DOVER MOTORSPORTS INC
Form 10-Q
May 08, 2009

# United States

# Securities and Exchange Commission

**Washington, D.C. 20549**

# Form 10-Q

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**For the quarterly period ended March 31, 2009**

**Commission file number 1-11929**

# Dover Motorsports, Inc.

**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Delaware** | **51-0357525** |
| **(State or Other Jurisdiction** | **(I.R.S. Employer** |
| **of Incorporation)** | **Identification No.)** |

**1131 North DuPont Highway, Dover, Delaware 19901**

**(Address of principal executive offices)**

**(302) 883-6500**

**(Registrant s telephone number, including area code)**

**N/A**

**(Former name, former address and former fiscal year, if changed since last report)**

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ¨ | Accelerated filer | x |
| Non-accelerated filer | ¨ | Smaller reporting company | ¨ |

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

As of April 30, 2009, the number of shares of each class of the registrant s common stock outstanding is as follows:

| | |
|---|---|
| Common Stock- | 18,122,996 shares |
| Class A Common Stock- | 18,510,975 shares |

**Part I Financial Information**

**Item 1. Financial Statements**

**DOVER MOTORSPORTS, INC.**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

**AND COMPREHENSIVE LOSS**

**In Thousands, Except Per Share Amounts**

**(Unaudited)**

| | Three Months Ended March 31, | |
|---|---|---|
| | 2009 | 2008 |
| Revenues: | | |
| Admissions | $ 31 | $ 800 |
| Event-related | 28 | 965 |
| Broadcasting | | 709 |
| Other | 26 | 38 |
| | 85 | 2,512 |
| Expenses: | | |
| Operating and marketing | 2,199 | 4,610 |
| General and administrative | 3,058 | 3,167 |
| Depreciation and amortization | 1,565 | 1,662 |
| | 6,822 | 9,439 |
| Operating loss | (6,737) | (6,927) |
| Interest income | 4 | 31 |
| Interest expense | (784) | (1,101) |
| Loss before income tax benefit | (7,517) | (7,997) |
| Income tax benefit | 2,829 | 3,849 |
| Net loss | (4,688) | (4,148) |
| Unrealized gain (loss) on interest rate swap, net of income tax (expense) benefit of ($34) and $130, respectively | 50 | (189) |
| Unrealized loss on available-for-sale securities, net of income tax benefit of $16 and $12, respectively | (24) | (17) |
| Amortization of net actuarial loss and prior service cost included in net periodic pension benefit cost, net of income tax expense of $26 and $10, respectively | 38 | 11 |
| Comprehensive loss | $ (4,624) | $ (4,343) |
| Net loss per common share: | | |
| Basic | $ (0.13) | $ (0.12) |
| Diluted | $ (0.13) | $ (0.12) |

The Notes to the Consolidated Financial Statements are an integral part of these consolidated statements.

**DOVER MOTORSPORTS, INC.**

**CONSOLIDATED BALANCE SHEETS**

**In Thousands, Except Share and Per Share Amounts**

**(Unaudited)**

| | March 31, 2009 | December 31, 2008 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 1,138 | $ 288 |
| Accounts receivable | 3,349 | 1,950 |
| Inventories | 248 | 273 |
| Prepaid expenses and other | 2,351 | 1,697 |
| Receivable from Dover Downs Gaming & Entertainment, Inc. | | 11 |
| Income taxes receivable | 241 | |
| Deferred income taxes | 100 | 152 |
| Current assets held for sale | 10,726 | |
| Total current assets | 18,153 | 4,371 |
| Property and equipment, net | 134,087 | 144,684 |
| Restricted cash | 3,894 | 5,219 |
| Other assets, net | 542 | 594 |
| Deferred income taxes | 284 | 311 |
| Total assets | $ 156,960 | $ 155,179 |
| **LIABILITIES AND STOCKHOLDERS EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 938 | $ 604 |
| Accrued liabilities | 2,253 | 2,767 |
| Payable to Dover Downs Gaming & Entertainment, Inc. | 5 | |
| Income taxes payable | | 159 |
| Current portion of bonds payable | 1,235 | 1,130 |
| Deferred revenue | 16,896 | 6,962 |
| Current liabilities held for sale | 2,865 | |
| Total current liabilities | 24,192 | 11,622 |
| Revolving line of credit | 41,600 | 42,200 |
| Bonds payable | 1,737 | 2,971 |
| Liability for pension benefits | 2,662 | 2,555 |
| Other liabilities | 1,972 | 1,920 |
| Non current income taxes payable | 9,119 | 9,630 |
| Deferred income taxes | 13,145 | 16,834 |
| Total liabilities | 94,427 | 87,732 |
| Commitments and contingencies (see Notes to the Consolidated Financial Statements) | | |
| Stockholders equity: | | |
| Preferred stock, $0.10 par value; 1,000,000 shares authorized; shares issued and outstanding: none | | |
| Common stock, $0.10 par value; 75,000,000 shares authorized; shares issued and outstanding: 18,122,996 and 17,872,751, respectively | 1,812 | 1,787 |
| Class A common stock, $0.10 par value; 55,000,000 shares authorized; shares issued and outstanding: 18,510,975 and 18,510,975, respectively | 1,851 | 1,851 |
| Additional paid-in capital | 100,591 | 100,539 |
| Accumulated deficit | (39,421) | (34,366) |

| | | |
|---|---|---|
| Accumulated other comprehensive loss | (2,300) | (2,364) |
| Total stockholders equity | 62,533 | 67,447 |
| Total liabilities and stockholders equity | $ 156,960 | $ 155,179 |

The Notes to the Consolidated Financial Statements are an integral part of these consolidated statements.

**DOVER MOTORSPORTS, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**In Thousands**

**(Unaudited)**

| | Three Months Ended March 31, | |
|---|---|---|
| | **2009** | **2008** |
| Operating activities: | | |
| Net loss | $ (4,688) | $ (4,148) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 1,565 | 1,662 |
| Amortization of credit facility fees | 40 | 48 |
| Stock-based compensation | 142 | 160 |
| Deferred income taxes | (2,483) | (3,426) |
| Changes in assets and liabilities: | | |
| Accounts receivable | (1,597) | (3,405) |
| Inventories | (56) | (120) |
| Prepaid expenses and other | (1,057) | (1,416) |
| Income taxes receivable/payable | (347) | (434) |
| Accounts payable | 49 | 552 |
| Accrued liabilities | (362) | (774) |
| Payable to/ receivable from Dover Downs Gaming & Entertainment, Inc. | 16 | 58 |
| Deferred revenue | 10,803 | 13,605 |
| Other liabilities | 307 | 262 |
| Net cash provided by operating activities | 2,332 | 2,624 |
| Investing activities: | | |
| Capital expenditures | (699) | (1,598) |
| Restricted cash | 1,325 | 346 |
| Net cash provided by (used in) investing activities | 626 | (1,252) |
| Financing activities: | | |
| Borrowings from revolving line of credit | 2,300 | 3,500 |
| Repayments on revolving line of credit | (2,900) | (3,500) |
| Repayments of bonds payable | (1,129) | (111) |
| Dividends paid | (367) | (546) |
| Repurchase of common stock | (12) | (95) |
| Excess tax benefit on stock awards | | 9 |
| Net cash used in financing activities | (2,108) | (743) |
| Net increase in cash and cash equivalents | 850 | 629 |
| Cash and cash equivalents, beginning of period | 288 | 327 |
| Cash and cash equivalents, end of period | $ 1,138 | $ 956 |
| Supplemental information: | | |
| Interest paid | $ 717 | $ 1,036 |
| Income taxes paid | $ | $ 2 |

| | | |
|---|---|---|
| Change in accounts payable for capital expenditures | $ 330 | $ 1,441 |

The Notes to the Consolidated Financial Statements are an integral part of these consolidated statements.

**DOVER MOTORSPORTS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**NOTE 1 Basis of Presentation**

References in this document to we, us and our mean Dover Motorsports, Inc. and/or its wholly owned subsidiaries, as appropriate.

The accompanying consolidated financial statements have been prepared in compliance with Rule 10-01 of Regulation S-X and U.S. generally accepted accounting principles, and accordingly do not include all of the information and disclosures required for audited financial statements. These consolidated statements should be read in conjunction with the consolidated financial statements and notes thereto included in our latest Annual Report on Form 10-K filed on March 6, 2009. In the opinion of management, these consolidated statements include all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the results of operations, financial position and cash flows for the interim periods presented. Operating results for the three months ended March 31, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009 due to the seasonal nature of our business.

**NOTE 2 Business Operations**

Dover Motorsports, Inc. is a public holding company that is a leading marketer and promoter of motorsports entertainment in the United States. Our motorsports subsidiaries operate four motorsports tracks in three states and we are scheduled to promote 14 major events during 2009 under the auspices of two of the premier sanctioning bodies in motorsports the National Association for Stock Car Auto Racing ( NASCAR ) and the National Hot Rod Association ( NHRA ). We own and operate Dover International Speedway® in Dover, Delaware; Gateway International Raceway® near St. Louis, Missouri; Memphis Motorsports Park® in Memphis, Tennessee; and Nashville Superspeedway® near Nashville, Tennessee.

In 2009, we are scheduled to promote the following major events:

2 NASCAR Sprint Cup Series events;

6 NASCAR Nationwide Series events;

4 NASCAR Camping World Truck Series events; and

2 NHRA events.

Additionally, we are scheduled to promote a NASCAR Camping World East Series event at Dover International Speedway in connection with our September NASCAR event weekend.

We derive a substantial portion of our revenues from admissions, event-related and broadcasting revenues attributable to our NASCAR-sanctioned events at Dover International Speedway which are scheduled to be held in May and September.

Our wholly-owned subsidiary, Midwest Racing, Inc. ( Midwest Racing ), entered into a stock purchase agreement dated January 28, 2009, to sell Memphis Motorsports Park to Gulf Coast Entertainment, L.L.C ( Gulf Coast ). Under the terms of the agreement, Midwest Racing will sell all of the stock of its wholly-owned subsidiary, Memphis International Motorsports Corporation, the owner of Memphis Motorsports Park, to Gulf Coast for $10,000,000 in cash and a two percent non-dilutable interest in Gulf Coast. Gulf Coast is the owner of Alabama Motorsports Park, a proposed multi-use entertainment complex expected to be constructed in Mobile, Alabama. Closing is expected to take place on or before June 29, 2009 and is subject to financing and customary closing conditions. In March 2009, we received a $100,000 non-refundable deposit towards the purchase price. Two additional $100,000 non-refundable deposits are to be received by us prior to closing.

The assets and liabilities of Memphis International Motorsports Corporation are reported as held for sale in our consolidated balance sheet. Those assets and liabilities consist of the following at March 31, 2009:

| | |
|---|---|
| Trade receivables, prepaid expenses and inventories | $ 654,000 |
| Property and equipment, net | 10,072,000 |
| Current assets held for sale | $ 10,726,000 |
| Trade payables and deferred revenue | $ 1,066,000 |
| Non current income taxes payable and deferred income taxes | 1,799,000 |
| Current liabilities held for sale | $ 2,865,000 |

We are scheduled to promote 1 NASCAR Nationwide Series event, 1 NASCAR Camping World Truck Series event and 1 NHRA event in 2009 at our Memphis location. Although we will no longer own the Memphis facility after the close of the sale, we expect to enter into an agreement with Gulf Coast to provide management services for the Memphis facility.

**NOTE 3 Summary of Significant Accounting Policies**

*Basis of consolidation and presentation* The accompanying consolidated financial statements include the accounts of Dover Motorsports, Inc. and our wholly owned subsidiaries. Intercompany transactions and balances have been eliminated.

*Cash equivalents* We consider as cash equivalents all highly-liquid investments with an original maturity of three months or less.

*Investments* Investments, which consist of mutual funds, are classified as available-for-sale and reported at fair-value in other assets in our consolidated balance sheets. Changes in fair value are reported in other comprehensive income (loss). See NOTE 6 Stockholders Equity and NOTE 7 Financial Instruments for further discussion.

*Derivative instruments and hedging activities* We are subject to interest rate risk on the variable component of the interest rate under our revolving credit agreement. Effective October 21, 2005, we entered into a $37,500,000 interest rate swap agreement. The notional amount of the swap agreement decreased to $30,000,000 on November 1, 2006, to $20,000,000 on November 1, 2007, and to $10,000,000 on November 1, 2008. The agreement terminates on November 1, 2009. We have designated the interest rate swap as a cash flow hedge. Changes in the fair value of the effective portion of the interest rate swap are recognized in other comprehensive (loss) income until the hedged item is recognized in earnings. See NOTE 4 Long-Term Debt and NOTE 7 Financial Instruments for further discussion.

*Property and equipment* Property and equipment is stated at cost. Depreciation is provided for financial reporting purposes using the straight-line method. Accumulated depreciation was $33,623,000 and $32,088,000 as of March 31, 2009 and December 31, 2008, respectively.

*Impairment of long-lived assets* We evaluate our long-lived assets other than goodwill in accordance with the provisions of Financial Accounting Standards Board ( FASB ) Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. Long-lived assets other than goodwill are assessed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair value. Generally, fair value is determined using valuation techniques such as the sales approach and for facilities the cost approach, which gives specific consideration to the value of the land plus contributory value to the improvements.

*Income taxes* Deferred income taxes are provided on all differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements based upon enacted statutory tax rates in effect at the balance sheet date. We record a valuation allowance to reduce our deferred tax assets when uncertainty regarding their realizability exists. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

Interest expense related to FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ( FIN 48 ) was $137,000 and $172,000 during the three months ended March 31, 2009 and 2008, respectively. Total accrued interest as of March 31, 2009 was $1,697,000 and was included in other liabilities in the consolidated balance sheet.

We file income tax returns with the Internal Revenue Service and the states in which we conduct business. We have identified the U.S. federal and state of Delaware as our major tax jurisdictions. As of March 31, 2009, tax years after 2004 remain open to examination for the federal and Delaware jurisdictions.

*Revenue recognition* We classify our revenues as admissions, event-related, broadcasting and other. Admissions revenue includes ticket sales for all Company events. Event-related revenue includes amounts received from sponsorship fees; luxury suite rentals; hospitality tent rentals and catering; concessions and souvenir sales and vendor commissions for the right to sell concessions and souvenirs at our facilities; sales of programs; track rentals and other event-related revenues. Broadcasting revenue includes rights fees obtained for television and radio broadcasts of events held at our speedways and ancillary media rights fees. Other revenue includes all other miscellaneous revenues.

Revenues pertaining to specific events are deferred until the event is held. Concession and souvenir revenue are recorded at the time of sale. Revenues and related expenses from barter transactions in which we receive advertising or other goods or services in exchange for sponsorships of motorsports events are recorded at fair value in accordance with Emerging Issues Task Force ( EITF ) Issue No. 99-17, *Accounting for Advertising Barter Transactions*. Barter transactions accounted for $56,000 of total revenues for the three months ended March 31, 2008. No barter transactions were recorded as revenues for the three months ended March 31, 2009.

Under the terms of our sanction agreements, NASCAR retains 10% of the gross broadcast rights fees allocated to each NASCAR-sanctioned event as a component of its sanction fees and remits the remaining 90% to the event promoter, which we record as revenue. The event promoter is required to pay 25% of the gross broadcast rights fees to the event as part of the awards to the competitors, which we record as operating expenses.

We are responsible for collecting sales taxes from our customers on certain revenue generating activities and remitting these taxes to the appropriate governmental taxing authority. We include sales taxes in admissions and event-related revenues in our consolidated statements of operations with an equal amount in operating and marketing expenses. Sales taxes included in revenues and expenses for the three months ended March 31, 2009 and 2008 were $2,000 and $80,000, respectively.

*Expense recognition* Certain direct expenses pertaining to specific events, including prize and point fund monies and sanction fees paid to various sanctioning bodies, including NASCAR, advertising and other expenses associated with the promotion of our racing events are deferred until the event is held, at which point they are expensed.

The cost of non-event related advertising, promotion and marketing programs is expensed as incurred.

Advertising expenses were $4,000 and $246,000 in for the three months ended March 31, 2009 and 2008, respectively.

*Net loss per common share* Basic and diluted net loss per common share ( EPS ) are calculated in accordance with FASB Statement No. 128, *Earnings Per Share*. In June 2008, the FASB issued Staff Position ( FSP ) Emerging Issues Task Force ( EITF ) No. 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*, ( FSP EITF 03-6-1 ) which clarifies EITF No. 03-6, *Participating Securities and the Two-Class Method Under FAS No. 128*. Under this FSP, unvested share-based payment awards that include nonforfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are considered participating securities, and the two-class method of computing EPS is required for all periods presented. We adopted the provisions of FSP EITF 03-6-1 effective January 1, 2009.

Our restricted stock awards include nonforfeitable rights to dividends with respect to nonvested shares. As clarified by FSP EITF 03-6-1, the nonvested shares of our restricted stock grants are considered participating securities and must be included in our computation of EPS. Accordingly, we have computed EPS to include the impact of outstanding nonvested shares of restricted stock in the calculation of basic EPS effective as of the first quarter of 2009 and have adjusted prior period EPS retrospectively for the inclusion of such outstanding nonvested restricted shares. The adoption of FSP EITF 03-6-1 had no impact on basic or diluted EPS for the three months ended March 31, 2008.

The following table sets forth the computation of basic and diluted EPS:

| | Three Months Ended March 31, | |
|---|---|---|
| | **2009** | **2008** |
| Net loss per common share basic: | | |
| Net loss | $ (4,688,000) | $ (4,148,000) |
| Allocation to nonvested restricted stock awards | (6,000) | (7,000) |
| Net loss available to common stockholders | $ (4,694,000) | $ (4,155,000) |
| Weighted-average shares outstanding | 36,011,000 | 35,903,000 |
| Net loss per common share basic | $ (0.13) | $ (0.12) |
| Net loss per common share diluted: | | |
| Net loss | $ (4,688,000) | $ (4,148,000) |
| Allocation to nonvested restricted stock awards | (6,000) | (7,000) |
| Net loss available to common stockholders | $ (4,694,000) | $ (4,155,000) |
| Weighted-average shares outstanding | 36,011,000 | 35,903,000 |
| Dilutive stock options | | |
| Weighted-average shares and dilutive shares outstanding | 36,011,000 | 35,903,000 |
| Net loss per common share diluted | $ (0.13) | $ (0.12) |

For the three months ended March 31, 2009 and 2008, options to purchase 493,000 and 652,610 shares of common stock, respectively, were outstanding but not included in the computation of diluted EPS because we had a net loss and all outstanding options would have been anti-dilutive.

*Accounting for stock-based compensation* We recorded total stock-based compensation expense of $142,000 and $160,000 as general and administrative expenses for the three months ended March 31, 2009 and 2008, respectively. We recorded income tax benefits of $58,000 and $62,000 for the three months ended March 31, 2009 and 2008, respectively, related to our nonvested restricted stock awards.

*Use of estimates* The preparation of the accompanying consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the reported amounts of assets and liabilities, disclosures about contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management s best estimates and judgment. Management evaluates

its estimates and

assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. We adjust such estimates and assumptions when facts and circumstances dictate. Illiquid credit markets, volatile equity markets and declines in consumer spending have combined to increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the consolidated financial statements in future periods.

*Recent Accounting Pronouncements* In March 2008, the FASB issued Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133*. Statement No. 161 amends and expands the disclosure requirements of FASB Statement No. 133 with the intent to provide users of financial statements with an enhanced understanding of how and why an entity uses derivative instruments, how derivative instruments and the related hedged items are accounted for under FASB Statement No. 133 and its related interpretations, and how derivative instruments and related hedged items affect an entity s financial position, financial performance and cash flows. Statement No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The adoption of Statement No. 161 did not have a significant impact on our consolidated financial statements.

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements*, which establishes a framework for measuring fair value and expands disclosures about fair value measurements. Statement No. 157 applies under other accounting pronouncements that require or permit fair value measurements and, accordingly, Statement No. 157 does not require any new fair value measurements. Statement No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years, for financial assets and liabilities that are measured at fair value on a recurring basis. In February 2008, the FASB issued FASB Staff Position ( FSP ) 157-2, *Effective Date of FASB Statement No. 157*, which delayed the effective date of Statement No. 157 s fair value measurement requirements for non-financial assets and liabilities that are not required or permitted to be measured at fair value on a recurring basis to fiscal years beginning after November 15, 2008. The impact of adoption of Statement No. 157 for financial assets and liabilities is discussed in NOTE 7 Financial Instruments. The adoption of Statement No. 157 for non-recurring non-financial assets and liabilities did not have a significant impact on our consolidated financial statements.

**NOTE 4 Long-Term Debt**

Long-term debt consists of the following:

| | March 31, 2009 | December 31, 2008 |
|---|---|---|
| Revolving line of credit | $ 41,600,000 | $ 42,200,000 |
| SWIDA bonds | 2,972,000 | 4,101,000 |
| | 44,572,000 | 46,301,000 |
| Less current portion | (1,235,000) | (1,130,000) |
| | $ 43,337,000 | $ 45,171,000 |

At March 31, 2009, Dover Motorsports, Inc. and all of its wholly owned subsidiaries, as co-borrowers, were parties to a $73,000,000 unsecured revolving credit agreement with a bank group. The credit facility expires July 1, 2011. It provides for seasonal funding needs, capital improvements, letter of credit requirements and other general corporate purposes. Interest is based, at our option, upon LIBOR plus a margin that varies between 125 and 200 basis points (200 basis points at March 31, 2009) depending on the ratio of funded debt to earnings before interest, taxes, depreciation and amortization (the leverage ratio ) or the base rate (the greater of the prime rate or the federal funds rate plus 0.5%) plus a margin that varies between -50 and +25 basis points (+25 basis points at March 31, 2009) depending on the leverage ratio, except that the base rate option is not available for the portion of indebtedness equal to the notional amount under the interest rate swap agreement described below. The terms of the credit facility contain certain covenants including minimum tangible net worth, fixed charge coverage and maximum funded debt to earnings before interest, taxes, depreciation and amortization. In addition, the credit agreement includes a material adverse change clause. The credit facility also provides that if we default under any other loan agreement, that would be a default under this credit facility. At March 31, 2009, we were in compliance with the terms of the credit facility.

Material adverse changes in our results of operations could impact our ability to maintain financial ratios necessary to satisfy these requirements. There was $41,600,000 outstanding under the credit facility at March 31, 2009, at a weighted average interest rate of 2.9%. After consideration of stand-by letters of credit outstanding, borrowings of $8,726,000 were available pursuant to the credit facility at March 31, 2009. Based on projected future results, including the assumed sale of Memphis Motorsports Park (see NOTE 2 Business Operations), we expect to be in compliance with all of the covenants for all measurement periods during the next twelve months. We project that if the sale of Memphis Motorsports Park is not completed as anticipated that our ability to maintain compliance with the financial covenants in our revolving credit facility could be impacted in the third quarter. If this were to occur, we believe that we would be able to renegotiate our credit facility. However, violation of these financial covenants could result in the acceleration of all of our outstanding debt and could have a material adverse effect on our liquidity and financial position.

Effective October 21, 2005, we entered into an interest rate swap agreement that effectively converted $37,500,000 of our variable-rate debt to a fixed-rate basis, thereby hedging against the impact of potential interest rate changes on future interest expense. The notional amount of the swap agreement decreased to $30,000,000 on November 1, 2006, to $20,000,000 on November 1, 2007, and to $10,000,000 on November 1, 2008. The agreement terminates on November 1, 2009. Under this agreement, we pay a fixed interest rate of 4.74%. In return, the issuing lender refunds to us the variable-rate interest paid to the bank group under our revolving credit agreement on the same notional principal amount, excluding the margin that varies between 125 and 200 basis points depending on the leverage ratio (200 basis points at March 31, 2009).

In 1996, Midwest Racing, Inc. entered into an agreement (the SWIDA bonds ) with Southwestern Illinois Development Authority ( SWIDA ) to receive the proceeds from the Taxable Sports Facility Revenue Bonds, Series 1996 (Gateway International Motorsports Corporation Project), a Municipal Bond Offering, in the aggregate principal amount of $21,500,000, of which $2,972,000 was outstanding at March 31, 2009. SWIDA loaned all of the proceeds from the Municipal Bond Offering to Midwest Racing for the purpose of the redevelopment, construction and expansion of Gateway International Raceway ( Gateway ). The proceeds of the SWIDA bonds were irrevocably committed to complete construction of Gateway, to fund interest, to create a debt service reserve fund and to pay for the cost of issuance of the bonds. The repayment terms and debt service reserve requirements of the bonds issued in the Municipal Bond Offering correspond to the terms of the SWIDA bonds. The bonds are being amortized through February 2012.

We have established certain restricted cash funds to meet debt service as required by the SWIDA bonds, which are held by the trustee (BNY Trust Company of Missouri). At March 31 2009, $3,894,000 of cash and cash equivalents were restricted by the SWIDA bonds and are appropriately classified as a non-current asset in our consolidated balance sheet. The SWIDA bonds are secured by a first mortgage lien on all the real property owned and a security interest in all property leased by Gateway. Also, the SWIDA bonds are unconditionally guaranteed by Midwest Racing. The SWIDA bonds bear interest at a rate of 9.2%. Interest expense related to the SWIDA bonds was $77,000 and $96,000 for the three months ended March 31, 2009 and 2008, respectively. In addition, a portion of the property taxes to be paid by Gateway (if any) to the City of Madison Tax Incremental Fund have been pledged to the annual retirement of debt and payment of interest.

**NOTE 5 Pension Plans**

We maintain a non-contributory tax qualified defined benefit pension plan. All of our full time employees are eligible to participate in the qualified plan. Benefits provided by our qualified pension plan are based on years of service and employees remuneration over their employment period. Pension costs are funded in accordance with the provisions of the Internal Revenue Code. We also maintain a non-qualified, non-contributory defined benefit pension plan for certain employees. This excess plan provides benefits that would otherwise be provided under the qualified pension plan but for maximum benefit and compensation limits applicable under federal tax law. The cost associated with the excess plan is determined using the same actuarial methods and assumptions as those used for our qualified pension plan.

The components of net periodic pension cost are as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2009 | 2008 |
| Service cost | $ 97,000 | $ 98,000 |
| Interest cost | 106,000 | 101,000 |
| Expected return on plan assets | (96,000) | (136,000) |
| Recognized net actuarial loss | 56,000 | 14,000 |
| Net amortization | 8,000 | 7,000 |
| | $ 171,000 | $ 84,000 |

We expect to contribute between $300,000 and $650,000 to our pension plans in 2009 in order to satisfy minimum statutory funding requirements. No contributions were made to our pension plans during the three months ended March 31, 2009 or 2008.

**NOTE 6 Stockholders Equity**

Changes in the components of stockholders equity are as follows (in thousands, except per share amounts):

| | Common Stock | Class A Common Stock | Additional Paid-in Capital | Accumulated Deficit | Accumulated Other Comprehensive Loss |
|---|---|---|---|---|---|
| **Balance at December 31, 2008** | $ 1,787 | $ 1,851 | $ 100,539 | $ (34,366) | $ (2,364) |
| Net loss | | | | (4,688) | |
| Dividends paid, $0.01 per share | | | | (367) | |
| Issuance of restricted stock awards, net of forfeitures | 26 | | (26) | | |
| Stock-based compensation | | | 142 | | |
| Excess tax expense on stock awards | | | (53) | | |
| Repurchase and retirement of common stock | (1) | | (11) | | |
| Unrealized gain on interest rate swap, net of income tax expense of $34 | | | | | 50 |
| Unrealized loss on available-for-sale securities, net of income tax benefit of $16 | | | | | (24) |
| Amortization of net actuarial loss and prior service cost included in net periodic pension benefit cost, net of income tax expense of $26 | | | | | 38 |
| **Balance at March 31, 2009** | $ 1,812 | $ 1,851 | $ 100,591 | $ (39,421) | $ (2,300) |

On April 29, 2009, our Board of Directors declared a quarterly cash dividend on both classes of common stock of $.01 per share. The dividend is payable on June 10, 2009 to stockholders of record at the close of business on May 10, 2009.

On July 28, 2004, our Board of Directors authorized the repurchase of up to 2,000,000 shares of our outstanding common stock. The purchases may be made in the open market or in privately negotiated transactions as conditions warrant. The repurchase authorization has no expiration date, does not obligate us to acquire any specific number of shares and may be suspended at any time. No purchases of our equity securities were made pursuant to this authorization during the three months ended March 31, 2009 or 2008. At March 31, 2009, we had remaining repurchase authority of 1,634,607 shares.

During the three months ended March 31, 2009 and 2008, we purchased and retired 8,755 and 14,445 shares of our outstanding common stock at an average purchase price of $1.48 and $6.60 per share, respectively. These purchases were made from employees in connection with the vesting of restricted stock awards under our 2004 Stock Incentive Plan and were not pursuant to the aforementioned repurchase authorization. Since the vesting of a restricted stock award is a taxable event to our employees for which income tax withholding is required, the plan allows employees to surrender to us some of the shares that would otherwise have vested in satisfaction of their tax liability. The surrender of these shares is treated by us as a purchase of the shares.

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As of March 31, 2009 and December 31, 2008, accumulated other comprehensive loss, net of income taxes, consists of the following:

| | March 31, 2009 | December 31, 2008 |
|---|---|---|
| Net actuarial loss and prior service cost not yet recognized in net periodic benefit cost, net of income tax benefit of $1,383,000 and $1,409,000, respectively | $ (2,018,000) | $ (2,056,000) |
| Unrealized loss on interest rate swap, net of income tax benefit of $113,000 and $147,000, respectively | (163,000) | (213,000) |
| Accumulated unrealized loss on available-for-sale securities, net of income tax benefit of $81,000 and $65,000, respectively | (119,000) | (95,000) |
| Accumulated other comprehensive loss | $ (2,300,000) | $ (2,364,000) |

**NOTE 7 Financial Instruments**

We adopted FASB Statement No. 157 effective January 1, 2008 for financial assets and liabilities measured on a recurring basis. Statement No. 157 applies to all financial assets and financial liabilities that are being measured and reported on a fair value basis. There was no impact from the adoption of Statement No. 157 to the consolidated financial statements. Statement No. 157 requires disclosure that establishes a framework for measuring fair value and expands disclosure about fair value measurements. The statement requires fair value measurement be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

The following table summarizes the valuation of our financial instruments by the Statement No. 157 pricing levels as of March 31, 2009:

| | Total | Quoted Prices In Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Available-for-sale securities | $ 367,000 | $ 367,000 | $ | $ |
| Interest rate swap | (276,000) | | (276,000) | |

Our investments in available-for-sale securities are recorded at fair value based on quoted market prices. These investments are included in other non-current assets on our consolidated balance sheets.

At March 31, 2009 and December 31, 2008, there was $41,600,000 and $42,200,000, respectively, outstanding under our revolving credit agreement. The borrowings under our revolving credit agreement bear interest at the variable rate described in NOTE 4 Long-Term Debt and therefore approximate fair value at March 31, 2009 and December 31, 2008, respectively. We are subject to interest rate risk on the variable component of the interest rate. Our risk management objective is to lock in the interest cash outflows on a portion of our debt. As a result, as described in NOTE 4 Long-Term Debt, we entered into an interest rate swap agreement effectively converting a portion of the outstanding borrowings under the revolving credit agreement to a fixed-rate, thereby hedging against the impact of potential interest rate changes on future interest expense. At March 31, 2009 and December 31, 2008, the interest rate swap had a negative fair value of $276,000 and $360,000, respectively, which is recorded in other liabilities. The fair value of the interest rate swap was based on quotes from the issuer of the swap and represents the estimated amounts that we would expect to pay to terminate the swap.

The carrying amounts of other financial instruments reported in the balance sheet for current assets and current liabilities approximate their fair values because of the short maturity of these instruments.

At March 31, 2009 and December 31, 2008, our outstanding SWIDA bonds had carrying values of $2,972,000 and $4,101,000, respectively, and estimated fair values of $3,188,000 and $4,499,000, respectively. The fair values were determined through the use of a discounted cash flow methodology utilizing estimated interest rates that would be available to us for borrowings with similar terms.

**NOTE 8 Related Party Transactions**

During the three months ended March 31, 2009 and 2008, Dover Downs Gaming & Entertainment, Inc. ( Gaming ), a company related through common ownership, allocated costs of $489,000 and $526,000, respectively, to us for certain administrative and operating services. Additionally, we allocated costs of $73,000 and $36,000, respectively, to Gaming for the three months ended March 31, 2009 and 2008. The allocations were based on an analysis of each company s share of the costs. In connection with our NASCAR event weekends at Dover International Speedway, we invoiced Gaming $91,000 and $89,000 during the three months ended March 31, 2009 and 2008, respectively, for a skybox suite, tickets and other services to the events. As of March 31, 2009 and December 31, 2008, our consolidated balance sheets include a $5,000 payable and $11,000 receivable from Gaming, respectively, for the aforementioned items. We have since settled the payable in the second quarter of 2009 and the receivable was settled in the first quarter of 2009. The net costs incurred by each company for these services are not necessarily indicative of the costs that would have been incurred if the companies had been unrelated entities and/or had otherwise independently managed these functions; however, management believes that these costs are reasonable.

Use by Gaming of our 5/8-mile harness racing track is under an easement from us which does not require the payment of any rent. Under the terms of the easement, Gaming has exclusive use of the harness track during the period beginning November 1 of each year and ending April 30 of the following year, together with set up and tear down rights for the two weeks before and after such period. The harness track is located on our property and is on the inside of our one-mile motorsports superspeedway. Gaming s indoor grandstands are used by us at no charge in connection with our motorsports events. We also lease our principal executive office space from Gaming. Various easements and agreements relative to access, utilities and parking have also been entered into between us and Gaming relative to our respective Dover, Delaware facilities.

Henry B. Tippie, Chairman of our Board of Directors, controls in excess of fifty percent of our voting power. Mr. Tippie s voting control emanates from his direct and indirect holdings of common stock and Class A common stock and from his status as trustee of the RMT Trust, our largest stockholder. This means that Mr. Tippie has the ability to determine the outcome of the election of directors and to determine the outcome of many significant corporate transactions, many of which only require the approval of a majority of our voting power.

Patrick J. Bagley, Kenneth K. Chalmers, Denis McGlynn, Jeffrey W. Rollins, John W. Rollins, Jr., R. Randall Rollins and Henry B. Tippie are all Directors of Dover Motorsports, Inc. and Gaming. Denis McGlynn is the President and Chief Executive Officer of both companies, Klaus M. Belohoubek is the Senior Vice President General Counsel and Secretary of both companies and Timothy R. Horne is the Senior Vice President Finance and Chief Financial Officer of both companies. Mr. Tippie controls in excess of fifty percent of the voting power of Gaming.

**NOTE 9 Commitments and Contingencies**

In September 1999, the Sports Authority of the County of Wilson (Tennessee) issued $25,900,000 in Variable Rate Tax Exempt Infrastructure Revenue Bonds, Series 1999, to acquire, construct and develop certain public infrastructure improvements which benefit the operation of Nashville Superspeedway, of which $22,300,000 was outstanding at March 31, 2009. Annual principal payments range from $600,000 in September 2009 to $1,600,000 in 2029 and are payable solely from sales taxes and incremental property taxes generated from the facility. These bonds are direct obligations of the Sports Authority and are therefore not recorded on our consolidated balance sheet. If the sales taxes and incremental property taxes are insufficient for the payment of principal and interest on the bonds, we would become responsible for the difference. In the event we were unable to make the payments,

they would be made pursuant to a $22,674,000 irrevocable direct-pay letter of credit issued by our bank group. We are exposed to fluctuations in interest rates for these bonds. A significant increase in interest rates could result in us being responsible for debt service payments not covered by the sales and incremental property taxes generated from the facility.

We believe that the sales taxes and incremental property taxes generated from the facility will continue to satisfy the necessary debt service requirements of the bonds through the maturity date in 2029. As of March 31, 2009 and December 31, 2008, $515,000 and $549,000, respectively, was available in the sales and incremental property tax fund maintained by the Sports Authority to pay the remaining principal and interest due under the bonds. During the year ended December 31, 2008, we paid $1,165,000 into the sales and incremental property tax fund and $1,151,000 was deducted from the fund for principal and interest payments. If the debt service is not satisfied from the sales and incremental property taxes generated from the facility, a portion of the bonds would become our liability. If we fail to maintain the letter of credit that secures the bonds or we allow an uncured event of default to exist under our reimbursement agreement relative to the letter of credit, the bonds would be immediately redeemable.

We have employment, severance and noncompete agreements with certain of our officers and directors under which certain change of control, severance and noncompete payments and benefits might become payable in the event of a change in our control, defined to include a tender offer or the closing of a merger or similar corporate transactions. In the event of such a change in control and the subsequent termination of employment of all employees covered under these agreements, we estimate that the maximum contingent liability would range from $7,600,000 to $9,200,000 depending on the tax treatment of the payments.

To the extent that any of the potential payments or benefits due under the agreements constitute an excess parachute payment under the Internal Revenue Code and result in the imposition of an excise tax, each agreement requires that we pay the amount of such excise tax plus any additional amounts necessary to place the officer or director in the same after-tax position as he would have been had no excise tax been imposed. We estimate that the tax gross ups that could be paid under the agreements in the event the agreements were triggered due to a change of control could be between $1,000,000 and $2,600,000 and these amounts have been included in the maximum contingent liability disclosed above. This maximum tax gross up figure assumes that none of the payments made after the hypothetical change in control would be characterized as reasonable compensation for services rendered. Each agreement with an executive officer provides that fifty percent of the monthly amount paid during the term is paid in consideration of the executive officer s non-compete covenants. The exclusion of these amounts would reduce the calculated amount of excess parachute payments subject to tax. We are unable to conclude whether the Internal Revenue Service would characterize all or some of these non-compete payments as reasonable compensation for services rendered.

We are also a party to ordinary routine litigation incidental to our business. Management does not believe that the resolution of any of these matters is likely to have a material adverse effect on our results of operations, financial position or cash flows.

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

The following discussion is based upon and should be read together with the consolidated financial statements and notes thereto included elsewhere in this document.

We classify our revenues as admissions, event-related, broadcasting and other. Admissions includes ticket sales for all our events. Event-related revenue includes amounts received from sponsorship fees; luxury suite rentals; hospitality tent rentals and catering; concessions and souvenir sales and vendor commissions for the right to sell concessions and souvenirs at our facilities; sales of programs; track rentals and other event-related revenues. Broadcasting revenue includes rights fees obtained for television and radio broadcasts of events held at our speedways and ancillary media rights fees. Other revenue includes other miscellaneous revenues.

Revenues pertaining to specific events are deferred until the event is held. Concession revenue from concession stand sales and sales of souvenirs are recorded at the time of sale. Revenues and related expenses from barter transactions in which we receive advertising or other goods or services in exchange for sponsorships of motorsports events are recorded at fair value in accordance with Emerging Issues Task Force ( EITF ) Issue No. 99-17, *Accounting for Advertising Barter Transactions*. Barter transactions accounted for $56,000 of total revenues for the three months ended March 31, 2008. No barter transactions were recorded as revenues for the three months ended March 31, 2009.

Expenses that are not directly related to a specific event are recorded as incurred. Expenses that specifically relate to an event are deferred until the event is held, at which time they are expensed. Our expenses include prize and point fund monies and sanction fees paid to various sanctioning bodies, including NASCAR, labor, advertising, cost of goods sold for merchandise and souvenirs, and other expenses associated with the promotion of our racing events.

**Results of Operations**

*Three Months Ended March 31, 2009 vs. Three Months Ended March 31, 2008*

Revenues decreased $2,427,000 in the first quarter of 2009 as compared to the first quarter of 2008. We promoted a NASCAR Nationwide Series event at our Nashville facility during the first quarter of 2008. This event was held in the second quarter of 2009.

Operating and marketing expenses were $2,199,000 in the first quarter of 2009 as compared to $4,610,000 in the first quarter of 2008. The $2,411,000 decrease primarily related to the change in our motorsports event calendar discussed above.

General and administrative expenses remained consistent between the first quarter of 2009 and the first quarter of 2008 at $3,058,000 and $3,167,000, respectively.

Depreciation and amortization expense was $1,565,000 in the first quarter of 2009 as compared to $1,662,000 in the first quarter of 2008. The decrease resulted primarily from a reduction in our depreciable asset base resulting from an impairment charge recorded in the fourth quarter of 2008, partially offset by depreciation on assets placed in service in the second quarter of 2008 related to our Monster Makeover project in Dover, Delaware.

Net interest expense decreased to $780,000 in the first quarter of 2009 as compared to $1,070,000 in the first quarter of 2008 due to a lower average interest rate on our credit facility.

Our effective income tax rates for the first quarter of 2009 and 2008 were 37.6% and 48.1%, respectively. The decrease in the effective income tax rate from the prior year rate was primarily the result of a reduction in our combined effective state income tax rate.

**Liquidity and Capital Resources**

Our operations are seasonal in nature with a majority of our motorsports events occurring during the second and third quarters. However, our cash flows from operating activities are more evenly spread throughout the year, primarily due to the impact of advance ticket sales and other event-related cash receipts, such as sponsorship and luxury suite rentals.

Net cash provided by operating activities decreased slightly to $2,332,000 for the three months ended March 31, 2009 from $2,624,000 for the three months ended March 31, 2008 primarily due to lower advance collections from customers.

Net cash provided by investing activities was $626,000 for the three months ended March 31, 2009 as compared to net cash used in investing activities of $1,252,000 for the three months ended March 31, 2008. Capital expenditures were $699,000 in the first three months of 2009, down from $1,598,000 in the first three months of 2008. The 2009 additions related primarily to the Monster Makeover project, including racetrack improvements at our Dover facility. The 2008 additions also related primarily to the Monster Makeover project, including the construction of a new entranceway, fan zone and medical center placed in service in the second quarter of 2008, and

the renovation and construction of other fan amenities at our Dover facility. Changes in our restricted cash accounts were $1,325,000 and $346,000 for the three month periods ended March 31, 2009 and 2008, respectively.

Net cash used in financing activities was $2,108,000 for the three months ended March 31, 2009 as compared to $743,000 for the three months ended March 31, 2008. We had net repayments on our outstanding line of credit of $600,000 in the first three months of 2009. There was no net change in borrowings on our line of credit in the first three months of 2008. Repayments of our outstanding SWIDA bonds were $1,129,000 for the first three months of 2009 as compared to $111,000 for the first three months of 2008. We paid $367,000 in cash dividends in the first three months of 2009 as compared to $546,000 in the first three months of 2008. During the first three months of 2009 and 2008, we purchased and retired 8,755 and 14,445 shares of our common stock at an average purchase price of $1.48 and $6.60 per share, respectively, not including nominal brokerage commissions.

On April 29, 2009, our Board of Directors declared a quarterly cash dividend on both classes of common stock of $0.01 per share. The dividend is payable on June 10, 2009 to shareholders of record at the close of business on May 10, 2009.

At March 31, 2009, Dover Motorsports, Inc. and all of its wholly owned subsidiaries, as co-borrowers, were parties to a $73,000,000 unsecured revolving credit agreement with a bank group. The credit facility expires July 1, 2011. It provides for seasonal funding needs, capital improvements, letter of credit requirements and other general corporate purposes. Interest is based, at our option, upon LIBOR plus a margin that varies between 125 and 200 basis points (200 basis points at March 31, 2009) depending on the ratio of funded debt to earnings before interest, taxes, depreciation and amortization (the leverage ratio ) or the base rate (the greater of the prime rate or the federal funds rate plus 0.5%) plus a margin that varies between -50 and +25 basis points (+25 basis points at March 31, 2009) depending on the leverage ratio, except that the base rate option is not available for the portion of indebtedness equal to the notional amount under the interest rate swap agreement described below. The terms of the credit facility contain certain covenants including minimum tangible net worth, fixed charge coverage and maximum funded debt to earnings before interest, taxes, depreciation and amortization ( EBITDA ). In addition, the credit agreement includes a material adverse change clause. The credit facility also provides that if we default under any other loan agreement, that would be a default under this credit facility. At March 31, 2009, we were in compliance with the terms of the credit facility including all covenants.

Material adverse changes in our results of operations could impact our ability to maintain financial ratios necessary to satisfy these requirements. There was $41,600,000 outstanding under the credit facility at March 31, 2009, at a weighted average interest rate of 2.9%. After consideration of stand-by letters of credit outstanding, borrowings of $8,726,000 were available pursuant to the credit facility at March 31, 2009. Based on projected future results, including the assumed sale of Memphis Motorsports Park (see NOTE 2 Business Operations), we expect to be in compliance with all of the covenants for all measurement periods during the next twelve months. We project that if the sale of Memphis Motorsports Park is not completed as anticipated that our ability to maintain compliance with the financial covenants in our revolving credit facility could be impacted in the third quarter. If this were to occur, we believe that we would be able to renegotiate our credit facility. However, violation of these financial covenants could result in the acceleration of all of our outstanding debt and could have a material adverse effect on our liquidity and financial position.

Effective October 21, 2005, we entered into an interest rate swap agreement that effectively converted $37,500,000 of our variable-rate debt to a fixed-rate basis, thereby hedging against the impact of potential interest rate changes. The notional amount of the swap agreement decreased to $30,000,000 on November 1, 2006, to $20,000,000 on November 1, 2007, and to $10,000,000 on November 1, 2008. The agreement terminates on November 1, 2009. Under this agreement, we pay a fixed interest rate of 4.74%. In return, the issuing lender refunds to us the variable-rate interest paid to the bank group under our revolving credit agreement on the same notional principal amount, excluding the margin that varies between 125 and 200 basis points depending on the leverage ratio (200 basis points at March 31, 2009).

Our wholly-owned subsidiary, Midwest Racing, Inc., entered into a stock purchase agreement dated January 28, 2009, to sell Memphis Motorsports Park to Gulf Coast Entertainment, L.L.C. Under the terms of the agreement, Midwest Racing will sell all of the stock of its wholly-owned subsidiary, Memphis International Motorsports Corporation, the owner of Memphis Motorsports Park, to Gulf Coast for $10,000,000 in cash. Gulf Coast is the

owner of Alabama Motorsports Park, a proposed multi-use entertainment complex expected to be constructed in Mobile, Alabama. As additional consideration for the purchase, we will receive a two percent non-dilutable interest in Gulf Coast and expect to enter into an agreement to provide motorsports management services to Alabama Motorsports Park when the facilities become operational. Closing is expected to take place on or before June 29, 2009 and is subject to financing and customary closing conditions. In March 2009, we received a $100,000 non-refundable deposit towards the purchase price. Two additional $100,000 non-refundable deposits are to be received by us prior to closing.

We are scheduled to promote 1 NASCAR Nationwide Series event, 1 NASCAR Camping World Truck Series event and 1 NHRA event in 2009 at our Memphis location. Although we will no longer own this facility after the close of the sale, we expect to enter into an agreement with Gulf Coast to provide management services for the Memphis facility.

Cash provided by operating activities is expected to substantially fund our capital expenditures and maintenance of a dividend in 2009. Based on current business conditions, we expect to spend approximately $2,000,000 on capital expenditures during 2009. These expenditures primarily relate to our Monster Makeover project. On May 24, 2006, we announced plans for a five-year capital improvement project, referred to as the Monster Makeover, that will provide new offerings and upgraded amenities for fans, competitors and the media. The project is expected to take up to five years to complete at an estimated total cost of approximately $25,000,000 to $30,000,000, of which approximately $20,000,000 was spent as of March 31, 2009. We continue to review the amount and timing of capital expenditures in light of our current earnings level. Additionally, we expect to contribute between $300,000 and $650,000 to our pension plans in 2009 in order to satisfy minimum statutory funding requirements, none of which was contributed during the three months ended March 31, 2009. We expect continued cash flows from operating activities and funds available from our credit agreement to provide for our working capital needs and capital spending requirements at least through the next twelve months, as well as any cash dividends our Board of Directors may declare, and also provide for our long-term liquidity.

**Contractual Obligations**

At March 31, 2009, we had the following contractual obligations and other commercial commitments:

| | | Payments Due by Period | | | | |
|---|---|---|---|---|---|---|
| | **Total** | **2009** | **2010** | **2011** | **2012** | **2013** | **Thereafter** |
| Revolving line of credit | $ 41,600,000 | $ | $ 41,600,000 | | $ | | $ |
| SWIDA bonds[(b)] | 2,972,000 | | 2,580,000 | | 392,000 | | |
| Total debt | 44,572,000 | | 44,180,000 | | 392,000 | | |
| Estimated interest payments on revolving line of credit[(a)] | 3,070,000 | 1,167,000 | 1,903,000 | | | | |
| Interest payments on SWIDA bonds[(b)] | 472,000 | 137,000 | 317,000 | | 18,000 | | |
| Operating leases | 4,653,000 | 229,000 | 406,000 | | 331,000 | | 3,687,000 |
| Pension contributions[(c)] | 475,000 | 475,000 | | | | | |
| Total contractual cash obligations | $ 53,242,000 | $ 2,008,000 | $ 46,806,000 | | $ 741,000 | | $ 3,687,000 |

(a) The future interest payments on our revolving credit agreement were estimated using the current outstanding principal as of March 31, 2009 and related interest rates. For $10,000,000 of our outstanding borrowings, we used the fixed interest rate per the interest rate swap agreement. For the remaining $31,600,000 of our outstanding borrowings, we used our interest rates as of March 31, 2009.

(b) In 1996, Midwest Racing entered into an agreement with SWIDA to receive the proceeds from the Taxable Sports Facility Revenue Bonds, Series 1996 (Gateway International Motorsports Corporation Project), a Municipal Bond Offering, in the aggregate principal amount of $21,500,000, of which $2,972,000 was outstanding at March 31, 2009. SWIDA loaned all of the proceeds from the Municipal Bond Offering to Midwest Racing for the purpose of the redevelopment, construction and expansion of Gateway. The proceeds of the SWIDA bonds were irrevocably committed to complete construction of Gateway, to fund interest, to create a debt service reserve fund and to pay for the cost of issuance of the bonds. The repayment terms and debt service reserve requirements of the bonds issued in

the Municipal Bond Offering correspond to the terms of the SWIDA bonds. The bonds are being amortized through February 2012.

We have established certain restricted cash funds to meet debt service as required by the SWIDA bonds, which are held by the trustee (BNY Trust Company of Missouri). At March 31, 2009, $3,894,000 of cash and cash equivalents were restricted by the SWIDA bonds and are appropriately classified as a non-current asset in our consolidated balance sheet. The SWIDA bonds are secured by a first mortgage lien on all the real property owned and a security interest in all property leased by Gateway. Also, the SWIDA bonds are unconditionally guaranteed by Midwest Racing. The SWIDA bonds bear interest at a rate of 9.2%. Interest expense related to the SWIDA bonds was $77,000 and $96,000 for the three months ended March 31, 2009 and 2008, respectively. In addition, a portion of the property taxes to be paid by Gateway (if any) to the City of Madison Tax Incremental Fund have been pledged to the annual retirement of debt and payment of interest.

(c) We expect to contribute between $300,000 and $650,000 to our pension plans for 2009 in order to satisfy minimum statutory funding requirements, none of which was contributed in the first three months of 2009. For years subsequent to 2009, we are unable to estimate what our pension contributions will be.

In September 1999, the Sports Authority of the County of Wilson (Tennessee) issued $25,900,000 in Variable Rate Tax Exempt Infrastructure Revenue Bonds, Series 1999, to acquire, construct and develop certain public infrastructure improvements which benefit the operation of Nashville Superspeedway, of which $22,300,000 was outstanding at March 31, 2009. Annual principal payments range from $600,000 in September 2009 to $1,600,000 in 2029 and are payable solely from sales taxes and incremental property taxes generated from the facility. These bonds are direct obligations of the Sports Authority and are therefore not recorded on our consolidated balance sheet. If the sales taxes and incremental property taxes are insufficient for the payment of principal and interest on the bonds, we would become responsible for the difference. We are exposed to fluctuations in interest rates for these bonds. A significant increase in interest rates could result in us being responsible for debt service payments not covered by the sales and incremental property taxes generated from the facility. In the event we were unable to make the payments, they would be made pursuant to a $22,674,000 irrevocable direct-pay letter of credit issued by our bank group.

We believe that the sales taxes and incremental property taxes generated from the facility will continue to satisfy the necessary debt service requirements of the bonds through the maturity date in 2029. As of March 31, 2009 and December 31, 2008, $515,000 and $549,000, respectively, was available in the sales and incremental property tax fund maintained by the Sports Authority to pay the remaining principal and interest due under the bonds. During the year ended December 31, 2008, we paid $1,165,000 into the sales and incremental property tax fund and $1,151,000 was deducted from the fund for principal and interest payments. If the debt service is not satisfied from the sales and incremental property taxes generated from the facility, a portion of the bonds would become our liability. If we fail to maintain the letter of credit that secures the bonds or we allow an uncured event of default to exist under our reimbursement agreement relative to the letter of credit, the bonds would be immediately redeemable.

We have not included our non current income taxes payable of $9,119,000 which is classified in accordance with FASB Interpretation No. 48 in the contractual obligations disclosure since we cannot reasonably estimate the period of potential cash settlement for unrecognized tax benefits.

**Related Party Transactions**

See NOTE 8 Related Party Transactions of the consolidated financial statements included elsewhere in this document.

**Critical Accounting Policies**

The accounting policies described below are those we consider critical in preparing our consolidated financial statements. These policies include significant estimates made by management using information available at the time the estimates are made. As described below, these estimates could change materially if different information or assumptions were used.

*Income Taxes*

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating losses. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. As of March 31, 2009, our valuation allowance net of federal income taxes was $8,488,000, which increased by $131,000 in the first three months of 2009, on deferred tax assets related to state net operating loss carry-forwards. We have considered ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance. In the event we were to determine that we would be able to realize all or a portion of these deferred tax assets, an adjustment to the valuation allowance would increase earnings in the period such determination was made. Likewise, should we determine that we would not be able to realize all or a portion of our remaining deferred tax assets in the future, an adjustment to the valuation allowance would be charged to earnings in the period such determination was made.

*Property and Equipment*

Property and equipment are recorded at cost. Depreciation is provided for financial reporting purposes using the straight-line method over estimated useful lives ranging from 5 to 10 years for furniture, fixtures and equipment and up to 40 years for facilities. These estimates require assumptions that are believed to be reasonable. We perform reviews for impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair value. Generally, fair value is determined using valuation techniques such as the comparable sales approach and for facilities the cost approach, which gives specific consideration to the value of the land plus contributory value to the improvements.

*Accrued Pension Cost*

The benefits provided by our defined-benefit pension plans are based on years of service and employee s remuneration over their employment with us. Accrued pension costs are developed using actuarial principles and assumptions which consider a number of factors, including estimates for the discount rate, assumed rate of compensation increase, and expected long-term rate of return on assets. Changes in these estimates would impact the amounts that we record in our consolidated financial statements.

**Recent Accounting Pronouncements**

See NOTE 3 Summary of Significant Accounting Policies of the consolidated financial statements included elsewhere in this document for a description of recent accounting pronouncements including the respective expected dates of adoption and effects on results of operations, financial condition and cash flows.

**Factors That May Affect Operating Results; Forward-Looking Statements**

In addition to historical information, this Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, relating to our financial condition, profitability, liquidity, resources, business outlook, proposed acquisitions, market forces, corporate strategies, consumer preferences, contractual commitments, legal matters, capital requirements and other matters. Documents incorporated by reference into this Annual Report may also contain forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. To comply with the terms of the safe harbor, we note that a variety of factors could cause our actual results and experience to differ substantially from the anticipated results or other expectations expressed in our forward-looking statements. When words and expressions such as: believes, expects, anticipates, estimates, plans, intends, objectives, goals, aims, projects, forecasts, possible, seeks, may, could, should, might, likely, enable or similar words or expressions are used in this document, as well as statements containing

phrases such as in our view, there can be no assurance, although no assurance can be given or there is no way to anticipate with certainty, forward-looking statements are being made.

Various risks and uncertainties may affect the operation, performance, development and results of our business and could cause future outcomes to differ materially from those set forth in our forward-looking statements, including the following factors:

- stability and viability of sanctioning bodies;
- success of or changes in our growth strategies;
- development and potential acquisition of new facilities;
- trends and uncertainties in the motorsports industry;
- patron demographics;
- obtaining favorable contracts relative to sponsorships, event sanctions and broadcast rights;
- relationships with sanctioning bodies, sponsors, broadcast media, drivers and teams;
- general market and economic conditions, including consumer and corporate spending sentiment;
- ability to finance future business requirements;
- ability to maintain compliance with debt covenants;
- the effect of changing interest rates;
- the availability of adequate levels of insurance;
- ability to successfully integrate acquired companies and businesses;
- management retention and development;
- changes in Federal, state and local laws and regulations, including environmental regulations;
- the effect of weather conditions on outdoor event attendance;
- military or other government actions;

availability of air travel; and

national or local catastrophic events.

The above risks and uncertainties and the cautionary statements below should be considered in connection with any future forward-looking statements we make. We undertake no obligation to publicly update or revise any forward-looking statements as a result of future developments, events or conditions. New risk factors emerge from time to time and it is not possible for us to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ significantly from those forecast in any forward-looking statements. Given these risks and uncertainties, stockholders should not overly rely or attach undue weight to our forward-looking statements as an indication of our actual future results.

*Our Relationships With and the Success of Various Sanctioning Bodies Is Vital To Our Success In Motorsports*

Our continued success in motorsports is dependent upon the success of various governing bodies of motorsports that sanction national racing events and our ability to secure favorable contracts with and maintain a good working relationship with these sanctioning bodies, particularly NASCAR. Sanctioning bodies regularly issue and award sanctioned events and their issuance depends, in large part, on maintaining good working relationships with the sanctioning bodies. Many events are sanctioned on an annual basis with no contractual obligation to renew, including our agreements with NASCAR. By awarding a sanctioned event or a series of sanctioned events, the sanctioning bodies do not warrant, nor are they responsible for, the financial success of any sanctioned event. Our success is directly tied to our ability to negotiate favorable terms to our sanction agreements, including the amount of the sanction fee and purse, and our ability to continue to derive economic benefits from such agreements, such as our share of live broadcast revenues.

Our ability to obtain additional sanctioned events in the future and to negotiate favorable terms to our sanction agreements and the success of a particular sanctioning body in attracting drivers and teams, signing series sponsors and negotiating favorable television and/or radio broadcast rights is dependent on many factors which are largely outside of our control. As our success depends on the terms of our sanction agreements and the success of each event or series that we are promoting, a material change in the terms of a sanction agreement or a material adverse effect on a sanctioning body, such as the loss or defection of top drivers, the loss of significant series sponsors, or the failure to obtain favorable broadcast coverage or to properly advertise the event or series could result in a reduction in our revenues from live broadcast coverage, admissions, luxury suite rentals, sponsorships, hospitality, concessions and merchandise, which could have a material adverse effect on our business, financial condition and results of operations.

*We Rely On Sponsorship Contracts To Generate Revenues*

We receive a portion of our annual revenues from sponsorship agreements, including the sponsorship of our various events and our permanent venues, such as title, official product and promotional partner sponsorships, billboards, signage and skyboxes. Loss of our existing title sponsors or other major sponsorship agreements or failure to secure such sponsorship agreements in the future could have a material adverse effect on our business, financial condition and results of operations.

We are in negotiations with various potential sponsors for our 2009 events, including title sponsors for our two NASCAR Sprint Cup Series events and one of our NASCAR Nationwide Series events at Dover International Speedway, one of our NASCAR Nationwide Series events at Nashville Superspeedway, and our NASCAR Nationwide Series and NASCAR Camping World Truck Series events at Memphis Motorsports Park.

*Our Motorsports Events Face Intense Competition For Attendance, Television Viewership And Sponsorship*

We compete with other auto speedways for the patronage of motor racing spectators as well as for sponsorships. Moreover, racing events sanctioned by different organizations are often held on the same dates at different tracks. The quality of the competition, type of racing event, caliber of the event, sight lines, ticket pricing, location and customer conveniences, among other things, distinguish the motorsports facilities. In addition, all of our events compete with other sports and recreational events scheduled on the same dates. As a result, our revenues and operations are affected not only by our ability to compete in the motorsports promotion market, but also by the availability of alternative spectator sports events, forms of entertainment and changing consumer preferences.

*General Market And Economic Conditions, Including Consumer And Corporate Spending, Could Negatively Affect Our Financial Results*

Our financial results depend significantly upon a number of factors relating to discretionary consumer and corporate spending, including economic conditions affecting disposable consumer income and corporate budgets such as employment, business conditions, interest rates and taxation rates.

These factors can impact both attendance at our events and advertising and marketing dollars available from the motorsports industry s principal sponsors and potential sponsors. Economic and other lifestyle conditions such as

illiquid consumer and business credit markets adversely affect consumer and corporate spending thereby impacting our growth, revenue and profitability. Unavailability of credit on favorable terms can adversely impact our operations, growth, development and capital spending plans. General economic conditions were significantly and negatively impacted by the September 11, 2001 terrorist attacks and the war in Iraq and could be similarly affected by any future attacks, by a terrorist attack at any mass gathering or fear of such attacks, or by other acts or prospects of war. Any future attacks or wars or related threats could also increase our expenses related to insurance, security or other related matters. A weakened economic and business climate, as well as consumer uncertainty and the loss of consumer confidence created by such a climate, could adversely affect our financial results.

*The Sales Tax And Property Tax Revenues To Service The Revenue Bonds For Infrastructure Improvements At Nashville May Be Inadequate*

In September 1999, the Sports Authority of the County of Wilson (Tennessee) issued $25,900,000 in revenue bonds to build local infrastructure improvements which benefit the operation of Nashville Superspeedway, of which $22,300,000 was outstanding on March 31, 2009. Debt service on the bonds is payable solely from sales taxes and incremental property taxes generated from the facility. As of March 31, 2009 and December 31, 2008, $515,000 and $549,000, respectively, was available in the sales and incremental property tax fund maintained by the Sports Authority to pay the remaining principal and interest due under the bonds. During the year ended December 31, 2008, we paid $1,165,000 into the sales and incremental property tax fund and $1,151,000 was deducted from the fund for principal and interest payments. These bonds are direct obligations of the Sports Authority and are therefore not recorded on our consolidated balance sheet. In the event the sales taxes and incremental property taxes are insufficient to cover the payment of principal and interest on the bonds, we would become responsible for the difference. We are exposed to fluctuations in interest rates for these bonds. A significant increase in interest rates could result in us being responsible for debt service payments not covered by the sales and incremental property taxes generated from the facility. In the event we were unable to make the payments, they would be made under a $22,674,000 irrevocable direct-pay letter of credit issued by our bank group. We would be responsible to reimburse the banks for any drawings made under the letter of credit. Such an event could have a material adverse effect on our business, financial condition and results of operations and compliance with debt covenants.

*The Seasonality Of Our Motorsports Events Increases The Variability Of Quarterly Earnings*

Our business has been, and is expected to remain, seasonal given that it depends on our outdoor events for a substantial portion of revenues. We derive a substantial portion of our motorsports revenues from admissions, event-related and broadcasting revenue attributable to six NASCAR-sanctioned events at Dover, Delaware which are currently held in May and September. Total revenues from these events were approximately 70% of total revenues for each of the years in the three year period ended December 31, 2008. This has been offset to some degree by our other motorsports events, but quarterly earnings will vary.

*Our Insurance May Not Be Adequate To Cover Catastrophic Incidents*

We maintain insurance policies that provide coverage within limits that are sufficient, in the opinion of management, to protect us from material financial loss incurred in the ordinary course of business. We also purchase special event insurance for motorsports events to protect against race-related liability. However, there can be no assurance that this insurance will be adequate at all times and in all circumstances. If we are held liable for damages beyond the scope of our insurance coverage, including punitive damages, our business, financial condition and results of operations could be materially and adversely affected.

*Bad Weather Can Have An Adverse Financial Impact On Our Motorsports Events*

We sponsor and promote outdoor motorsports events. Weather conditions affect sales of tickets, concessions and souvenirs, among other things at these events. Although we sell many tickets well in advance of the outdoor events and these tickets are issued on a non-refundable basis, poor weather conditions may adversely affect additional ticket sales and concessions and souvenir sales, which could have an adverse effect on our business, financial condition and results of operations.

We do not currently maintain weather-related insurance for major events. Due to the importance of clear visibility and safe driving conditions to motorsports racing events, outdoor racing events may be significantly affected by weather patterns and seasonal weather changes. Any unanticipated weather changes could impact our ability to stage events. This could have a material adverse effect on our business, financial condition and results of operations.

*Postponement And/Or Cancellation Of Major Motorsports Events Could Adversely Affect Us*

If one of our events is postponed because of weather or other reasons such as, for example, the general postponement of all major sporting events in this country following the September 11, 2001 terrorism attacks, we could incur increased expenses associated with conducting the rescheduled event, as well as possible decreased revenues from tickets, food, drinks and merchandise at the rescheduled event. If such an event is cancelled, we could incur the expenses associated with preparing to conduct the event as well as lose the revenues, including live broadcast revenues associated with the event.

If a cancelled event is part of the NASCAR Sprint Cup Series or NASCAR Nationwide Series, we could experience a reduction in the amount of money received from television revenues for all of our NASCAR-sanctioned events in the series that experienced the cancellation. This would occur if, as a result of the cancellation, and without regard to whether the cancelled event was scheduled for one of our facilities, NASCAR experienced a reduction in broadcast revenues greater than the amount scheduled to be paid to the promoter of the cancelled event.

*Due To Our Concentrated Stock Ownership, Stockholders May Have No Effective Voice In Our Management*

We have elected to be treated as a controlled corporation as defined by New York Stock Exchange Rule 303A. We are a controlled corporation because a single person, Henry B. Tippie, the Chairman of our Board of Directors, controls in excess of fifty percent of our voting power. This means that he has the ability to determine the outcome of the election of directors at our annual meetings and to determine the outcome of many significant corporate transactions, many of which only require the approval of a majority of our voting power. Such a concentration of voting power could also have the effect of delaying or preventing a third party from acquiring us at a premium. In addition, as a controlled corporation, we are not required to comply with certain New York Stock Exchange rules.

*We May Not Be Able To Maintain Our Listing With The New York Stock Exchange*

Our common stock is traded on the NYSE. We are required to maintain market capitalization of more than $75,000,000 (measured over a 30 day trading period) or stockholders equity of more than $75,000,000 in order to remain in compliance with NYSE continued listing standards. NYSE notified us on February 17, 2009 that we are below compliance because as of February 13, 2009 our 30 trading-day average market capitalization was $61.9 million and our stockholder s equity as of December 31, 2008 was $67,447,000. We had 45 days from receipt of the notice from the NYSE to submit a plan to them and demonstrate our ability to achieve compliance with continued listing standards within 18 months. We submitted our plan on March 19, 2009 and it has been accepted by the NYSE. As a result, our common stock will continue to be listed on the NYSE, subject to quarterly reviews by the NYSE s Listing and Compliance Committee to ensure that we progress toward our plan to restore compliance with continued listing standards. If we are not able to regain compliance with NYSE listing standards, our stock will be delisted from trading on the NYSE. This would result in the need to find another market on which our stock can be listed or cause our stock to cease trading on an active market, which could result in a reduction in the liquidity for our stock and a reduction in demand for our stock.

It is our expectation that stock market conditions will improve and that we will either be able to achieve compliance with NYSE continued listing standards or take the steps necessary to list our stock on another national securities exchange, such as NASDAQ or NYSE Alternext. However, there can be no assurance that we will be able to do so and our stock may ultimately trade on an over-the-counter market. Non-compliance with NYSE continued listing standards or delisting from the NYSE could negatively impact us, including, without limitation, our relationships with stockholders, businesses and lenders, our access to debt and equity financing, and our ability to attract and retain personnel by means of equity compensation. This, in turn, could materially and adversely affect our business, financial condition and results of operations. Securities traded in the over-the-counter market

generally have significantly less liquidity than securities traded on a national securities exchange, through factors such as a reduction in the number of investors that will consider investing in the securities, the number of market makers in the securities, reduction in securities analyst and news media coverage and lower market prices than might otherwise be obtained.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to financial market risk resulting from changes in interest rates. We do not engage in speculative or leveraged transactions, nor hold or issue financial instruments for trading purposes.

At March 31, 2009, we have marketable securities of $367,000. These securities, which consist of mutual funds, are classified as available-for-sale and reported at fair-value in our consolidated balance sheet. Fair-value is determined based on the current market values.

At March 31, 2009, there was $41,600,000 outstanding under our revolving credit agreement. The credit agreement bears interest at our option, upon LIBOR plus a margin that varies between 125 and 200 basis points depending on the leverage ratio or the base rate (the greater of the prime rate or the federal funds rate plus 0.5%) plus a margin that varies between -50 and +25 basis points depending on the leverage ratio. Therefore, we are subject to interest rate risk on the variable component of the interest rate. Historically, we managed our mix of fixed and variable-rate debt by structuring the terms of our debt agreements. Effective October 21, 2005, we entered into a $37,500,000 interest rate swap agreement that effectively converted this portion of the outstanding variable-rate borrowings under the revolving credit agreement to fixed-rate securities, thereby hedging against the impact of potential interest rate changes. Under this agreement, we pay a fixed interest rate of 4.74%. In return, the issuing lender refunds to us the variable-rate interest paid to the bank group under our revolving credit agreement on the same notional principal amount, excluding the margin that varies between 125 and 200 basis points depending on the leverage ratio. The notional amount of the swap agreement decreased to $30,000,000 on November 1, 2006, to $20,000,000 on November 1, 2007, and to $10,000,000 on November 1, 2008. The agreement terminates on November 1, 2009. As of March 31, 2009, the interest rate swap had a negative fair value of $276,000. An increase in interest rates of one percent would result in the interest rate swap having a negative fair value of approximately $225,000 at March 31, 2009. A decrease in interest rates of one percent would result in the interest rate swap having a negative fair value of approximately $327,000 at March 31, 2009. A change in interest rates will have no impact on the interest expense associated with the $10,000,000 of borrowings under the revolving credit agreement that are subject to the interest rate swap agreement. A change in interest rates of one percent on the outstanding borrowings under the revolving credit agreement at March 31, 2009 not subject to the interest rate swap would cause a change in total annual interest costs of $316,000. The borrowings under our revolving credit agreement bear interest at the variable rate described above and therefore approximate fair value at March 31, 2009.

At March 31, 2009, our outstanding balance of the SWIDA bonds had a carrying value of $2,972,000 and an estimated fair value of $3,188,000. The fair value was determined through the use of a discounted cash flow methodology applying interest rates which we believe would be available to us for issues with similar terms at March 31, 2009.

In September 1999, the Sports Authority of the County of Wilson (Tennessee) issued $25,900,000 in Variable Rate Tax Exempt Infrastructure Revenue Bonds, of which $22,300,000 was outstanding at March 31, 2009. These bonds are direct obligations of the Sports Authority and are therefore not recorded on our consolidated balance sheet; however, we are exposed to market risks related to fluctuations in interest rates for these bonds. A significant increase in interest rates could result in our being responsible for debt service payments not covered by the sales and incremental property taxes generated from the facility.

**Item 4. Controls and Procedures**

*Evaluation of Disclosure Controls and Procedures*

We have established disclosure controls and procedures to ensure that relevant, material information is made known to the officers who certify our financial reports and to other members of senior management and the Board of Directors.

Based on their evaluation as of March 31, 2009, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are effective to ensure that the information we are required to disclose in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

*Changes in Internal Control Over Financial Reporting*

There have been no changes in our internal control over financial reporting during the fiscal quarter ended March 31, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Part II Other Information**

**Item 1. Legal Proceedings**

We are a party to ordinary routine litigation incidental to our business. Management does not believe that the resolution of any of these matters is likely to have a material adverse effect on our results of operations, financial condition or cash flows.

**Item 1A. Risk Factors**

Disclosure regarding the most significant factors that may adversely affect our business, operations, industry or financial position or our future financial performance is set forth under the section entitled, Factors That May Affect Operating Results; Forward-Looking Statements, beginning on page 19.

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

On July 28, 2004, our Board of Directors authorized the repurchase of up to 2,000,000 shares of our outstanding common stock. The purchases may be made in the open market or in privately negotiated transactions as conditions warrant. The repurchase authorization has no expiration date, does not obligate us to acquire any specific number of shares and may be suspended at any time. No purchases of our equity securities were made pursuant to this authorization during the three months ended March 31, 2009.

During the three months ended March 31, 2009, we purchased and retired 8,755 shares of our outstanding common stock at an average purchase price of $1.48 per share. These purchases were made from employees in connection with the vesting of restricted stock awards under our 2004 Stock Incentive Plan and were not pursuant to the aforementioned repurchase authorization. Since the vesting of a restricted stock award is a taxable event to our employees for which income tax withholding is required, the plan allows employees to surrender to us some of the shares that would otherwise have vested in satisfaction of their tax liability. The surrender of these shares is treated by us as a purchase of the shares.

The following table details our purchases of equity securities for the three months ended March 31, 2009 (the average price paid per share does not include nominal brokerage commissions):

| Period | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| January 1, 2009 January 31, 2009 | 8,755 | $ 1.48 | | 1,634,607 |
| February 1, 2009 February 28, 2009 | | | | 1,634,607 |
| March 1, 2009 March 31, 2009 | | | | 1,634,607 |
| Total | 8,755 | $ 1.48 | | 1,634,607 |

**Item 3. Defaults Upon Senior Securities**

None.

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

At the Annual Meeting of Stockholders held on April 29, 2009, Henry B. Tippie, R. Randall Rollins and Patrick J. Bagley were re-elected as directors by our stockholders. Directors whose terms of office continued after the meeting were Denis McGlynn, John W. Rollins, Jr., Jeffrey W. Rollins and Kenneth K. Chalmers.

| | Votes For | Votes Withheld | Shares Not Voted |
|---|---|---|---|
| Election of Henry B. Tippie | 193,156,731 | 8,729,428 | 1,346,587 |
| Election of R. Randall Rollins | 198,167,816 | 3,718,343 | 1,346,587 |
| Election of Patrick J. Bagley | 197,432,641 | 4,453,518 | 1,346,587 |

Additionally, an attempt to eliminate our rights agreement was defeated by our stockholders with 189,326,505 votes against, 8,813,881 votes for and 64,369 votes abstained.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

10.1 Amendment No. 1 dated February 13, 2009 to the Stock Purchase Agreement dated January 28, 2009 between Midwest Racing, Inc. and Gulf Coast Entertainment, L.L.C.

10.2 Amendment No. 2 dated April 24, 2009 to the Stock Purchase Agreement dated January 28, 2009 between Midwest Racing, Inc. and Gulf Coast Entertainment, L.L.C.

31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a)

31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a)

32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Sec. 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Sec. 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

**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.

DATED: May 8, 2009

Dover Motorsports, Inc.
Registrant

/s/ Denis McGlynn
Denis McGlynn
President, Chief Executive Officer and Director

/s/ Timothy R. Horne
Timothy R. Horne
Senior Vice President-Finance and Chief Financial Officer