DOVER DOWNS GAMING & ENTERTAINMENT INC
Form 10-Q
May 01, 2015

United States

Securities and Exchange Commission

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended March 31, 2015

Commission file number 1-16791

Dover Downs Gaming & Entertainment, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**51-0414140**
(State or Other Jurisdiction of Incorporation)	(I.R.S. Employer Identification No.)

1131 North DuPont Highway, Dover, Delaware 19901

(Address of principal executive offices)

(302) 674-4600

(Registrant s telephone number, including area code)

N/A

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

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

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

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

Large accelerated filer o Accelerated filer o Non-accelerated filer o Smaller reporting company x

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

As of April 27, 2015, the number of shares of each class of the registrant s common stock outstanding is as follows:

Common Stock -	17,990,997 shares
Class A Common Stock -	14,870,673 shares

Part I Financial Information

Item 1. Financial Statements

DOVER DOWNS GAMING & ENTERTAINMENT, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

AND COMPREHENSIVE LOSS

In Thousands, Except Per Share Amounts

(Unaudited)

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Revenues:		
Gaming	$ 38,776	$ 39,782
Other operating	5,562	5,695
	44,338	45,477
Expenses:		
Gaming	36,762	38,354
Other operating	3,887	4,396
General and administrative	1,496	1,393
Depreciation	2,152	2,295
	44,297	46,438
Operating earnings (loss)	41	(961)
Interest expense	(348)	(460)
Loss before income taxes	(307)	(1,421)
Income tax (expense) benefit	(45)	368
Net loss	(352)	(1,053)
Change in pension net actuarial loss and prior service cost, net of income taxes	23	1
Unrealized gain on available-for-sale securities, net of income taxes	4	2
Comprehensive loss	$ (325)	$ (1,050)
Net loss per common share:		
Basic	$ (0.01)	$ (0.03)
Diluted	$ (0.01)	$ (0.03)

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

DOVER DOWNS GAMING & ENTERTAINMENT, INC.

CONSOLIDATED BALANCE SHEETS

In Thousands, Except Share and Per Share Amounts

(Unaudited)

	March 31, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash	$ 11,782	$ 10,079
Accounts receivable	4,454	3,838
Due from State of Delaware	2,655	7,258
Inventories	1,643	1,783
Prepaid expenses and other	2,209	2,324
Receivable from Dover Motorsports, Inc.	11	22
Income taxes receivable		6
Deferred income taxes	1,284	1,243
Total current assets	24,038	26,553
Property and equipment, net	150,427	152,107
Other assets	725	752
Deferred income taxes	376	404
Total assets	$ 175,566	$ 179,816
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 3,396	$ 3,975
Purses due horsemen	1,977	6,917
Accrued liabilities	10,633	8,196
Income taxes payable	71	
Deferred revenue	592	389
Revolving line of credit	38,000	39,010
Total current liabilities	54,669	58,487
Liability for pension benefits	8,833	8,980
Total liabilities	63,502	67,467
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; 74,000,000 shares authorized; shares issued and outstanding: 17,990,997 and 17,880,650, respectively	1,799	1,788
Class A common stock, $0.10 par value; 50,000,000 shares authorized; shares issued and outstanding: 14,870,673 and 14,870,673, respectively	1,487	1,487
Additional paid-in capital	5,154	5,125
Retained earnings	108,277	108,629
Accumulated other comprehensive loss	(4,653)	(4,680)
Total stockholders equity	112,064	112,349
Total liabilities and stockholders equity	$ 175,566	$ 179,816

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

DOVER DOWNS GAMING & ENTERTAINMENT, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

In Thousands

(Unaudited)

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Operating activities:		
Net loss	$ (352)	$ (1,053)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	2,152	2,295
Amortization of credit facility origination fees	27	48
Stock-based compensation	105	162
Deferred income taxes	(31)	14
Changes in assets and liabilities:		
Accounts receivable	(616)	(459)
Due from State of Delaware	4,603	5,327
Inventories	140	196
Prepaid expenses and other	121	187
Receivable from/payable to Dover Motorsports, Inc.	11	(4)
Accounts payable	(579)	(437)
Purses due horsemen	(4,940)	(5,779)
Accrued liabilities	2,437	(51)
Income taxes payable/receivable	78	(383)
Deferred revenue	203	(36)
Liability for pension benefits	(109)	(141)
Net cash provided by (used in) operating activities	3,250	(114)
Investing activities:		
Capital expenditures	(472)	(210)
Net cash used in investing activities	(472)	(210)
Financing activities:		
Borrowings from revolving line of credit	14,820	25,690
Repayments of revolving line of credit	(15,830)	(27,730)
Repurchase of common stock	(65)	(104)
Net cash used in financing activities	(1,075)	(2,144)
Net increase (decrease) in cash	1,703	(2,468)
Cash, beginning of period	10,079	12,950
Cash, end of period	$ 11,782	$ 10,482
Supplemental information:		
Interest paid	$ 332	$ 433

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

DOVER DOWNS GAMING & ENTERTAINMENT, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 Basis of Presentation

References in this document to we, us and our mean Dover Downs Gaming & Entertainment, 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 financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our latest Annual Report on Form 10-K filed on March 6, 2015. In the opinion of management, these consolidated financial statements include all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the results of operations, financial position and cash flows for the interim periods presented. Operating results for the three months ended March 31, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

NOTE 2 - Business Operations

We are a premier gaming and entertainment resort destination whose operations consist of:

- Dover Downs Casino a 165,000-square foot casino complex featuring popular table games, including craps, roulette and card games such as blackjack, Spanish 21, baccarat, 3-card and pai gow poker, the latest in slot machine offerings, multi-player electronic table games, the Crown Royal poker room, a Race & Sports Book operation, the Dover Downs Fire & Ice Lounge, the Festival Buffet, Doc Magrogan s Oyster House, Frankie s Italian restaurant, as well as several bars, restaurants and four retail outlets;

- Dover Downs Hotel and Conference Center a 500 room AAA Four Diamond hotel with a fine dining restaurant, full-service spa/salon, conference, banquet, ballroom and concert hall facilities; and

- Dover Downs Raceway a harness racing track with pari-mutuel wagering on live and simulcast horse races.

All of our gaming operations are located at our entertainment complex in Dover, the capital of the State of Delaware.

We began offering internet gaming in the fourth quarter of 2013; to date operating results from internet gaming have not been material.

Dover Downs, Inc. is authorized to conduct video lottery, sports wagering, table game and internet gaming operations as one of three Licensed Agents under the Delaware State Lottery Code. Licensing, administration and control of gaming operations in Delaware is under the Delaware State Lottery Office and Delaware s Department of Safety and Homeland Security, Division of Gaming Enforcement.

Our license from the Delaware Harness Racing Commission (the Commission) to hold harness race meetings on our premises and to offer pari-mutuel wagering on live and simulcast horse races must be renewed on an annual basis. In order to maintain our gaming license, we are required to maintain our harness horse racing license. We have received an annual license from the Commission for the past 46 consecutive years and management believes that our relationship with the Commission remains good.

Due to the nature of our business activities, we are subject to various federal, state and local regulations. As part of our license arrangements, we are subject to various taxes and fees which are subject to change by the Delaware legislature.

In recent years, the mid-Atlantic region has witnessed an unprecedented expansion in gaming venues and gaming offerings. This is having a significant adverse effect on our visitation numbers, our revenues and our profitability. Management has estimated that approximately 30% of our gaming win comes from Maryland patrons and approximately 62% of our Capital Club® member gaming win comes from out of state patrons.

In July 2013, the State enacted a bond and capital improvements bill which appropriated $8,000,000 to the Department of Finance to be used to offset increases in vendor costs that the three Delaware video lottery agents would otherwise pay for the period July 1, 2013 to June 30, 2014. The State used $875,000 of the amount appropriated to offset increases in our vendor costs, of which $350,000 related to the first quarter of 2014. Additionally, the bill created a Lottery & Gaming Study Commission responsible for examining the competitive marketplace confronting the Delaware gaming industry, including the business performance and business plans of existing lottery agents, the marketing efforts and investments made by Delaware video lottery agents, and the division of revenue from the video lottery, sports lottery, table games and internet gaming. The commission s findings and recommendations were released in March 2014 and included: the State sharing certain vendor costs that the three Delaware video lottery agents currently pay associated with slot machines; reducing the State s share of table game win; and eliminating the annual table game license fee. On July 1, 2014, the Delaware legislature approved the vendor cost sharing recommendation on a permanent basis. The State estimates this will provide $9,900,000 to be used toward vendor costs for the three Delaware video lottery agents for the fiscal year July 1, 2014 to June 30, 2015. This is being allocated among the three video lottery agents based on their relative portion of industry-wide slot revenues. For the first three months of 2015, our video lottery vendor costs were reduced by approximately $950,000 as a result of the cost sharing arrangement. The recommendations to reduce the State s share of gross table game revenues and eliminate the table game license fee were not part of the legislation that was passed.

The commission reconvened in September 2014 to consider previous and make further recommendations relative to the gaming industry. The commission s findings and recommendations were released in January 2015 and included: increasing the State s share of vendor costs associated with slot machines; eliminating the annual table game license fee; reducing the State s share of table game win; and providing each video lottery agent a credit of up to 5% of video lottery proceeds to be used for marketing expenditures and a credit of up to 5% of video lottery proceeds to be used for capital expenditures. These recommendations require legislation in order to be effected.

The Delaware legislature is in session until the end of June 2015 and then does not reconvene until the following January. Since Delaware has a fiscal year that ends June 30, it is likely that any legislation will not be effective until July 1, 2015. Without legislative relief, we may be unable to refinance or extend the maturity of our credit facility on favorable terms or may default on our obligations, we may be unable to allocate sufficient resources to marketing and promotions in order to compete effectively in the regional marketplace, we may be unable to allocate sufficient resources to maintaining our facility, and we may be required to take other actions in order to manage expenses - especially with respect to operations that have operated at a loss, such as table games and internet gaming. Such actions could adversely affect our business, financial condition, operating results and cash flow.

In February 2013, we opened a Herschel s 34 Chicken & Ribs Kitchen in Athens, Georgia. Herschel s was a 110-seat sports-themed restaurant owned and operated by us on approximately 4,100 square feet of leased property. During the fourth quarter of 2014, management made the decision to sell the assets of Herschel s. In January of 2015, we closed Herschel s and are currently in the process of disposing of its assets.

NOTE 3 - Summary of Significant Accounting Policies

Basis of consolidation and presentation The consolidated financial statements include the accounts of Dover Downs Gaming & Entertainment, Inc. and its wholly owned subsidiaries. Intercompany transactions and balances have been eliminated.

Accounts receivable Accounts receivable are stated at their estimated collectible amount and primarily consist of casino, hotel and other receivables which arise in the normal course of business. We issue credit in the form of markers to approved casino customers who are investigated as to their credit worthiness.

Investments Investments, which consist of mutual funds, are classified as available-for-sale and reported at fair-value in other assets in our consolidated balance sheets. Changes in fair value are reported in other comprehensive income (loss). See NOTE 6 Stockholders Equity and NOTE 7 Fair Value Measurements 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 over the asset s estimated useful life. Accumulated depreciation was $125,542,000 and $124,181,000 as of March 31, 2015 and December 31, 2014, respectively.

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 would be measured as the amount by which the carrying amount of the asset exceeds its fair value. Generally, fair value will be determined using valuation techniques such as the present value of future cash flows.

Income taxes Deferred income taxes are provided on all differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements based upon enacted statutory tax rates in effect at the balance sheet date. Tax years after 2010 remain open to examination for federal and state income tax purposes.

Point loyalty program We currently have a point loyalty program for our customers which allows them to earn points based on the volume of their gaming activity. All reward points earned by customers are expensed in the period they are earned. The estimated amount of points redeemable for cash is recorded as a reduction of gaming revenue and the estimated amount of points redeemable for services and merchandise is recorded as gaming expense. In determining the amount of the liability, which was $1,774,000 and $1,777,000, respectively, at March 31, 2015 and December 31, 2014, we estimate a redemption rate, a cost of rewards to be offered and the mix of cash, goods and services for which reward points will be redeemed. We use historical data to estimate those amounts.

Revenue and expense recognition Gaming revenues represent (i) the net win from slot machine, table games, internet gaming and sports wagering and (ii) commissions from pari-mutuel wagering. Other operating revenues consist of hotel rooms revenue, food and beverage sales and other miscellaneous income. Revenues do not include the retail amount of hotel rooms, food and beverage and other miscellaneous goods and services provided without charge to customers as promotional items of $4,211,000 and $4,470,000 for the three months ended March 31, 2015 and 2014, respectively. The estimated direct cost of providing these items has been charged to the casino through interdepartmental allocations and is included in gaming expenses in the consolidated statements of operations.

For the casino operations, the difference between the amount wagered by bettors and the amount paid out to bettors is referred to as the win. The win is included in the amount recorded in our consolidated financial statements as gaming revenue. The Delaware State Lottery Office sweeps the win from the casino operations, collects the State s share of the win and the amount due to the vendors under contract with the State who provide the slot machines and associated computer systems, collects the amount allocable to purses for harness horse racing and remits the remainder to us as our commission for acting as a Licensed Agent. Gaming expenses include the amounts collected by the State (i) for the State s share of the win, (ii) for remittance to the providers of the slot machines and associated computer systems, and (iii) for harness horse racing purses. We recognize revenues from sports wagering commissions when the event occurs. We recognize revenues from pari-mutuel commissions earned from live harness horse racing and importing of simulcast signals from other race tracks when the race occurs. Revenues from hotel rooms, food and beverage sales and other miscellaneous income are recognized at the time the service is provided. Amounts received in advance for hotel rooms, convention bookings and advance ticket sales are recorded as deferred revenue until the services are provided to the customer, at which point revenue is recognized.

Advertising costs The cost of general advertising is charged to operations as incurred. Advertising expenses were $526,000 and $548,000 for the three months ended March 31, 2015 and 2014, respectively.

Net loss per common share Nonvested share-based payment awards that include rights to dividends or dividend equivalents, whether paid or unpaid, are considered participating securities, and the two-class method of computing basic and diluted net loss per common share (EPS) is applied for all periods presented. The following table sets forth the computation of EPS (in thousands, except per share amounts):

	Three Months Ended March 31, 2015	2014
Net loss per common share basic:		
Net loss	$ (352)	$ (1,053)
Allocation to nonvested restricted stock awards		
Net loss available to common stockholders	$ (352)	$ (1,053)
Weighted-average shares outstanding	32,083	31,959
Net loss per common share basic	$ (0.01)	$ (0.03)
Net loss per common share diluted:		
Net loss	$ (352)	$ (1,053)
Allocation to nonvested restricted stock awards		
Net loss available to common stockholders	$ (352)	$ (1,053)
Weighted-average shares and dilutive shares outstanding	32,083	31,959
Net loss per common share diluted	$ (0.01)	$ (0.03)

There were no options outstanding and we paid no dividends during the three months ended March 31, 2015 or 2014.

Accounting for stock-based compensation We recorded total stock-based compensation expense for our restricted stock awards of $105,000 and $162,000 as general and administrative expenses for the three months ended March 31, 2015 and 2014, respectively. We recorded income tax expense of $129,000 and $119,000 for the three months ended March 31, 2015 and 2014, respectively, related to our restricted stock awards.

Use of estimates The preparation of the accompanying consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the reported amounts of assets and liabilities, disclosures about contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on our best estimates and judgment. We evaluate our estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which we believe to be reasonable under the circumstances. We adjust such estimates and assumptions when facts and circumstances dictate. Volatility in credit and equity markets and declines in consumer spending have combined to increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the consolidated financial statements in future periods.

NOTE 4 Credit Facility

On August 14, 2014, we modified our credit agreement with our bank group. The credit facility was modified to: extend the maturity date to September 30, 2015; provide the bank group with a mortgage on and security interest in all real and personal property owned by our wholly owned subsidiary Dover Downs, Inc.; adjust the maximum borrowing limit to $55,000,000 as of August 14, 2014, to $50,000,000 as of December 31, 2014 and to $47,500,000 as of June 30, 2015; and modify the required maximum ratio of funded debt to earnings before interest, taxes, depreciation and amortization (the leverage ratio) and the minimum consolidated earnings before interest, taxes, depreciation and amortization requirement. Interest is based upon LIBOR plus a margin that varies between 150 and 350 basis points (300 basis points at March 31, 2015) depending on the leverage ratio. Material adverse changes in our results of operations could impact our ability to satisfy these requirements. In addition, the credit agreement includes a material adverse change clause and prohibits the payment of dividends. The credit facility provides for seasonal funding needs, capital improvements and other general corporate purposes. At March 31, 2015, there was $38,000,000 outstanding at a weighted average interest rate of 3.18% and $12,000,000 was available pursuant to the facility. Additionally, we were in compliance with all terms of the facility at March 31, 2015 and we expect to be in compliance with the financial covenants and all other covenants for all measurement periods through September 30, 2015, the expiration date of the facility.

The credit facility is classified as a current liability as of March 31, 2015 in our consolidated balance sheets as the facility expires on September 30, 2015. We will seek to refinance or extend the maturity of this obligation prior to its expiration date; however, there is no assurance that we will be able to execute this refinancing or extension or, if we are able to refinance or extend this obligation, that the terms of such refinancing or extension would be as favorable as the terms of our existing credit facility. These factors raise substantial doubt about our ability to continue as a going concern. The accompanying financial statements have been prepared assuming that we will continue as a going concern and do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 5 Pension Plans

We maintain a non-contributory, tax qualified defined benefit pension plan that has been frozen since July 2011. All of our full time employees were eligible to participate in this qualified pension plan. Benefits provided by our qualified pension plan were based on years of service and employees remuneration over their term of employment. Compensation earned by employees up to July 31, 2011 is used for purposes of calculating benefits under our pension plan with no future benefit accruals after this date. Participants as of July 31, 2011 continue to earn vesting credit with respect to their frozen accrued benefits as they continue to work. We also maintain a non-qualified, non-contributory defined benefit pension plan, the excess plan, for certain employees that has been frozen since July 2011. This excess plan provided benefits that would otherwise be provided under the qualified pension plan but for maximum benefit and compensation limits applicable under federal tax law. The cost associated with the excess plan is determined using the same actuarial methods and assumptions as those used for our qualified pension plan. The assets for the excess plan aggregate $296,000 and $289,000 as of March 31, 2015 and December 31, 2014, respectively, and are recorded in other assets in our consolidated balance sheets (see NOTE 7 Fair Value Measurements).

The components of net periodic pension benefit for our defined benefit pension plans are as follows:

	Three Months Ended March 31,			
		2015		2014
Interest cost	$	240,000	$	217,000
Expected return on plan assets		(290,000)		(276,000)
Recognized net actuarial loss		37,000		2,000
	$	(13,000)	$	(57,000)

We expect to contribute $425,000 to our defined benefit pension plans during 2015. We did not contribute to our defined benefit pension plans during the three months ended March 31, 2015 or 2014.

We also maintain a non-elective, non-qualified supplemental executive retirement plan (SERP) which provides deferred compensation to certain highly compensated employees that approximates the value of benefits lost by the freezing of the pension plan which are not offset by our enhanced matching contribution in our 401(k) plan. The SERP is a discretionary defined contribution plan and contributions made to the SERP in any given year are not guaranteed and will be at the sole discretion of our Compensation and Stock Incentive Committee. During the three months ended March 31, 2015 and 2014, we recorded expenses of $30,000 and $30,000, respectively, related to the SERP. During the three months ended March 31, 2015 and 2014, we contributed $126,000 and $115,000 to the plan, respectively. The liability for pension benefits was $28,000 and $124,000 as of March 31, 2015 and December 31, 2014, respectively.

We maintain a defined contribution 401(k) plan which permits participation by substantially all employees. Our matching contributions to the 401(k) plan were $230,000 and $195,000 for the three months ended March 31, 2015 and 2014, respectively.

NOTE 6   Stockholders   Equity

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

	Common Stock	Class A Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss
Balance at December 31, 2014	$ 1,788	$ 1,487	$ 5,125	$ 108,629	$ (4,680)
Net loss				(352)	
Issuance of nonvested stock awards, net of forfeitures	18		(18)		
Stock-based compensation			105		
Change in net actuarial loss and prior service cost, net of income tax expense of $15					23
Unrealized gain on available-for-sale securities, net of income tax expense of $2					4
Repurchase and retirement of common stock	(7)		(58)		
Balance at March 31, 2015	$ 1,799	$ 1,487	$ 5,154	$ 108,277	$ (4,653)

As of March 31, 2015 and December 31, 2014, accumulated other comprehensive loss consists of the following:

	March 31, 2015	December 31, 2014
Net actuarial loss and prior service cost not yet recognized in net periodic benefit cost, net of income tax benefit of $3,122,000 and $3,137,000, respectively	$ (4,688,000)	$ (4,711,000)
Accumulated unrealized gain on available- for-sale securities, net of income tax expense of $24,000 and $22,000, respectively	35,000	31,000
Accumulated other comprehensive loss	$ (4,653,000)	$ (4,680,000)

On January 23, 2013, our Board of Directors suspended the quarterly dividend. In addition, our credit facility prohibits the payment of dividends. See NOTE 4   Credit Facility.

On October 23, 2002, our Board of Directors authorized the repurchase of up to 3,000,000 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 first three months of 2015 or 2014. At March 31, 2015, we had remaining repurchase authority of 1,653,333 shares. At present we are not permitted to make such purchases under our credit facility.

We have a stock incentive plan which provides for the grant of up to 2,000,000 shares of common stock to our officers and key employees through stock options and/or awards valued in whole or in part by reference to our common stock, such as nonvested restricted stock awards. Under the plan, nonvested restricted stock vests an aggregate of twenty percent each year beginning on the second anniversary date of the grant. The aggregate market value of the nonvested restricted stock at the date of issuance is being amortized on a straight-line basis over the six-year period. We granted 227,000 and 211,000 stock awards under this plan during the three months ended March 31, 2015 and 2014, respectively. As of March 31, 2015, there were 1,412,787 shares available for granting options or stock awards.

During the three months ended March 31, 2015 and 2014, we purchased and retired 73,453 and 66,829 shares of our outstanding common stock for $65,000 and $104,000, respectively. These purchases were made from employees in connection with the vesting of restricted stock awards under our 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.

NOTE 7 Fair Value Measurements

Our financial instruments are classified and disclosed in one of the following three categories:

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

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

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

The following table summarizes the valuation of our financial instrument pricing levels as of March 31, 2015 and December 31, 2014:

	Total	Level 1	Level 2	Level 3
March 31, 2015				
Available-for-sale securities	$ 296,000	$ 296,000	$	$
December 31, 2014				
Available-for-sale securities	$ 289,000	$ 289,000	$	$

Our investments in available-for-sale securities consist of mutual funds. These investments are included in other assets on our consolidated balance sheets.

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

At March 31, 2015 and December 31, 2014, there was $38,000,000 and $39,010,000, respectively, outstanding under our revolving credit agreement. The borrowings under our revolving credit agreement bear interest at the variable rate described in NOTE 4 Credit Facility and therefore we believe approximate fair value.

NOTE 8 - Related Party Transactions

During the three months ended March 31, 2015 and 2014, we allocated costs of $445,000 and $466,000, respectively to DVD, a company related through common ownership, for certain administrative and operating services, including leased space. DVD allocated certain administrative and operating service costs of $87,000 and $61,000, respectively, to us for the three months ended March 31, 2015 and 2014. The allocations were based on an analysis of each company s share of the costs. Additionally, DVD invoiced us $36,000 and $5,000, during the three months ended March 31, 2015 and 2014, respectively for tickets to DVD s spring NASCAR event weekend at Dover International Speedway. As of March 31, 2015 and December 31, 2014, our consolidated balance sheets included an $11,000 and $22,000 receivable from DVD, respectively, for the aforementioned items. These items were settled in April 2015 and January of 2015, respectively. The net costs incurred by each company for these services are not necessarily indicative of the costs that would have been incurred if the companies had been unrelated entities and/or had otherwise independently managed these functions; however, management believes that these costs are reasonable.

Prior to our spin-off from DVD in 2002, both companies shared certain real property in Dover, Delaware. At the time of the spin-off, some of this real property was transferred to us to ensure that the real property holdings of each company was aligned with its past uses and future business needs. During our harness racing season, we have historically used the 5/8-mile harness racing track that is located on DVD s property and is on the inside of its onemile motorsports superspeedway. In order to continue this historic use, DVD granted a perpetual easement to the harness track to us at the time of the spin-off. This perpetual easement allows us to have 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 easement requires that we maintain the harness track but does not require the payment of any rent.

Various easements and agreements relative to access, utilities and parking have also been entered into between us and DVD relative to our respective Dover, Delaware facilities. DVD pays rent to us for the lease of its principal executive office space. We also allow DVD to use our indoor grandstands in connection with DVD s two annual motorsports weekends. We do not assess rent for this nominal use and may discontinue the use at our discretion.

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 trustee of the RMT Trust, 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 our 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, Timothy R. Horne, Denis McGlynn, Jeffrey W. Rollins, R. Randall Rollins, Richard K. Struthers and Henry B. Tippie are all Directors of ours and DVD. Denis McGlynn is the President and Chief Executive Officer of both companies, Klaus M. Belohoubek is the Senior Vice President General Counsel and Secretary of both companies and Timothy R. Horne is the Senior Vice President Finance and Chief Financial Officer of both companies. Mr. Tippie controls in excess of fifty percent of the voting power of DVD.

NOTE 9 Commitments and Contingencies

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 position or cash flows.

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

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

Dover Downs Gaming & Entertainment, Inc. is a premier gaming and entertainment resort destination whose operations consist of:

• Dover Downs Casino a 165,000-square foot casino complex featuring popular table games, including craps, roulette and card games such as blackjack, Spanish 21, baccarat, 3-card and pai gow poker, the latest in slot machine offerings, multi-player electronic table games, the Crown Royal poker room, a Race & Sports Book operation, the Dover Downs Fire & Ice Lounge, the Festival Buffet, Doc Magrogan s Oyster

House, Frankie s Italian restaurant, as well as several bars, restaurants and four retail outlets;

- Dover Downs Hotel and Conference Center a 500 room AAA Four Diamond hotel with a fine dining restaurant, full-service spa/salon, conference, banquet, ballroom and concert hall facilities; and

- Dover Downs Raceway a harness racing track with pari-mutuel wagering on live and simulcast horse races.

All of our gaming operations are located at our entertainment complex in Dover, the capital of the State of Delaware.

We began offering internet gaming in the fourth quarter of 2013; to date operating results from internet gaming have not been material.

Approximately 87% of our revenue is gaming revenue. Several factors contribute to the win for any gaming company, including, but not limited to:

- Proximity to major population bases,
- Competition in the market,
- The quantity and types of slot machines and table games available,
- The quality of the physical property,
- Other amenities offered on site,
- Customer service levels,
- Marketing programs, and
- General economic conditions.

Our entertainment complex is located in Dover, the capital of the State of Delaware. We draw patrons from several major metropolitan areas. Philadelphia, Baltimore and Washington, D.C. are all within a two hour drive. According to the 2010 United States Census, approximately 36.8 million people live within 150 miles of our complex. There are significant barriers to entry related to the gaming business in Delaware. By law, currently only the three existing horse racing facilities in the State are allowed to have a video lottery gaming license. In recent years, additional gaming venues have opened in Maryland, Pennsylvania and New Jersey and more are expected to open. These venues are having a significant adverse effect on our visitation numbers, our revenues and our profitability. Our property is similar to properties found in the country s largest gaming markets. Our luxury hotel is the only casino-hotel in Delaware, providing a strong marketing tool, especially to higher-end players. We also utilize our slot marketing system to allow for more efficient marketing programs and the highest levels of customer service. Our facility offers approximately 35,000 square feet of conference space the most space of any hotel in Delaware.

Because all of our gaming operations are located at one facility, we face the risk of increased competition from the legalization of new or additional gaming venues. We have therefore focused on creating the region s premier gaming destination and building and rewarding customer loyalty through innovative marketing efforts, unparalleled customer service and a variety of amenities.

Results of Operations

Gaming revenues represent (i) the net win from slot machine, table games, internet gaming and sports wagering and (ii) commissions from pari-mutuel wagering. Other operating revenues consist of hotel rooms revenue, food and beverage sales and other miscellaneous income. Revenues do not include the retail amount of hotel rooms, food and beverage and other miscellaneous goods and services provided without charge to customers as promotional items. The estimated direct cost of providing these items has been charged to the casino through interdepartmental allocations and is included in gaming expenses in the consolidated statement of operations.

For the casino operations, the difference between the amount wagered by bettors and the amount paid out to bettors is referred to as the win. The win is included in the amount recorded in our consolidated financial statements as gaming revenue. The Delaware State Lottery Office sweeps the win from the casino operations, collects the State s share of the win and the amount due to the vendors under contract with the State who provide the slot machines and associated computer systems, collects the amount allocable to purses for harness horse racing and remits the remainder to us as our commission for acting as a Licensed Agent. Gaming expenses include the amounts collected by the State (i) for the State s share of the win, (ii) for remittance to the providers of the slot machines and associated computer systems, and (iii) for harness horse racing purses. We recognize revenues from sports wagering commissions when the event occurs. We recognize revenues from pari-mutuel commissions earned from live harness horse racing and importing of simulcast signals from other race tracks when the race occurs. Revenues from hotel rooms, food and beverage sales and other miscellaneous income are recognized at the time the service is provided.

Three Months Ended March 31, 2015 vs. Three Months Ended March 31, 2014

Gaming revenues decreased by $1,006,000, or 2.5%, to $38,776,000 in the first quarter of 2015 primarily as a result of lower win from slot machine play. We believe that attendance at our facility continues to be negatively impacted from the overall increased competition in regional gaming markets.

Other operating revenues were $5,562,000 in the first quarter of 2015 as compared to $5,695,000 in the first quarter of 2014. Rooms revenue increased $83,000 to $1,235,000 in the first quarter of 2015 as compared to $1,152,000 in the first quarter of 2014 due primarily to higher sales to our casino customers and convention sales. Food and beverage revenues decreased $197,000 to $3,534,000 in the first quarter of 2015 from $3,731,000 in the first quarter of 2014 due primarily to the closing of an offsite food and beverage outlet in January 2015. Other operating revenues do not include the retail amount of promotional allowances which are provided to customers on a complimentary basis of $4,211,000 and $4,470,000 in the first quarter of 2015 and 2014, respectively.

Gaming expenses decreased by $1,592,000, or 4.2%, primarily from lower gaming taxes as a result of the lower gaming revenues and the reduction in our video lottery vendor costs from legislation that became effective on July 1, 2014. Marketing and other expenses were also lower in the first quarter of 2015.

Other operating expenses decreased to $3,887,000 in the first quarter of 2015 from $4,396,000 in the first quarter of 2014 due primarily to the closing of an offsite food and beverage outlet and lower expenses in many of our other food and beverage outlets.

General and administrative expenses increased to $1,496,000 in the first quarter of 2015 as compared to $1,393,000 in the first quarter of 2014 due primarily to employee separation costs and higher legal fees.

Depreciation expense decreased to $2,152,000 in the first quarter of 2015 from $2,295,000 in the first quarter of 2014 as a result of certain assets becoming fully depreciated.

Interest expense decreased by $112,000 primarily due to lower outstanding borrowings in the first quarter of 2015.

Our effective income tax rate was (14.7%) in the first quarter of 2015 as compared to 25.9% in the first quarter of 2014. The rates were impacted by the non-deductible portion of the restricted stock awards that vested during the first quarter of 2015 and 2014 and also our lower pre-tax loss in 2015.

Liquidity and Capital Resources

Net cash provided by operating activities was $3,250,000 in the first quarter of 2015 compared to net cash used in operating activities of $114,000 in the first quarter of 2014. The improvement was primarily due to higher earnings before depreciation and the timing of payments to the Delaware State Lottery Office for its portion of the slot win.

Net cash used in investing activities was $472,000 in the first quarter of 2015 compared to $210,000 in the first quarter of 2014 and was solely related to capital improvements in both periods. Capital expenditures in the first quarter of 2015 and 2014 related primarily to information systems and facility and equipment upgrades.

Net cash used in financing activities was $1,075,000 in the first quarter of 2015 compared to $2,144,000 in the first quarter of 2014. During the first quarter of 2015, we had net repayments of $1,010,000 on our credit facility compared to $2,040,000 during the first quarter of 2014. We repurchased and retired $65,000 and $104,000 of our outstanding common stock during the first quarter of 2015 and 2014, respectively. These purchases were made from employees in connection with the vesting of restricted stock awards under our stock incentive plan.

On October 23, 2002, our Board of Directors authorized the repurchase of up to 3,000,000 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 first quarter of 2015 or 2014. At March 31, 2015, we had remaining repurchase authority of 1,653,333 shares. At present we are not permitted to make such purchases under our credit facility.

Based on current business conditions, we expect to make capital expenditures of approximately $1,500,000 to $2,000,000 during the remainder of 2015. Additionally, we expect to contribute approximately $425,000 to our pension plans during the remainder of 2015.

On August 14, 2014, we modified our credit agreement with our bank group. The credit facility was modified to: extend the maturity date to September 30, 2015; provide the bank group with a mortgage on and security interest in all real and personal property owned by our wholly owned subsidiary Dover Downs, Inc.; adjust the maximum borrowing limit to $55,000,000 as of August 14, 2014, to $50,000,000 as of December 31, 2014 and to $47,500,000 as of June 30, 2015; and modify the required maximum ratio of funded debt to earnings before interest, taxes, depreciation and amortization (the leverage ratio) and the minimum consolidated earnings before interest, taxes, depreciation and amortization requirement. Interest is based upon LIBOR plus a margin that varies between 150 and 350 basis points (300 basis points at March 31, 2015) depending on the leverage ratio. Material adverse changes in our results of operations could impact our ability to satisfy these requirements. In addition, the credit agreement includes a material adverse change clause and prohibits the payment of dividends. The credit facility provides for seasonal funding needs, capital improvements and other general corporate purposes. At March 31, 2015, there was $38,000,000 outstanding at a weighted average interest rate of 3.18% and $12,000,000 was available pursuant to the facility. Additionally, we were in compliance with all terms of the facility at March 31, 2015 and we expect to be in compliance with the financial covenants and all other covenants for all measurement periods through September 30, 2015, the expiration date of the facility.

The credit facility is classified as a current liability as of March 31, 2015 in our consolidated balance sheets as the facility expires on September 30, 2015. We will seek to refinance or extend the maturity of this obligation prior to its expiration date; however, there is no assurance that we will be able to execute this refinancing or extension or, if we are able to refinance or extend this obligation, that the terms of such refinancing or extension would be as favorable as the terms of our existing credit facility. These factors raise substantial doubt about our ability to continue as a going concern.

While we believe that our net cash flows from operating activities and funds available from our credit facility will be sufficient to provide for our working capital needs and capital spending requirements for the foreseeable future, we will need to refinance or extend the maturity of our outstanding credit facility prior to its expiration on September 30, 2015.

In recent years, the mid-Atlantic region has witnessed an unprecedented expansion in gaming venues and gaming offerings. These new venues particularly a large casino at Arundel Mills Mall in Maryland which opened in June 2012 with slot machines and subsequently added table games in April 2013 are having a significant adverse effect on our visitation numbers, our revenues and our profitability. Management has estimated that approximately 30% of our gaming win comes from Maryland patrons and approximately 62% of our Capital Club® member gaming win comes from out-of-state patrons.

The Delaware legislature has worked with the gaming industry in recent years to increase the State s gaming offerings, but it has done so while steadily increasing the State s share of the industry s gaming revenues and adding to various costs that the industry incurs to do business. In July 2008, the State s share of our gaming revenues was increased. In May 2009, an additional and significant increase in the State s share of our gaming revenues was legislated in connection with the reintroduction of limited sports betting in the State. This was the fifth increase in the State s share of gaming revenues. In January 2010, the State authorized table games, but imposed a license fee and a high tax rate on table game revenues. During this period, our revenues declined and our ability to compete with the growing number of competitors in the mid-Atlantic region was impeded. In recognition of the State s high gaming tax burden and its effect on the industry, the legislature has attempted several times since 2011 to reduce this tax burden in an effort to stabilize the industry, preserve jobs and protect the State s revenue stream.

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In June 2012, the State enacted the Delaware Gaming Competitiveness Act of 2012 (the Act), under which Delaware s video lottery agents are authorized to offer, through their websites, internet versions of their table games (including poker and bingo) and video lottery offerings. All games remain under the control and operation of the Delaware Lottery. Revenues from the internet versions of table games and video lottery games are distributed generally pursuant to the formula currently applicable to those games physically located within our casino, with the exception that internet service provider costs are deducted first, and the Delaware Lottery retains the first $3.75 million of state-wide net proceeds. We began offering internet gaming in the fourth quarter of 2013; to date operating results from internet gaming have not been material. Internet lottery games are, at least initially, offered solely to persons located within the State of Delaware. This territorial limitation would not apply to gaming pursuant to an interstate compact, such as the one announced in February 2014 between Delaware and Nevada. Internet gaming participation is limited to persons who meet the age requirements for equivalent non-internet games.

The Act also eliminated the gaming license fee and restructured the table game license fee currently paid by video lottery agents to incentivize agents to make capital expenditures, spend on marketing and promotions, and make debt service payments. In June 2012, we paid a $2,241,000 table game license fee, which was for the period July 1, 2012 to June 30, 2013. This fee decreased to $1,017,000 for the period July 1, 2013 to June 30, 2014 and was paid in June 2013. The fee increased slightly to $1,071,000 for the period July 1, 2014 to June 30, 2015 and was paid in June 2014.

In July 2013, the State enacted a bond and capital improvements bill which appropriated $8,000,000 to the Department of Finance to be used to offset increases in vendor costs that the three Delaware video lottery agents would otherwise pay for the period July 1, 2013 to June 30, 2014. The State used $875,000 of the amount appropriated to offset increases in our vendor costs, of which $350,000 related to the first quarter of 2014. Additionally, the bill created a Lottery & Gaming Study Commission responsible for examining the competitive marketplace confronting the Delaware gaming industry, including the business performance and business plans of existing lottery agents, the marketing efforts and investments made by Delaware video lottery agents, and the division of revenue from the video lottery, sports lottery, table games and internet gaming. The commission s findings and recommendations were released in March 2014 and included: the State sharing certain vendor costs that the three Delaware video lottery agents currently pay associated with slot machines; reducing the State s share of table game win; and eliminating the annual table game license fee. On July 1, 2014, the Delaware legislature approved the vendor cost sharing recommendation on a permanent basis. The State estimates this will provide $9,900,000 to be used toward vendor costs for the three Delaware video lottery agents for the fiscal year July 1, 2014 to June 30, 2015. This is being allocated among the three video lottery agents based on their relative portion of industry-wide slot revenues. For the first three months of 2015, our video lottery vendor costs were reduced by approximately $950,000 as a result of the cost sharing arrangement. The recommendations to reduce the State s share of gross table game revenues and eliminate the table game license fee were not part of the legislation that was passed.

The commission reconvened in September 2014 to consider previous and make further recommendations relative to the gaming industry. The commission s findings and recommendations were released in January 2015 and included: increasing the State s share of vendor costs associated with slot machines; eliminating the annual table game license fee; reducing the State s share of table game win; and providing each video lottery agent a credit of up to 5% of video lottery proceeds to be used for marketing expenditures and a credit of up to 5% of video lottery proceeds to be used for capital expenditures. These recommendations require legislation in order to be effected.

The Delaware legislature is in session until the end of June 2015 and then does not reconvene until the following January. Since Delaware has a fiscal year that ends June 30, it is likely that any legislation will not be effective until July 1, 2015. Without legislative relief, we may be unable to refinance or extend the maturity of our credit facility on favorable terms or may default on our obligations, we may be unable to allocate sufficient resources to marketing and promotions in order to compete effectively in the regional marketplace, we may be unable to allocate sufficient resources to maintaining our facility, and we may be required to take other actions in order to manage expenses - especially with respect to operations that have operated at a loss, such as table games and internet gaming. Such actions could adversely affect our business, financial condition, operating results and cash flow.

Even with partial legislative relief, we may be unable to refinance or extend the maturity of our credit facility on favorable terms or may default on our obligations, we may be unable to allocate sufficient resources to marketing and promotions in order to compete effectively in the regional marketplace, we may be unable to allocate sufficient resources to maintaining our facility, and we may be required to take other actions in order to manage expenses - especially with respect to operations that have operated at a loss, such as table games and internet gaming. Such actions could adversely affect our business, financial condition, operating results and cash flow.

Contractual Obligations

At March 31, 2015, we had the following contractual obligations:

					Payments Due by Period		
	Total		2015		2016 2017		2018 2019		Thereafter
Revolving line of credit(a)	$	38,000,000	$	38,000,000	$	$	$
Estimated interest payments on revolving line of credit(b)		603,000		603,000			
Pension contributions		425,000		425,000			
	$	39,028,000	$	39,028,000	$	$	$

(a) Our current credit facility expires on September 30, 2015.

(b) The future interest payments on our revolving credit agreement were estimated using the current outstanding principal as of March 31, 2015 and current interest rates.

Related Party Transactions

See NOTE 8 Related Party Transactions to our consolidated financial statements included elsewhere in this document for a full description of related party transactions.

Critical Accounting Policies

For a summary of our critical accounting policies and the means by which we develop estimates thereon, see Part II - Item 7. Management s Discussion And Analysis Of Financial Condition And Results Of Operations in our 2014 Annual Report on Form 10-K. There have been no material changes to our critical accounting policies from those included in our 2014 Annual Report on Form 10-K.

Recent Accounting Pronouncements

There have been no new accounting pronouncements made effective during the three months ended March 31, 2015, or that are not yet effective, that have significance, or potential significance, to our consolidated financial statements.

Factors That May Affect Operating Results; Forward-Looking Statements

This report and the documents incorporated by reference may contain forward-looking statements. In Item 1A of this report, we disclose the important factors that could cause our actual results to differ from our expectations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4. **Controls and Procedures**

Evaluation of Disclosure Controls and Procedures

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

Based on their evaluation as of March 31, 2015, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are effective to ensure that the information we are required to disclose in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the fiscal quarter ended March 31, 2015 that have materially affected, or that 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**

In addition to historical information, this report 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, possible acquisitions, market forces, corporate strategies, consumer preferences, contractual commitments, legal matters, capital requirements and other matters. Documents incorporated by reference into this report may also contain forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. To comply with the terms of the safe harbor, we note that a variety of factors could cause our actual results and experience to differ substantially from the anticipated results or other expectations expressed in our forward-looking statements. When words and expressions such as: believes, expects, anticipates, estimates, plans, intends, objectives, aims, projects, forecasts, possible, seeks, may, could, should, might, likely or similar words or expressions are used, as well a our view, there can be no assurance or there is no way to anticipate with certainty, forward-looking statements may be involved.

In the section that follows below, in cautionary statements made elsewhere in this report, and in other filings we have made with the SEC, we list important factors that could cause our actual results to differ from our expectations. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors described below and other factors set forth in or incorporated by reference in this report.

These factors and cautionary statements apply to all future forward-looking statements we make. Many of these factors are beyond our ability to control or predict. Do not put undue reliance on forward-looking statements or project any future results based on such statements or on present or prior earnings levels.

Additional information concerning these, or other factors, which could cause the actual results to differ materially from those in our forward-looking statements is contained from time to time in our other SEC filings. Copies of those filings are available from us and/or the SEC.

We Have a Significant Amount of Indebtedness

As of March 31, 2015, we had total outstanding long-term debt of $38,000,000 under our credit facility. The facility is classified as a current liability as of March 31, 2015 in our consolidated balance sheets as the facility expires on September 30, 2015. We will seek to refinance or extend the maturity of this obligation prior to its expiration date; however, there is no assurance that we will be able to execute this refinancing or extension or, if we are able to refinance or extend this obligation, that the terms of such refinancing or extension would be as favorable as the terms of our existing credit facility. These factors raise substantial doubt about our ability to continue as a going concern. This indebtedness and any future increases in our outstanding borrowings or decreases in our results of operations could:

- make it more difficult for us to satisfy our debt obligations;
- increase our vulnerability to general adverse economic and industry conditions or a downturn in our business;
- increase our costs or create difficulties in refinancing or replacing our outstanding obligations;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, dividends and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- subject us to the risks that interest rates and our interest expense will increase; and
- place us at a competitive disadvantage compared to competitors that have less relative debt.

In addition, our credit facility contains financial ratios that we are required to meet and other restrictive covenants that, among other things, limit or restrict our ability to borrow additional funds, make acquisitions, create liens on our properties and make investments. Our ability to meet these financial ratios and covenants can be affected by events beyond our control, and there can be no assurance that we will meet them. If there were an event of default under our credit facility, the lenders could elect to declare all amounts outstanding to be immediately due and payable.

In recent years, additional gaming venues are having a significant adverse effect on our visitation numbers, our revenues and our profitability.

Our Gaming Activities Compete Directly With Other Gaming Facilities And Other Entertainment Businesses

We compete in local and regional markets with horse tracks and racinos, off-track betting parlors, state run lotteries, casinos, internet gambling and other forms of gaming. In a broader sense, our gaming operations face competition from all manner of leisure and entertainment activities, including shopping, collegiate and professional athletic events, television and movies, concerts and travel. Many of our gaming competitors are in jurisdictions with a lower tax burden and with a closer proximity to large population bases. As gambling opportunities in the region continue to proliferate, there can be no assurance that we will maintain our state or regional market share or be able to compete effectively with our competitors and this could adversely affect our business, financial condition and overall profitability.

The introduction or expansion of gaming in neighboring jurisdictions, particularly Maryland, Virginia, West Virginia, Washington, D.C., Pennsylvania or New Jersey, the proliferation of internet gaming or the legalization of additional gaming venues in Delaware, could have a material adverse effect on our cash flows and results of operations. Delaware is surrounded by jurisdictions which permit slot machines, such as Pennsylvania, New Jersey, Maryland and West Virginia, and all of these jurisdictions also permit table games.

In recent years, the mid-Atlantic region has witnessed an unprecedented expansion in gaming venues and gaming offerings and many analysts believe that the market is showing signs of saturation, in part due to the fact that new gaming venues often result in a substantial loss of business to existing locations. This is having a significant adverse effect on our visitation numbers, our revenues and our profitability. Management has estimated that approximately 30% of our gaming win comes from Maryland patrons and approximately 62% of our Capital Club® member gaming win comes from out of state patrons.

All states in our geographic region have state-run lotteries. State run lotteries are no longer prohibited by federal law from offering lottery products or other gaming opportunities over the internet or through mobile applications if permitted by state law.

Delaware, Nevada and New Jersey have passed legislation authorizing internet gaming and other states are pursuing or exploring the legalization of internet gaming in various forms   from state run lotteries to privately run casino games, including online poker. States are aggressively seeking new revenue streams through gaming. New Jersey is also pursuing sports betting despite a federal law that prohibits it from doing so.

All Of Our Facilities Are In One Location

Our gaming facilities are located adjacent to one another at a single location in Dover, Delaware. Any prolonged disruption of operations at these facilities due to damage or destruction, inclement weather, natural disaster, work stoppages or other reasons could adversely affect our financial condition and results of operations. We maintain property and business interruption insurance to protect against certain types of disruption, but there can be no assurance that the proceeds of such insurance would be adequate to repair or rebuild our facilities or to otherwise compensate us for lost profits.

The Revocation, Suspension Or Modification Of Our Gaming Licenses Would Adversely Affect Our Gaming Business

Licensing, administration and control of gaming operations in Delaware is under the Delaware State Lottery Office and Delaware   s Department of Safety and Homeland Security, Division of Gaming Enforcement. Our gaming license has no expiration date and does not need to be renewed annually. However, to maintain our gaming license, we must remain licensed for harness horse racing by the Delaware Harness Racing Commission and conduct at least 80 live race days each racing season, subject to the availability of harness race horses. Our license from the Racing Commission must be renewed on an annual basis. The Racing Commission has broad discretion to reject any application for a license or suspend or revoke a license once it is issued. The Director of the Delaware State Lottery Office has broad discretion to revoke, suspend or modify the terms of our gaming license. Any modification or termination of existing licensing regulations or any revocation, suspension or modification of our licenses could adversely affect our business, financial condition and overall profitability.

Our Gaming Activities Are Subject To Extensive Government Regulation And Any Additional Government Regulation Or Taxation Of Gaming Activities Could Substantially Reduce Our Revenue Or Profit

Slot machine gaming, table games, sports betting, internet gaming, harness horse racing and pari-mutuel wagering are subject to extensive government regulation. Delaware law regulates the win we are entitled to retain and the percentage of commission we are entitled to receive from our gaming revenues, which comprises a significant portion of our overall revenues. The State granted us a license to conduct our gaming operations and a license to conduct harness horse races and pari-mutuel wagering. The laws under which these licenses are granted could be modified or repealed at any time and we could be required to terminate our gaming operations. If we are required to terminate our gaming operations or if the amount of the commission we receive from the State for conducting our gaming operations is decreased, our business operations and overall profitability would be significantly impaired.

The Delaware legislature has worked with the gaming industry in recent years to increase the State s gaming offerings, but it has done so while steadily increasing the State s share of the industry s gaming revenues and adding to various costs that the industry incurs to do business. In July 2008, the State s share of our gaming revenues was increased. In May 2009, an additional and significant increase in the State s share of our gaming revenues was legislated in connection with the reintroduction of limited sports betting in the State. This was the fifth increase in the State s share of gaming revenues. In January 2010, the State authorized table games, but imposed a license fee and a high tax rate on table game revenues. During this period, our revenues declined and our ability to compete with the growing number of competitors in the mid-Atlantic region was impeded. In recognition of the State s high gaming tax burden and its effect on the industry, the legislature has attempted several times since 2011 to reduce this tax burden in an effort to stabilize the industry, preserve jobs and protect the State s revenue stream.

In June 2012, the State enacted the Delaware Gaming Competitiveness Act of 2012 (the Act), under which Delaware s video lottery agents are authorized to offer, through their websites, internet versions of their table games (including poker and bingo) and video lottery offerings. There have been discussions in Congress to regulate various forms of internet gaming and it is possible that new federal laws may preempt state laws relative to the regulation or taxation of internet gaming. Internet gaming may even be proscribed entirely by federal law much as sports betting is proscribed by federal law in all but four states.

In July 2013, the Delaware legislature created a Lottery & Gaming Study Commission responsible for examining the competitive marketplace confronting the Delaware gaming industry, including the business performance and business plans of existing lottery agents, the marketing efforts and investments made by Delaware video lottery agents, and the division of revenue from the video lottery, sports lottery, table games and internet gaming. The Commission s findings and recommendations were released in March 2014 and included: the State sharing certain vendor costs that the three Delaware video lottery agents currently pay associated with slot machines; reducing the State s share of table game win; and eliminating the annual table game license fee. On July 1, 2014, the legislature only enacted a vendor cost sharing recommendation and asked the Commission to reconvene to consider previous and make further recommendations relative to the gaming industry. The Commission s findings and recommendations were released in January 2015 and included: increasing the State s share of vendor costs associated with slot machines; eliminating the annual table game license fee; reducing the State s share of table game win; and providing each video lottery agent a credit of up to 5% of video lottery proceeds to be used for marketing expenditures and a credit of up to 5% of video lottery proceeds to be used for capital expenditures. These recommendations require legislation in order to be effected.

The Delaware legislature is in session until the end of June 2015 and then does not reconvene until the following January. Since Delaware has a fiscal year that ends June 30, it is likely that any legislation will not be effective until July 1, 2015. Without legislative relief, we may be unable to refinance or extend the maturity of our credit facility on favorable terms or may default on our obligations, we may be unable to allocate sufficient resources to marketing and promotions in order to compete effectively in the regional marketplace, we may be unable to allocate sufficient resources to maintaining our facility, and we may be required to take other actions in order to manage expenses - especially with respect to operations that have operated at a loss, such as table games and internet gaming. Such actions could adversely affect our business, financial condition, operating results and cash flow.

We believe that the prospect of significant additional tax revenue is one of the primary reasons why jurisdictions have legalized gaming. As a result, gaming operators are typically subject to significant taxes and fees in addition to normal federal and state corporate income taxes. These taxes and fees are subject to increase at any time. We pay substantial taxes and fees with respect to our operations and the State s share of our gaming win has been increased several times. In addition, any material increase in taxes or fees, or the adoption of additional taxes or fees, may have a material adverse effect on our future financial results.

We are subject to various federal, state and local laws and regulations in addition to gaming regulations. These laws and regulations include, but are not limited to, restrictions and conditions concerning alcoholic beverages, environmental matters, employees, currency transactions, taxation, zoning and building codes, and marketing and advertising. Laws and regulations governing the use and development of real estate may delay or complicate any improvements we choose to make and/or increase the costs of any improvements or our costs of operating.

If it is determined that damage to persons or property or contamination of the environment has been caused or exacerbated by the operation or conduct of our business or by pollutants, substances, contaminants or wastes used, generated or disposed of by us, or if pollutants, substances, contaminants or wastes are found on our property, we may be held liable for such damage and may be required to pay the cost of investigation and/or remediation of such contamination or any related damage.

Laws and regulations are always subject to change, can be interpreted differently in the future, and new laws and regulations may be enacted which could adversely affect the tax, regulatory, operational or other aspects of our gaming operations. Furthermore, noncompliance with one or more of these laws and regulations could result in the imposition of substantial penalties against us or adversely affect our gaming license.

We Do Not Own Or Lease Our Slot Machines And Related Technology

We do not own or lease the slot machines or computer systems used by the State in connection with our video lottery gaming operations. The Lottery Director enters into contracts directly with the providers of the slot machines and computer systems and we are not a party to those negotiations. At our expense, the State purchases or leases all equipment and the Lottery Director licenses all technology providers. Similarly, but at no expense to us, the Lottery Director contracts directly with service providers for internet gaming. Our operations could be disrupted if a licensed technology provider violates its agreement with the State or ceases to be licensed for any reason. Such an event would be outside of our control and could adversely affect our gaming revenues.

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.

Our Success Depends on the Availability and Performance of Key Personnel

Our continued success depends upon the availability and performance of our senior management team which possesses unique and extensive industry knowledge and experience. Our inability to retain and attract key employees in the future could have a negative effect on our operations and business plans.

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.

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

On October 23, 2002, our Board of Directors authorized the repurchase of up to 3,000,000 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 first quarter of 2015. At March 31, 2015, we had remaining repurchase authority of 1,653,333 shares. At present we are not permitted to make such purchases under our credit facility.

Item 3. Defaults Upon Senior Securities

None.

Item 4. **Mine Safety Disclosures**

Not applicable.

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

101 The following materials from the Dover Downs Gaming & Entertainment, Inc. quarterly report on Form 10-Q for the quarter ended March 31, 2015, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Operations and Comprehensive Loss for the three months ended March 31, 2015 and 2014; (ii) Consolidated Balance Sheets as of March 31, 2015 and December 31, 2014; (iii) Consolidated Statements of Cash Flows for the three months ended March 31, 2015 and 2014; and (iv) Notes to the Consolidated Financial Statements.

Signatures

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

DATED:	May 1, 2015	Dover Downs Gaming & Entertainment, Inc. Registrant
		/s/ Denis McGlynn Denis McGlynn *President, Chief Executive Officer and Director* (Principal Executive Officer)
		/s/ Timothy R. Horne Timothy R. Horne *Senior Vice President-Finance, Treasurer, Chief Financial Officer and Director* (Principal Financial and Accounting Officer)