchased zMax Power System before January 31, 2001. Under the settlement terms, aggregate refunds payable by SMI and Oil-Chem are not to exceed $1.0 million. Customer refund requests received have exceeded the maximum settlement payment. As such, refund payments aggregate $1.0 million plus associated expenses. See Note 2 to the Consolidated Financial Statements for additional information.

Other Expense (Income), Net. Other income, net for the nine months ended September 30, 2004 was $2.8 million compared to other expense, net of $486,000 for the same period in 2003. The change results primarily from current period recovery of a $2.4 million pre-tax charge to earnings previously recorded in 2002 for litigation associated with BMS. This recovery was recorded based on recent Court reversal of the 2002 decision that awarded damages and dismissal of claims against the Company upon successful appeal (see Note 1 to the Consolidated Financial Statements for additional information). This change is also due to a gain recognized on sale of AMS land in the current period, and to recognizing a loss on disposal of equipment damaged at TMS in the same period in 2003. No such losses were recognized in the current period. The remainder of the change was due to a combination of individually insignificant items.

Income Tax Provision . The Company's effective income tax rate for the nine months ended September 30, 2004 and 2003 was 39.4% and 39.3%.

Net Income for the nine months ended September 30, 2004 increased by $12.6 million, or 26.6%, over such income for the same period in 2003. 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. The Company expended significant amounts of cash in the nine months ended September 30, 2004 for improvements and expansion at its speedway facilities and the acquisition of NCS. Significant changes in the Company's financial condition and liquidity during the nine months ended September 30, 2004 resulted primarily from:

(1) net cash generated by operations amounting to $120.2 million, including a decrease in prepaid and other current assets of $13.0 million and in deferred race event income of $14.0 million, and an increase in accrued income taxes of $21.4 million;

(2) borrowings under long-term debt, principally to finance the NCS business acquisition, amounting to $100.1 million;

(3) cash outlays for capital expenditures amounting to $53.2 million; and

(4) cash outlays for the NCS business acquisition amounting to $100.5 million.

Cash flows from operations in the nine months ended September 30, 2004 compared to 2003 were also impacted by recovery of certain other current assets upon resale in 2004.

At September 30, 2004, the Company had cash and cash equivalents totaling $203.9 million and had $50.0 million in outstanding borrowings under the $250.0 million revolving component of the Credit Facility, with available additional borrowings of up to $199.1 million. At September 30, 2004, net non-current deferred income tax liabilities totaled $149.5 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 deferred income tax liabilities could negatively impact cash flows from operations in the years in which reversal occurs.

The Company had the following contractual cash obligations and other commercial commitments as of September 30, 2004 (in thousands):

		Payments Due By Period			
Contractual Cash Obligations [1]	**Total**	**Current**	**1-3 Years**	**3-5 Years**	**Thereafter**
Current liabilities, excluding current maturities of long-term debt and deferred race event income	$ 61,467	$61,467	—	—	—
Long-term debt, including current maturities [2]	428,749	7,989	$26,668	$64,092	$330,000
Payable to affiliate	2,594	—	—	—	2,594
Other liabilities	2,842	—	—	—	2,842
Operating leases	4,302	784	1,558	1,558	402
Total Contractual Cash Obligations	$499,954	$70,240	$28,226	$65,650	$335,838

		Commitment Expiration By Period			
Other Commercial Commitments	**Total**	**Current**	**1-3 Years**	**3-5 Years**	**Thereafter**
Letters of credit, Total Other Commercial Commitments	$ 913	$ 913	—	—	—

(1) Contractual cash obligations above exclude: (a) interest payments under debt obligations, including the Senior Subordinated Notes and the Credit Facility. In the nine months ended September 30, 2004, cash paid for interest, net of amounts capitalized, approximated $15.8 million; (b) income taxes that may be paid in future years. In the nine months ended September 30, 2004, cash paid for income taxes approximated $18.5 million; and (c) any impact for likely future reversal of net deferred income tax liabilities when reversal occurs.

(2) Includes required quarterly principal payments under the Term Loan aggregating (for annual periods ending September 30): $7.8 million in 2005, $12.5 million in 2006, $14.1 million in 2007 and $14.0 million in 2008.

Future Liquidity. 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 2004 and into 2005, including planned capital expenditures and payment of any future dividends that may be declared. Based upon anticipated future growth and financing requirements, the Company may, from time to time, obtain 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 the Senior Subordinated Notes, and as the Board of Directors, in its sole discretion, may consider relevant. While the Company expects to continue to generate positive cash flows from its existing speedway operations, and has generally experienced improvement in its financial condition, liquidity and credit availability, additional liquidity resources, as well as possibly others, could be needed to fund the Company's continued growth, including the continued expansion and improvement of its speedway and other facilities.

Senior Subordinated Notes. The Senior Subordinated Notes mature on June 1, 2013 and interest is paid semi-annually on 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. On or before June 1, 2006, the Company may redeem up to 35% of the Senior Subordinated Notes with the proceeds from certain equity offerings at a redemption premium. In the event of a change of control, we 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; issue subsidiary dividends or other payments; 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.

Credit Facility . The Credit Facility consists of a senior revolving facility (the Revolving Facility) and term loan (the Term Loan) provided by a syndicate of banks led by Bank of America, N.A. as an agent and lender. The Revolving Facility provides for borrowings in an aggregate principal amount of up to $250.0 million, and includes a sub-limit of $10.0 million for standby letters of credit and a sub-limit of $10.0 million for borrowings under 15-day swing line loans. The Credit Facility matures in May 2008. 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. The Term Loan is in the aggregate principal amount of $50.0 million, which is being amortized by quarterly payments beginning in 2004 through final maturity in 2008. The Credit Facility contains a number of financial affirmative and negative covenants. Financial covenants require maintenance of 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 dividends, and require the Company to maintain a minimum net worth. Negative covenants restrict, among other things, the incurrence and existence of liens, the making of investments, restricted payments, including 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 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. The Credit Facility also allows for payment of dividends and repurchase of SMI securities aggregating up to $17.5 million annually, increasable in future years subject to maintaining certain financial covenants.

July 2004 Litigation Settlement, Purchase of North Carolina Speedway and Issuance of Senior Subordinated Notes. On July 1, 2004, as part of settling the "Ferko" shareholder lawsuit as further described in Note 1 to the Consolidated Financial Statements, the Company acquired certain tangible and intangible assets and operations of North Carolina Speedway for approximately $100.4 million in cash plus acquisition costs. Also, applicable law required SMI to reimburse the plaintiff for litigation expenses incurred in successfully bringing this suit on behalf of SMI. These and related settlement expenses approximating $11.8 million were paid in cash in July 2004. Intangible assets acquired were principally non-amortizable race event sanctioning and renewal agreements with NASCAR for one annual NEXTEL Cup and Busch Series racing event. Under those sanctioning and renewal agreements, management intends to conduct a second NEXTEL Cup and Busch Series racing event at TMS beginning in November 2005. NCS operations presently consist principally of track rentals. Management's plans or intentions with respect to other future use or operations of NCS have not yet been determined. At this time, no NASCAR-sanctioned races are scheduled to be held at NCS in 2004 or beyond. Management anticipates that the increased add-on debt interest payments and working capital requirements for NCS operations, if any, will be largely funded by advance ticket and other event related revenues associated with these new NASCAR NEXTEL Cup and Busch Series races at TMS.

The acquisition was funded with proceeds from a private placement, on July 7, 2004, of a $100.0 million add-on offering to the $230 million 6¾% Senior Subordinated Notes due 2013 issued in May 2003 and approximately $13.9 million in cash on hand. The add-on notes were issued at par and net proceeds, after commissions and fees, approximated $98.3 million. The Company filed a registration statement in August 2004 to exchange these add-on notes for a new substantially identical debt securities issue registered under the Securities Act 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.

Capital Expenditures

Management believes significant growth in the Company's revenues depends, in large 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, 2004, the Company had various construction projects underway to increase and improve facilities for fan amenities and make other site improvements at its speedways. In 2004, the Company completed construction of approximately 14,000 new permanent seats at LVMS, substantially completed renovating and modernizing LMS's infield garages, media center, scoring towers and other facilities, is installing "SAFER" crash walls at several of its speedways, and is completing construction of new administration and marketing facilities at BMS. Similar to prior years, the Company continues to expand concessions, camping, restrooms and other fan amenities for the convenience, comfort and enjoyment of fans at several of its speedways. The Company also plans to continue improving and expanding on-site roads and available parking, reconfiguring traffic patterns and entrances to ease congestion and improve traffic flow particularly at IR, and at other Company speedways.

The estimated aggregate cost of capital expenditures approximate $65.0 million in 2004 and $50.0-$60.0 million in 2005. 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;
- 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 affect the ultimate cost.

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 Legends Cars and Oil-Chem products and markets and the expansion into 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. The Credit Facility allows for payment of dividends and repurchase of SMI securities aggregating up to $17.5 million annually, increasable in future years 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 4, 2004, the Company's Board of Directors approved an annual cash dividend of $0.31 per share of common stock aggregating approximately $13.5 million payable on November 15, 2004 to shareholders of record as of November 1, 2004.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any 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 the Company's financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources.

RECENTLY ISSUED ACCOUNTING STANDARDS

In January 2003, FASB Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities" was issued which, among other things, provides guidance on identifying variable interest entities (VIE) and determining when assets, liabilities, noncontrolling interests, and operating results of a VIE should be included in a company's consolidated financial statements, and also requires additional disclosures by primary beneficiaries and other significant variable interest holders. In December 2003, the FASB issued a revision of FIN 46 (FIN 46R) to clarify certain provisions and exempt certain entities from its requirements. The Company presently does not hold an interest in a variable interest entity; therefore, application of FIN 46 and FIN 46R has not affected the Company's financial statements or disclosures.

NEAR-TERM OPERATING FACTORS

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

- *July 2004 Litigation Settlement, Purchase of North Carolina Speedway and Issuance of Senior Subordinated Notes* . As discussed in "Liquidity and Capital Resources" above and Note 1 to the Consolidated Financial Statements, the Company acquired certain tangible and intangible assets and operations of North Carolina Speedway for approximately $100.4 million in cash as part of the "Ferko" shareholder lawsuit settlement. The acquisition was funded with proceeds from a July 2004 $100.0 million add-on offering to the $230 million 6¾% Senior Subordinated Notes issued in May 2003. The terms of the add-on notes are identical to those Senior Subordinated Notes issued in May 2003.

Intangible assets acquired were principally non-amortizable race event sanctioning and renewal agreements with NASCAR for one annual NEXTEL Cup and Busch Series racing event which management intends to conduct at TMS beginning in November 2005. NCS operations presently consist principally of track rentals. Management's plans or intentions with respect to other future use or operations of NCS have not yet been determined. At this time, no NASCAR-sanctioned races are scheduled to be held at NCS in 2004 or beyond. Management anticipates that the increased add-on debt interest payments and working capital requirements for NCS operations, if any, will be largely funded by advance ticket and other event related revenues associated with these new NASCAR NEXTEL Cup and Busch Series races at TMS.

- *Current Operating Trends* . We believe NASCAR may implement rules changes in 2005 for the NASCAR NEXTEL Cup Series and possibly introduce a new prototype car in 2006 that should increase competition on the speedways. While 2004 television ratings for the NASCAR NEXTEL Cup Series are approximately equal with the prior year, the trends for television ratings during "The Chase for the Cup" – the last ten races of the season—are encouraging. We believe these rating increases bode well for negotiation of the NASCAR broadcast contracts, which generally expire after 2006. These broadcasting contracts Sponsorship and camping revenue have been positive during 2004 and are showing favorable trends for 2005. Ticket sales for our 2005 NASCAR NEXTEL Cup events at BMS, IR, LVMS and TMS are higher than ticket sales at the same time in 2004, while such ticket sales at AMS and LMS approximately equal ticket sales at the same time in 2004.

The national incidents of September 11, 2001, along with the Iraq war and code orange 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. Those factors, in a challenging economy, continue to affect consumer and corporate spending sentiment. Economic conditions and the competitiveness of racing can affect ticket and other sales. Management believes long-term ticket demand, including corporate marketing and promotional spending, should continue to grow. However, certain near-term revenues, particularly to corporate customers, may be adversely impacted by these and other factors. The Company decided not to increase many ticket and concession prices in 2004 to help foster fan support and mitigate any near-term demand weakness.

- *NASCAR Broadcasting Rights Agreement.* Fiscal 2004 is the Company's fourth year under the multi-year consolidated domestic television broadcast rights agreement for NASCAR NEXTEL (formerly Winston) Cup and Busch Series events. This agreement is expected to provide the Company with future increases in contracted broadcasting revenues. Total revenues under this domestic

broadcast rights agreement, based on the current race schedule, are contracted for approximately $110 million in 2004, reflecting an increase of approximately $19 million or 21% over 2003. 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. Purse and sanction fees are negotiated with NASCAR on an annual basis.

- *Other Operating Revenue* . The Company 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 broadcasters 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 the Company's non-event products and outside venues. The Company's ability to compete successfully depends on a number of factors both within and outside its 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 the Company's 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. Also, the Company may, from time to time, expand its business involving bulk commodity transactions on a fixed or hedged price basis utilizing cash or letters of credit issued by recognized financial institutions. Such commodity transaction revenues could become significant, although resulting profit margins could be less than those on existing operations.
- *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 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, generally located near highly populated cities, and which 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 in fiscal 2003 and 2004, 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 can not 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 the Company's financial position and future results of operations if asset damage and/or its liability were to exceed insurance coverage limits. The occurrence of additional national 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 has and may further increase its self-insurance limits which could subject the Company to increased risk of loss should the number of incidents, damages, causalities or other claims below such self-insured limits increase. While management believes it has reasonable self-insurance limits in place, management can not 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.
- *Litigation Costs* . As discussed in "Legal Proceedings" and Note 8 to the Consolidated Financial Statements, the Company is involved in various litigation for which significant legal costs were incurred in 2003 and 2004. The Company intends to defend vigorously against the claims raised in existing legal actions, and may continue to incur significant legal costs in 2004 and 2005. Management is presently unable to quantify the amount of these expected legal costs, and new legal action or changes in pending or threatened legal action against the Company could result in further increases in legal costs.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk. The Company's financial instruments with market risk exposure consist only of notes receivable, bank revolving credit facility borrowings, the term loan under the Credit Facility and two interest rate swaps that are sensitive to changes in interest rates. A change in interest rates of one percent on floating rate notes receivable and debt balances outstanding at September 30, 2004, excluding the interest rate swaps, would cause a change in annual interest income of approximately $163,000 and annual interest expense of approximately $98,000.

As discussed in Note 5 to the Consolidated Financial Statements, the Company's two interest rate swap transactions are separately designated as cash flow and fair value hedges of underlying fixed and variable rate debt obligations. The swaps have principal notional amounts of $50.0 million, provide for settlement every six months beginning on December 1, 2003, and expire in June 2008 and June 2013 corresponding with the underlying hedged debt terms. At September 30, 2004 and December 31, 2003, the net estimated fair market value (liability) of these hedges combined is $349,000 and $(422,000).

Equity Price Risk . The Company's marketable equity securities are included in other noncurrent assets and are classified as "available for sale." Such investments are subject to price risk, which the Company attempts to minimize generally through portfolio diversification.

As of and during the nine months ended September 30, 2004, there have been no other significant changes in the Company's interest rate risk or equity price risk.

Item 4. Controls and Procedures

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, 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 2004 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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. 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 or future results of operations.

On February 8, 2000, Robert L. "Larry" Carrier filed a lawsuit against SMI and BMS in the Chancery Court for Sullivan County, Tennessee. This suit alleged that SMI and BMS interfered with the use of a leasehold property rented to the plaintiff by BMS. The complaint sought $15 million in compensatory and $60 million in punitive damages as well as injunctive relief. On October 11, 2002, the trial court entered a judgment against SMI and BMS for approximately $1.4 million in damages plus costs. On February 19, 2003, the court entered into an amended judgment awarding approximately $2.4 million to the plaintiff, and awarding BMS exclusive possession of the leased premises. A pre-tax charge to earnings of approximately $2.4 million was reflected in 2002 for the litigation. The plaintiff and the Company appealed this judgment. On May 27, 2004, the Tennessee Court of Appeals reversed the trial court's award of damages against SMI and BMS and dismissed all of the plaintiff's claims. On July 26, 2004, the plaintiff filed an Application for Permission to Appeal with the Tennessee Supreme Court. The Tennessee Supreme Court has not yet determined whether to accept the plaintiff's request to appeal. Management does not believe the plaintiff's further efforts to appeal this matter will be successful, and therefore, reversed in the second quarter 2004 the previous $2.4 million pre-tax charge to earnings for this litigation which is included in other income for the nine months ended September 30, 2004.

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.

Through September 30, 2004, 103 individuals claiming injuries from the bridge failure on May 20, 2000, had filed a total of 48 separate lawsuits. Forty-four of these cases, involving 92 individuals, have been resolved by the defendants. 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 final federal lawsuits settled in September 2003. The defendants reached state court settlements in two lawsuits by two plaintiffs in January 2004, with claims being dismissed as to all defendants, including SMI and LMS. In addition, two state court lawsuits by two plaintiffs were dismissed in January and April 2004. No new lawsuits have been filed in this matter and no additional filings are anticipated.

All of the remaining lawsuits have been consolidated before one judge and are pending in Mecklenburg County. 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 of the 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. 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. On March 3, 2004, a verdict assessing damages against the defendants was entered by the Court in one lawsuit by two plaintiffs. The Company is vigorously defending itself in the remaining cases which are being tried solely on damages and are in discovery. 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 or future results of operations.

On February 13, 2002, Francis Ferko, as a shareholder of SMI, filed a lawsuit in the United States Federal Court for the Eastern District of Texas against NASCAR and International Speedway Corporation (ISC) alleging, among other things, that NASCAR and ISC unlawfully refused to award SMI a NASCAR NEXTEL (formerly Winston) Cup Series race date at TMS. The plaintiff demanded judgment against defendants NASCAR and ISC for a NEXTEL Cup race date at TMS, monetary damages and other relief. The Company was named as a necessary party to the lawsuit, since the lawsuit was brought on behalf of the Company by a shareholder. The Company did not assert any claim in this matter. On May 14, 2004, the plaintiff, SMI, NASCAR and ISC entered into a settlement agreement to resolve this matter, which was approved by the Court on July 1, 2004 (the Ferko Settlement). As a result, the case was dismissed. As a part of the Ferko Settlement and NASCAR's on-going NEXTEL Cup schedule realignment, TMS will host a second NEXTEL Cup race in November 2005. In addition, NASCAR added a second companion Busch Series race at TMS in November 2005. Also as a part of the Ferko Settlement, on July 2, 2004, SMI purchased substantially all of the assets and operations of the North Carolina Speedway located in Rockingham, North Carolina from ISC for approximately $100.4 million in cash. In addition, applicable law requires the Company to reimburse the plaintiff for litigation expenses incurred in successfully bringing this suit on behalf of SMI. These and related litigation expenses totaling approximately $11.8 million were paid in July 2004.

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 that the Company's operations, including the landfills on our 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 adversely affect the Company's financial position or future results of operations.

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

Item 6. Exhibits

Exhibits filed during the fiscal quarter covered by this Form 10-Q are as follows:

(a)

Exhibit Number	Description
10.1	Asset Purchase Agreement, effective July 1, 2004, among Speedway TBA, Inc. and North Carolina Speedway, Inc.
31.1	Certification of Mr. O. Bruton Smith pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Mr. William R. Brooks pursuant to 18 U.S.C. Section 1350, as adopted 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.

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SIGNATURES

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

SPEEDWAY MOTORSPORTS, INC.
(Registrant)

Date: November 4, 2004

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

Date: November 4, 2004

By: /s/ William R. Brooks
William R. Brooks
Executive Vice President, Chief Financial Officer, Treasurer and Director
(principal financial and accounting officer)

SPEEDWAY MOTORSPORTS, INC. AND SUBSIDIARIES

EXHIBIT INDEX

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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.

Exhibit 10.1

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT , dated as of May 11, 2004 (the " **Agreement** "), is by and among **SPEEDWAY TBA, INC.** , a North Carolina corporation (" **Buyer** "), and **NORTH CAROLINA SPEEDWAY, INC.** , a North Carolina corporation (" **Seller** ").

RECITALS

WHEREAS , the parties hereto desire for Seller to sell, and Buyer to purchase, the Assets (as that term is hereinafter defined) on the terms and subject to the conditions set forth below.

NOW, THEREFORE , in consideration of the mutual covenants and agreements hereinafter set forth, and other good and valuable consideration the receipt of which is hereby acknowledged, the Parties hereby agree, intending to be legally bound, as follows:

ARTICLE I- DEFINITIONS

1.1 Definitions The following terms have the meanings specified or referred to in this Section 1.1 and shall be equally applicable to both the singular and plural forms.

" **Affiliate** " means, with respect to any Person, any other Person which directly or indirectly controls, is controlled by or is under common control with such Person.

" **Assets** " means all of the right, title and interest of Seller in, to and under all of the tangible and intangible assets used in the Business, including, without limitation, the following:

(a) the Real Property;

(b) all of the inventory and supplies listed on Schedule 1.1(a) ;

(c) all of the fixed assets listed on Schedule 1.1(b) ;

(d) all Contracts;

(e) all Seller Intellectual Property;

(f) all rights, claims or causes of action of Seller against third parties (other than Affiliates of Seller) relating to the assets, properties, business or operations of the Business and arising out of transactions occurring prior to the Closing Date;

(g) all promotional materials and memorabilia relating to the assets, properties or Business of the Seller;

(h) all books and records (including all data and other information stored on discs, tapes or other media, correspondence and similar documents and records) relating exclusively to the Business; and

(i) all other intangible rights and property of Seller, including goodwill, customer lists (in the form described in Section 4.2(j) below), telephone, telex and facsimile numbers, email and domain names and addresses, and other directory listings and addresses utilized by Seller in connection with the Business.

provided, however, that notwithstanding any of the foregoing, the "Assets" shall not include any of the Excluded Assets.

" Business " means the business of operating a motorsports facility at the Real Property.

" **Business Day** " means a day other than a Saturday, Sunday or other day on which commercial banks in Charlotte, North Carolina are authorized or required to close.

" **Buyer Ancillary Agreements** " means all agreements, instruments, certificates and other documents being or to be executed and delivered by Buyer under this Agreement, but not including the Settlement Agreement (as defined in Section 5.3 below).

" **Buyer Parent** " means Speedway Motorsports, Inc., a Delaware corporation.

" **Closing** " means the closing of the transfer of the Assets from Seller to Buyer.

" **Code** " means the Internal Revenue Code of 1986, as amended.

" **Contracts** " means the following contracts, leases and agreements: (a) the contracts and agreements listed on Schedule 1.1(d) ; and (b) all other contracts and agreements to which Seller is a party and which Buyer specifically agrees to assume pursuant to the Assignment and Assumption Agreement (as defined in Section 2.3).

" **Court Order** " means any judgment, order, award or decree of any foreign, federal, state, local or other court or tribunal and any award in any arbitration proceeding.

" **Encumbrance** " means any lien, claim, charge, security interest, mortgage, pledge, easement, conditional sale or other title retention agreement, defect in title or restrictive covenant of any kind.

" Environmental Claim " means any actual or threatened complaint, judgment, demand, request for information, legal action, administrative proceeding, lien, order, directive, claim, citation, assessment, notice or liability made, presented, sought or alleged by any person or entity (including without limitation a government entity) and that (i) relates to or arises out of events, acts, omissions or conditions on or prior to the Closing, other than those caused by Buyer and its Affiliates, provided that, environmental matters discovered by Buyer's investigation of the Real Property shall not be deemed to have been cased by Buyer and its Affiliates, (ii) relates to the Business or the Assets or the use, ownership or operation thereof, and (iii) arises under or relates to any Environmental Law. Environmental Claims include without limitation any and all (x) enforcement, clean-up, Response Actions or other governmental regulatory actions initiated,

completed, pending or threatened, (y) claims made, threatened or prosecuted by any third party, and (z) proceedings for the recovery of any damages, indemnification, contribution, cost recovery, compensation, Losses or injury, including without limitation personal injury.

" **Environmental Condition** " means any condition, contamination, constituent(s) or set of circumstances in, on, under, around or related to the Business or the Assets that is present on or prior to the Closing and that (i) requires or may require any Response Action pursuant to any Environmental Law, (ii) constitutes or may constitute a threat to or endangerment of health, safety, property or the environment, or (iii) otherwise gives rise to liability under any Environmental Law, including without limitation the presence or Release, or threatened Release, of any Hazardous Material into, on or under the air, soil, surface water, groundwater or other media.

" **Environmental Laws** " means any and all past, present and/or future Laws relating to health, safety or pollution or protection of the environment, including, without limitation, those relating to emissions, discharges, spills or other Releases or threatened Releases of Hazardous Materials into or impacting the environment or natural resources (including, without limitation, ambient air, surface water, groundwater or land), or otherwise relating to the manufacture, processing, distribution, use, treatment, recycling, storage, disposal, transport, sale, offer for sale, distribution or handling of Hazardous Materials, including without limitation, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §§ 9601 et seq . (" **CERCLA** "), the Resource Conservation and Recovery Act, 42 U.S.C. §§ 6901 et seq ., and the Occupational Safety and Health Act, 29 U.S.C. §§ 651 et seq ., any amendments or successor statutes to any of the foregoing, and the rules, regulation, permits orders and decrees implementing the same and all analogous state and local laws, rules regulations, permits, orders and decrees and common law, including without limitation, principles of nuisance, negligence, trespass and strict liability.

" **Excluded Assets** " mean all of Seller's right, title or interest in, to and under the following: (a) all cash, bank deposits and cash equivalents; (b) all notes receivable and trade accounts receivables; (c) all security deposits; (d) all rights, claims or causes of action of Seller against third parties which may arise in connection with the discharge by Seller of the Excluded Liabilities; (e) all contracts of insurance, together with any prepaid premiums paid and any proceeds received with respect thereto; (f) the employee benefit agreements, plans or arrangements of Seller or otherwise maintained by Seller; (g) any other contracts of Seller not specifically included within the definition of the Assets; and (h) the assets set forth on Schedule 1.1(e) .

" **ERISA** " means the Employee Retirement Income Security Act of 1974, as amended.

" **GAAP** " means the United States generally accepted accounting principles consistently applied.

" **Governmental Body** " means any foreign, federal, state, local or other governmental authority or regulatory body.

" **Hazardous Materials** " means all substances, whether waste materials, raw materials, finished products, co-products, byproducts or any other materials or articles, which (from use,

handling, processing, storage, emission, disposal, spill, Release or any other activity or for any other reason) are regulated by, form the basis of liability under, or are defined as hazardous, extremely hazardous or toxic under, any Environmental Laws, including, without limitation, petroleum or any byproducts or fractions thereof, any form of natural gas, asbestos, polychlorinated biphenyls, radon or other radioactive substances, infectious, carcinogenic, mutagenic or etiologic agents, pesticides, defoliants, explosives, flammables, corrosives, urea formaldehyde, alcohols, chemical solvents, pollutants or contaminants, or any other material or substance which constitutes a health, safety or environmental hazard to any person, property or natural resource.

" **HSR Act** " means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

" **Identified Key Employees** " means Chris Browning, Cary Pequet, Kristy King and Vicki Cox.

" **Intellectual Property** " means (a) works of authorship in which copyright protection subsists, whether registered or unregistered, and pending applications to register the same; (b) United States and foreign patents, patent applications, continuations, continuations-in-part, divisions, reissues, patent disclosures, inventions (whether or not patentable) or improvements thereto; (c) United States, state or foreign trademarks, service marks, logos, trade dress and trade names, whether registered or unregistered, and pending applications to register the foregoing; and (d) confidential and proprietary ideas, trade secrets, know-how, concepts, methods, processes, formulae, reports, data, customer lists, mailing lists, business plans or other proprietary information, including without limitation any formulae, pattern, device or compilation of information which is used in a business and which derives independent commercial value from not being generally known or readily available.

" **IRS** " means the Internal Revenue Service.

" **Knowledge of Seller** " means the actual knowledge of any of the Persons listed on Schedule 1.1(f) and any information which such Persons would reasonably be expected to be aware of in the prudent discharge of their duties in the ordinary course of business on behalf of Seller.

" **Laws** " means any foreign, federal, state and local laws, statutes, regulations, rules, codes or ordinances enacted, adopted, issued or promulgated by any Governmental Body (including, without limitation, those pertaining to electrical, building, zoning, environmental and occupational safety and health requirements) or common law.

" **Parties** " means all of the parties hereto.

" **Permitted Encumbrances** " means (i) liens for Taxes with respect to the Assets with respect to 2004 which are not yet due and payable; and (ii) with respect to the Real Property, utility easements and other encumbrances of record which in Buyer's reasonable judgment do not affect the value of the Real Property or Buyer's ability to use the Real Property as a motorsports facility.

" **Person** " means any individual, corporation, limited liability company, partnership, joint venture, association, trust, unincorporated organization, Governmental Body or other entity.

" **Real Property** " means the real property, improvements and fixtures used in the Business and located in Richmond County, North Carolina, a legal description of which is set forth on Schedule 5.8 , together with all rights and appurtenances thereto, including any right, title and interest of Seller in and to adjacent streets, easements or rights-of-way.

" **Release** " means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, migrating, dumping, or disposing (including without limitation the abandonment or discarding of barrels, containers, or other open or closed receptacles).

" Response Action " means any action or activities of "response" as that term is defined in 42 U.S.C. § 9601(25), without regard to any limitation of that term (or terms included therein by reference) to hazardous substances under CERCLA.

" **Seller Ancillary Agreements** " means all agreements, instruments, certificates and documents being or to be executed and delivered by Seller under this Agreement, but not including the Settlement Agreement.

" **Seller Intellectual Property** " means all Intellectual Property owned by Seller and relating to the Business, including without limitation (a) the names "North Carolina Speedway" and "The Rock", (c) all derivations of such names and (b) all pending and registered trademarks and service marks associated with such names.

" **Seller Parent** " means International Speedway Corporation, a Florida corporation.

" **Straddle Period** " means any taxable year or period beginning before and ending after the Closing Date.

" **Tax** " (and, with correlative meaning, "Taxes" and "Taxable") means any federal, state, local or foreign net income, alternative or add-on minimum, value-added, gross income, gross receipts, property, windfall profit, production, ad valorem, sales, use, transfer, gains, license, excise, employment, withholding or minimum tax, stamp or environmental tax or any other tax custom, duty, governmental fee or other like assessment or charge, together with any interest or any penalty, addition to tax or additional amount imposed by any Governmental Body.

" **Tax Return** " means any return, report or similar statement required to be filed with respect to any Taxes (including any attached schedules), including, without limitation, any information return, claim for refund, amended return and declaration of estimated Tax.

ARTICLE II - PURCHASE AND SALE

2.1 Sale and Purchase of Assets . Upon the terms and subject to the conditions of this Agreement, at the Closing, Seller shall sell, transfer, assign, convey and deliver the Assets to Buyer, and Buyer shall purchase, accept, assume and receive the Assets from Seller, free and clear of all Encumbrances, other than Permitted Encumbrances, for the consideration set forth in this Agreement. The sale, transfer, assignment and conveyance of the

Assets shall be made by the execution and delivery at Closing of a bill of sale substantially in the form of Exhibit A attached hereto (the " **Bill of Sale** "), a North Carolina special corporate warranty deed substantially in the form of Exhibit B attached hereto (the " **Deed** "), and such other instruments of assignment, transfer and conveyance as the Buyer shall reasonably request.

2.2 Excluded Assets . Notwithstanding anything in this Agreement to the contrary, the Excluded Assets shall be excluded from the transactions contemplated by this Agreement and shall not be sold, transferred conveyed, assigned or delivered by the Seller or purchased, accepted, assumed or received by the Buyer by virtue of this Agreement.

2.3 Assumed Liabilities . Upon the terms and subject to the conditions of this Agreement, at the Closing, Seller shall assign to Buyer and Buyer shall assume and agree to satisfy and discharge, pursuant to an Assignment and Assumption Agreement substantially in the form attached hereto as Exhibit C (the " **Assignment and Assumption Agreement** "), the obligations of Seller arising after the Closing, and not as a result of any breach or default of Seller, under the Contracts (collectively, the " **Assumed Liabilities** ").

2.4 Excluded Liabilities . Except for the Assumed Liabilities, Buyer shall not assume, and Seller shall retain and shall satisfy and discharge, when and as due, any liabilities or obligations of Seller of any nature whatsoever, whether past, current or future, whether accrued or contingent, known or unknown, liquidated or unliquidated, arising now or in the future (the " **Excluded Liabilities** ").

ARTICLE III - PURCHASE PRICE

3.1 Purchase Price . The purchase price for the Assets (the " **Purchase Price** ") shall be One Hundred Million Four Hundred Thousand Dollars ($100,400,000.00).

3.2 Payment of Purchase Price . At Closing, Buyer shall pay the Purchase Price to Seller or to Seller's designee including a "qualified intermediary" as that term is used in the Federal Income Tax Regulations, by wire transfer of immediately available funds, in accordance with the instruction set forth on Schedule 3.2 .

3.3 Allocation of Purchase Price . Prior to the Closing, the Parties shall use commercially reasonable efforts to agree on an allocation of the Purchase Price for purposes of all reporting to, and all Tax Returns filed with, the IRS and other state and local taxing authorities; provided however, that in the event the Parties are unable to agree, each Party may allocate such portion of the Purchase Price to such intangible assets as it deems appropriate in its sole discretion and no Party shall have any liability to any other Party with respect to this Section 3.3.

ARTICLE IV – CLOSING

4.1 Closing Date . The Closing shall be consummated at 10:00 A.M., local time, within ten (10) days after the later to occur of (a) the satisfaction of the conditions set forth in Articles IX and X and (b) entry by the District Court (as defined in Section 5.3) of an order approving the Settlement Agreement and dismissing the Lawsuit (as defined in Section 5.3), at the offices of Parker, Poe, Adams & Bernstein, L.L.P, 401 South Tryon Street, Suite 3000, Three Wachovia Center, Charlotte, North Carolina, 28202, or on such other date or at such other place or time as shall be agreed upon by Buyer and Seller. The Closing shall be effective as of the close of business on the date on which the Closing is actually held, and such time and date are sometimes referred to herein as the " **Closing Date** ."

4.2 Seller's Deliveries . Subject to the conditions set forth in Article X, at Closing, Seller shall deliver to Buyer the following:

(a) a certificate of existence of Seller issued by the Secretary of State of the State of North Carolina no earlier than April 1, 2004;

(b) the certificate contemplated by Section 9.1, duly executed by Seller;

(c) a certificate of the secretary of Seller, dated the Closing Date, in form and substance reasonably satisfactory to Buyer, certifying as to (i) the Articles of Incorporation of Seller attached thereto; (ii) the bylaws of Seller attached thereto; (iii) the resolutions of the Board of Directors and stockholders of Seller authorizing the execution, delivery and performance of this Agreement and the Seller Ancillary Agreements and approving the transactions contemplated hereby (iv) the resolutions of the Board of Directors of Seller Parent authorizing the execution, delivery and performance of this Agreement and approving the transactions contemplated hereby; and (v) incumbency and signatures of the officers of Seller executing this Agreement and/or the Seller Ancillary Agreements;

(d) the Bill of Sale, the Deed and the Assignment and Assumption Agreement, each duly executed by Seller;

(e) certificates of title or origin (or like documents) with respect to any vehicles or other equipment included in the Assets for which a certificate of title or origin is required in order to transfer title;

(f) a lien and possession affidavit, duly executed by Seller, acceptable to Buyer's title insurance company, and all other documents, title indemnities, and affidavits required by such title company in order for the title company to issue an owner's title insurance policy without exceptions other than the Permitted Encumbrances;

(g) affidavits, duly executed by Seller, (i) to satisfy federal and state tax reporting requirements and (ii) to confirm that Seller is not a "foreign person" within the meaning of the Foreign Investment in Real Property Tax Act;

(h) all consents, waivers and approvals required to be set forth on Schedule 5.3 and all other consents, waivers or approvals, if any, obtained by Seller with respect to the Assets or the consummation of the transactions contemplated by this Agreement;

(i) assignments, in recordable form, with respect to the Intellectual Property and pending applications for the registration or issuance of any Intellectual Property included in the Assets, duly executed by the Seller and in form and substance reasonably satisfactory to Buyer;

(j) a copy (in electronic media) of the list of the customers of the Business to the extent maintained by Seller; and

(k) such other bills of sale, deeds, assignments and other instruments of transfer or conveyance, duly executed by Seller, as may be reasonably requested by Buyer to effect the sale, conveyance and delivery of the Assets to Buyer.

4.3 Buyer's Deliveries . Subject to the conditions set forth in Article IX, at Closing, Buyer shall pay the Purchase Price and execute and deliver to Seller the following:

(a) the certificate contemplated by Section 10.1;

(b) the Assignment and Assumption Agreement; and

(c) a certificate of the secretary of Buyer, dated the Closing Date, in form and substance reasonably satisfactory to Buyer, certifying as to (i) a copy of the Articles of Incorporation of Buyer attached hereto; (ii) bylaws of Buyer attached hereto; (iii) the resolutions of the Boards of Directors of Buyer authorizing the execution, delivery and performance of this Agreement and the Buyer Ancillary Agreements and approving the transactions contemplated hereby; (iv) the resolutions of the Board of Directors of Buyer Parent authorizing the execution, delivery and performance of this Agreement and approving the transactions contemplated hereby; and (v) incumbency and signatures of the officers of Buyer executing this Agreement and/or the Buyer Ancillary Agreements.

ARTICLE V– REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Buyer as follows:

5.1 Organization . Seller is a corporation duly organized and validly existing under the laws of the State of North Carolina and has full corporate power and authority to own or lease and to operate and use the Assets owned or leased by it and to carry on the Business as now conducted. Seller is duly qualified to transact business as a foreign corporation in each jurisdiction required in connection with the ownership or leasing of the assets used in the Business and the conduct of the Business, except where the failure to be so qualified would not be reasonably likely to have a material adverse effect on the Business. All of the outstanding shares of capital stock of Seller are owned of record and beneficially by Seller Parent.

5.2 No Subsidiaries . Seller does not own, directly or indirectly, of record or beneficially, any outstanding voting securities or other equity interests in any Person.

5.3 Authority . Seller has full power and authority to execute and deliver this Agreement and the Seller Ancillary Agreements and to consummate the transactions contemplated hereby and thereby and to comply with the terms, conditions and provisions hereof and thereof. The execution, delivery and performance by Seller of this Agreement and the Seller

Ancillary Agreements have been duly authorized and approved by all necessary corporate action of Seller and its Affiliates. Subject to the provisions of that certain Settlement Agreement dated as of April 8, 2004 (" **Settlement Agreement** ") among Buyer Parent, Seller Parent and the other parties identified therein which sets forth the terms of a settlement of the derivative lawsuit brought by Francis Ferko and Russell Vaughn against Seller Parent and NASCAR, as defendants, and Buyer Parent, as nominal defendant, which lawsuit is pending in the United States District for the Eastern District of Texas, Sherman Division (the " **District Court** ") and identified as Case No. 4:02CV50 (the " **Lawsuit** "), when executed and delivered by Seller, will be a legal, valid and binding agreement enforceable against Seller in accordance with its terms. Except as set forth in the Settlement Agreement or Schedule 5.3 , the execution, delivery and performance of this Agreement and the Seller Ancillary Agreements by Seller, the consummation of the transactions contemplated this Agreement and the Seller Ancillary Agreements, and the compliance by Seller with, and the fulfillment of the terms, conditions and provisions hereof and thereof will not: (i) result in a breach of the terms, conditions or provisions of, or constitute a default, an event of default or an event creating rights of acceleration, termination or cancellation or a loss of rights under, or result in the creation or imposition of any Encumbrance upon any of the Assets under, (A) any Contract, (B) any other note, instrument, agreement, mortgage, lease, license, franchise, permit or other authorization, right, restriction or obligation to which Seller is a party or any of the Assets is subject or by which Seller is bound, (C) any Court Order to which Seller is a party or any of the Assets is subject or by which Seller is bound, or (D) any Laws affecting Seller or the Assets; (ii) contravene the Articles of Incorporation or Bylaws of Seller; or (iii) other than filings and notices under the HSR Act, require the approval, consent, authorization or act of, or the making by Seller of any declaration, filing or registration with, any Person.

5.4 Financial Statements . Schedule 5.4 sets forth the unaudited balance sheets of Seller as of November 30, 2003 (the " **Balance Sheet** ") and March 31, 2004 (the " **Interim Balance Sheet** "). Each of the Balance Sheet and the Interim Balance Sheet fairly presents the assets and liabilities of Seller as of their respective dates and have been prepared in accordance with GAAP, subject, in the case of the Interim Balance Sheet, to normal recurring year-end adjustments (the effect of which will not, individually or in the aggregate, be materially adverse) and the absence of notes. The income of Seller from continuing operations before income Taxes, extraordinary items and the cumulative effect of any accounting changes (excluding intercompany transactions with Affiliates in the normal course of the Business) for the fiscal year ended November 30, 2003 is less than nineteen million dollars ($19,000,000).

5.5 Operations . Except as set forth on Schedule 5.5 , except for changes which arise directly or indirectly out of the transactions contemplated by the Settlement Agreement (the " **Settlement Agreement Related Transactions** "), and except for generally applicable changes in the economy or the industry of operating a motorsports facility, since January 1, 2004, there has been no material adverse change in the Assets or the business, operations, prospects, or condition (financial or otherwise) of the Business, and no damage, destruction, loss or claim, whether or not covered by insurance, or condemnation or other taking materially adversely affecting any of the Assets or the Business. Except as set forth in Schedule 5.5 , except for Settlement Agreement Related Transactions and except for the offering of post-Closing employment to the Identified Key Employees, since January 1, 2004, Seller has conducted the Business only in the ordinary course and in conformity with past practice and, without limiting the generality of the foregoing, Seller has not:

(a) sold, leased (as lessor), transferred or otherwise disposed of or mortgaged or pledged, or imposed or suffered to be imposed any Encumbrance on, any of the Assets, other than sales of inventory and obsolete assets in the ordinary course of business consistent with past practices;

(b) delayed or accelerated payment of any of Seller's accounts payable or other liabilities aggregating more than $50,000 beyond or in advance of its due date or the date when such liability would have been paid in the ordinary course of business consistent with past practice (other than in connection with the repayment of intercompany indebtedness);

(c) allowed the levels of goods, supplies or other materials, or outstanding purchase orders therefor, to vary in any materially adverse respect from the levels maintained by Seller in the ordinary course of business consistent with past practices;

(d) made, or agreed to make, any dividend or other distribution of Seller's assets (other than cash distributions) to Seller Parent or any Affiliates of Seller; or

(e) made any change in the accounting principles and practices from those applied in the preparation of the balance sheets set forth on Schedule 5.4 .

5.6 Undisclosed Liabilities . Except as reflected on, reserved against or otherwise disclosed on the Balance Sheet or the Interim Balance Sheet or as specifically set forth on Schedule 5.6 , Seller is not subject to any material liability, whether absolute, contingent, accrued or otherwise, except for liabilities incurred since the date of the Interim Balance Sheet in the ordinary course of business consistent with past practice.

5.7 Taxes . Except as set forth in Schedule 5.7 , (a) all Tax Returns which are required to be filed with respect to the Business have been filed by Seller and/or Seller Parent and all Taxes which have become due pursuant to such Tax Returns or pursuant to any assessment which has become payable have been paid; (b) all such Tax Returns are complete and accurate and disclose all Taxes required to be paid; (c) Seller has not waived or been requested to waive any statute of limitations in respect of Taxes; and (d) all monies required to be withheld by Seller (including from employees for income Taxes and social security and other payroll Taxes) have been collected or withheld, and either paid to the respective taxing authorities, set aside in accounts for such purpose, or accrued, reserved against and entered upon the books of Seller.

5.8 Real Property . Schedule 5.8 contains an accurate legal description, street address and tax parcel identification number of the Real Property. Seller is the sole owner of the Real Property and holds the Real Property in fee simple or its equivalent under local Law, free and clear of all exceptions, variances, limitations or title defects of any nature whatsoever, except for the Permitted Encumbrances. There are no leases affecting the Real Property. Except as set forth on Schedule 5.8 , other than the Real Property, Seller has no right, title or interest (ownership or leasehold) in any real property. Use of the Real Property for the various purposes for which it is presently being used is permitted as of right under all applicable zoning legal requirements and is not subject to "permitted nonconforming" use or structure classifications. All improvements are in compliance in all material respects with all applicable legal requirements, including those pertaining to zoning, building and the disabled, and, to the Knowledge of Seller, are in a state of repair and condition adequate to conduct the Business, and

are free from latent and patent defects that would impair the operation of the Business. No part of any improvement located on the Real Property encroaches on any real property not included in the Real Property, and there are no buildings, structures, fixtures or other improvements primarily situated on adjoining property which encroach on any part of the Real Property. The Real Property abuts on and has direct vehicular access to a public road or has access to a public road via a permanent, irrevocable, appurtenant easement benefiting and comprising a part of the Real Property, is supplied with public or quasi-public utilities and other services which have been historically adequate for the operation of the facilities locate thereon and is not located within any flood plain or area subject to wetlands regulation or any similar restriction. To the Knowledge of Seller, there is no existing or proposed plan to modify or realign any street or highway or any existing or proposed eminent domain proceeding that would result in the taking of all or any part of the Real Property or that would prevent or hinder the continued use of the Real Property as heretofore used in the conduct of the Business. None of the Real Property constitutes tax-exempt bond financed property or tax-exempt use property within the meaning of Section 168 of the Code.

5.9 Governmental Permits . To the Knowledge of Seller, Seller owns, holds or possesses all licenses, franchises, permits, privileges, immunities, approvals and other authorizations from a Governmental Body which are necessary to entitle it to own or lease, operate and use the Assets and to carry on and conduct the Business as currently conducted (herein collectively called " **Governmental Permits** "). Schedule 5.9 sets forth a list of each Governmental Permit and indicates which of the Governmental Permits will be assigned to Buyer at the Closing. To the Knowledge of Seller, Seller has fulfilled and performed its obligations under each of the Governmental Permits, and, to the Knowledge of Seller, no event has occurred or condition or state of facts exists which constitutes or, after notice or lapse of time or both, would constitute a breach or default under any such Governmental Permit. No written notice of cancellation, of default or of any dispute concerning any Governmental Permit, has been received by Seller. To the Knowledge of Seller, each of the Governmental Permits is valid, subsisting and in full force and effect.

5.10 No Broker . Neither Seller nor any Person acting on behalf of Seller has paid or become obligated to pay any fee or commission to any broker, finder or intermediary for or on account of the transactions contemplated by this Agreement.

5.11 Insurance . Schedule 5.11 sets forth a list and brief description of all policies of insurance maintained, owned or held by Seller related to the Assets. Seller shall keep or cause to be kept such insurance or comparable insurance in full force and effect through the Closing Date. To the Knowledge of Seller, Seller has complied with each of such insurance policies in all material respects and has not failed to give any notice or present any claim thereunder in a due and timely manner.

5.12 Inventory . All of inventory listed on Schedule 1.1(a) included in the Assets: (i) are merchantable, or suitable and useable for sale in the ordinary course of the Business that could be sold at normal mark-ups; (ii) are valued at not more than actual cost; and (iii) are the property of Seller.

5.13 Title to Assets; Condition .

(a) Seller has good and marketable title to all of the Assets, free and clear of all Encumbrances, except for Permitted Encumbrances and except as set forth in Schedule 5.13(a) (which scheduled Encumbrances will be discharged at or prior to the Closing Date). Upon delivery to Buyer on the Closing Date of the instruments of transfer contemplated by Section 4.2, Seller will thereby transfer to Buyer good and marketable title to the Assets, subject to no Encumbrances except for Permitted Encumbrances.

(b) To the Knowledge of Seller, all of the fixed assets listed on Schedule 1.1(b) included in the Assets are in reasonably good operating condition and repair.

(c) Except for the Excluded Assets and the leased assets listed on Schedule 5.13(c) , the Assets comprise all of the assets, properties, contracts, leases and rights necessary for Buyer to operate the Business in substantially the manner operated by Seller prior to the Closing.

(d) Except as set forth on Schedule 5.13(d) , all of the Assets are located on the Real Property and, other than the Excluded Assets and the leased assets listed on Schedule 5.13(c) , all of the assets located on the Real Property are owned by Seller and included in the Assets.

(e) Notwithstanding anything to the contrary contained in this Section 5.13, Seller makes no representation or warranty regarding whether sanctions historically granted with respect to the Business will be granted for any events to be held after the Closing Date.

5.14 Employees and Related Agreements; ERISA . Seller neither maintains nor contributes to, and has never maintained or contributed to, either an Employee Plan that is subject to Title IV of ERISA or a multiemployer plan within the meaning of Section 3(37) of ERISA. Seller is current in the payment of all wages and benefits to all of its employees. Seller has fewer than 100 employees (including part-time employees) and is not a "covered employer" under or otherwise subject to the Worker Adjustment Retraining and Notification Act of 1988 by reason of the transactions contemplated by this Agreement.

5.15 Employee Relations . Seller has complied in all material respects with all applicable Laws which relate to prices, wages, hours, discrimination in employment and collective bargaining and is not liable for any arrears of wages, taxes or penalties for failure to comply with any of the foregoing. No employee of Seller, incident to his or her employment with Seller, is a party to a collective bargaining agreement or any similar contract or agreement with a union. Seller is not a party to or, to the Knowledge of Seller, threatened with any material dispute with a union. To the Knowledge of Seller, Seller's employees relating to the Business have not, while employed by Seller, been engaged in any union organizing or election activities.

5.16 Contracts . (a) Seller has provided Buyer with access to copies of all material executory contracts, agreements and understandings, whether written or oral, to which Seller or Seller Parent is a party and which relate primarily to the Business, including contracts:

(i) for employment of any person who is a full-time employee;

(ii) for the performance of services or delivery of goods by or to Seller of an amount or value in excess of $50,000;

(iii) for capital expenditures in excess of $50,000;

(iv) purporting to restrict Seller's business activity or limit its ability to engage in a line of business or compete with another Person;

(v) involving any guarantee by Seller of the performance of another Person other than in the ordinary course of Business;

(vi) pursuant to which Seller is a licensor or licensee of Seller Intellectual Property; and

(vii) not in the ordinary course of business and providing for payments to a Person based on sales, purchases or profits, other than direct payment for goods.

Seller has provided Buyer with access to copies of each of the listed agreements (or, in the case of oral agreements, written summaries) and of all amendments and modifications thereto, with appropriate redactions for information relating to any Affiliate of Seller.

(b) Except as set forth on Schedule 5.16 , to the Knowledge of Seller, each Contract is in full force and effect and is binding and enforceable against the parties thereto in accordance with its terms except to the extent such enforceability may be limited by bankruptcy or other similar Laws relating to the enforcement of creditors' rights generally and by general principles of equity. To the Knowledge of Seller, there exists no breach of, or event of default or condition which (with or without compliance with any applicable notice requirements, the passage of time or both) would become an event of default under, any contract, and no waiver, indulgence or postponement of any other party's obligations under any Contract has been granted. Seller has delivered to Buyer or made available to Buyer for review complete and accurate copies of all Contracts, and there are no material oral agreements or understandings relating to the Contracts. Except as set forth on Schedule 5.16 , none of the rights of Seller under any Contract are subject to termination or modification as a result of the transactions contemplated hereby. To the Knowledge of Seller, no party to any Contract intends to cancel or terminate any Contract before the expiration of its current term.

5.17 No Violation, Litigation or Regulatory Action . Except as set forth in a certificate of Seller delivered simultaneously with the execution of this Agreement: (a) the Assets and their current uses comply in all material respects with all applicable Laws and Court Orders; (b) since December 1, 2000, Seller has complied with all Laws and Court Orders, except where the failure to comply with a Law or Court Order would not be reasonably likely to have a material adverse effect on the Business; (c) there are no material lawsuits, claims, proceedings or investigations pending or, to the Knowledge of Seller, threatened against Seller; and (d) any such lawsuits, claims, suits or proceedings against Seller are fully insured by Seller's insurance carrier without reservation subject only to the payment of applicable deductibles.

5.18 Intellectual Property . Schedule 5.18 contains an accurate and complete list of all Seller Intellectual Property. Except as set forth on Schedule 5.18 , there is no existing claim, or, to the Knowledge of Seller, any threatened claim, against Seller alleging that any of its operations, activities or assets related to the Business infringe the Intellectual Property rights of others or that Seller is wrongfully or otherwise using the Intellectual Property rights of others

with respect to the Business. There is no existing claim, or, to the Knowledge of Seller, any reasonable basis for any claim, by Seller against any third party that the operations, activities or assets of such third party infringe the Intellectual Property rights of Seller related to the Business or that such other third party is wrongfully or otherwise using the Seller Intellectual Property.

5.19 Disclosure . No representation or warranty of Seller contained herein or any Seller Ancillary Agreement contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary in order to make such representation or warranty, in light of the circumstances in which it was made, not misleading.

5.20 Environmental Matters . Except as set forth in Schedule 5.20 :

(a) The Business is, has at all times since December 1, 2000 been, and to the Knowledge of Seller, has been prior to such date, conducted in compliance in all material respects with all applicable Environmental Laws, and Seller and the Assets are, and have at all times been, in compliance in all material respects with all applicable Environmental Laws. To the Knowledge of Seller, Seller has (i) timely filed all reports required to be filed under any Environmental Laws; (ii) obtained all Governmental Permits required under any Environmental Laws, and is and has at all times been in compliance with such Governmental Permits; and (iii) generated and maintained all required data, documentation, and records under any Environmental Laws. Neither Seller nor any Affiliate of Seller, nor (to the Knowledge of Seller) any predecessor of either of them, has received any notice of an Environmental Claim, including without limitation, any notice from any Governmental Body or any other Person advising it of a violation of Environmental Laws with respect to the Business or the Assets or that it is responsible for or potentially responsible for corrective action or investigation or response costs with respect to a Release, a threatened Release, or clean up of Hazardous Materials with respect to the Business or the Assets and neither Seller nor any Affiliate of Seller has any reason to believe that such notice may be forthcoming.

(b) To the Knowledge of Seller, neither Seller nor any Affiliate of Seller nor any other Person has placed, held, located, handled, managed, stored, buried or Released any Hazardous Materials on, beneath or about any of the Real Property. To the Knowledge of Seller, no Environmental Condition exists, and no event has occurred, with respect to the Business or Assets, which with the passing of time or the giving of notice or both, would constitute a violation of any Environmental Laws or otherwise give rise to costs, liabilities or obligations under any Environmental Laws or to the need for Response Action. To the Knowledge of Seller, the Real Property does not contain any asbestos, polychlorinated biphenyls (PCBs) or lead-based paint. To the Knowledge of Seller, neither Seller nor any Affiliate of Seller nor any predecessor of either of them, has transported or disposed of, or arranged for the transportation or disposal of, any Hazardous Material generated by the Business or by or on the Assets to any location whatsoever, including without limitation any location (i) which is listed on the National Priorities List or the CERCLIS list under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, (ii) which is listed on any similar federal, state or local list, (iii) which is or may become the subject of federal, state or local enforcement action or other investigation; or (iv) about which Seller has received or has reason to expect it would receive a Potentially Responsible Party notice or similar notice under any Environmental Law.

5.21 DISCLAIMER . EXCEPT AS SET FORTH IN THIS ARTICLE V, SELLER MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION ANY REPRESENTATION OR WARRANTY OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR QUALITY WITH RESPECT TO ANY OF THE TANGIBLE ASSETS OF SELLER OR AS TO THE CONDITION OR WORKMANSHIP THEREOF OR THE ABSENCE OF ANY DEFECTS THEREIN, WHETHER LATENT OR PATENT.

ARTICLE VI - REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to Seller as follows:

6.1 Organization . Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of North Carolina and has full corporate power and authority to own or lease and to operate and use its properties and assets and to carry on its business as now conducted.

6.2 Authority . Buyer has full power and authority to execute, deliver and perform this Agreement and all of the Buyer Ancillary Agreements and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance of this Agreement and the Buyer Ancillary Agreements by Buyer have been duly authorized and approved by all necessary corporate action. Subject to the provisions of the Settlement Agreement, this Agreement and each of the Buyer Ancillary Agreements will be, when executed and delivered by Buyer and the other parties thereto, a legal, valid and binding agreement of Buyer enforceable in accordance with its terms. Except as set forth in the Settlement Agreement, the execution, delivery and performance of this Agreement and the Buyer Ancillary Agreements, the consummation of any of the transactions contemplated hereby and thereby and the compliance with or fulfillment of the terms, conditions and provisions hereof or thereof will not: (a) result in a breach of the terms, conditions or provisions of, or constitute a default, an event of default or an event creating rights of acceleration, termination or cancellation or a loss of rights under (i) any material note, instrument, agreement, mortgage, lease, license, franchise, permit or other authorization, right, restriction or obligation to which Buyer is a party or any of its properties is subject or by which Buyer is bound, (ii) any Court Order to which Buyer is a party or by which it is bound or to which any of its properties is subject or (iii) any Laws affecting Buyer; (b) contravene the Articles of Incorporation or Bylaws of Buyer; or (c) other than filings and notices under the HSR Act, require the approval, consent, authorization or act of, or the making by Buyer of any declaration to, or filing or registration with, any Person.

6.3 No Broker . Neither Buyer nor any Person acting on its behalf has paid or become obligated to pay any fee or commission to any broker, finder or intermediary for or on account of the transactions contemplated by this Agreement.

6.4 No Litigation . There is no action, suit or proceeding pending or, to the knowledge of Buyer, threatened against Buyer which questions the legality or propriety of the transactions contemplated by this Agreement.

ARTICLE VII - ACTIONS PRIOR TO THE CLOSING DATE

7.1 Investigation by Buyer . After execution by Buyer of a confidentiality agreement in a form reasonably satisfactory to the Parties, Seller shall afford to the managers, employees, lenders and authorized representatives of Buyer reasonable access during normal business hours to the offices, properties, employees and business and financial records of Seller relating solely to the Asset and/or the Business (with any other information in such documents being redacted) to the extent reasonably required by Buyer for purposes of investigating the Assets and the Business. Access to the business and financial records may at the option of Seller be provided at a location other than Seller's business office. Access to Seller's offices and the properties may be scheduled after business hours. Access to employees shall be subject to such reasonable limitations as may be imposed by Seller to minimize risk of an adverse impact on employee relations. Buyer and Buyer Parent have executed and delivered to Seller an Inspection Indemnification Agreement pursuant to which Buyer shall be permitted to conduct environmental investigations in accordance with the terms of such agreement. The Parties agree to coordinate all due diligence investigations in a manner which will ensure the confidential nature of the transactions contemplated by this Agreement.

7.2 Consents of Third Parties; Governmental Approvals .

(a) Seller Parent and Buyer Parent have filed an acquired person's and acquiring person's notification and report form required by the HSR Act with respect to the transactions contemplated by this Agreement. Each of the Parties shall use its commercially reasonable efforts and shall cooperate with the other parties as shall be reasonably necessary to secure the termination of any applicable HSR or other waiting period and to obtain as promptly as possible all other necessary approvals, authorizations and consents of governmental authorities required to be obtained by it, to consummate the transactions contemplated hereby. Each of the Parties further agrees to use commercially reasonable efforts to comply promptly with all requests or requirements for information, documentary or otherwise, by any governmental authority pursuant to the HSR Act or other applicable law.

(b) Seller will act diligently and reasonably to secure, before the Closing Date, all consents, approvals or waivers required to be set forth in Schedule 5.3 , in form and substance reasonably satisfactory to Buyer.

7.3 Operations Prior to the Closing Date . Except as contemplated hereby or except for Settlement Agreement Related Transactions, Seller shall operate and carry on the Business only in the ordinary course of business consistent with past practice. Consistent with the foregoing, Seller shall keep and maintain the Assets in reasonably good operating condition and repair subject to normal wear and tear, and shall use its commercially reasonable efforts consistent with good business practice to maintain the Assets intact and to not take any action to diminish the goodwill of the Business. Notwithstanding the foregoing, except with the express written approval of Buyer (not to be unreasonably withheld), Seller shall not take and shall not permit any Seller Affiliate to take, any of the actions listed in Section 5.5.

7.4 Notification by Seller of Certain Matters . During the period prior to the Closing Date, Seller will promptly advise Buyer in writing of any material adverse change in the condition of the Assets or the Business or any event or development of which the Seller has

Knowledge and which renders or is reasonably likely to render any representation or warranty contained in Article V inaccurate as of the Closing Date in any material respect.

ARTICLE VIII - ADDITIONAL AGREEMENTS

8.1 Employees and Employee Benefit Plans . Buyer has no obligation to offer employment to any individuals who are employees of the Business. Any individuals who are extended and accept offers of employment from Buyer, on such terms as Buyer shall determine, shall become employees of Buyer as of the Closing Date (the " **Continuing Employees** "). Buyer shall not assume any obligations for any employee plan of Seller or for any other obligations of Seller or any Seller Affiliate to the employees or former employees of the Business. Seller will fully provide or pay for all liabilities or obligations to its employees arising on or prior to the Closing Date under any and all Seller employee benefit plans or any other employee benefit arrangements. Seller shall provide continuation coverage to each individual who under the terms of Seller's health plan is entitled to continuation rights pursuant to Code Section 4980B or Part 6 of Subtitle I of ERISA, including, without limitation, any and all employees (and eligible dependents) of the Business. Seller shall be responsible for the costs and consequences associated with the termination of any Seller employee who does not become a Continuing Employee for any reason, including without limitation, any liabilities which arise under the Worker Adjustment and Retraining Notification Act of 1988. Buyer shall be responsible for the costs and consequences associated with the termination after the Closing of any Continuing Employee by Buyer for any reason.

8.2 Taxes . Seller shall be liable for and shall pay all Taxes (whether assessed or unassessed) applicable to the Business, the Assets and the Assumed Liabilities, in each case to the extent attributable to taxable years or periods ending on or prior to the Closing Date and, with respect to any Straddle Period, the portion of the Straddle Period ending on and including the Closing Date. Buyer shall be liable for and shall pay all Taxes (whether assessed or unassessed) applicable to the Business, the Assets and the Assumed Liabilities, in each case to the extent attributable to taxable years or periods beginning after the Closing Date and, with respect to any Straddle Period, the portion of the Straddle Period beginning after the Closing Date. All Taxes shall be allocated on a daily basis. Notwithstanding anything contained in this Section, any sales Tax, use Tax, transfer or real property gains Tax, or documentary stamp Tax or similar Tax attributable to the sale or transfer of the Assets or the Assumed Liabilities shall be paid by Seller. Seller or Buyer, as the case may be, shall provide prompt reimbursement for any Tax paid by one party all or a portion of which is the responsibility of the other party in accordance with the terms of Section 8.3.

8.3 Excluded Liabilities . Seller shall cause all of the Excluded Liabilities to be paid, or adequate provision to be made for the payment thereof.

8.4 Memorabilia . Following the Closing, Buyer shall not display the memorabilia identified on Schedule 1.1(c) (such scheduled items, the " **Memorabilia** ") at any location other than the Real Property except in connection with the sale, or the solicitation of bids for the sale, of the Memorabilia. Buyer acknowledges and agrees that the net proceeds from any sale of the Memorabilia shall be contributed to the charity of the Buyer's choosing.

8.5 Customer Lists . Buyer acknowledges and agrees that nothing contained in this Agreement shall prevent Seller or any Affiliate of Seller from maintaining lists of any customers of Seller, using such lists or soliciting any customers of Seller or any sponsors affiliated with Seller following the Closing.

8.6 Retained Information . From and after the Closing Date, Seller shall not retain any records or other documents related solely to the business or operations of the Business prior to the Closing Date (the " **Transferred Business Records** ") other than (a) records or other documents (i) which Seller is specifically permitted to retain under the terms of this Agreement or (ii) which relate to the Excluded Assets or (b) financial records and supporting documents which relate to tax years which remain subject to review and audit by taxing authorities having jurisdiction over Seller (collectively the " **Retained Business Records** "). After the Closing, Buyer shall make available to Seller the Transferred Business Records for inspection and copying to the extent Seller requires access to such records in response to tax audits or other reasonable business necessity provided that such records shall not be used in a manner which is detrimental to the interests of Buyer. After the Closing, Seller shall make available to Buyer the Retained Business Records for inspection and copying to the extent Buyer requires access to such records for reasonable business necessity provided that such records shall not be used in a manner which is detrimental to the interests of Seller. Nothing contained in this Section shall restrict Seller or Buyer from obtaining access to the Transferred Business Records or the Retained Business Records incident to discovery in litigation to which Buyer or Seller are parties and utilizing such records with respect to any such litigation. Buyer agrees that it shall preserve and keep, or cause to be preserved and kept, the Transferred Business Records and Seller agrees that it shall preserve and keep, or cause to be preserved and kept, the Retained Business Records, in each case for a period of six (6) years following the Closing Date. After such six (6) period, before Buyer shall dispose of any Transferred Business Records or Seller shall dispose of any Retained Business Records, such Party shall give at least 90 days' prior written notice of such intention to dispose to the other Party, and such other Party shall be given an opportunity, at its cost and expense, to remove and retain all or any part of such Transferred Business Records or Retained Business Records, as the case may be, as it may elect.

ARTICLE IX - CONDITIONS PRECEDENT TO OBLIGATIONS OF BUYER

The obligations of Buyer under this Agreement shall, at the option of Buyer, be subject to the satisfaction, on or prior to the Closing Date, of the following conditions:

9.1 No Misrepresentation or Breach of Covenants and Warranties . There shall have been no material breach by Seller in the performance of any of its covenants and agreements herein, and each of the representations and warranties of Seller contained herein shall be true and correct in all material respects on the Closing Date as though made on the Closing Date, without giving any effect to any materiality qualifiers contained in such representations and warranties. There shall have been delivered to Buyer a certificate or certificates to such effect, dated the Closing Date, signed by Seller.

9.2 No Changes or Destruction of Property . Between the date hereof and the Closing Date, there shall have been no material damage to the Assets by fire, flood, casualty, act of God or the public enemy or other cause, or other material adverse change in the Assets,

which is not covered in all material respects by insurance proceeds assigned to Buyer or remediated by action of Seller prior to the Closing.

9.3 HSR Act . The waiting period under the HSR Act shall have expired or been earlier terminated.

9.4 Necessary Consents . The Seller shall have obtained the consents, in form and substance reasonably satisfactory to Buyer, required to be specified in Schedule 5.3 .

9.5 Release of Encumbrances on the Assets . Buyer shall have received evidence reasonably satisfactory to it that all Encumbrances on the Assets other than Permitted Encumbrances, including, without limitation, the Encumbrances described in Schedule 5.13(a) shall have been released and that termination statements with respect to all UCC financing statements relating to such Encumbrances have been or will be filed at the expense of Seller.

9.6 Environmental Report . Buyer shall have received a Phase I Environmental Site Assessment with respect to the Real Property which complies with the latest ASTM standards and any anticipated EPA standards under the Brownfields Revitalization Act (the " **Phase I Report** ") and the Phase I Report shall not have identified any potential Environmental Conditions other than those potential Environmental Conditions specifically identified in the Phase I Environmental Site Assessment dated April 1996 with respect to the Real Property prepared by Enviro-Sciences, Inc. for Seller and United Carolina Bank.

9.7 Real Property Title Report . Buyer shall have received a title commitment (the " **Title Commitment** ") as to the Real Property issued by a title insurance company for Buyer as the proposed owner providing for the issuance at Closing to Buyer of a standard ALTA form owner's policy of title insurance for the Real Property issued at standard rates as compared to comparable real property in the county and State in which the Real Property is located, together with such endorsements as Buyer shall request to the extent same are available in the state and county where the Real Property is located. The Title Commitment shall have disclosed that Seller holds marketable fee simple title to the Real Property, free and clear of all Encumbrances, except for the Permitted Encumbrances.

ARTICLE X- CONDITIONS PRECEDENT TO OBLIGATIONS OF THE SELLER

The obligations of Seller under this Agreement shall, at the option of Seller, be subject to the satisfaction, on or prior to the Closing Date, of the following conditions:

10.1 No Misrepresentation or Breach of Covenants and Warranties . There shall have been no material breach by Buyer in the performance of any of its covenants and agreements herein, and each of the representations and warranties of Buyer contained in this Agreement shall be true and correct in all material respects on the Closing Date as though made on the Closing Date. There shall have been delivered to Seller a certificate to such effect, dated the Closing Date and signed by Buyer.

10.2 HSR Act . The waiting period under the HSR Act shall have expired or been earlier terminated.

ARTICLE XI- INDEMNIFICATION; TERMINATION

11.1 Indemnification by Seller .

(a) Upon the terms and subject to the conditions hereof, Seller agrees, from and after the Closing, to indemnify and hold harmless Buyer, its officers, directors, stockholders and their respective lenders, employees, agents, Affiliates, lessees (including any successor purchasers of all or part of the Real Property), successors and permitted assigns from and against any and all claims, notices, actions, proceedings, judgments, causes of action, liabilities (whether fixed, absolute, accrued, contingent or otherwise and whether direct or indirect, primary or secondary, known or unknown), losses, demands, costs, assessments, damages, (including without limitation exemplary, special, consequential, punitive, multiple, natural resources and other damages), interest, penalties and expenses (including without limitation expenses incurred in connection with investigating, defending or asserting any claim, action, suit or proceeding relating to any matter indemnified against hereunder, court filing fees, court costs, arbitration fees or costs, witness fees, Response Action costs and reasonable fees and disbursements of legal counsel, investigators, expert witnesses, consultants, accountants and other professionals) (collectively, the " **Losses** ") incurred by or asserted against any of them after the Closing Date in connection with or arising from: (i) any breach by Seller of any of its covenants or obligations in this Agreement or in any of the Seller Ancillary Agreements; or (ii) any breach of any warranty or the inaccuracy of any representation of Seller contained in this Agreement or in any of the Seller Ancillary Agreements; or (iii) any of the Excluded Liabilities or Seller's failure to pay them; (iv) (A) any known or unknown Environmental Claims, (B) the presence or suspected presence of any Environmental Condition, (C) the migration on, under or from the Real Property, before or after the Closing Date, of any Environmental Condition, (D) the actual or alleged violation, on or before the Closing, of any Environmental Law with respect to the Business and/or the Assets, and (E) the matters or circumstances listed on Schedule 5.20, regardless or whether, by operation of law or otherwise, Buyer is or may also be liable for any of the foregoing matters; (v) Seller's or its employees', agents', consultants' or contractors' performance of Response Actions pursuant to Section 11.1(c) of this Agreement; or (vi) any assertion against Buyer of any liability of Seller accruing on or prior to the Closing Date or arising out of the operation of the Business or ownership of the Assets after the Closing Date.

(b) Except with respect to claims based on fraud and subject to the provisions of Section 12.9, from and after the Closing the indemnification obligations set forth in Section 11.1(a) shall be the sole and exclusive remedy for any inaccuracy or breach of any representation or warranty made by Seller in this Agreement or in any Seller Ancillary Agreement. Recovery by Buyer and its Affiliates for indemnification shall be limited as follows: (i) Buyer and its Affiliates shall not be entitled to any recovery unless a claim for indemnification is made in accordance with Section 11.3 below and, with respect to claims made pursuant to Section 11.1(a)(ii) above, within the time period for survival set forth in Section 12.1 below; (ii) Buyer and its Affiliates shall not be entitled to recover any amount for indemnification claims under Section 11.1(a)(ii) unless and until the amount which Buyer and its Affiliates are entitled to recover in respect of such claims exceeds, in the aggregate, $50,000 (the " **Deductible** "), in which event (subject to clause (iii) below) the entire amount which Buyer and its Affiliates are entitled to recover in respect of such claims less the Deductible shall be payable; provided, however, that the Deductible shall not apply to those matters identified in the Phase I Report, which matters Buyer (x) concludes in its reasonable discretion require further investigation or

evaluation, and (y) identifies to Seller prior to Closing; (iii) except with respect to claims based on fraud and except with respect to claims made pursuant to Section 11.1(a)(iv), the maximum amount recoverable by Buyer and its Affiliates for indemnification claims under Section 11.1(a) shall in the aggregate be equal to Twelve Million Dollars ($12,000,000); (iv) except with respect to claims based on fraud, the maximum amount recoverable by Buyer and its Affiliates for indemnification claims under Section 11.1(a)(iv) shall in the aggregate be equal to the Purchase Price (the " **Environmental Indemnification Cap** "); and (v) Buyer and its Affiliates shall not be entitled to recover any Losses to the extent of insurance proceeds received by Buyer or its Affiliates in connection with the facts giving rise to such indemnification claim. If and to the extent that Seller or its Affiliates actually receives reimbursement under any policy of insurance currently or hereinafter in effect for any matter for which indemnification is owing by Seller hereunder, Seller shall pay over to Buyer the amount so received under the insurance policy, less any deductibles, self-insured retentions, reimbursement obligations, premiums or other costs incurred or owing by Seller or its Affiliates in respect of or relating to such insurance, notwithstanding the provisions of clauses (ii) and (iii) above limiting Buyer's and its Affiliates' rights to recovery for indemnification.

(c) (i) In the event that (A) Hazardous Materials are found to be present at, in, under or around the Assets (including without limitation in the soil, groundwater, surface water, sediment or other media) at levels exceeding applicable standards established pursuant to Environmental Laws or otherwise so as to impose liability under Environmental Laws, and such Hazardous Materials resulted or arose from events, acts or omissions that occurred or conditions that existed prior to the Closing, or (B) the resolution of an Environmental Claim indemnified pursuant to Section 11.1(a) requires the performance of Response Actions, Seller shall perform all Response Actions required by Environmental Laws with respect to the Hazardous Materials or required to resolve the Environmental Claim, as the case may be.

(ii) Seller shall keep Buyer informed of the progress of the Response Actions undertaken by Seller pursuant to this Section, and shall provide Buyer with copies of all reports, data and correspondence related to the Response Action. Seller shall perform all Response Actions at its sole expense and in compliance with Environmental Laws and sound engineering and consulting practices and standards. Seller shall also require its employees, agents, consultants and contractors performing the Response Actions to comply with Buyer's reasonable health and safety procedures and standards for persons entering the Real Property. Seller and its employees, agents, consultants and contractors shall avoid unreasonable interference with operations and activities on the Real Property. Without limiting any of its other rights, Buyer shall have the right, but not the obligation, to (A) inspect and observe the Seller's Response Actions, including without limitation monitoring equipment and devices, (B) take split samples of any media sampled by Seller or its consultant(s), and (C) participate in any meetings or negotiations with government agencies concerning the Response Actions.

(iii) Buyer shall provide Seller and Sellers' employees, agents, consultants and contractors with reasonable access to the Real Property at reasonable times and on reasonable notice to conduct the Response Actions under this Section. Seller shall provide Buyer with an advance written description of the Response Actions to be conducted on the Real Property, including without limitation the location of any such activities. Buyer shall provide Seller with data from testing conducted by Buyer or, if available to Buyer, a third party with respect to a matter covered by this Section. Buyer shall also cooperate with Seller in Seller's

performance of the Response Actions, including without limitation providing Seller with access to utilities as reasonably necessary to perform the Response Action; provided that Seller will compensate Buyer for any cooperation undertaken and services provided.

(iv) Seller's obligation to perform Response Actions with respect to a particular matter covered by this Section will terminate upon the issuance of a "No Further Action Letter" or substantively similar determination by the government agency exercising jurisdiction over the matter. Seller shall not agree to or impose a Response Action that results in deed restrictions or other use limitations on the Property without Buyer's prior written consent.

(v) The maximum amount to be expended by Seller pursuant to this Section 11.1(c) shall not exceed the Environmental Indemnification Cap. Any Response Action costs in excess of the Environmental Indemnification Cap shall be the Buyer's responsibility.

11.2 Indemnification by Buyer . Upon the terms and subject to the conditions hereof, Buyer agrees, from and after the Closing, to indemnify and hold harmless Seller, its officers, directors, stockholders and their respective lenders, employees, agents, Affiliates, lessees, successors and permitted assigns from and against any and all Losses incurred by any of them after the Closing Date in connection with or arising from: (i) any breach by Buyer of any of its covenants or obligations in this Agreement or in any Buyer Ancillary Agreement; (ii) any breach of any warranty or the inaccuracy of any representation of Buyer contained in this Agreement or in any Buyer Ancillary Agreement; (iii) any Assumed Liability; or (iv) any assertion against Seller of any liability of Buyer or any Party to which Buyer transfers or assigns any of the Assets (a " **Buyer Transferee** ") accruing after the Closing Date or arising out of the operation of the Assets or the business of Buyer or a Buyer Transferee after the Closing Date (other than to the extent relating to the Excluded Liabilities, and except to the extent the Buyer may have a claim against Seller under this Agreement). Except with respect to claims based on fraud, from and after the Closing the indemnification provided in this Section 11.2 shall be the sole and exclusive remedy for any inaccuracy or breach of any representation or warranty made by Buyer in this Agreement or in any Buyer Ancillary Agreement. Seller and its Affiliates shall not be entitled to recover any Losses to the extent of insurance proceeds received by Seller or its Affiliates in connection with the facts giving rise to such indemnification claim.

11.3 Notice of Claims . Any Person (the " **Indemnified Party** ") seeking indemnification hereunder shall promptly give to the party obligated to provide indemnification to such Indemnified Party (the " **Indemnitor** ") a notice (a " **Claim Notice** ") describing in reasonable detail the facts giving rise to any claim for indemnification hereunder and shall include in such Claim Notice (if then known) the amount or the method of computation of the amount of such claim; provided, that failure to give such notice shall not relieve the Indemnitor of its obligations hereunder except to the extent it shall have been prejudiced by such failure.

11.4 Third Person Claims . The Indemnitor shall have the right to conduct and control, through counsel of its choosing, the defense of any third Person claim, action or suit against any Indemnified Party as to which indemnification will be sought by any Indemnified Party from any Indemnitor hereunder if the Indemnitor has acknowledged and agreed in writing that, if the same is adversely determined, the Indemnitor has an obligation to provide indemnification to the Indemnified Party in respect thereof, and in any such case the Indemnified Party shall cooperate in connection therewith and shall furnish such records, information and

testimony and attend such conferences, discovery proceedings, hearings, trials and appeals as may be reasonably requested by the Indemnitor in connection therewith; provided, that the Indemnified Party may participate, through counsel chosen by it and at its own expense, in the defense of any such claim, action or suit as to which the Indemnitor has so elected to conduct and control the defense thereof. Notwithstanding the foregoing, (i) unless such third Person claim, action or suit against such Indemnified Party is solely for money damages or, where Seller is the Indemnitor, will have no continuing adverse effect after resolution of such claim, action or suit in any material respect on the business of the Buyer or the Assets, the Indemnitor shall not, without the written consent of the Indemnified Party (which written consent shall not be unreasonably withheld or delayed), pay, compromise or settle any such claim, action or suit and (ii) the Indemnified Party shall have the right to pay, settle or compromise any such claim, action or suit, provided that in such event the Indemnified Party shall waive any right to indemnity therefor hereunder unless the Indemnified Party shall have sought the consent of the Indemnitor to such payment, settlement or compromise and such consent was unreasonably withheld or delayed, in which event no claim for indemnity therefor hereunder shall be waived.

11.5 Limitation on Environmental Liability . Buyer understands and agrees that the rights accorded it by Section 11.1(a) and (c) are its sole and exclusive remedy against Seller or any of its Affiliates with respect to any claims arising under any Environmental Laws. Except for recovery permitted under Section 11.1(a) and Seller's obligations under Section 11.1(c), Buyer (on its own behalf and on behalf of its Affiliates including, without limitation, the successors and assigns of any of the foregoing) hereby waives any right to seek contribution or other recovery from Seller or any of its Affiliates that any of them may now or in the future ever have under any Environmental Laws. Except for recovery permitted under Section 11.1(a) and Seller's obligations under Section 11.1(c), Buyer (on its own behalf and on behalf of its Affiliates (including the successors and assigns of any of the foregoing) hereby further unconditionally releases Seller and its Affiliates from any and all claims, demands, and causes of action that any of them may now or in the future ever have against Seller or any of its Affiliates for recovery under any Environmental Laws.

11.6 Subrogation . Upon making any payment to an Indemnified Party for any indemnification claim pursuant to Section 11.1 or 11.2 above, the Indemnitor shall be subrogated, to the extent of such payment, to any rights which the Indemnified Party may have against any other parties with respect to the subject matter underlying such indemnification claim.

11.7 Limitation of Consequential Damages . In no event shall Buyer or any of its Affiliates or Seller or any of its Affiliates, as applicable, be liable for loss of profits or consequential damages by reason of a breach of any representation or warranty made by Buyer or any of its Affiliates or Seller or any of its Affiliates, as applicable, in this Agreement or any Seller Ancillary Agreements or Buyer Ancillary Agreements, as applicable.

11.8 Termination .

(a) Notwithstanding anything contained in this Agreement to the contrary, this Agreement may be terminated at any time prior to the Closing Date: (i) by the mutual consent of the Parties; (ii) by Buyer, in the event of any material breach by Seller of any of its agreements, representations or warranties contained herein; or (iii) by Seller, in the event of any material

breach by Buyer of any of Buyer's agreements, representations or warranties contained herein. This Agreement may be terminated under Section 11.8(a)(ii) or (a)(iii) by the delivery by the terminating Party of notice of termination to the other Parties. In the event that this Agreement shall be terminated pursuant to this Article XI, all further obligations of the Parties under this Agreement shall be terminated without further liability of any party to the other, provided that nothing in this Section 11.8(a) shall relieve any Party from liability for its breach of this Agreement.

(b) In the event the Settlement Agreement by its terms becomes null and void *ab initio* , this Agreement shall simultaneously become null and void *ab initio.*

ARTICLE XII - GENERAL PROVISIONS

12.1 Survival of Obligations . All representations and warranties contained in this Agreement shall survive the consummation of the transactions contemplated by this Agreement for one (1) year with the exception of (a) the representations and warranties of Seller contained in Section 5.7 which shall survive the Closing until the expiration of the applicable statute of limitations plus sixty (60) days, (b) the representations and warranties of Seller contained in Section 5.13(a) which shall survive the Closing for a period of five (5) years and (c) the representations and warranties of Seller contained in Section 5.20 which shall survive the Closing for a period of three (3) years. The covenants and agreements contained herein or in any of the Seller Ancillary Agreements or Buyer Ancillary Agreements shall survive the Closing, subject to any applicable statute of limitations. The right to indemnification, reimbursement or other remedy based upon such representations, warranties, covenants and obligations shall not be affected by any investigation (including any environmental investigation or assessment) conducted with respect to, or any knowledge acquired (or capable of being acquired) at any time, whether before or after the execution and delivery of this Agreement or the Closing Date, with respect to the accuracy or inaccuracy of or compliance with any such representation, warranty, covenant or obligation. The waiver of any condition based upon the accuracy of any representation or warranty, or on the performance of or compliance with any covenant or obligation, will not affect the right to indemnification, reimbursement or other remedy based upon such representations, warranties, covenants and obligations. Notwithstanding anything contained in the foregoing, Seller's indemnification obligations under Section 11.1(a)(iii) through (vi), Seller's obligations under 11.1(c) and Buyer's indemnification obligations under Section 11.2(iii) and (iv) shall survive the Closing indefinitely.

12.2 Governing Law . This Agreement shall be governed by and construed in accordance with the internal laws of the State of North Carolina, without regard to conflicts-of-laws principles that would require application of any other law.

12.3 Public Announcements . Except as required by law or the Settlement Agreement, none of the Parties shall make, or cause to be made, directly or indirectly, any public disclosure or other announcement with respect to the transactions contemplated hereby without the prior written consent of the Parties. The parties shall cooperate with each other in the preparation and dissemination of any public announcements of the transactions contemplated by this Agreement, which announcements shall be consistent with the terms of the Settlement Agreement.

12.4 Use of Names . Within ten (10) Business Days after the Closing, Seller shall take all necessary action to effect a change of name of Seller to a name other than any the "North Carolina Speedway" or "The Rock" or any derivatives thereof. After the Closing, Seller (on its own behalf and on behalf of its Affiliates including, without limitation, the successors and assigns of any of the foregoing) agrees that it shall not commercially use the names "North Carolina Speedway" or "The Rock" or any derivatives thereof or any trademarks or service marks associated therewith; provided , that , Seller and its Affiliates shall be permitted a reasonable transition period (not to exceed 60 days) to remove the names "North Carolina Speedway" and "the Rock" from websites and promotional materials which currently incorporate such names; provided , further , that , Affiliates of Seller shall be permitted to (a) sell or distribute merchandise containing the names "North Carolina Speedway" and "The Rock" which have been acquired prior to the date of this Agreement pursuant to a valid license agreement and (b) use the names "North Carolina Speedway" and "The Rock" in connection with non-public archival records. Seller acknowledges and agrees that Buyer would suffer irreparable injury, which could not be fairly remedied by money damages, in the event of a breach by Seller of the provisions of this Section and that Buyer shall be entitled to an injunction restraining Seller from any breach thereof.

12.5 Bulk Sales Law . Buyer waives compliance by Seller with applicable bulk sales or transfer Laws, provided that such waiver shall not affect the indemnification obligations of Seller under Section 11.1.

12.6 Notices . All notices or other communications required or permitted hereunder shall be in writing and shall be delivered personally or sent by registered or certified mail, by reputable overnight delivery or courier or by facsimile transmission, addressed as follows:

If to Buyer, to:	Speedway Motorsports, Inc. P.O. Box 600 Concord, NC 28206 Attention: William R. Brooks Facsimile No. (704) 532-3312
with a copy to:	Parker, Poe, Adams & Bernstein L.L.P. 401 South Tryon Street, Suite 3000 Charlotte, North Carolina 28202 Attention: Fred T. Lowrance Facsimile: (704) 334-4706
If to Seller, to	International Speedway Corporation 1801 W. International Speedway Boulevard Daytona Beach, FL 32114 Attention: Glenn R. Padgett Facsimile: (386) 947-6884

with a copy to: Howrey Simon Arnold & White, LLP
1299 Pennsylvania Avenue, N.W.
Washington, D.C. 20004
Attention: Roger A. Klein
Facsimile: (202) 383-6610

or to such other address as such Party may indicate by a written notice delivered to the other Parties. Notice of change of address shall be effective only upon receipt thereof. All such other notices and other communications shall be deemed effective (a) if by personal delivery, upon receipt, (b) if by registered or certified mail, on the seventh Business Day after the date of mailing thereof, (c) if by reputable overnight delivery or courier, on the first Business Day after the date of mailing or (d) if by facsimile transmission, immediately upon receipt of a transmission confirmation, provided notice is sent on a Business Day between the hours of 9:00 a.m. and 5:00 p.m., recipient's time, but if not then upon the following Business Day.

12.7 Successors and Assigns . The rights of any Party under this Agreement shall not be assignable by operation of law or otherwise by such Party without the prior written consent of the other Parties, except that Buyer may assign its rights to acquire any or all of the Assets to any existing or future Affiliate of Buyer without the prior written consent of Seller, provided that such assignment shall not relieve Buyer of its obligations hereunder. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors, permitted assigns, heirs and legal representatives. Nothing in this Agreement, expressed or implied, is intended or shall be construed to confer upon any Person other than the Parties and successors and assigns permitted by this Section 12.7 any right, remedy or claim under or by reason of this Agreement.

12.8 Entire Agreement; Amendments; Interpretation . This Agreement, together with the Schedules, which are hereby incorporated herein by reference, and the Settlement Agreement contain the entire understanding of the Parties with regard to the purchase and sale of the Assets, and supersede all prior agreements, understandings or letters of intent with regard to such subject matter between or among any of the Parties. In the event of any conflict between the terms and conditions of this Agreement and the terms and conditions of the Settlement Agreement, the terms and conditions of the Settlement Agreement shall control. This Agreement shall not be amended, modified or supplemented except by a written instrument signed by the Parties. Information set forth on a Schedule of this Agreement which includes sufficient detail that a reader with knowledge of the transactions contemplated hereby would recognize the relevance of such information to another Schedule to this Agreement shall be deemed to be set forth on such other Schedule. Article titles and headings to sections herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement. Unless expressly stated to the contrary, any reference herein to an Exhibit or Schedule shall refer to an Exhibit or Schedule attached hereto, and any reference herein to a Section or Article shall refer to a Section or Article hereof. Wherever possible, each provision hereof shall be interpreted in such manner as to be effective and valid under applicable Laws, but in case any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such provision shall be ineffective to the extent, but only to the extent, of such invalidity, illegality or unenforceability without invalidating the remainder of such invalid, illegal or unenforceable provision or provisions or any other provisions hereof, unless such a construction would be

unreasonable. With regard to all dates and time periods referred to in this Agreement, time is of the essence.

12.9 Enforcement of Agreement . Seller acknowledges and agree that Buyer would be irreparably damaged if any of the provisions of this Agreement are not performed in accordance with their specific terms and that any breach of this Agreement by Seller could not be adequately compensated in all cases by monetary damages alone. Accordingly, in addition to any other right or remedy to which Buyer may be entitled, at law or in equity, they shall be entitled to enforce any provision of this Agreement by a decree of specific performance and to temporary, preliminary and permanent injunctive relief to prevent breaches or threatened breaches of any of the provisions of this Agreement, without posting any bond or other undertaking.

12.10 Waivers . Any term or provision of this Agreement may be waived, or the time for its performance may be extended, by the Party entitled to the benefit thereof only in a writing signed by such Party. The failure of any Party to enforce at any time any provision of this Agreement shall not be construed to be a waiver of such provision, nor in any way to affect the validity of this Agreement or any part hereof or the right of any Party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to constitute a waiver of any other or subsequent breach.

12.11 Expenses . Each Party will pay all costs and expenses incident to such Party's negotiation and preparation of this Agreement and to such Party's performance and compliance with all agreements and conditions contained herein on its, his or her part to be performed or complied with, including the fees, expenses and disbursements of its counsel and accountants. If this Agreement is terminated, the obligation of each party to pay its own expenses will be subject to any rights of such Party arising from any breach of this Agreement by another Party.

12.12 Execution in Counterparts . This Agreement may be executed in one or more counterparts, each of which shall be an original instrument, but all of which shall constitute one and the same agreement.

12.13 Further Assurances . From time to time following the Closing, Seller shall execute and deliver, or cause to be executed and delivered, to Buyer such other instruments of conveyance and transfer and such other documents as Buyer may reasonably request or as may be otherwise necessary to more effectively convey and transfer to, and vest in, Buyer and put Buyer in possession of, any part of the Assets.

ARTICLE XIII – LIMITED OBLIGATIONS OF BUYER PARENT AND SELLER PARENT

13.1 Seller Parent Obligations . The Seller Parent hereby joins in this Agreement for the limited purposes of unconditionally and irrevocably agreeing, for the benefit of Buyer and its successors and permitted assigns, and does hereby so agree, (a) to cause the Seller to consummate the transactions contemplated by this Agreement in accordance with the terms and conditions set forth herein and to fulfill and perform each of its obligations hereunder, and (b) in the event that Seller fails to pay or perform any of its obligations hereunder, upon

written demand by Buyer (or its successor or permitted assigns), to promptly pay or perform such obligations. The obligations of the Seller Parent under this Section 13.1 are joint and several with, and independent of the obligations of, Seller, and a separate action or actions may be brought and prosecuted against the Seller Parent whether action is brought against Seller or whether Seller be joined in any such action or actions. The Seller Parent hereby waives any right to require Buyer to (i) proceed against Seller, or (ii) pursue any other remedy of Buyer whatsoever. The obligations of the Seller Parent shall be absolute, irrevocable and unconditional, present and continuing, irrespective of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of or termination of the existence of Seller or any circumstance which might constitute a legal or equitable discharge of a guarantor; it being agreed that the obligations of the Seller Parent under the shall not be discharged except by payment, observance or performance as herein provided.

13.2 Buyer Parent Obligations . The Buyer Parent hereby joins in this Agreement for the limited purposes of unconditionally and irrevocably agreeing, for the benefit of Seller and its successors and permitted assigns, and it does hereby so agree, (a) to cause the Buyer to consummate the transactions contemplated by this Agreement in accordance with the terms and conditions set forth herein and (b) in the event that Buyer fails to pay or perform any of its obligations hereunder, upon written demand by Seller (or its successors or permitted assigns), to promptly pay or perform such obligations. The obligations of the Buyer Parent under this Section 13.2 are joint and several with, and independent of the obligations of, Buyer, and a separate action or actions may be brought and prosecuted against the Buyer Parent whether action is brought against Buyer or whether Buyer be joined in any such action or actions. The Buyer Parent hereby waives any right to require Seller to (i) proceed against Buyer, or (ii) pursue any other remedy of Seller whatsoever. The obligations of the Buyer Parent shall be absolute, irrevocable and unconditional, present and continuing, irrespective of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of or termination of the existence of Buyer or any circumstance which might constitute a legal or equitable discharge of a guarantor; it being agreed that the obligations of the Buyer Parent under the shall not be discharged except by payment, observance or performance as herein provided.

(Signatures appear on following page)

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the day and year first above written.

NORTH CAROLINA SPEEDWAY, INC.

By: /s/ Glenn R. Padgett
Its: Secretary

SPEEDWAY TBA, INC.

By: /s/ O. Bruton Smith
Its: President

SPEEDWAY MOTORSPORTS, INC.

By: /s/ O. Bruton Smith
Its: Chief Executive Officer

INTERNATIONAL SPEEDWAY CORPORATION

By: /s/ Glenn R. Padgett
Its: Vice President & Chief Counsel

SCHEDULES
TO
ASSET PURCHASE AGREEMENT

Schedule 1.1(a)	Inventory and Supplies
Schedule 1.1(b)	Fixed Assets
Schedule 1.1(c)	Memorabilia
Schedule 1.1(d)	Contracts
Schedule 1.1.(e)	Excluded Assets
Schedule 1.1(f)	Persons with Knowledge
Schedule 3.2	Payment of Purchase Price
Schedule 5.3	Consents
Schedule 5.4	Financial Statements
Schedule 5.5	Operations
Schedule 5.6	Undisclosed Liabilities
Schedule 5.7	Taxes
Schedule 5.8	Real Property
Schedule 5.9	Government Permits
Schedule 5.11	Insurance
Schedule 5.13(a)	Encumbrances
Schedule 5.13(c)	Leased Assets
Schedule 5.13(d)	Location of Assets
Schedule 5.16	Re: Contracts
Schedule 5.18	Intellectual Property
Schedule 5.20	Environmental Matters

EXHIBITS
TO
ASSET PURCHASE AGREEMENT

Exhibit A	Bill of Sale
Exhibit B	Deed
Exhibit C	Assignment and Assumption Agreement

Exhibit 31.1

SPEEDWAY MOTORSPORTS, INC.

CHIEF EXECUTIVE OFFICER CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, O. Bruton Smith, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Speedway Motorsports, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2004

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

Exhibit 31.2

SPEEDWAY MOTORSPORTS, INC.

CHIEF FINANCIAL OFFICER CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William R. Brooks, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Speedway Motorsports, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2004

By: /s/ William R. Brooks
William R. Brooks
Executive Vice President and Chief Financial Officer

Exhibit 32.1

SPEEDWAY MOTORSPORTS, INC.

CHIEF EXECUTIVE OFFICER CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Speedway Motorsports, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, O. Bruton Smith, Chairman of the Board and Chief Executive Officer of the Company, does hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 4, 2004

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

A signed original of this written statement required by Section 906 has been provided to, and will be retained by, Speedway Motorsports, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

SPEEDWAY MOTORSPORTS, INC.

CHIEF FINANCIAL OFFICER CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Speedway Motorsports, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, William R. Brooks, Vice President and Chief Financial Officer of the Company, does hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 4, 2004

By: /s/ William R. Brooks
William R. Brooks
Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to, and will be retained by, Speedway Motorsports, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.