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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 September 30, 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 of Incorporation)	**(I.R.S. Employer 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 ☒ 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	☒
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 ☒

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

Common Stock -	18,093,166 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) EARNINGS
In Thousands, Except Per Share Amounts
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Revenues:				
Admissions	$11,196	$15,365	$23,149	$30,101
Event-related	7,481	12,073	16,260	24,425
Broadcasting	12,346	12,348	27,284	27,134
Other	121	5	154	58
	31,144	39,791	66,847	81,718
Expenses:				
Operating and marketing	19,159	24,083	44,505	50,801
General and administrative	3,062	3,131	9,219	9,420
Impairment charge	7,478	—	7,478	—
Depreciation and amortization	1,606	1,773	4,788	5,139
	31,305	28,987	65,990	65,360
Operating (loss) earnings	(161)	10,804	857	16,358
Interest income	—	19	7	69
Interest expense	244	(966)	(1,275)	(3,118)
Loss on sale of investments	—	—	(102)	—
Earnings (loss) before income tax expense	83	9,857	(513)	13,309
Income tax expense	607	5,158	811	6,911
Net (loss) earnings	(524)	4,699	(1,324)	6,398
Unrealized gain on interest rate swap, net of income taxes	64	68	168	22
Unrealized gain (loss) on available-for-sale securities, net of income taxes	24	(26)	29	(47)
Reclassification adjustment for loss realized on available-for-sale securities, net of income taxes	—	—	61	—
Amortization of net actuarial loss and prior service cost included in net periodic pension benefit cost, net of income taxes	37	—	112	23
Comprehensive (loss) earnings	$ (399)	$ 4,741	$ (954)	$ 6,396
Net (loss) earnings per common share:				
Basic	$ (0.01)	$ 0.13	$ (0.04)	$ 0.18
Diluted	$ (0.01)	$ 0.13	$ (0.04)	$ 0.18

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)

	September 30, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 838	$ 288

Accounts receivable	9,240	1,950
Inventories	317	273
Prepaid expenses and other	1,682	1,697
Receivable from Dover Downs Gaming & Entertainment, Inc.	—	11
Deferred income taxes	116	152
Total current assets	12,193	4,371
Property and equipment, net	134,547	144,684
Restricted cash	3,962	5,219
Other assets, net	722	594
Deferred income taxes	257	311
Total assets	$ 151,681	$ 155,179
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,343	$ 604
Accrued liabilities	6,537	2,767
Payable to Dover Downs Gaming & Entertainment, Inc.	35	—
Income taxes payable	1,214	159
Current portion of bonds payable	1,235	1,130
Deferred revenue	3,992	6,962
Total current liabilities	15,356	11,622
Revolving line of credit	39,200	42,200
Bonds payable	1,738	2,971
Liability for pension benefits	2,706	2,555
Other liabilities	932	1,920
Non current income taxes payable	4,696	9,630
Deferred income taxes	20,940	16,834
Total liabilities	85,568	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: 18,113,966 and 17,872,751, respectively	1,811	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	100,868	100,539
Accumulated deficit	(36,423)	(34,366)
Accumulated other comprehensive loss	(1,994)	(2,364)
Total stockholders' equity	66,113	67,447
Total liabilities and stockholders' equity	$ 151,681	$ 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)

	Nine Months Ended September 30,	
	2009	2008
Operating activities:		
Net (loss) earnings	$ (1,324)	$ 6,398
Adjustments to reconcile net (loss) earnings to net cash provided by operating activities:		
Depreciation and amortization	4,788	5,139

Amortization of credit facility fees	121	134
Stock-based compensation	425	452
Deferred income taxes	(1,115)	3,898
Impairment charge	7,478	—
Changes in assets and liabilities:		
Accounts receivable	(7,290)	(8,684)
Inventories	(44)	(135)
Prepaid expenses and other	166	78
Accounts payable	1,739	3,687
Accrued liabilities	3,570	2,180
Payable to/receivable from Dover Downs Gaming & Entertainment, Inc.	46	11
Income taxes payable	1,126	1,898
Deferred revenue	(2,970)	(4,759)
Other liabilities	(366)	609
Net cash provided by operating activities	6,350	10,906
Investing activities:		
Capital expenditures	(1,896)	(6,467)
Restricted cash	1,257	(2,117)
Proceeds from sale of available-for-sale-securities	187	—
Purchase of available-for-sale-securities	(185)	(50)
Net cash used in investing activities	(637)	(8,634)
Financing activities:		
Borrowings from revolving line of credit	27,150	31,000
Repayments on revolving line of credit	(30,150)	(30,800)
Repayments of bonds payable	(1,128)	(109)
Dividends paid	(733)	(1,638)
Repurchase of common stock	(19)	(137)
Credit facility fees	(283)	(124)
Proceeds from stock options exercised	—	216
Excess tax benefit on stock awards	—	28
Net cash used in financing activities	(5,163)	(1,564)
Net increase in cash and cash equivalents	550	708
Cash and cash equivalents, beginning of period	288	327
Cash and cash equivalents, end of period	$ 838	$ 1,035
Supplemental information:		
Interest paid	$ 1,896	$ 2,677
Income taxes paid	$ 800	$ 1,087
Change in accounts payable for capital expenditures	$ —	$ 269

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 and nine-month periods ended September 30, 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.

All of the major events listed above were promoted during the first nine months of 2009, with the exception of a NASCAR Nationwide Series event and an NHRA event at our Memphis facility, which were promoted in October 2009.

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 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 was to 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 under the stock purchase agreement, as amended, had been scheduled for June 29, 2009, but Gulf Coast did not finalize its project financing. In keeping with our obligations under the stock purchase agreement to engage in

good faith discussions relative to an extension of the closing date, we had been in negotiations with Gulf Coast relative to an amendment to the stock purchase agreement which would have allowed for an extension of the closing date until September 29, 2009. Those negotiations were unsuccessful and as permitted under the terms of the stock purchase agreement, we terminated the agreement and will retain $165,000 that was paid by Gulf Coast as a non-refundable deposit. Gulf Coast transferred to us a 2% special member interest in Gulf Coast which by its terms is nondilutable and does not require that we advance any monies to maintain our interest. Upon execution of the stock purchase agreement in January 2009, the assets and liabilities of Memphis qualified for held for sale presentation. Since the sale was not completed and the agreement was no longer effective as of September 30, 2009, the assets and liabilities of Memphis no longer qualify for held for sale presentation. As a result, we reclassified the assets and liabilities of Memphis from held for sale to held and used as of September 30, 2009. This resulted in us reviewing the long-lived assets of Memphis for impairment. See NOTE 4 – Impairment Charge.

On October 28, 2009, our Board of Directors approved the closing of the Memphis facility. NASCAR has approved the realignment of our NASCAR Camping World Truck Series and NASCAR Nationwide Series events from Memphis Motorsports Park to our Nashville and Gateway facilities. We are currently evaluating all of our options relative to the Memphis facility at this time.

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 7 – Stockholders' Equity and NOTE 8 – 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 terminated on November 1, 2009. We designated the interest rate swap as a cash flow hedge. Changes in the fair value of the effective portion of the interest rate swap were recognized in other comprehensive (loss) income until the hedged item was recognized in earnings. See NOTE 5 – Long-Term Debt and NOTE 8 – 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 $36,566,000 and $32,088,000 as of September 30, 2009 and December 31, 2008, respectively.

Impairment 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 on unrecognized income tax benefits is being recorded in accordance with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 740, "*Income Taxes*." We recorded interest expense of $57,000 and $306,000, and $101,000 and $440,000 during the three and nine-month periods ended September 30, 2009 and 2008, respectively, related to our unrecognized income tax benefits. During the third quarter of 2009, we reversed $1,011,000 of previously recorded interest expense on certain unrecognized income tax benefits which are no longer subject to examination. Total accrued interest as of September 30, 2009 was $855,000 and is 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 September 30, 2009, tax years after 2005 remain open to examination for federal income tax purposes and tax years after 2004 remain open to examination for Delaware income tax purposes.

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.

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. Barter transactions accounted for $337,000 and $787,000 of total revenues for the three and nine-month periods ended September 30, 2009. Barter transactions accounted for $580,000 and $1,094,000 of total revenues for the three and nine-month periods ended September 30, 2008.

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 and nine-month periods ended September 30, 2009 and 2008 were $117,000 and $309,000, and $231,000 and $511,000, 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 $1,045,000 and $2,480,000, and $1,635,000 and $3,302,000 for the three and nine-month periods ended September 30, 2009 and 2008, respectively.

Net (loss) earnings per common share—Basic and diluted net (loss) earnings per common share ("EPS") are calculated in accordance with the provisions of ASC Topic 260, "*Earnings Per Share*." In June 2008, the FASB issued guidance stating that nonvested 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 ASC Topic 260 relating to the two-class method of computing EPS effective January 1, 2009.

Our restricted stock awards include nonforfeitable rights to dividends with respect to nonvested shares. 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 the provisions of ASC Topic 260 relating to the two-class method of computing EPS did not change our basic or diluted EPS for the three or nine-month periods ended September 30, 2008.

The following table sets forth the computation of basic and diluted EPS (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Net (loss) earnings per common share – basic:				
Net (loss) earnings	$ (524)	$ 4,699	$ (1,324)	$ 6,398
Allocation to nonvested restricted stock awards	—	57	12	78
Net (loss) earnings available to common stockholders	$ (524)	$ 4,642	$ (1,336)	$ 6,320
Weighted-average shares outstanding	36,025	35,958	36,019	35,934
Net (loss) earnings per common share – basic	$ (0.01)	$ 0.13	$ (0.04)	$ 0.18
Net (loss) earnings per common share – diluted:				
Net (loss) earnings	$ (524)	$ 4,699	$ (1,324)	$ 6,398
Allocation to nonvested restricted stock awards	—	57	12	78
Net (loss) earnings available to common stockholders	$ (524)	$ 4,642	$ (1,336)	$ 6,320
Weighted-average shares outstanding	36,025	35,958	36,019	35,934
Dilutive stock options	—	7	—	69
Weighted-average shares and dilutive shares outstanding	36,025	35,965	36,019	36,003
Net (loss) earnings per common share – diluted	$ (0.01)	$ 0.13	$ (0.04)	$ 0.18

For the three and nine-month periods ended September 30, 2009 and 2008, options to purchase 493,000 and 493,000, and 294,000 and 244,000 shares of common stock, respectively, were outstanding but not included in the computation of diluted EPS because they would have been anti-dilutive.

Accounting for stock-based compensation—We recorded total stock-based compensation expense of $142,000 and $425,000, and $135,000 and $452,000 as general and administrative expenses for the three and nine-month periods ended September 30, 2009 and 2008, respectively. We recorded income tax benefits of $58,000 and $173,000, and $19,000 and $151,000 for the three and nine-month periods ended September 30, 2009 and 2008, respectively, related to our 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.

Subsequent events—For the three and nine months ended September 30, 2009, we evaluated, for potential recognition and disclosure, events that occurred prior to the filing of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 on November 6, 2009.

Recent Accounting Pronouncements—In June 2009, the FASB issued guidance now codified as FASB ASC Topic 105, "*Generally Accepted Accounting Principles*," as the single source of authoritative nongovernmental U.S. generally accepted accounting principles ("GAAP"). ASC Topic 105 does not change current U.S. GAAP, but is intended to simplify user access to all authoritative U.S. GAAP by providing all authoritative literature related to a particular topic in one place. All existing accounting standard documents will be superseded and all other accounting literature not included in the FASB ASC will be considered non-authoritative. These provisions of ASC Topic 105 are effective for interim and annual periods ending after September 15, 2009 and, accordingly, are effective for the current fiscal reporting period. The adoption of this pronouncement did not have an impact on our financial condition or results of operations, but did impact our financial reporting process by eliminating all references to pre-codification standards. On the effective date of this Statement, the ASC superseded all then-existing non-SEC accounting and reporting standards, and all other non-grandfathered non-SEC accounting literature not included in the ASC became non-authoritative.

In June 2009, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 166, *Accounting for Transfers of Financial Assets*, *an amendment to SFAS No. 140* (note that this standard has not yet been codified under ASC Topic 105). The new standard eliminates the concept of a "qualifying special-purpose entity," changes the requirements for derecognizing financial assets, and requires additional disclosures in order to enhance information reported to users of financial statements by providing greater transparency about transfers of financial assets, including securitization transactions, and an entity's continuing involvement in and exposure to the risks related to transferred financial assets. SFAS No. 166 is effective for fiscal years beginning after November 15, 2009. We will adopt SFAS No. 166 in 2010 and do not expect that it will have an impact on our consolidated financial statements.

NOTE 4 – Impairment Charge

Because the sale of our Memphis Motorsports Park facility was not completed, we concluded in the third quarter that it was necessary for us to review the carrying value of the long-lived assets of our Memphis facility for impairment. The fair value of the assets for the Memphis facility was previously determined based upon the terms of the agreement of sale with Gulf Coast for purposes of our impairment assessment. In accordance with the provisions of ASC Topic 360, "*Property, Plant and Equipment*," the recoverability of assets to be held and used was measured by a comparison of the carrying amount of the asset to the sum of the estimated undiscounted cash flows expected to result from the use and eventual disposition of the asset. As a result of the recoverability test, we concluded that the carrying amount of our Memphis facility exceeded the undiscounted cash flows.

Since the carrying amount of the assets exceeded the fair value, an impairment charge was recognized by the amount by which the carrying amount of the assets exceeded the fair value. Fair value of the assets for the Memphis facility was determined using a valuation methodology that consisted of the cost approach, which gave specific consideration to the value of the land and an office building, net of demolition costs. The long-lived assets deemed to be impaired consisted of track facilities.

Based on the results of this analysis, we recorded a non-cash impairment charge in the third quarter of 2009 to write-down the carrying value of long-lived assets at our Memphis facility to fair value, as follows:

	Carrying Value of Long-Lived Assets	Fair Value of Long-Lived Assets	Non-Cash Impairment Charges
Memphis facility	$ 10,278,000	$ 2,800,000	$ 7,478,000

DOVER MOTORSPORTS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

NOTE 5 – Long-Term Debt

Long-term debt consists of the following:

	September 30, 2009	December 31, 2008
Revolving line of credit	$39,200,000	$42,200,000
SWIDA bonds	2,973,000	4,101,000
	42,173,000	46,301,000
Less current portion	(1,235,000)	(1,130,000)
	$40,938,000	$45,171,000

At September 30, 2009, Dover Motorsports, Inc. and all of its wholly owned subsidiaries, as co-borrowers, were parties to a $73,000,000 secured revolving credit agreement with a bank group. The credit agreement is secured by all of our assets. Effective August 21, 2009, the credit facility was amended to revise certain financial covenants and the interest rate calculation, among other changes. The maximum borrowing limit under the credit facility reduces to $68,000,000 on July 1, 2010 and the 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 350 basis points or the adjusted base rate. The base rate is the greater of the prime rate or the federal funds rate plus 50 basis points or the daily LIBOR rate plus 100 basis points. The adjusted base rate is the greater of 3.75% per annum or the base rate plus 250 basis points. 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 and prohibits the payment of dividends by us. The credit facility also provides that if we default under any other loan agreement, that would be a default under this credit facility. At September 30, 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 $39,200,000 outstanding under the credit facility at September 30, 2009, at a weighted average interest rate of 3.75%. After consideration of stand-by letters of credit outstanding, the remaining maximum borrowings available pursuant to the credit facility were $11,736,000 at September 30, 2009; however, in order to maintain compliance with the required quarterly debt covenant calculations as of September 30, 2009 only $2,365,000 could have been borrowed as of that date. Based on projected future results, we expect to be in compliance with all of the covenants for all measurement periods during the next twelve months.

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 terminated on November 1, 2009. Under this agreement, we paid a fixed interest rate of 4.74%. In return, the issuing lender refunded 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 of 350 basis points.

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 $2,973,000 was outstanding at September 30, 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 September 30 2009, $3,962,000 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 $69,000 and $215,000, and $95,000 and $287,000 for the three and nine-month periods ended September 30, 2009 and 2008, respectively. In addition, a portion of the property taxes to be paid by Gateway to the City of Madison Tax Incremental Fund have been pledged to the annual retirement of debt and payment of interest.

NOTE 6 – 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 September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Service cost	$ 85,000	$ 74,000	$ 280,000	$ 269,000
Interest cost	104,000	89,000	317,000	292,000
Expected return on plan assets	(90,000)	(117,000)	(283,000)	(390,000)
Recognized net actuarial loss/(gain)	55,000	(4,000)	168,000	24,000
Net amortization	5,000	4,000	20,000	19,000
	$159,000	$ 46,000	$ 502,000	$ 214,000

We contributed $75,000 and $165,000 to our pension plans during the three and nine-month periods ended September 30, 2009, respectively. We contributed $150,000 to our pension plans during the nine-month period ended September 30, 2008. We expect to contribute approximately $250,000 to our pension plans in 2009.

NOTE 7 – 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	—	—	—	(1,324)	—
Dividends paid, $0.03 per share	—	—	—	(733)	—
Issuance of restricted stock awards, net of forfeitures	25	—	(25)	—	—
Stock-based compensation	—	—	425	—	—
Tax shortfall from stock awards	—	—	(53)	—	—
Repurchase and retirement of common stock	(1)	—	(18)	—	—
Unrealized gain on interest rate swap, net of income tax expense of $115	—	—	—	—	168
Unrealized gain on available-for-sale securities, net of income tax expense of $21	—	—	—	—	29
Reclassification adjustment for loss realized on available-for-sale securities, net of income tax benefit of $41	—	—	—	—	61
Amortization of net actuarial loss and prior service cost included in net periodic pension benefit cost, net of income tax expense of $76	—	—	—	—	112
Balance at September 30, 2009	$ 1,811	$ 1,851	$100,868	$ (36,423)	$ (1,994)

On July 29, 2009, our Board of Directors voted to suspend the declaration of regular quarterly cash dividends on all classes of our common

stock. Dividends are prohibited by the most recent amendment to our credit facility and the suspension of our dividend will continue through the end of 2009. We will consider the resumption of a regular dividend in 2010, if permitted by our lenders, after taking into consideration our financial performance and condition, our capital requirements, and general economic and industry conditions at such time.

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 nine months ended September 30, 2009 or 2008. At September 30, 2009, we had remaining repurchase authority of 1,634,607 shares.

During the nine-month periods ended September 30, 2009 and 2008, we purchased and retired 12,785 and 20,877 shares of our outstanding common stock at an average purchase price of $1.51 and $6.56 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.

As of September 30, 2009 and December 31, 2008, accumulated other comprehensive loss, net of income taxes, consists of the following:

	September 30, 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 $1,333,000 and $1,409,000, respectively	$(1,944,000)	$(2,056,000)
Unrealized loss on interest rate swap, net of income tax benefit of $32,000 and $147,000, respectively	(45,000)	(213,000)
Accumulated unrealized loss on available-for-sale securities, net of income tax benefit of $3,000 and $65,000, respectively	(5,000)	(95,000)
Accumulated other comprehensive loss	$(1,994,000)	$(2,364,000)

NOTE 8 – Financial Instruments

Our financial instruments are 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 instrument pricing levels as of September 30, 2009:

	Total	Level 1	Level 2	Level 3
Available-for-sale securities	$462,000	$462,000	$ —	$ —
Interest rate swap	(77,000)	—	(77,000)	—

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. During the nine months ended September 30, 2009, we sold investments with a cost basis of $289,000 and recognized a loss on sale of $102,000.

At September 30, 2009 and December 31, 2008, there was $39,200,000 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 5 – Long-Term Debt and therefore approximate fair value at September 30, 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 5 – 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 September 30, 2009 and December 31, 2008, the interest rate swap had a negative fair value of $77,000 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. We recognized $168,000 and $22,000 in unrealized gains on our interest rate swap, net of income taxes, for the nine months ended September 30, 2009 and 2008, respectively.

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 September 30, 2009 and December 31, 2008, our outstanding SWIDA bonds had carrying values of $2,973,000 and $4,101,000, respectively, and estimated fair values of $3,147,000 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 9 – Related Party Transactions

During the three and nine-month periods ended September 30, 2009 and 2008, Dover Downs Gaming & Entertainment, Inc. (“Gaming”), a company related through common ownership, allocated costs of $513,000 and $1,501,000, and $541,000 and $1,598,000, respectively, to us for certain administrative and operating services. Additionally, we allocated costs of $47,000 and $180,000, and $109,000 and $181,000, respectively, to Gaming for the three and nine-month periods ended September 30, 2009 and 2008. The allocations were based on an analysis of each company’s share of the costs. In connection with our 2009 and 2008 NASCAR event weekends at Dover International Speedway, Gaming provided certain services for which we were invoiced $509,000 and $1,000,000, and $603,000 and $1,237,000, respectively. Additionally, we invoiced Gaming $163,000 and $375,000, and $157,000 and $433,000 during the three and nine-month periods ended September 30, 2009 and 2008, respectively, for a skybox suite, tickets and other services to the events. As of September 30, 2009 and December 31, 2008, our consolidated balance sheets include a $35,000 payable to and $11,000 receivable from Gaming, respectively, for the aforementioned items. We settled these items in the fourth quarter of 2009 and the first quarter of 2009, respectively. 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 10 – 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 $21,700,000 was outstanding at September 30, 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 $22,064,000 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 September 30, 2009 and December 31, 2008, $883,000 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 first nine months of 2009, we paid $1,011,000 into the sales and incremental property tax fund and $677,000 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.

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 the provisions of ASC Topic 845, "*Nonmonetary Transactions*." Barter transactions accounted for $337,000 and $787,000 of total revenues for the three and nine-month periods ended September 30, 2009. Barter transactions accounted for $580,000 and $1,094,000 of total revenues for the three and nine-month periods ended September 30, 2008.

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 September 30, 2009 vs. Three Months Ended September 30, 2008

Admissions revenue was $11,196,000 in the third quarter of 2009 as compared to $15,365,000 in the third quarter of 2008. The $4,169,000 decrease was primarily related to changes in our major events schedule, lower admissions revenue at our September NASCAR event weekend at Dover International Speedway and to a lesser extent lower admissions at all other major events we promoted during the third quarter of 2009. There were two changes in our major events schedule during the quarter. First, we promoted an NHRA event at our Memphis facility during the third quarter of 2008. This event was held in the fourth quarter of 2009. Second, the Indy Racing League event at our Nashville Superspeedway that we promoted during the third quarter of 2008 was not promoted in 2009. Additionally, we believe the decrease in attendance was attributable primarily to the general downturn in economic conditions, including those affecting disposable consumer income and corporate budgets such as employment, business conditions, interest rates and taxation rates. We believe that adverse economic trends, particularly credit availability, the decline in consumer confidence and the rise in unemployment have increasingly contributed to the decrease in attendance. Inclement weather during the September NASCAR event weekend at Dover International Speedway also negatively impacted attendance.

Event-related revenue was $7,481,000 in the third quarter of 2009 as compared to $12,073,000 in the third quarter of 2008. The $4,592,000 decrease was primarily related to the changes in our major events schedule discussed above and lower sponsorship revenues at most events we promoted during the quarter and lower luxury suite rentals and concession sales at our September NASCAR Sprint Cup Series event at Dover International Speedway as a result of the lower attendance and the aforementioned economic conditions.

Broadcasting revenue remained consistent between the third quarter of 2009 and the third quarter of 2008 at $12,346,000 and $12,348,000, respectively.

Operating and marketing expenses were $19,159,000 in the third quarter of 2009 as compared to $24,083,000 in the third quarter of 2008. The $4,924,000 decrease primarily related to the changes in our major events schedule discussed above. Additionally, cost savings at all major events promoted during the quarter and a reduction in expenses due to the lower event-related revenues contributed to the decrease in operating and marketing expenses during the quarter.

We recorded an impairment charge of $7,478,000 in the third quarter of 2009 as a result of our review of the long-lived assets of our Memphis facility for impairment. Based on the results of this analysis, we recorded the non-cash impairment charge to write-down the carrying value of long-lived assets at our Memphis facility to fair value.

General and administrative expenses remained consistent between the third quarter of 2009 and the third quarter of 2008 at $3,062,000 and $3,131,000, respectively.

Depreciation and amortization expense was $1,606,000 in the third quarter of 2009 as compared to $1,773,000 in the third quarter of 2008. The decrease resulted primarily from the cessation of depreciation expense at our Memphis

facility which was classified as held-for-sale and a reduction in our depreciable asset base resulting from an impairment charge recorded in the fourth quarter of 2008.

Net interest expense was a negative $244,000 in the third quarter of 2009 as compared to $947,000 in the third quarter of 2008. The decrease was due primarily to the reversal of $1,011,000 of previously recorded interest expense on certain unrecognized income tax benefits which are no longer subject to examination. Excluding the interest expense we record on certain unrecognized income tax benefits, our net interest expense was $710,000 in the third quarter of 2009 as compared to $846,000 in the third quarter of 2008.

Earnings before income tax expense were $83,000 in the third quarter of 2009 as compared to $9,857,000 in the third quarter of 2008. Excluding the non-cash impairment charges, our adjusted earnings before income tax expense were $7,561,000 in the third quarter of 2009.

Earnings before income tax expense	$ 83,000
Non-cash impairment charges	7,478,000
Adjusted earnings before income tax expense	$7,561,000

Our effective income tax rates for the third quarter of 2009 and 2008 were 731.3% and 52.3%, respectively. The change in our effective income tax rate from the prior year rate was primarily due to the changes in the mix of taxable income and losses within our various subsidiaries. Certain subsidiaries had state taxable income which resulted in state income tax expense; however, other subsidiaries with state tax losses have no state income tax benefits based upon the valuation allowances that we have recorded in connection with state net operating loss carryforwards.

Nine Months Ended September 30, 2009 vs. Nine Months Ended September 30, 2008

Admissions revenue was $23,149,000 in the first nine months of 2009 as compared to $30,101,000 in the first nine months of 2008. We promoted twelve major events during the first nine months of 2009 and fourteen major events during the first nine months of 2008 as a result of the changes in our major events schedule discussed above. The $6,952,000 decrease was primarily related to lower admissions revenue at our NASCAR event weekends at Dover International Speedway, the changes in our major events schedule discussed above and to a lesser extent lower admissions at all other major events we promoted during the nine months. We believe the decrease in attendance was attributable in part to the

aforementioned economic conditions and inclement weather during the September NASCAR event weekend at Dover International Speedway.

Event-related revenue was $16,260,000 in the first nine months of 2009 as compared to $24,425,000 in the first nine months of 2008. The $8,165,000 decrease was primarily related to the changes in our major events schedule discussed above and lower sponsorship revenues at most events we promoted during the first nine months of 2009 and lower luxury suite rentals and concession sales at our NASCAR Sprint Cup Series events at Dover International Speedway as a result of the aforementioned economic conditions.

Broadcasting revenue remained consistent between the first nine months of 2009 and the first nine months of 2008 at $27,284,000 and $27,134,000, respectively.

Operating and marketing expenses were $44,505,000 in the first nine months of 2009 as compared to $50,801,000 in the first nine months of 2008. The $6,296,000 decrease primarily related to the changes in our major motorsports event schedule, cost savings at all major events promoted in the first nine months of 2009 and a reduction in expenses due to the aforementioned lower revenues.

We recorded an impairment charge of $7,478,000 in the first nine months of 2009 as a result of our review of the long-lived assets of our Memphis facility for impairment. Based on the results of this analysis, we recorded the non-cash impairment charge to write-down the carrying value of long-lived assets at our Memphis facility to fair value.

General and administrative expenses decreased slightly between the first nine months of 2009 and the first nine months of 2008 from $9,420,000 to $9,219,000.

Depreciation and amortization expense was $4,788,000 in the first nine months of 2009 as compared to $5,139,000 in the first nine months 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 and the cessation of depreciation expense at our Memphis facility which was classified as held-for-sale, partially offset by depreciation on assets placed in service in 2008 related to our Monster Makeover project in Dover, Delaware.

Net interest expense decreased to $1,268,000 in the first nine months of 2009 as compared to $3,049,000 in the first nine months of 2008. The decrease was due primarily to the reversal of $1,011,000 of previously recorded interest expense on certain unrecognized income tax benefits which are no longer subject to examination and to a lesser extent a lower average interest rate and lower average outstanding borrowings under our credit facility. Excluding the interest expense we record on certain unrecognized income tax benefits, our net interest expense was $1,973,000 in the first nine months of 2009 as compared to $2,609,000 in the first nine months of 2008.

Loss on sale of investments was $102,000 in the first nine months of 2009 and related solely to losses on the sale of available-for-sale securities.

(Loss) earnings before income taxes were ($513,000) in the first nine months of 2009 as compared to $13,309,000 in the first nine months of 2008. Excluding the non-cash impairment charges, our adjusted earnings before income taxes were $6,965,000 in the first nine months of 2009.

Loss before income tax expense	($ 513,000)
Non-cash impairment charges	7,478,000
Adjusted earnings before income tax expense	$ 6,965,000

Our effective income tax rates for the first nine months of 2009 and 2008 were (158.1%) and 51.9%, respectively. The change in our effective income tax rate from the prior year rate was primarily due to the changes in the mix of taxable income and losses within our various subsidiaries. Certain subsidiaries had state taxable income which resulted in state income tax expense; however, other subsidiaries with state tax losses have no state income tax benefits based upon the valuation allowances that we have recorded in connection with state net operating loss carryforwards.

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 to $6,350,000 for the nine months ended September 30, 2009 from $10,906,000 for the nine months ended September 30, 2008 primarily due to the lower earnings in 2009.

Net cash used in investing activities was $637,000 for the nine months ended September 30, 2009 as compared to $8,634,000 for the nine months ended September 30, 2008. Capital expenditures were $1,896,000 in the first nine months of 2009, down from $6,467,000 in the first nine months of 2008. The 2009 additions related primarily to the Monster Makeover project, consisting primarily of 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 $1,257,000 and ($2,117,000) for the nine month periods ended September 30, 2009 and 2008, respectively.

Net cash used in financing activities was $5,163,000 for the nine months ended September 30, 2009 as compared to $1,564,000 for the nine months ended September 30, 2008. We had net repayments on our outstanding line of credit of $3,000,000 in the first nine months of 2009. We had an increase in borrowings on our line of credit of $200,000 in the first nine months of 2008. Repayments of our outstanding SWIDA bonds were $1,128,000 for the first nine months of 2009 as compared to $109,000 for the first nine months of 2008. We paid $733,000 in cash dividends in the first nine months of 2009 as compared to $1,638,000 in the first nine months of 2008. During the first

nine months of 2009 and 2008, we purchased and retired 12,785 and 20,877 shares of our common stock at an average purchase price of $1.51 and $6.56 per share, respectively.

On July 29, 2009, our Board of Directors voted to suspend the declaration of regular quarterly cash dividends on all classes of our common stock. Dividends are prohibited by the most recent amendment to our credit facility and the suspension of our dividend will continue through the end of 2009. We will consider the resumption of a regular dividend in 2010, if permitted by our lenders, after taking into consideration our financial performance and condition, our capital requirements, and general economic and industry conditions at such time.

At September 30, 2009, Dover Motorsports, Inc. and all of its wholly owned subsidiaries, as co-borrowers, were parties to a $73,000,000 secured revolving credit agreement with a bank group. The credit agreement is secured by all of our assets. Effective August 21, 2009, the credit facility was amended to revise certain financial covenants and the interest rate calculation, among other changes. The maximum borrowing limit under the credit facility reduces to $68,000,000 on July 1, 2010 and the 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 350 basis points or the adjusted base rate. The base rate is the greater of the prime rate or the federal funds rate plus 50 basis points or the daily LIBOR rate plus 100 basis points. The adjusted base rate is the greater of 3.75% per annum or the base rate plus 250 basis points. 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 and prohibits the payment of dividends by us. The credit facility also provides that if we default under any other loan agreement, that would be a default under this credit facility. At September 30, 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 $39,200,000 outstanding under the credit facility at September 30, 2009, at a weighted average interest rate of 3.75%. After consideration of stand-by letters of credit outstanding, the remaining maximum borrowings available pursuant to the credit facility were $11,736,000 at September 30, 2009; however, in order to maintain compliance with the required quarterly debt covenant calculations as of September 30, 2009 only $2,365,000 could have been borrowed as of that date. Based on projected future results, we expect to be in compliance with all of the covenants for all measurement periods during the next twelve months.

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 terminated on November 1, 2009. Under this agreement, we paid a fixed interest rate of 4.74%. In return, the issuing lender refunded 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 of 350 basis points.

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 ("Gulf Coast"). Under the terms of the agreement, Midwest Racing was to 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 under the stock purchase agreement, as amended, had been scheduled for June 29, 2009, but Gulf Coast did not finalize its project financing. In keeping with our obligations under the stock purchase agreement to engage in good faith discussions relative to an extension of the closing date, we had been in negotiations with Gulf Coast relative to an amendment to the stock purchase agreement which would have allowed for an extension of the closing date until September 29, 2009. Those negotiations were unsuccessful and as permitted under the terms of the stock purchase agreement, we terminated the agreement and will retain $165,000 that was paid by Gulf Coast as a non-refundable deposit. Gulf Coast transferred to us a 2% special member interest in Gulf Coast which by its terms is nondilutable and does not require that we advance any monies to maintain our interest. Upon execution of the stock purchase agreement in January 2009, the assets and liabilities of Memphis qualified for held for sale presentation. Since the sale was not completed and the agreement was no longer effective as of September 30, 2009, the assets and liabilities of

Memphis no longer qualify for held for sale presentation. As a result, we reclassified the assets and liabilities of Memphis from held for sale to held and used as of September 30, 2009. This resulted in us reviewing the long-lived assets of Memphis for impairment. See NOTE 4 – Impairment Charge of the consolidated financial statements included elsewhere in this document.

On November 2, 2009, our Board of Directors approved the closing of the Memphis facility. NASCAR has approved the realignment of our NASCAR Camping World Truck Series and NASCAR Nationwide Series events from Memphis Motorsports Park to our Nashville and Gateway facilities. We are currently evaluating all of our options relative to the Memphis facility at this time.

Cash provided by operating activities is expected to substantially fund our capital expenditures. 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 $20,800,000 was spent as of September 30, 2009. We continue to review the amount and timing of capital expenditures in light of our current earnings level. Additionally, we expect to contribute approximately $250,000 to our pension plans in 2009 in order to satisfy minimum statutory funding requirements, of which $165,000 was contributed during the nine months ended September 30, 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 and also provide for our long-term liquidity.

Contractual Obligations

At September 30, 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	$39,200,000	$ —	$39,200,000	$ —	$ —
SWIDA bonds(b)	2,973,000	—	2,580,000	393,000	—
Total debt	42,173,000	—	41,780,000	393,000	—
Estimated interest payments on revolving line of credit(a)	2,610,000	405,000	2,205,000	—	—
Interest payments on SWIDA bonds(b)	335,000	—	317,000	18,000	—
Operating leases	4,613,000	92,000	503,000	331,000	3,687,000
Pension contributions(c)	85,000	85,000	—	—	—
Total contractual cash obligations	$49,816,000	$582,000	$44,805,000	$742,000	$3,687,000

(a) The future interest payments on our revolving credit agreement were estimated using the current outstanding principal as of September 30, 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 through the November 1, 2009 swap expiration date, and the current rate as of September 30, 2009 thereafter. For the remaining $29,200,000 of our outstanding borrowings, we used our interest rates as of September 30, 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 $2,973,000 was outstanding at September 30, 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 September 30, 2009, $3,962,000 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%. In addition, a portion of the property taxes to be paid by Gateway 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 approximately $250,000 to our pension plans for 2009, of which $165,000 was contributed in the first nine 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 $21,700,000 was outstanding at September 30, 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 $22,064,000 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 September 30, 2009 and December 31, 2008, $883,000 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 first nine months of 2009, we paid $1,011,000 into the sales and incremental property tax fund and $677,000 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 $4,696,000 which is classified in accordance with the provisions of ASC Topic 740, "*Income Taxes* 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 9 – 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 September 30, 2009, our valuation allowance net of federal income taxes was $9,300,000, which increased by $943,000 in the first nine 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.

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 $21,700,000 was outstanding on September 30, 2009. Debt service on the bonds is payable solely from sales taxes and incremental property taxes generated from the facility. As of September 30, 2009 and December 31, 2008, $883,000 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 first nine month of 2009, we paid $1,011,000 into the

sales and incremental property tax fund and $677,000 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 $22,064,000 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.

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 September 30, 2009, we have marketable securities of $462,000. 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 September 30, 2009, there was $39,200,000 outstanding under our revolving credit agreement. The credit agreement bears interest at our option, upon LIBOR plus 350 basis points or the adjusted base rate. The base rate is the greater of the prime rate or the federal funds rate plus 50 basis points or the daily LIBOR rate plus 100 basis points. The adjusted base rate is the greater of 3.75% per annum or the base rate plus 250 basis points. 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 paid a fixed interest rate of 4.74%. In return, the issuing lender refunded 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 of 350 basis points. 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 terminated on November 1, 2009. As of September 30, 2009, the interest rate swap had a negative fair value of $77,000. There would be no change in fair value of the interest rate swap at September 30, 2009 due to a change in interest rates. 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 September 30, 2009 not subject to the interest rate swap would cause a change in total annual interest costs of $292,000. The borrowings under our revolving credit agreement bear interest at the variable rate described above and therefore approximate fair value at September 30, 2009.

At September 30, 2009, our outstanding balance of the SWIDA bonds had a carrying value of $2,973,000 and an estimated fair value of $3,147,000. 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 September 30, 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 $21,700,000 was outstanding at September 30, 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 September 30, 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 September 30, 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 22.

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 September 30, 2009.

Item 3. Defaults Upon Senior Securities

None.

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

None.

Item 5. Other Information

None.

Item 6. Exhibits

10.1 Security Agreement between Dover Motorsports, Inc., Dover International Speedway, Inc., Gateway International Motorsports Corporation, Memphis International Motorsports Corporation, Nashville Speedway USA, Inc., and Midwest Racing, Inc.; and PNC Bank, National Association as agent dated August 21, 2009.

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.

Dover Motorsports, Inc.
Registrant

DATED: November 6, 2009

/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