

DOVER MOTORSPORTS INC  
Form 10-Q  
November 02, 2007

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**United States**  
**Securities and Exchange Commission**

Washington, D.C. 20549

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**Form 10-Q**

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

**For the quarterly period ended September 30, 2007**

Commission file number 1-11929

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**Dover Motorsports, Inc.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or Other Jurisdiction of Incorporation)

**51-0357525**  
(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)

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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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

As of October 31, 2007, the number of shares of each class of the registrant's common stock outstanding is as follows:

Common Stock -	16,671,433 shares
Class A Common Stock -	19,564,975 shares

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**Part I Financial Information****Item 1. Financial Statements****DOVER MOTORSPORTS, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****In Thousands, Except Per Share Amounts****(Unaudited)**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30, 2007</b>	<b>September 30, 2006</b>	<b>September 30, 2007</b>	<b>September 30, 2006</b>
<b>Revenues:</b>				
Admissions	\$ 17,127	\$ 17,437	\$ 32,974	\$ 34,135
Event-related	11,761	11,497	23,039	24,304
Broadcasting	12,051	13,453	26,563	29,697
Other	12	54	63	109
	40,951	42,441	82,639	88,245
<b>Expenses:</b>				
Operating and marketing	24,398	24,095	50,572	49,585
Impairment charges		64,618		64,618
General and administrative	3,062	3,224	9,368	9,416
Depreciation and amortization	1,616	2,392	4,710	7,172
	29,076	94,329	64,650	130,791
Operating earnings (loss)	11,875	(51,888)	17,989	(42,546)
Interest income	32	28	107	51
Interest expense	(1,153)	(963)	(3,155)	(3,249)
Earnings (loss) before income tax (expense) benefit	10,754	(52,823)	14,941	(45,744)
Income tax (expense) benefit	(5,567)	18,348	(7,721)	15,205
Net earnings (loss)	\$ 5,187	\$ (34,475)	\$ 7,220	\$ (30,539)
<b>Net earnings (loss) per common share:</b>				
Basic	\$ 0.14	\$ (0.96)	\$ 0.20	\$ (0.85)
Diluted	\$ 0.14	\$ (0.96)	\$ 0.20	\$ (0.85)

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,	December 31,
	2007	2006
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,070	\$ 298
Accounts receivable	10,649	2,935
Inventories	216	244
Prepaid expenses and other	1,766	1,808
Receivable from Dover Downs Gaming & Entertainment, Inc.		9
Deferred income taxes	205	193
Total current assets	13,906	5,487
Property and equipment, net	157,854	152,502
Restricted cash	4,068	3,684
Other assets, net	1,079	1,261
Total assets	\$ 176,907	\$ 162,934
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 3,089	\$ 1,938
Accrued liabilities	5,706	3,400
Payable to Dover Downs Gaming & Entertainment, Inc.	17	
Income taxes payable	3,254	478
Current portion of bonds payable		695
Deferred revenue	4,639	10,008
Total current liabilities	16,705	16,519
Revolving line of credit	43,500	39,000
Bonds payable	4,208	4,211
Liability for pension benefits	485	771
Other liabilities	795	
Non current income taxes payable	8,452	
Deferred income taxes	22,658	28,173
Total liabilities	96,803	88,674
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: 16,671,433 and 16,354,584, respectively		
	1,667	1,635
Class A common stock, \$0.10 par value; 55,000,000 shares authorized; shares		
	1,957	1,977

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issued and outstanding: 19,564,975 and 19,764,975, respectively

Additional paid-in capital	99,724	99,412
Accumulated deficit	(22,483)	(28,071)
Accumulated other comprehensive loss	(761)	(693)
Total stockholders' equity	80,104	74,260
Total liabilities and stockholders' equity	\$ 176,907	\$ 162,934

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, 2007	2006
Operating activities:		
Net earnings (loss)	\$ 7,220	\$ (30,539)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities of continuing operations:		
Depreciation and amortization	4,710	7,172
Amortization of credit facility fees	147	141
Stock-based compensation	370	314
Deferred income taxes	2,971	(18,817)
Impairment charges		64,618
Changes in assets and liabilities:		
Accounts receivable	(7,714)	(8,920)
Inventories	28	(69)
Prepaid expenses and other	42	78
Accounts payable	1,151	2,222
Accrued liabilities	2,306	799
Payable to/receivable from Dover Downs Gaming & Entertainment, Inc.	26	17
Income taxes payable/receivable	2,776	1,796
Deferred revenue	(5,369)	(4,619)
Other liabilities	539	(21)
Net cash provided by operating activities of continuing operations	9,203	14,172
Net cash used in operating activities of discontinued operation		(41)
Investing activities:		
Capital expenditures	(10,012)	(2,970)
Restricted cash	(384)	(1,015)
Net cash used in investing activities	(10,396)	(3,985)
Financing activities:		
Borrowings from revolving line of credit	33,300	29,600
Repayments on revolving line of credit	(28,800)	(35,700)
Repayments of bonds payable	(698)	(873)
Dividends paid	(1,632)	(1,637)
Repurchase of common stock	(54)	(1,141)
Credit facility fees	(159)	(161)
Excess tax benefit on stock awards	8	16
Other		(10)
Net cash provided by (used in) financing activities	1,965	(9,906)
Net increase in cash and cash equivalents	772	240
Cash and cash equivalents, beginning of period	298	953

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Cash and cash equivalents, end of period	\$ 1,070	\$ 1,193
Supplemental information:		
Interest paid	\$ 2,711	\$ 3,174
Income taxes paid	\$ 1,652	\$ 1,800

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

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**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 9, 2007. 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, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007 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 promoted 15 major events during 2007 under the auspices of three of the premier sanctioning bodies in motorsports the National Association for Stock Car Auto Racing ( NASCAR ), the Indy Racing League ( IRL ) and the National Hot Rod Association ( NHRA ). We own and operate Dover International Speedway<sup>®</sup> in Dover, Delaware; Gateway International Raceway<sup>®</sup> near St. Louis, Missouri; Memphis Motorsports Park<sup>®</sup> in Memphis, Tennessee; and Nashville Superspeedway<sup>®</sup> near Nashville, Tennessee.

In 2007, we promoted the following major events:

2 NASCAR NEXTEL Cup Series events;

6 NASCAR Busch Series, Grand National Division events;

4 NASCAR Craftsman Truck Series events;

1 IRL event; and

2 NHRA national events.

All of the major events listed above were promoted during the first nine months of 2007, with the exception of a NASCAR Busch Series event at our Memphis facility, which was promoted in October 2007.

Additionally, we promoted a NASCAR Busch East Series event at Dover International Speedway in connection with our September NASCAR event weekend.

**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 and investments* We consider as cash equivalents all highly-liquid investments with an original maturity of three months or less. We account for our investments in marketable securities in accordance with Financial Accounting Standards Board ( FASB ) Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. These investments, which consist of mutual funds, are classified as available-for-sale and reported at fair-value in our consolidated balance sheet. Changes in fair value are reported in other comprehensive income. See NOTE 6 Stockholders Equity and NOTE 7 Financial Instruments for further discussion.

*Derivative instruments and hedging activities* We are subject to interest rate risk on the variable component of the interest rate under our revolving credit agreement. Effective October 21, 2005, we entered into a \$37,500,000 interest rate swap agreement. The notional amount of the swap agreement decreased to \$30,000,000 on November 1, 2006, to \$20,000,000 on November 1, 2007, and decreases to \$10,000,000 on November 1, 2008. The agreement terminates on November 1, 2009. The interest rate swap is being accounted for in accordance with the provisions of FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by Statement Nos. 137, 138 and 149 and related interpretations. We have designated the interest rate swap as a cash flow hedge. Changes in the fair value of the effective portion of the interest rate swap are recognized in other comprehensive income (loss) until the hedged item is recognized in earnings. See NOTE 4 Long-Term Debt and NOTE 7 Financial Instruments for further discussion.

*Property and equipment* Property and equipment is stated at cost. Depreciation is provided for financial reporting purposes using the straight-line method. Accumulated depreciation was \$74,644,000 and \$70,061,000 as of September 30, 2007 and December 31, 2006, respectively.

*Impairment of long-lived assets* We evaluate our long-lived assets other than goodwill in accordance with the provisions of FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. Long-lived assets other than goodwill are assessed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. To analyze recoverability for assets to be held and used, we project undiscounted net future cash flows expected to be generated by the asset over the remaining lives of such assets. If these projected cash flows are less than the carrying value, an impairment loss would be recognized equal to the difference between the carrying value and the fair value of the assets.

*Interest capitalization* Interest is capitalized in connection with the construction of major facilities. The capitalized interest is amortized over the estimated useful life of the asset to which it relates. During the three and nine-month periods ended September 30, 2007, we incurred \$1,153,000 and \$3,302,000 of interest cost, respectively, of which \$147,000 was capitalized. No interest was capitalized during the three or nine-month periods ended September 30, 2006.

*Income taxes* Deferred income taxes are provided in accordance with the provisions of FASB Statement No. 109, *Accounting for Income Taxes*, and Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ( FIN 48 ), on all differences between the tax bases 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.

As a result of adopting FIN 48, we recorded a liability for unrecognized income tax benefits in the amount of \$8,718,000 and recorded a corresponding decrease to deferred income tax liabilities. The unrecognized tax benefits relate to the appropriate period to depreciate certain of our assets and do not affect our effective income tax rate or our reported earnings. We estimate that these unrecognized tax benefits would increase by approximately \$1,235,000 through 2007.

During the three and nine-month periods ended September 30, 2007, accrued interest related to FIN 48 increased by \$181,000 and \$454,000, respectively. The accrued interest as of September 30, 2007 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, 2007, federal and Delaware tax years for 2003 and prior years are no longer subject to examination.

*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 rights fees. Other revenue includes other miscellaneous revenues.

Revenues pertaining to specific events are deferred until the event is held. Concession revenue from concession stand sales and sales of souvenirs are recorded at the time of sale. Revenues and related expenses from barter transactions in which we receive advertising or other goods or services in exchange for sponsorships of motorsports events are recorded at fair value in accordance with Emerging Issues Task Force ( EITF ) Issue No. 99-17, *Accounting for Advertising Barter Transactions*. Barter transactions accounted for \$592,000 and \$1,155,000, and \$600,000 and \$1,073,000 of total revenues for the three and nine-month periods ended September 30, 2007 and 2006, respectively.

We derive a substantial portion of our motorsports revenues from admissions and event-related revenue attributable to six NASCAR-sanctioned events at Dover, Delaware which are currently held in June and September.

Under the terms of our sanction agreements, NASCAR retains 10% of the gross broadcast rights fees allocated to each NASCAR NEXTEL Cup Series or NASCAR Busch Series 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.

*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 \$1,443,000 and \$2,915,000, and \$1,378,000 and \$2,594,000 for the three and nine-month periods ended September 30, 2007 and 2006, respectively.

*Net earnings (loss) per common share* Weighted average shares used in computing basic and diluted net earnings (loss) per common share ( EPS ) are as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Basic EPS	35,879,000	36,003,000	35,874,000	36,033,000
Effect of dilutive securities	162,000		115,000	
Diluted EPS	36,041,000	36,003,000	35,989,000	36,033,000

For the three and nine-month periods ended September 30, 2007, options to purchase 235,871 and 239,204 shares of common stock, respectively, were outstanding but not included in the computation of diluted EPS because the options exercise prices were greater than the average market price of the common stock during the period. For the three and nine-month periods ended September 30, 2006, options to purchase 847,640 and 886,211 shares of common stock, respectively, were outstanding but not included in the computation of diluted EPS because the Company had a net loss and all outstanding options would have been anti-dilutive. In addition, as a result of the net loss for the three and nine-month periods ended September 30, 2006, 283,000 and 307,345 shares of nonvested stock awards, respectively, were not included in the computation of diluted EPS as they would also have been anti-dilutive.

*Accounting for stock-based compensation* We account for our stock-based compensation expense in accordance with FASB Statement No. 123R, *Share-Based Payment*. Statement No. 123R requires recognition of the cost of employee services received in exchange for an award of equity instruments in the financial statements over the period the employee is required to perform the services.

We recorded total stock-based compensation expense of \$123,000 and \$370,000, and \$79,000 and \$314,000 as general and administrative expenses for the three and nine-month periods ended September 30, 2007 and 2006, respectively. We recorded income tax benefits of \$37,000 and \$112,000, and \$20,000 and \$69,000 for the three and nine-month periods ended September 30, 2007 and 2006, respectively, related to our nonvested restricted stock awards.

*Use of estimates* The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Recent Accounting Pronouncements* In September 2006 the FASB issued Statement No. 157, *Fair Value Measurements*, which establishes a framework for measuring fair value and expands disclosures about fair value measurements. Statement No. 157 applies under other accounting pronouncements that require or permit fair value measurements and, accordingly, Statement No. 157 does not require any new fair value measurements. Statement No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We will adopt Statement No. 157 as of January 1, 2008. The adoption of Statement No. 157 is not expected to have a significant impact on our consolidated financial statements.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. Statement No. 159 permits companies to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing companies with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. Statement No. 159 is effective for fiscal years beginning after November 15, 2007. Companies are not allowed to adopt SFAS No. 159 on a retrospective basis unless they choose early adoption. We will adopt Statement No. 159 as of January 1, 2008. The adoption of Statement No. 159 is not expected to have an impact on our consolidated financial statements.

#### NOTE 4 Long-Term Debt

Long-term debt consists of the following:

	September 30,	December 31,
	2007	2006
Revolving line of credit	\$ 43,500,000	\$ 39,000,000
SWIDA bonds	4,208,000	4,906,000
	47,708,000	43,906,000
Less current portion		(695,000)
	\$ 47,708,000	\$ 43,211,000

At September 30, 2007, Dover Motorsports, Inc. and all of its wholly owned subsidiaries, as co-borrowers, were parties to a \$73,000,000 unsecured revolving credit agreement with a bank group. The facility was amended effective May 1, 2007 and expires July 1, 2011. It provides for seasonal funding needs, capital improvements, letter of credit requirements and other general corporate purposes. Interest is based, at our option, upon LIBOR plus a margin that varies between 125 and 200 basis points depending on the ratio of funded debt to earnings before interest, taxes, depreciation and amortization (the leverage ratio) or the base rate (the greater of the prime rate or the federal funds rate plus 0.5%) plus a margin that varies between -50 and +25 basis points depending on the leverage ratio, except that the base rate option is not available for the portion of indebtedness equal to the notional amount under the interest rate swap agreement described below. The terms of the credit facility contain certain covenants including minimum tangible net worth, fixed charge coverage and maximum funded debt to earnings before interest, taxes, depreciation and amortization (EBITDA). 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, 2007, we were in compliance with the terms of the facility.

Material adverse changes in our results of operations could impact our ability to maintain financial ratios necessary to satisfy these requirements. There was \$43,500,000 outstanding under the facility at September 30, 2007, at a weighted average interest rate of 6.8%. After consideration of stand-by letters of credit outstanding, borrowings of \$6,198,000 were available pursuant to the facility at September 30, 2007. Based on operating results to date and projected future results, we expect to be in compliance with all of the covenants for all measurement periods over the next twelve months.

Effective October 21, 2005, we entered into an interest rate swap agreement that effectively converts \$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 decreases to \$10,000,000 on November 1, 2008. The agreement terminates on November 1, 2009. Under this agreement, we pay a fixed interest rate of 4.74%. In return, the issuing lender refunds to us the variable-rate interest paid to the bank group under our revolving credit agreement on the same notional principal amount, excluding the margin that varies between 125 and 200 basis points depending on the leverage ratio.

In 1996, Midwest Racing 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 \$4,208,000 was outstanding at September 30, 2007. 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 2014.

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, 2007, \$4,068,000 of our cash balance was restricted by the SWIDA bonds and is 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 rates of 9.2% and 9.25% with an effective rate of approximately 9.2%. Interest expense related to the SWIDA bonds was \$97,000 and \$297,000, and \$112,000 and \$343,000 for the three and nine-month periods ended September 30, 2007 and 2006, respectively. We have a stand-by letter of credit for \$1,035,000, which is secured by a trust deed on our facilities in Memphis, Tennessee, available to satisfy debt service reserve fund obligations. In addition, a portion of the property taxes to be paid by Gateway (if any) to the City of Madison Tax Incremental Fund have been pledged to the annual retirement of debt and payment of interest.

#### **NOTE 5 Pension Plans**

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

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The components of net periodic pension cost are as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Service cost	\$ 91,000	\$ 79,000	\$ 276,000	\$ 293,000
Interest cost	93,000	73,000	273,000	239,000
Expected return on plan assets	(108,000)	(102,000)	(338,000)	(284,000)
Recognized net actuarial loss	16,000	30,000	46,000	76,000
Net amortization	5,000	5,000	20,000	17,000
	\$ 97,000	\$ 85,000	\$ 277,000	\$ 341,000

We expect to contribute \$1,000,000 to our pension plans during 2007, of which \$250,000 and \$500,000 was contributed during the three and nine-month periods ended September 30, 2007, respectively. A contribution of \$250,000 was made on October 23, 2007.

**NOTE 6 Stockholders Equity**

Changes in the components of stockholders equity are as follows:

	Class A		Additional	Accumulated	
	Common	Common	Paid-in	Accumulated	Other
	Stock	Stock	Capital	Deficit	Loss
<b>Balance at December 31, 2006</b>	\$ 1,635,000	\$ 1,977,000	\$ 99,412,000	\$ (28,071,000)	\$ (693,000)
Net earnings				7,220,000	
Unrealized gains on available-for-sale securities, net of income tax expense of \$14,000					19,000
Change in fair value of interest rate swap, net of income tax benefit of \$87,000					(126,000)
Amortization of net actuarial loss and prior service cost included in net periodic pension benefit cost, net of income tax expense of \$27,000					39,000
Dividends paid, \$0.045 per share				(1,632,000)	
Issuance of restricted stock awards, net of forfeitures	13,000		(13,000)		
Stock-based compensation			370,000		
Excess tax benefit on stock awards			8,000		
Repurchases and retirement	(1,000)		(53,000)		

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of common stock

Conversions of Class A common

stock to common stock	20,000	(20,000)			
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<b>Balance at September 30, 2007</b>	\$ 1,667,000	\$ 1,957,000	\$ 99,724,000	\$ (22,483,000)	\$ (761,000)
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On October 24, 2007, our Board of Directors declared a quarterly cash dividend on both classes of common stock of \$.015 per share. The dividend is payable on December 10, 2007 to stockholders of record at the close of business on November 10, 2007.

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. During the nine months ended September 30, 2006, we purchased and retired 215,393 shares of our outstanding common stock pursuant to this authorization at an average purchase price of \$5.11 per share, not including nominal brokerage commissions. No purchases of our equity securities were made pursuant to this authorization during the nine months ended September 30, 2007. At September 30, 2007, we had remaining repurchase authority of 1,634,607 shares.



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During the nine-month period ended September 30, 2007, we purchased and retired 10,151 shares of our outstanding common stock at an average purchase price of \$5.35 per share. During the nine-month period ended September 30, 2006, we purchased and retired 4,843 shares of our outstanding common stock at an average purchase price of \$6.03 per share. These purchases were made from employees in connection with the vesting of restricted stock awards under our 2004 Stock Incentive Plan and were not pursuant to the aforementioned repurchase authorization. Since the vesting of a restricted stock award is a taxable event to our employees for which income tax withholding is required, the plan allows employees to surrender to us some of the shares that would otherwise have vested in satisfaction of their tax liability. The surrender of these shares is treated by us as a purchase of the shares.

The components of comprehensive earnings are as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Net earnings (loss)	\$ 5,187,000	\$ (34,475,000)	\$ 7,220,000	\$ (30,539,000)
Other comprehensive gains (losses):				
Unrealized (loss) gain on interest rate swap, net of income tax benefit (expense) of \$94,000 and \$87,000, and \$141,000 and \$(70,000) for the three and nine-month periods ended September 30, 2007 and 2006, respectively	(136,000)	(207,000)	(126,000)	102,000
Unrealized gains on available-for-sale securities, net of income tax expense of \$6,000 and \$14,000 for the three and nine-month periods ended September 30, 2007 respectively	7,000		19,000	
Amortization of net actuarial loss and prior service cost included in net periodic pension benefit cost, net of income tax expense of \$9,000 and \$27,000 for the three and nine-month periods ended September 30, 2007, respectively	12,000		39,000	
Comprehensive earnings (loss)	\$ 5,070,000	\$ (34,682,000)	\$ 7,152,000	\$ (30,437,000)

As of September 30, 2007 and December 31, 2006, accumulated other comprehensive loss, net of income taxes, consists of the following:

	September 30, 2007	December 31, 2006
Net actuarial loss and prior service cost not yet recognized in net periodic benefit cost	\$ (759,000)	\$ (798,000)

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Unrealized (loss) gain on interest rate swap	(21,000)	105,000
Accumulated unrealized gains on available-for-sale securities	19,000	
Accumulated other comprehensive loss	\$ (761,000)	\$ (693,000)

**NOTE 7 Financial Instruments**

At September 30, 2007, there was \$43,500,000 outstanding under our revolving credit agreement. The credit agreement bears interest at our option, based upon LIBOR plus a margin that varies between 125 and 200 basis points depending on the leverage ratio or the base rate (the greater of the prime rate or the federal funds rate plus 0.5%) plus a margin that varies between -50 and +25 basis points depending on the leverage ratio. Therefore, we are subject to interest rate risk on the variable component of the interest rate. Our risk management objective is to lock in the interest cash outflows on a portion of our debt. Effective October 21, 2005, we entered into a \$37,500,000 interest rate swap agreement effectively converting this 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, 2007, the interest rate swap had a negative fair value of \$36,000 which is recorded in other liabilities. The borrowings under our revolving credit agreement bear interest at the variable rate described above and therefore approximate fair value at September 30, 2007.

The carrying amount of financial instruments reported in the balance sheet for current assets and current liabilities approximates their fair value because of the short maturity of these instruments.

At September 30, 2007 and December 31, 2006, we have marketable securities of \$519,000 and \$486,000, respectively, that are included in other non-current assets. These securities are stated at fair value based on the current market values.

At September 30, 2007 and December 31, 2006, our outstanding SWIDA bonds had carrying values of \$4,208,000 and \$4,906,000, respectively, and estimated fair values of \$4,304,000 and \$6,010,000, respectively. The fair values were determined through the use of a discounted cash flow methodology applying interest rates available to us for issues with similar terms at September 30, 2007 and based on arms-length transactions at December 31, 2006, respectively.

#### **NOTE 8 Related Party Transactions**

During the three and nine-month periods ended September 30, 2007 and 2006, Dover Downs Gaming & Entertainment, Inc. ( Gaming ), a company related through common ownership, allocated costs of \$471,000 and \$1,429,000, and \$396,000 and \$1,226,000, respectively, to us for certain administrative and operating services. Additionally, we allocated costs of \$30,000 and \$132,000, and \$22,000 and \$95,000, respectively, to Gaming for the three and nine-month periods ended September 30, 2007 and 2006. The allocations were based on an analysis of each company's share of the costs. In connection with our 2007 and 2006 NASCAR event weekends at Dover International Speedway, Gaming provided certain services for which we were invoiced \$598,000 and \$1,198,000, and \$500,000 and \$961,000, during the three and nine-month periods ended September 30, 2007 and 2006, respectively. Additionally, we invoiced Gaming \$213,000 and \$505,000, and \$149,000 and \$289,000 during the three and nine-month periods ended September 30, 2007 and 2006, respectively, for a skybox suite, tickets and other services to the events. As of September 30, 2007, our consolidated balance sheet includes a \$17,000 payable to Gaming for the aforementioned items. We settled the payable in the fourth quarter of 2007. 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, from his status as executor of the estate of John W. Rollins, our largest stockholder, and from certain shares as to which he has voting rights pursuant to a voting agreement with R. Randall Rollins, one of our directors. 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 and Klaus M. Belohoubek is the Senior Vice President General Counsel and Secretary of both companies. Mr. Tippie controls in excess of fifty percent of the voting power of Gaming.

**NOTE 9 Commitments and Contingencies**

In September 1999, the Sports Authority of the County of Wilson (Tennessee) issued \$25,900,000 in Variable Rate Tax Exempt Infrastructure Revenue Bonds, Series 1999, to acquire, construct and develop certain public infrastructure improvements which benefit the operation of Nashville Superspeedway, of which \$22,900,000 was outstanding at September 30, 2007. Annual principal payments range from \$600,000 in September 2007 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 \$23,302,000 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. As of September 30, 2007 and December 31, 2006, \$658,000 and \$779,000, 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 2007, we paid \$1,132,000 into the sales and incremental property tax fund and \$1,253,000 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, 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 but only 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, the maximum contingent liability would be approximately \$9,200,000.

To the extent that any of the 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 \$2,600,000 of tax gross ups could be paid under the agreements in the event the agreements were triggered due to a change of control and this amount has been included in the maximum contingent liability disclosed above. These are estimated maximum tax gross ups and assume 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. However, as 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 have included the full amount of these payments in our calculation.

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 condition 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 rights fees. Other revenue includes other miscellaneous revenues.

Revenues pertaining to specific events are deferred until the event is held. Concession revenue from concession stand sales and sales of souvenirs are recorded at the time of sale. Revenues and related expenses from barter transactions in which we receive advertising or other goods or services in exchange for sponsorships of motorsports events are recorded at fair value in accordance with Emerging Issues Task Force (EITF) Issue No. 99-17, *Accounting for Advertising Barter Transactions*. Barter transactions accounted for \$592,000 and \$1,155,000, and \$600,000 and \$1,073,000 of total revenues for the three and nine-month periods ended September 30, 2007 and 2006, respectively.

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, 2007 vs. Three Months Ended September 30, 2006*

Admissions revenue was \$17,127,000 in the third quarter of 2007 as compared to \$17,437,000 in the third quarter of 2006. We promoted seven major events during the third quarter of 2007 and 2006. The majority of the \$310,000 decrease resulted from lower admissions revenue at most of the major events we promoted in the third quarter of 2007 as compared to the third quarter of 2006. The decrease in attendance was attributable in part to inclement weather. Partially offsetting this decrease was an increase of \$143,000 in admissions revenue resulting from a schedule change. The NASCAR Craftsman Truck Series event that we promoted in the second quarter of 2006 at our Gateway International Raceway facility was held in the third quarter of 2007, while the similar event at our Memphis Motorsports Park facility that we promoted in the third quarter of 2006 was held in the second quarter of 2007.

Event-related revenue was \$11,761,000 in the third quarter of 2007 as compared to \$11,497,000 in the third quarter of 2006. The majority of the \$264,000 increase was a result of higher event-related revenue of \$941,000 at our September NASCAR event weekend at the Dover facility and the aforementioned schedule change. These increases were partially offset by decreases in event-related revenues at our Nashville and Gateway facilities in the third quarter of 2007 as compared to the third quarter of 2006 primarily as a result of lower corporate sponsorships and hospitality tent rentals and catering.

Broadcasting revenue was \$12,051,000 in the third quarter of 2007 as compared to \$13,453,000 in the third quarter of 2006. The \$1,402,000 decrease resulted primarily from lower television broadcasting rights related to our NASCAR sanctioned events promoted during the third quarter of 2007. Effective for the 2007 race season, NASCAR entered into a new eight-year agreement with its broadcast partners and has announced that the annual average broadcast rights fees under that agreement will be approximately 40% higher than the annual average of the prior six-year agreement. In the early years of the new contract, revenues are lower than the final year of the prior contract. Pursuant to the terms of our sanction agreements, NASCAR retains 10% of the gross broadcast rights fees allocated to each NASCAR NEXTEL

Cup Series or NASCAR Busch Series event as a component of its sanction fees and remits the remaining 90% to the event promoter, which we record as revenue.

Operating and marketing expenses were \$24,398,000 in the third quarter of 2007 as compared to \$24,095,000 in the third quarter of 2006. The majority of the \$303,000 increase was a result of the aforementioned schedule change.

During the third quarter of 2006, we reviewed the long-lived assets of each of our three Midwest facilities for impairment. Based on the results of this analysis, we recorded non-cash impairment charges of \$16,170,000, \$7,882,000 and \$37,357,000 to write-down the carrying value of long-lived assets at our Nashville, Memphis and Gateway facilities, respectively, to fair value. Based on the factors related to the long-lived assets impairment, we completed an assessment of goodwill for potential impairment and have determined that there is an impairment loss related to the goodwill balance of \$2,487,000 that is associated with the Midwest operations. As a result of this analysis, we recorded a non-cash impairment charge of \$2,487,000 to write-down to zero the carrying value of our goodwill. Additionally, in connection with the sale of our corporate aircraft, we recorded a non-cash impairment charge of \$722,000 as of September 30, 2006, to write-down the carrying amount of the aircraft to fair value.

General and administrative expenses were \$3,062,000 in the third quarter of 2007 as compared to \$3,224,000 in the third quarter of 2006. The \$162,000 decrease resulted primarily from lower professional fees, corporate insurance and franchise taxes.

Depreciation and amortization expense was \$1,616,000 in the third quarter of 2007 as compared to \$2,392,000 in the third quarter of 2006. The decrease resulted primarily from a reduction in our depreciable asset base from an impairment charge recorded in the third quarter of 2006.

Net interest expense was \$1,121,000 in the third quarter of 2007 as compared to \$935,000 in the third quarter of 2006. The increase resulted primarily from the recording of a \$181,000 interest accrual in accordance with FIN 48.

Earnings before income taxes were \$10,754,000 in the third quarter of 2007 as compared to a loss of \$52,823,000 in the third quarter of 2006. Excluding the non-cash impairment charges, our adjusted earnings before income tax expense were \$11,795,000 in the third quarter of 2006.

Loss from continuing operations before income tax benefit	\$ (52,823,000)
Non-cash impairment charges	64,618,000
Adjusted earnings from continuing operations before income tax expense	\$ 11,795,000

Our earnings before income taxes for the third quarter of 2007 were lower than our adjusted earnings before income tax expense from the same period in the prior year as a result of lower admissions and broadcasting revenues and higher operating and interest expenses as discussed above. These reductions to earnings were partially offset by higher event-related revenue and lower general and administrative and depreciation and amortization expenses.

Our effective income tax rates for the third quarter of 2007 and 2006 were 51.8% and 34.7%, respectively. The increase in the effective income tax rate from the comparable period in the prior year was due to the fact that the recording of the non-cash impairment charges during the third quarter of 2006 resulted in minimal state income tax benefit based upon the valuation allowances that we had recorded in connection with state net operating loss carryforwards and the impact of a reversal of a tax contingency accrual in 2006.

*Nine Months Ended September 30, 2007 vs. Nine Months Ended September 30, 2006*

Admissions revenue was \$32,974,000 in the first nine months of 2007 as compared to \$34,135,000 in the first nine months of 2006. We promoted fourteen major events during the first nine months of 2007 and 2006. The majority of the \$1,161,000 decrease resulted from lower admissions revenue at most of the major events we promoted in the first nine months of 2007 as compared to the first nine months of 2006. The decrease in attendance was attributable in part to inclement weather.

Event-related revenue was \$23,039,000 in the first nine months of 2007 as compared to \$24,304,000 in the first nine months of 2006. The \$1,265,000 decrease was primarily due to lower sponsorship revenues at our June NASCAR event weekend at Dover International Speedway and reduced revenues overall at the June event as a result of it being postponed one day due to rain. Additionally, event-related revenues at our Nashville and Gateway facilities were lower in the first nine months of 2007 as compared to the first nine months of 2006. These decreases were partially offset by an increase in event-related revenue of \$941,000 at our September NASCAR event weekend at the Dover facility.

Broadcasting revenue was \$26,563,000 in the first nine months of 2007 as compared to \$29,697,000 in the first nine months of 2006. The \$3,134,000 decrease resulted primarily from the new television broadcasting rights agreement as discussed above.

Operating and marketing expenses were \$50,572,000 in the first nine months of 2007 as compared to \$49,585,000 in the first nine months of 2006. The \$987,000 increase primarily related to higher operating and marketing expenses at our major motorsports events, most notably a \$482,000 increase in advertising and promotions expenses and an increase in wages and benefits for grounds maintenance.

During the third quarter of 2006, the Company reviewed the long-lived assets of each of its three Midwest facilities for impairment and recorded a \$64,618,000 non-cash impairment charge as discussed above.

General and administrative expenses remained consistent between the first nine months of 2007 and the first nine months of 2006 at \$9,368,000 and \$9,416,000, respectively.

Depreciation and amortization expense was \$4,710,000 in the first nine months of 2007 as compared to \$7,172,000 in the first nine months of 2006. The decrease resulted primarily from a reduction in our depreciable asset base from an impairment charge recorded in the third quarter of 2006.

Net interest expense was \$3,048,000 in the first nine months of 2007 as compared to \$3,198,000 in the first nine months of 2006. The decrease in interest expense associated with our revolving line of credit and bonds payable of \$548,000, which resulted primarily from lower average outstanding borrowings on our credit facilities during the first nine months of 2007 as compared to the first nine months of 2006, was partially offset by the recording of a \$454,000 interest accrual in accordance with FIN 48.

Earnings before income taxes were \$14,941,000 in the first nine months of 2007 as compared to a loss of \$45,744,000 in the first nine months of 2006. Excluding the non-cash impairment charges, our adjusted earnings before income tax expense were \$18,874,000 in the first nine months of 2006.

Loss from continuing operations before income tax benefit	\$ (45,744,000)
Non-cash impairment charges	64,618,000
<b>Adjusted earnings from continuing operations before income tax expense</b>	<b>\$ 18,874,000</b>

Our earnings before income tax expense for the first nine months of 2007 were lower than our adjusted earnings before income tax expense from the same period in the prior year as a result of lower admissions, event-related revenue and broadcasting revenues and higher operating expenses as discussed above. These reductions to earnings were partially offset by lower depreciation and amortization expenses.

Our effective income tax rates for the first nine months of 2007 and 2006 were 51.7% and 33.2%, respectively. The increase in the effective income tax rate from the comparable period in the prior year was due to the fact that the recording of the non-cash impairment charges during the third quarter of 2006 resulted in minimal state income tax benefit based upon the valuation allowances that we had recorded in connection with state net operating loss carryforwards and the impact of a reversal of a tax contingency accrual in 2006.

## 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 of continuing operations was \$9,203,000 for the nine months ended September 30, 2007 as compared to \$14,172,000 for the nine months ended September 30, 2006. The decrease was primarily due to the decrease in our net earnings for the nine months ended September 30, 2007 as compared to our net earnings before impairment charges for the nine months ended September 30, 2006.

Net cash used in investing activities was \$10,396,000 for the nine months ended September 30, 2007 as compared to \$3,985,000 for the nine months ended September 30, 2006. Capital expenditures were \$10,012,000 in the first nine months of 2007, up from \$2,970,000 in the first nine months of 2006. The 2007 additions related primarily to the construction of new luxury skybox suites and the renovation of other fan amenities at our Dover facility. The 2006 additions related primarily to preliminary architectural and engineering work for the new luxury skybox suites and the renovation of other fan amenities at the Dover facility.

Net cash provided by financing activities was \$1,965,000 for the nine months ended September 30, 2007 as compared to net cash used in financing activities of \$9,906,000 for the nine months ended September 30, 2006. We had net borrowings on our outstanding line of credit of \$4,500,000 in the first nine months of 2007 as compared to net repayments of \$6,100,000 in the first nine months of 2006. We paid \$1,632,000 in cash dividends in the first nine months of 2007 as compared to \$1,637,000 in the first nine months of 2006. During the first nine months of 2007 and 2006, we purchased and retired 10,151 and 220,236 shares of our common stock at an average purchase price of \$5.35 and \$5.13 per share, respectively, not including nominal brokerage commissions.

On October 24, 2007, our Board of Directors declared a quarterly cash dividend on both classes of common stock of \$0.015 per share. The dividend is payable on December 10, 2007 to shareholders of record at the close of business on November 10, 2007.

At September 30, 2007, Dover Motorsports, Inc. and all of its wholly owned subsidiaries, as co-borrowers, were parties to a \$73,000,000 unsecured revolving credit agreement with a bank group. The facility was amended effective May 1, 2007 and expires July 1, 2011. It provides for seasonal funding needs, capital improvements, letter of credit requirements and other general corporate purposes. Interest is based, at our option, upon LIBOR plus a margin that varied between 125 and 200 basis points depending on the ratio of funded debt to earnings before interest, taxes, depreciation and amortization (the leverage ratio) or the base rate (the greater of the prime rate or the federal funds rate plus 0.5%) plus a margin that varies between -50 and +25 basis points depending on the leverage ratio, except that the base rate option is not available for the portion of indebtedness equal to the notional amount under the interest rate swap agreement described below. The terms of the credit facility contain certain covenants including minimum tangible net worth, fixed charge coverage and maximum funded debt to earnings before interest, taxes, depreciation and amortization (EBITDA). 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, 2007, we were in compliance with the terms of the facility.

Material adverse changes in our results of operations could impact our ability to maintain financial ratios necessary to satisfy these requirements. There was \$43,500,000 outstanding under the facility at September 30, 2007, at a weighted average interest rate of 6.8%. After consideration of stand-by letters of credit outstanding, borrowings of \$6,198,000 were available pursuant to the facility at September 30, 2007. On October 23, 2007, the Company received approximately \$6,800,000 from NASCAR related to television broadcast rights fees in connection with its September NASCAR event weekend at Dover International Speedway, the majority of which was used to pay down amounts outstanding on our line of credit. Based on operating results to date and projected future results, we expect to be in compliance with all of the covenants for all measurement periods over 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 decreases to \$10,000,000 on November 1, 2008. The agreement terminates on November 1, 2009. Under this agreement, we pay a fixed interest rate of 4.74%. In return, the issuing lender refunds to us the variable-rate interest paid to the bank group under our revolving credit agreement on the same notional principal amount, excluding the margin that varies between 125 and 200 basis points depending on the leverage ratio.

Cash provided by operating activities is expected to substantially fund our capital expenditures and maintenance of a dividend in 2007. Based on current business conditions, we expect to spend approximately \$1,000,000 on capital expenditures during the remainder of 2007. These expenditures primarily relate to the construction of new luxury skybox suites and renovations to existing skybox suites at our Dover facility and other fan amenities. 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, of which approximately \$12,200,000 was spent as of September 30, 2007. We continue to review the amount and timing of capital expenditures in light of our current earnings level. Additionally, we expect to contribute \$1,000,000 to our pension plans in 2007, of which \$500,000 was contributed during the nine months ended September 30, 2007. We expect continued cash flows from operating activities and funds available from our credit agreement to provide for our working capital needs and capital spending requirements at least through the next twelve months, as well as any cash dividends our Board of Directors may declare, and also provide for our long-term liquidity.

### Contractual Obligations

At September 30, 2007, we had the following contractual obligations and other commercial commitments:

	Total	2007	Payments Due by Period			Thereafter
			2008	2009	2010 2011	
Revolving line of credit	\$ 43,500,000	\$	\$	\$ 43,500,000	\$	
SWIDA bonds	4,208,000		1,130,000	2,580,000		498,000
<b>Total debt</b>	<b>47,708,000</b>		<b>1,130,000</b>	<b>46,080,000</b>		<b>498,000</b>
Estimated interest payments						
on revolving line of credit	11,027,000	735,000	5,881,000	4,411,000		
Interest payments on SWIDA bonds	1,108,000		726,000	338,000		44,000
Operating leases	4,595,000	98,000	557,000	377,000		3,563,000
Pension contributions	500,000	500,000				
<b>Total contractual cash obligations</b>	<b>\$ 64,938,000</b>	<b>\$ 1,333,000</b>	<b>\$ 8,294,000</b>	<b>\$ 51,206,000</b>		<b>\$ 4,105,000</b>

We have a \$73,000,000 revolving line of credit agreement. At September 30, 2007, \$43,500,000 was outstanding under the facility.

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 \$4,208,000 was outstanding at September 30, 2007. 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 2014.

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, 2007, \$4,068,000 of our cash balance was restricted by the SWIDA bonds and is 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 rates of 9.2% and 9.25% with an effective rate of approximately 9.2%. Interest expense related to the SWIDA bonds was \$97,000 and \$297,000, and \$112,000 and \$343,000 for the three and nine-month periods ended September 30, 2007 and 2006, respectively. We have a stand-by letter of credit for \$1,035,000, which is secured by a trust deed on our facilities in Memphis, Tennessee, available to satisfy debt service reserve fund obligations. In addition, a portion of the property taxes to be paid by Gateway (if any) to the City of Madison Tax Incremental Fund have been pledged to the annual retirement of debt and payment of interest.

The future interest payments on our revolving credit agreement were estimated using the current outstanding principal as of September 30, 2007 and related interest rates.

Although we have no required minimum contribution related to our pension plans for 2007, we expect to contribute approximately \$1,000,000 into the plans, of which \$500,000 was contributed in the first nine months of 2007.

In September 1999, the Sports Authority of the County of Wilson (Tennessee) issued \$25,900,000 in Variable Rate Tax Exempt Infrastructure Revenue Bonds, Series 1999, to acquire, construct and develop certain public infrastructure improvements which benefit the operation of Nashville Superspeedway, of which \$22,900,000 was outstanding at September 30, 2007. Annual principal payments range from \$600,000 in September 2007 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 \$23,302,000 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. As of September 30, 2007 and December 31, 2006, \$658,000 and \$779,000, 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 2007, we paid \$1,132,000 into the sales and incremental property tax fund and \$1,253,000 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, 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.

#### **Related Party Transactions**

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

#### **Critical Accounting Policies**

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

##### *Income Taxes*

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating losses. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. We record a valuation allowance to reduce our deferred

tax assets to the amount that is more likely than not to be realized. As of September 30, 2007, our valuation allowance was \$7,225,000, which increased by \$336,000 in the first nine months of 2007, 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 present value of future cash flows and the use of outside independent valuations, as appropriate.

#### **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. 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, 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;

anticipated trends 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;

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.

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, including NASCAR, IRL and NHRA. 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 promotions and 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.

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

In September 1999, the Sports Authority of the County of Wilson (Tennessee) issued \$25,900,000 in revenue bonds to build local infrastructure improvements which benefit the operation of Nashville Superspeedway, of which \$22,900,000 was outstanding on September 30, 2007. Debt service on the bonds is payable solely from sales taxes and incremental property taxes generated from the facility. As of September 30, 2007 and December 31, 2006, \$658,000 and \$779,000, 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 2007, we paid \$1,132,000 into the sales and incremental property tax fund and \$1,253,000 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. In the event we were unable to make the payments, they would be made under a \$23,302,000 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.

*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 and event-related revenue attributable to six NASCAR-sanctioned events at Dover, Delaware which are currently held in June and September. 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 losing the revenues, including live broadcast revenues associated with the event.

If a cancelled event is part of the NASCAR NEXTEL Cup Series or NASCAR Busch 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, 2007 and December 31, 2006, we have marketable securities of \$519,000 and \$486,000, respectively. 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, 2007, there was \$43,500,000 outstanding under our revolving credit agreement. The credit agreement bears interest at our option, upon LIBOR plus a margin that varies between 125 and 200 basis points depending on the leverage ratio or the base rate (the greater of the prime rate or the federal funds rate plus 0.5%) plus a margin that varies between -50 and +25 basis points depending on the leverage ratio. Therefore, we are subject to interest rate risk on the variable component of the interest rate. Historically, we managed our mix of fixed and variable-rate debt by structuring the terms of our debt agreements. Effective October 21, 2005, we entered into a



\$37,500,000 interest rate swap agreement effectively converting this portion of the outstanding variable-rate borrowings under the revolving credit agreement to fixed-rate securities, thereby hedging against the impact of potential interest rate changes. Under this agreement, we pay a fixed interest rate of 4.74%. In return, the issuing lender refunds to us the variable-rate interest paid to the bank group under our revolving credit agreement on the same notional principal amount, excluding the margin that varies between 125 and 200 basis points depending on the leverage ratio. The notional amount of the swap agreement decreased to \$30,000,000 on November 1, 2006, to \$20,000,000 on November 1, 2007, and decreases to \$10,000,000 on November 1, 2008. The agreement terminates on November 1, 2009. As of September 30, 2007, the interest rate swap had a negative fair value of \$36,000. An increase in interest rates of one percent would result in the interest rate swap having a value of approximately \$248,000 at September 30, 2007. A decrease in interest rates of one percent would result in the interest rate swap being reported as a liability of approximately \$331,000 at September 30, 2007. A change in interest rates will have no impact on the interest expense associated with the \$30,000,000 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, 2007 not subject to the interest rate swap would cause a change in total annual interest costs of \$135,000. The borrowings under our revolving credit agreement bear interest at the variable rate described above and therefore approximate fair value at September 30, 2007.

At September 30, 2007, our outstanding balance of the SWIDA bonds had a carrying value of \$4,208,000 and an estimated fair value of \$4,304,000. The fair value was determined through the use of a discounted cash flow methodology applying interest rates available to us for issues with similar terms at September 30, 2007 and based on arms-length transactions at December 31, 2006, respectively.

In September 1999, the Sports Authority of the County of Wilson (Tennessee) issued \$25,900,000 in Variable Rate Tax Exempt Infrastructure Revenue Bonds, of which \$22,900,000 was outstanding at September 30, 2007. 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 change 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, 2007, 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, 2007 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 20.

**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, 2007.

**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**

- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a)
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a)
- 32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Sec. 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Sec. 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Signatures

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

DATED: November 2, 2007

Dover Motorsports, Inc.  
Registrant

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

/s/ Patrick J. Bagley  
Patrick J. Bagley  
Senior Vice President-Finance, Chief Financial Officer and Director