

DOVER MOTORSPORTS INC  
Form 10-K  
March 01, 2019

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

Washington, D.C. 20549

**Form 10-K**

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

**For the fiscal year ended December 31, 2018**

**Commission file number 1-11929**

**Dover Motorsports, Inc.**

(Exact name of registrant as specified in its charter)

**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)

Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

Securities registered pursuant to Section 12(b) of the Act:

| Title of Class                | Name of Exchange on Which Registered |
|-------------------------------|--------------------------------------|
| Common Stock, \$.10 Par Value | New York Stock Exchange              |

Securities registered pursuant to Section 12(g) of the Act: **None.**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes  No

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging Growth Company

If an emerging growth company, indicate by the check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

## Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

The aggregate market value of common stock held by non-affiliates of the registrant was \$34,692,404 as of June 30, 2018 (the last day of our most recently completed second quarter).

As of February 20, 2019, the number of shares of each class of the registrant's common stock outstanding is as follows:

Common Stock - 18,139,819 shares    Class A Common Stock - 18,509,975 shares

### **Documents Incorporated by Reference**

Portions of the registrant's Proxy Statement in connection with the Annual Meeting of Stockholders to be held April 24, 2019 are incorporated by reference into Part III, Items 10 through 14 of this report.

---

**Part I**

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

**Item 1.**                    **Business**

Dover Motorsports, Inc. is a public holding company that is a leading marketer and promoter of motorsports entertainment in the United States. Through our subsidiaries, we own and operate Dover International Speedway® in Dover, Delaware and Nashville Superspeedway® near Nashville, Tennessee. Our Dover facility promoted the following six events during 2018, all of which were under the auspices of the premier sanctioning body in motorsports - the National Association for Stock Car Auto Racing ( NASCAR ):

- 2 Monster Energy NASCAR Cup Series events (May and October);
- 2 NASCAR XFINITY Series events (May and October);
- 1 NASCAR Camping World Truck Series event (May); and
- 1 NASCAR K&N Pro Series East event (October).

In 2019, we celebrate our 50th anniversary of NASCAR racing and we are scheduled to once again promote these six events at Dover International Speedway, together with many special fan amenities to mark this historic milestone. Total revenues from these events were approximately 96%, 96% and 97% of total revenues in 2018, 2017 and 2016, respectively.

We have hosted the Firefly Music Festival ( Firefly ) on our property in Dover, Delaware for seven consecutive years and it is scheduled to return on June 21-23, 2019. The inaugural three day festival with 40 musical acts was held in July 2012 and the 2018 event was held on June 14-17, 2018 with approximately 120 musical acts. In September 2014, Red Frog Events LLC formed RFGV Festivals LLC - a joint venture with Goldenvoice that promotes Firefly. Goldenvoice is a company of AEG Presents, LLC, a subsidiary of Anschutz Entertainment Group, Inc. AEG Presents, one of the world's largest presenters of live music and entertainment events, announced on July 18, 2018 that it had acquired the remainder of RFGV Festivals LLC from Red Frog. Our amended agreement with RFGV Festivals grants them two 5 year options to extend our facility rental agreement through 2032 in exchange for a rental commitment to secure our property. In addition to the facility rental fee, we also receive a percentage of the concession sales we manage at the events.

We generate revenues primarily from the following sources:

- rights fees obtained for television and radio broadcasts of our events;

- ticket sales;
- sponsorship payments;
- luxury suite rentals;
- hospitality tent rentals and catering;
- concessions and vendor commissions for the right to sell concessions and souvenirs at our facilities;
- expo space rentals; and
- track and facility rentals and other event-related revenues.

We began our motorsports operations in 1969 in Dover, Delaware. Our predecessor, Dover Downs, Inc., was also engaged in harness horse racing operations and later ran our other gaming operations. As a result of several restructurings, our operations were segregated into two main operating subsidiaries - Dover International Speedway, Inc., incorporated in 1994, encompassed our motorsports operations, and Dover Downs, Inc., incorporated in 1967, conducted our gaming operations.

Effective March 31, 2002, we spun-off our gaming business which was then owned by our subsidiary, Dover Downs Gaming & Entertainment, Inc. ( Gaming ). On a tax-free basis, we made a pro rata distribution of all of the capital stock of Gaming to our stockholders. Our continuing operations subsequent to the spin-off consist solely of our motorsports activities and property rentals.

Nashville Superspeedway no longer promotes motorsports events and has not entered into sanction agreements with NASCAR since 2011. We lease the facility on a short term basis to third parties from time to time. On August 17, 2017, we entered into an agreement with an entity owned by Panattoni Development Company relative to the sale of approximately 147 acres of land at a purchase price of \$35,000 per acre. On March 2, 2018, we closed on the sale of the property with proceeds, less closing costs, of \$4,945,000. Net proceeds after taxes were approximately \$4,150,000. On September 1, 2017, we also awarded to the purchaser a three year option for 88.03 additional acres at a purchase price of \$55,000 per acre. On February 9, 2018, we amended the option agreement to extend its term and to add additional acreage to the option. The option is for three years beginning March 1, 2018. An additional 86.45 acres were added to the option at a purchase price of \$66,685 per acre and an additional 50.51 acres were added at a purchase price of \$35,000 per acre. The option may only be exercised for all of the 224.99 acres at one time for a total purchase price of \$12,374,000. While management remains committed to selling the remaining Nashville Superspeedway property which consists of over 1,000 acres, we do not believe it is probable that the remaining property will be sold within the next twelve months. At December 31, 2018, \$23,567,000 was reported as long term assets in our consolidated balance sheets. At December 31, 2017, \$2,455,000 representing 147 acres of the total Nashville Superspeedway property was reported as assets held for sale and \$23,545,000 was reported as long term assets in our consolidated balance sheets.

In September 2018, we entered into negotiations to sell a parcel of land we own near St. Louis. The sale closed in January 2019 with proceeds, less closing costs, of \$531,000. As a result, we recorded a loss of \$99,000 on sale of land in our consolidated statements of earnings for 2018. At December 31, 2018, \$531,000 representing the fair value of the land is reported as assets held for sale in our consolidated balance sheets.

### **Dover International Speedway**

We have promoted NASCAR-sanctioned racing events for 50 consecutive years at Dover International Speedway and currently promote six NASCAR-sanctioned events at the facility annually. Two races are in the Monster Energy NASCAR Cup Series professional stock car racing circuit, two races are in the NASCAR XFINITY Series racing circuit, one race is in the NASCAR Camping World Truck Series racing circuit and one race is in the NASCAR K&N Pro Series East racing circuit. Prior to 2017, the NASCAR Cup Series was sponsored by Sprint.

Each of the NASCAR XFINITY Series events, the Camping World Truck Series event and the K&N Pro Series East event at Dover International Speedway are conducted on the days before a Monster Energy NASCAR Cup Series event. Dover International Speedway is one of only eight speedways in North America that presents two Monster Energy NASCAR Cup Series events and two NASCAR XFINITY Series events each year. Additionally, it is one of only nine tracks to host three major NASCAR events at one facility on the same weekend. The spring and fall event dates have historically allowed Dover International Speedway to hold the first and last Monster Energy NASCAR Cup Series events in the Maryland to Maine region each year. Our fall event was the fourth of ten races in the Monster Energy NASCAR Cup Series Playoff, an elimination format which determines the NASCAR Cup Series champion for the racing season. Starting in 2018, the XFINITY Series and the Camping World Truck Series also moved to a playoff format. Our fall XFINITY Series event was the third of seven races in the NASCAR XFINITY Series Playoff.

Dover International Speedway, widely known as the Monster Mile®, is a high-banked, one-mile, concrete superspeedway with permanent grandstand seating capacity of approximately 85,000. Unlike some superspeedways, substantially all grandstand and skybox seats offer an unobstructed view of the entire track. The concrete racing surface makes Dover International Speedway the only concrete superspeedway (one mile or greater in length) that conducts Monster Energy NASCAR Cup Series events. The superspeedway facility also features the Monster Bridge®. The climate controlled bridge spans across the width of the superspeedway at a height of 29 feet and houses 50-luxury seats, a refreshment

bar and other amenities. The Monster Bridge is the only one of its kind in the motorsports industry.

**Agreements with NASCAR**

Our most recent sanction agreements with NASCAR are for a five year period (2016-2020). Pursuant to the typical sanction agreement, NASCAR grants its sanction to a promoter, such as Dover International Speedway, to organize, promote and hold a particular competition. The promoter sells tickets to the competition, sells or arranges

## Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

for the sale of merchandise and concessions, and sells advertising, sponsorships and hospitality services. NASCAR conducts the competition, arranges for the drivers, and has sole control over the competition, including the right to require alterations to the promoter's facility and the right to approve or disapprove any advertising or sponsorship of the promoter. NASCAR also has exclusive rights to exploit live broadcast and certain broadcast and intellectual property rights related to the competition, and exclusive rights to sponsorship and promotional rights relative to the series to which a particular competition belongs. The promoter must pay the sanction fee and purse monies and receives a share of the live broadcast revenue contracted for by NASCAR. The promoter is responsible for the condition of the facility, for compliance with laws, for control of the public, for fire and medical equipment and personnel, for security, for insurance and for providing facilities and services required by NASCAR officials and the live broadcast personnel.

Dover International Speedway, Inc. has entered into two sanction agreements with NASCAR pursuant to which it will organize and promote two Monster Energy NASCAR Cup Series events in 2016 through 2020. Our business is substantially dependent on these two agreements.

Under the terms of our sanction agreements, NASCAR retains 10% of the gross broadcast rights fees allocated to each NASCAR-sanctioned event as a component of its sanction fee. The remaining 90% is recorded 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.

### **Competition**

Our racing events compete with other racing events sanctioned by various racing bodies and with other sports and recreational events scheduled on or around the same dates. 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 and amenities, among other things, differentiate the motorsports facilities. We also compete with improving and expanding media coverage and content by network and cable broadcasters.

### **Seasonality**

We derive substantially all of our total revenues from admissions, television broadcast rights and other event-related revenue attributable to two major motorsports event weekends held in the spring and fall. As a result, our business is highly seasonal.

### **Employees**

As of December 31, 2018, we had approximately 47 full-time employees and 7 part-time employees. We engage temporary personnel to assist during our motorsports racing season. We believe that we enjoy a good relationship with our employees.

### **Available Information**



## Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

We file annual, quarterly and current reports, information statements and other information with the United States Securities and Exchange Commission (the SEC). The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of that site is [www.sec.gov](http://www.sec.gov).

### **Internet Address**

We maintain a website where additional information concerning our business and various upcoming events can be found. The address of our Internet website is [www.dovermotorsports.com](http://www.dovermotorsports.com). We provide a link on our website, under Investor Relations, to our filings with the SEC, including our annual report on Form 10-K, proxy statement,

Section 16 reports, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports.

**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 as 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.

*Our Relationships With And The Success Of NASCAR Is Vital To Our Success In Motorsports*

Our continued success in motorsports is dependent upon the success of NASCAR and our ability to secure favorable contracts with and maintain a good working relationship with them. NASCAR issues and awards sanctioned events and their issuance depends, in large part, on maintaining good working relationships with NASCAR. By awarding a sanctioned event or a series of sanctioned events, NASCAR does 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 NASCAR 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 NASCAR,

## Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

such as a decline in the attendance at (or the popularity of) NASCAR events, 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.

## Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

### *Changes To Media Rights Revenues Could Adversely Affect Us*

Broadcast revenues that are paid to us by NASCAR represent the largest component of our revenues and earnings and any adverse changes to such revenues could adversely impact our results. NASCAR's broadcast agreements have yielded us significant cash flow. In 2013, NASCAR announced it reached a ten-year extension of its broadcast rights with FOX Sports Media Group ( FOX ). This agreement extends through the 2024 NASCAR season and allows FOX to retain the television rights to 16 Monster Energy NASCAR Cup Series races, 14 NASCAR XFINITY Series events and the entire NASCAR Camping World Truck Series season. Additionally in 2013, NASCAR announced it reached a ten-year agreement with NBC Sports Group granting exclusive rights through 2024 to 20 Monster Energy NASCAR Cup Series races, 19 NASCAR XFINITY Series events, select NASCAR Regional & Touring Series events and other live content which began in 2015. Material changes in the broadcast industry or the financial value of broadcast agreements, material changes in the ratings for NASCAR events or in the NASCAR race schedule, or material changes in the perception of fans or sponsors due to such factors could have a material adverse effect on our revenues and financial results.

### *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 venue, such as title, official product and promotional partner sponsorships, billboards, signage and skyboxes. We are continuously in negotiations with existing sponsors and actively seeking new sponsors as there is significant competition for sponsorships. Some of our events may not secure a title sponsor every year, may not secure a sufficient number of sponsorships on favorable terms, or may not secure sponsorships sufficiently enough in advance of an event for maximum impact. Loss of our existing title sponsors or other major sponsorship agreements or failure to secure sponsorship agreements in the future on favorable terms could have a material adverse effect on our business, financial condition and results of operations.

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

We compete with other auto speedways for the patronage of motor racing spectators as well as for sponsorships. Moreover, racing events sanctioned by different organizations are often held on the same dates at different tracks. The quality of the competition, type of racing event, caliber of the event, sight lines, ticket pricing, location and customer conveniences and amenities, 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, changing consumer preferences and opportunities for corporations to acquire sponsorships.

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

Our financial results depend significantly upon a number of factors relating to discretionary consumer and corporate spending and sentiment, including economic conditions affecting disposable consumer income and corporate budgets. The combination of stagnant wages, unemployed and underemployed individuals among our fan base, escalating health care costs, rising interest rates, stock market volatility, changes in (together with political uncertainty concerning) governmental policies relative to spending, taxation and regulation, among other factors, can adversely affect discretionary consumer and corporate spending and sentiment.

## Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

Other factors that can affect consumer and corporate spending and sentiment include severe weather, hurricanes, flooding, earthquakes and other natural disasters, elevated terrorism alerts, terrorist attacks, military actions, air travel concerns, outbreaks of disease, and geopolitical events, as well as various industry and other business conditions - including an ever increasing number of sporting and entertainment options that compete for discretionary spending. Such factors or incidents, even if not directly impacting us, can disrupt or otherwise adversely impact the financial results, spending sentiment and interest of our present or potential customers and sponsors. There can be no assurance that consumer and corporate spending and sentiment will not be further adversely impacted by current or unforeseen factors, thereby possibly having a material adverse impact on our future operating results and growth.

## Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

### *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 Nashville Superspeedway, of which \$14,400,000 was outstanding at December 31, 2018. Debt service on the bonds is payable solely from sales taxes and incremental property taxes generated from the facility. As of December 31, 2018 and 2017, \$1,052,000 and \$1,479,000, 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 2018, we paid \$984,000 into the sales and incremental property tax fund and \$1,411,000 was deducted from the fund for debt service. These bonds are direct obligations of the Sports Authority and therefore have historically not been required to be recorded on our consolidated balance sheet. In the event the sales taxes and incremental property taxes ( applicable taxes ) are insufficient to cover the payment of principal and interest on the bonds, we would become responsible for the difference. We are exposed to fluctuations in interest rates for these bonds. In the event we were unable to make the payments, they would be made under a \$14,642,000 irrevocable direct-pay letter of credit issued by our bank group. We would be responsible to reimburse the banks for any drawings made under the letter of credit. Such an event could have a material adverse effect on our business, financial condition and results of operations and compliance with debt covenants.

Nashville Superspeedway no longer promotes motorsports events and has not entered into sanction agreements with NASCAR since 2011. We lease the facility on a short term basis to third parties from time to time. In 2011 we recorded a \$2,250,000 provision for contingent obligation reflecting the present value of the estimated portion of the revenue bonds debt service that may not be covered by the projected sales and incremental property taxes from the facility. Due to changing interest rates, the provision for contingent obligation increased by \$424,000, \$158,000 and \$75,000 in 2018, 2017 and 2016, respectively, and is \$2,384,000 at December 31, 2018. See NOTE 1 Business Operations and NOTE 11 Commitments and Contingencies of the consolidated financial statements included elsewhere in this document for further discussion.

### *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 event weekends. We derive substantially all of our total revenues from admissions, event-related and broadcasting revenue attributable to our NASCAR-sanctioned events at Dover International Speedway in Dover, Delaware. For 2019, three NASCAR racing events are scheduled to be held in the second quarter and three in the fourth quarter. For 2018, three NASCAR racing events were held in the second quarter and three in the fourth quarter. For 2017, three NASCAR racing events were held in the second quarter, two in the third quarter and one in the fourth quarter. In 2016, three NASCAR racing events were held in the second quarter, one in the third quarter and two in the fourth quarter. As a result, quarterly earnings will vary.

### *Substantially All Of Our Revenue is Attributable to One Location*

Substantially all of our revenue comes from Dover International Speedway. Any prolonged disruption of operations at this facility 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.

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

## Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

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.

In addition, sanctioning bodies could impose more stringent rules and regulations for safety, security and operational activities. Such regulations have included, for example, the installation of new retaining walls at our facilities, which have increased our capital expenditures, and increased security procedures which have increased our operational expenses.

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

We sponsor and promote outdoor motorsports events. Weather conditions, or even the forecast of poor weather, can affect sales of tickets, concessions and merchandise 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 may adversely affect additional ticket sales and concessions and merchandise 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 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, concessions and merchandise at the rescheduled event. If an event is cancelled, we could incur the expenses associated with preparing to conduct the event as well as lose the revenues, including live broadcast revenues associated with the event.

If a cancelled event is part of a NASCAR 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 ( NYSE ) 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 NYSE rules.



## Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

### *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 Are Subject To Changing Governmental Regulations And Legal Standards That Could Increase Our Expenses*

Our motorsports facilities are on large expanses of property which we own. 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 property currently or previously owned or operated by us, 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.

State and local laws relating to the protection of the environment also can include noise abatement laws that may be applicable to our racing events. In addition certain laws and regulations, including the Americans with Disabilities Act and the Occupational Safety and Health Act are constantly evolving. Changes in the provisions or application of federal, state or local environmental, land use or other laws, regulations or requirements to our facilities or operations, or the discovery of previously unknown conditions, could require us to make additional material expenditures to remediate or attain compliance.

Regulations governing the use and development of real estate may prevent us from acquiring or developing facilities, substantially delay or complicate the process of improving facilities, and/or increase the costs of any of such activities.

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 1B.**                    **Unresolved Staff Comments**

We have not received any written comments that were issued within 180 days before December 31, 2018, the end of the fiscal year covered by this report, from the SEC staff regarding our periodic or current reports under the Securities Exchange Act of 1934 that remain unresolved.

**Item 2.**                    **Properties**

**Dover International Speedway**

Dover International Speedway is located in Dover, Delaware, on approximately 770 acres of land we own. Prior to the spin-off of Gaming from our company 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 Gaming to ensure that the real property holdings of each company were aligned with its past uses and future business needs. During its harness racing season, Gaming has historically used the 5/8-mile harness racing track that is located on our property and is on the inside of our one-mile motorsports superspeedway. In order to continue this historic use, we granted a perpetual easement to the harness track to Gaming at the time of the spin-off. This perpetual easement allows Gaming 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 Gaming maintain the harness track but does not require the payment of any rent.

## Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

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. We pay rent to Gaming for the lease of our principal executive office space. Gaming also allows us to use its indoor grandstands in connection with our two annual motorsports weekends. This occasional grandstand use is not material to us and Gaming does not assess rent for it; Gaming may also discontinue our use at its discretion.

### **Nashville Superspeedway**

Nashville Superspeedway is located on approximately 1,250 acres of land we own in Wilson County and Rutherford County, Tennessee. The facility is approximately 35 miles from downtown Nashville.

## **Intellectual Property**

We have various registered and common law trademark rights, including, but not limited to, Dover, Dover Motorsports, Dover International Speedway, Nashville Speedway, Nashville Superspeedway, Monster Mile, Miles the Monster, Velocity, Monster Bridge, The Most Exciting Seat in Sports!, Concrete Monster, and Take a Kid to the Races. We also have limited rights to use the names and logos of NASCAR, various sponsors, drivers and other businesses in connection with promoting our events and certain merchandising programs. Due to the value of our intellectual property rights for promotional purposes, it is our intention to vigorously protect these rights, through litigation, if necessary.

### **Item 3.                    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 4.                    Mine Safety Disclosures**

Not applicable.

### **Executive Officers Of The Registrant**

See Part III, Item 10 of this Annual Report on Form 10-K for information about our executive officers.

## **Part II**

### **Item 5.                    Market For Registrant's Common Equity, Related Stockholder Matters And Issuer Purchases Of Equity Securities**

Our common stock is listed on the New York Stock Exchange ( NYSE ) under the ticker symbol DVD. Our Class A common stock is not publicly traded but is freely convertible on a one-for-one basis into common stock at any time at the option of the holder thereof. As of February 20, 2019, there were 18,139,819 shares of common stock and 18,509,975 shares of Class A common stock outstanding. There were 725 holders of record for common stock and 11 holders of record for Class A common stock.

## Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

The high and low sales prices for our common stock on the NYSE and the dividends declared per share for the years ended December 31, 2018 and 2017 are detailed in the following table:

| <b>Quarter Ended:</b> | <b>High</b> | <b>Low</b> | <b>Dividends<br/>Declared</b> |
|-----------------------|-------------|------------|-------------------------------|
| December 31, 2018     | \$ 2.22     | \$ 1.85    | \$ 0.08                       |
| September 30, 2018    | \$ 2.25     | \$ 1.95    | None                          |
| June 30, 2018         | \$ 2.30     | \$ 1.90    | None                          |
| March 31, 2018        | \$ 2.20     | \$ 1.80    | None                          |
| December 31, 2017     | \$ 2.23     | \$ 1.81    | \$ 0.08                       |
| September 30, 2017    | \$ 2.35     | \$ 1.95    | None                          |
| June 30, 2017         | \$ 2.45     | \$ 1.80    | None                          |
| March 31, 2017        | \$ 2.45     | \$ 2.00    | None                          |

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 fourth quarter of 2018, we purchased and retired 96,846 shares of our outstanding common stock at an average purchase price of \$2.06 per share, not including nominal brokerage commissions. At December 31, 2018, we had remaining repurchase authority of 700,649 shares.

**Item 6.**                    **Selected Financial Data**

Not applicable.

**Item 7.**                    **Management's Discussion And Analysis Of Financial Condition And Results Of Operation**

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 revenue includes ticket sales for our events. Event-related revenue includes amounts received from sponsorship fees; luxury suite rentals; hospitality tent rentals and catering; concessions and vendor commissions for the right to sell concessions and souvenirs at our events; sales of programs; track rentals; broadcasting rights other than domestic television broadcasting revenue, and other event-related revenues. Additionally, event related revenue includes amounts received for the use of our property and a portion of the concession sales we manage from the Firefly Music Festival. Broadcasting revenue includes rights fees obtained for domestic television broadcasts of events held at our speedway.

Revenues pertaining to specific events are deferred until the event is held. Concession and souvenir revenues are recorded at the time of sale. Revenues and related expenses from barter transactions in which we provide sponsorship packages in exchange for goods or services are recorded at fair value. Barter transactions accounted for \$685,000, \$612,000 and \$400,000 of total revenues for the years ended December 31, 2018, 2017 and 2016, respectively.

Certain direct expenses pertaining to specific events, including prize and point fund monies and sanction fees paid to NASCAR, and other expenses associated with our racing events are deferred until the event is held, at which point they are expensed. The cost of advertising is expensed as incurred. As a result of adopting Financial Accounting Standards Board ( FASB ) Accounting Standards Update ( ASU ) No. 2014-09, *Revenue from Contracts with Customers*, certain expenses previously deferred until an event occurred are now expensed as incurred.

Our operating results reflect a decrease in admissions revenue. Management believes that our admissions revenue may continue to be negatively impacted if consumer and corporate spending continues to be impacted by high food and health-care costs, difficult housing and credit markets, increasing interest rates, and other economic factors that can adversely impact recreational and entertainment spending. The strength and duration of recovery in the United States economy remains uncertain. Changes in governmental taxing, regulatory, spending and other policies could also significantly impact consumer spending, economic recovery and our future results.

## Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

Much of our total revenues are generated under long-term contracts, and much of our future revenues are already contracted under NASCAR's television broadcasting rights agreements. As discussed further below in Liquidity and Capital Resources, NASCAR is operating under an expanded multi-year, multi-platform broadcasting rights agreement through the year 2024. Management believes the attractive demographics surrounding motorsports continue to provide opportunities for increasing our number of longer-term sponsorship partners.

## Results of Operations

*Year Ended December 31, 2018 vs. Year Ended December 31, 2017*

Admissions revenue was \$5,694,000 in 2018 as compared to \$6,657,000 in 2017. The \$963,000 decrease was related to lower attendance at our 2018 NASCAR event weekends at Dover International Speedway. We believe holding the spring NASCAR weekend in early May as compared to early June last year at least partially contributed to the decline in attendance.

Event-related revenue was \$8,410,000 in 2018 as compared to \$8,303,000 in 2017. The \$107,000 increase was due to higher sponsorship revenues from our NASCAR event weekends and higher revenues from the 2018 Firefly Music Festival. Partially offsetting these increases were decreases in hospitality and concessions revenue at our NASCAR event weekends.

Broadcasting revenue increased to \$32,905,000 in 2018 as compared to \$31,775,000 in 2017 due to contractual increases in NASCAR's broadcasting rights agreement.

Operating and marketing expenses were \$29,277,000 in 2018 as compared to \$28,764,000 in 2017. The increase was due to higher purse and sanction fees for our NASCAR event weekends.

General and administrative expenses decreased slightly to \$7,310,000 in 2018 from \$7,347,000 in 2017.

Depreciation expense decreased to \$3,285,000 in 2018 from \$3,566,000 in 2017. The 2017 expense included \$186,000 of accelerated depreciation as a result of the decision to not complete certain improvements at our Dover facility.

Costs to remove long-lived assets in 2017 related to costs associated with the removal and disposal of grandstand seating at our Dover facility. These assets had been removed as of the end of the first quarter of 2017 and no further costs were incurred.

Gain on sale of land in 2018 relates to the sale of approximately 147 acres of land at our Nashville facility. Proceeds from the sale, net of closing costs, were \$4,945,000. This gain was partially offset by a \$99,000 loss on the sale of a parcel of land we own near St. Louis.

Net interest expense decreased to \$62,000 in 2018 from \$169,000 in 2017 due to lower average outstanding borrowings, partially offset by higher interest rates.

Provision for contingent obligation increased to \$424,000 in 2018 from \$158,000 in 2017 as a result of lower estimated property taxes.



## Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

Other expense of \$4,000 in 2018 primarily represents losses on equity investments of \$90,000 partially offset by pension benefits of \$85,000. Other income of \$85,000 in 2017 represents gains on available-for-sale securities of \$52,000 and pension benefits of \$33,000.

Earnings before income taxes were \$9,067,000 in 2018 as compared to \$6,537,000 in 2017. Excluding the gain on sale of land in 2018, our adjusted earnings before income taxes were \$6,654,000 in 2018 as compared to \$6,537,000 in 2017.

|                                       | <b>2018</b>  |    | <b>2017</b> |
|---------------------------------------|--------------|----|-------------|
| Earnings before income taxes          | \$ 9,067,000 | \$ | 6,537,000   |
| Gain on sale of land                  | (2,413,000)  |    |             |
| Adjusted earnings before income taxes | \$ 6,654,000 | \$ | 6,537,000   |

Our effective income tax rates for 2018 and 2017 were 24.0% and (28.9%), respectively. The 2018 rate was impacted by the passage of the Tax Cuts and Jobs Act in December of 2017 and deductions for additional contributions made to our pension plan in 2018. The 2017 rate was impacted by the passage of the Tax Cuts and Jobs Act in December which required us to revalue our net deferred federal tax liabilities at December 31, 2017.

## Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

Net earnings were \$6,889,000 in 2018 as compared to \$8,426,000 in 2017. Excluding the gain on sale of land in 2018, and the impact of the Tax Cuts and Jobs Act in 2017, our adjusted net earnings were \$4,981,000 in 2018 as compared to \$3,895,000 in 2017.

|                                     | 2018         |    | 2017        |
|-------------------------------------|--------------|----|-------------|
| Net earnings                        | \$ 6,889,000 | \$ | 8,426,000   |
| Gain on sale of land                | (1,908,000)  |    |             |
| Impact of the Tax Cuts and Jobs Act |              |    | (4,531,000) |
| Adjusted net earnings               | \$ 4,981,000 | \$ | 3,895,000   |

The above financial information is presented using other than generally accepted accounting principles ( non-GAAP ) and is reconciled to comparable information presented using GAAP. Non-GAAP adjusted earnings before income taxes is derived by adjusting amounts determined in accordance with GAAP for the gain on sale of land. Non-GAAP adjusted net earnings is derived by adjusting amounts determined in accordance with GAAP for the gain on sale of land and the impact of the Tax Cuts and Jobs Act. We believe such non-GAAP information is useful and meaningful to investors, and is used by investors and us to assess core operations. This non-GAAP financial information may not be comparable to similarly titled measures used by other entities and should not be considered as an alternative to net earnings which is determined in accordance with GAAP.

### *Year Ended December 31, 2017 vs. Year Ended December 31, 2016*

Admissions revenue was \$6,657,000 in 2017 as compared to \$6,937,000 in 2016. The \$280,000 decrease was related to lower attendance at our 2017 spring NASCAR event weekend at Dover International Speedway.

Event-related revenue increased slightly to \$8,303,000 in 2017 as compared to \$8,264,000 in 2016.

Broadcasting revenue increased to \$31,775,000 in 2017 as compared to \$30,658,000 in 2016 due to contractual increases in NASCAR's broadcasting rights agreement.

Operating and marketing expenses were \$28,764,000 in 2017 as compared to \$28,197,000 in 2016. The increase was primarily related to higher purse and sanction fees, and other event expenses for our 2017 NASCAR event weekends, partially offset by lower employee costs.

General and administrative expenses decreased slightly to \$7,347,000 in 2017 from \$7,433,000 in 2016.

Depreciation expense increased to \$3,566,000 in 2017 as compared to \$3,433,000 in 2016 as a result of capital spending in 2017 and 2016. The 2017 expense also includes \$186,000 of accelerated depreciation as a result of the decision to not complete certain improvements at our Dover facility. The 2016 expense includes accelerated depreciation of \$208,000 recorded as a result of shortening the service lives of certain track related assets that were part of a renovation project that began in 2016. These assets were fully depreciated as of December 31, 2016.

## Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

Costs to remove long-lived assets related to costs associated with the removal and disposal of grandstand seating at our Dover facility. These assets had been removed as of the end of the first quarter of 2017 and no further costs were incurred.

Net interest expense was \$169,000 in 2017 as compared to \$199,000 in 2016 from lower average outstanding borrowings, partially offset by slightly higher interest rates.

Provision for contingent obligation increased to \$158,000 in 2017 from \$75,000 in 2016 as a result of a lower discount rate.

Other income of \$85,000 in 2017 represents gains on available-for-sale securities of \$52,000 and pension benefits of \$33,000. Other income of \$57,000 in 2016 primarily represents pension benefits of \$34,000 and gains on available-for-sale securities of \$16,000.

## Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

Our effective income tax rate was (28.9%) in 2017 as compared to 40.5% in 2016. The 2017 rate was impacted by the passage of the Tax Cuts and Jobs Act in December which lowered our federal income tax rate to 21% beginning in 2018. This required us to revalue our net deferred federal tax liabilities at December 31, 2017.

Net earnings were \$8,426,000 in 2017 as compared to \$3,801,000 in 2016. Excluding the impact of the Tax Cuts and Jobs Act in 2017, our adjusted net earnings were \$3,895,000 in 2017 as compared to \$3,801,000 in 2016.

|                                     | 2017         | 2016         |
|-------------------------------------|--------------|--------------|
| Net earnings                        | \$ 8,426,000 | \$ 3,801,000 |
| Impact of the Tax Cuts and Jobs Act | (4,531,000)  |              |
| Adjusted net earnings               | \$ 3,895,000 | \$ 3,801,000 |

The above financial information is presented using other than generally accepted accounting principles ( non-GAAP ) and is reconciled to comparable information presented using GAAP. Non-GAAP adjusted net earnings is derived by adjusting amounts determined in accordance with GAAP for the impact of the Tax Cuts and Jobs Act. We believe such non-GAAP information is useful and meaningful to investors, and is used by investors and us to assess core operations. This non-GAAP financial information may not be comparable to similarly titled measures used by other entities and should not be considered as an alternative to net earnings which is determined in accordance with GAAP.

### Liquidity and Capital Resources

Our operations and cash flows from operating activities are seasonal in nature.

Net cash provided by operating activities was \$6,951,000 in 2018 as compared to \$5,833,000 in 2017. The increase was primarily due to lower income tax payments in 2018 compared to 2017. Partially offsetting this was an increase in contributions to our defined benefit pension plan which were \$1,750,000 and \$1,216,000 in 2018 and 2017, respectively.

Net cash provided by investing activities was \$3,919,000 in 2018 as compared to net cash used in investing activities of \$1,908,000 in 2017. Capital expenditures of \$992,000 in 2018 related primarily to improvements at our Dover facility and equipment purchases. Capital expenditures of \$1,877,000 in 2017 related primarily to the installation of SAFER barriers, equipment purchases, and improvements at our Dover facility. On March 2, 2018, we closed on the sale of approximately 147 acres of land at our Nashville Superspeedway facility for proceeds of \$4,945,000, net of closing costs.

Net cash used in financing activities was \$6,920,000 in 2018 as compared to \$3,925,000 in 2017. We had net repayments on our outstanding line of credit of \$3,240,000 in 2018 as compared to \$600,000 in 2017. We paid \$2,930,000 and \$2,944,000 in cash dividends during 2018 and 2017, respectively. During 2018 and 2017, respectively, we purchased and retired 308,928 and 130,741 shares of our outstanding common stock for \$656,000 and \$276,000 from the open market. Additionally, we purchased and retired 47,236 and 46,179 shares of our outstanding common stock for \$94,000 and \$105,000 during 2018 and 2017, respectively, from employees in connection with the vesting of restricted stock awards under our stock incentive plan.

## Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

At December 31, 2018, Dover Motorsports, Inc. and its wholly owned subsidiaries Dover International Speedway, Inc. and Nashville Speedway, USA, Inc., as co-borrowers had a \$35,000,000 credit agreement with a bank group. The credit facility expires on July 31, 2020. Interest is based upon LIBOR plus a margin that varies between 125 and 175 basis points depending on the leverage ratio. At December 31, 2018, there were no borrowings outstanding under the credit facility. The credit facility contains certain covenants including maximum funded debt to earnings before interest, taxes, depreciation and amortization ( leverage ratio ) and a minimum fixed charge coverage ratio. Material adverse changes in our results of operations could impact our ability to maintain financial ratios necessary to satisfy these requirements. In addition, the credit agreement includes a material adverse change clause. The credit facility also provides that if we default under any other loan agreement, that would be a default under this facility. At December 31, 2018, we were in compliance with the terms of the credit facility. The credit facility provides for seasonal funding needs, capital improvements, letter of credit requirements and other general corporate purposes. After consideration of stand-by letters of credit outstanding, the remaining maximum borrowings available

## Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

pursuant to the credit facility were \$20,358,000 at December 31, 2018. We expect to be in compliance with the financial covenants, and all other covenants, for all measurement periods during the next twelve months.

Nashville Superspeedway no longer promotes motorsports events and has not entered into sanction agreements with NASCAR since 2011. We lease the facility on a short term basis to third parties from time to time. On August 17, 2017, we entered into an agreement with an entity owned by Panattoni Development Company relative to the sale of approximately 147 acres of land at a purchase price of \$35,000 per acre. On March 2, 2018, we closed on the sale of the property with proceeds, less closing costs, of \$4,945,000. Net proceeds after taxes were approximately \$4,150,000. On September 1, 2017, we also awarded to the purchaser a three year option for 88.03 additional acres at a purchase price of \$55,000 per acre. On February 9, 2018, we amended the option agreement to extend its term and to add additional acreage to the option. The option is for three years beginning March 1, 2018. An additional 86.45 acres were added to the option at a purchase price of \$66,685 per acre and an additional 50.51 acres were added at a purchase price of \$35,000 per acre. The option may only be exercised for all of the 224.99 acres at one time for a total purchase price of \$12,374,000. While management remains committed to selling the remaining Nashville Superspeedway property which consists of over 1,000 acres, we do not believe it is probable that the remaining property will be sold within the next twelve months. At December 31, 2018, \$23,567,000 was reported as long term assets in our consolidated balance sheets. At December 31, 2017, \$2,455,000 representing 147 acres of the total Nashville Superspeedway property was reported as assets held for sale and \$23,545,000 was reported as long term assets in our consolidated balance sheets.

In September 2018, we entered into negotiations to sell a parcel of land we own near St. Louis. The sale closed in January 2019 with proceeds, less closing costs, of \$531,000. As a result, we recorded a loss of \$99,000 on sale of land in our consolidated statements of earnings for 2018. At December 31, 2018, \$531,000 representing the fair value of the land is reported as assets held for sale in our consolidated balance sheets.

We promoted six racing events in 2018 and 2017 (five national series events and one regional series event), all of which were sanctioned by NASCAR and held at our Dover International Speedway facility. We have entered into five year sanction agreements with NASCAR for each of the five national series events for 2016-2020. NASCAR's regional series events are sanctioned on an annual basis.

Broadcasting revenues continue to be a significant long-term revenue source for our business. Management believes this long-term contracted revenue helps stabilize our financial strength, earnings and cash flows. Also, NASCAR ratings can impact attendance at our events and sponsorship opportunities. A substantial portion of our profits in recent years has resulted from television revenues received from NASCAR under its agreements with various television networks, which is expected to continue for the foreseeable future. Our share of these television broadcast revenues and purse and sanction fees are fixed under our NASCAR sanction agreements through the year 2020. We are obligated to conduct events in the manner stipulated under the terms and conditions of these sanctioning agreements.

NASCAR is operating under a ten-year, multi-platform agreement with FOX Sports Media Group (FOX) for the broadcasting and digital rights to 16 Monster Energy NASCAR Cup Series races, 14 XFINITY Series races and the entire Camping World Truck Series (along with practice and qualifying) from 2015 through 2024. The agreement includes TV Everywhere rights that allow live-streaming of all FOX races, before and after race coverage, in-progress and finished race highlights, and replays of FOX-televised races to a Fox Sports-affiliated website which began in 2013. The agreement also allows re-telecast of races on a FOX network and via video-on-demand for 24 hours and other ancillary programming, including a nightly NASCAR news and information show and weekend at-track shows. NASCAR and FOX Deportes, the number one US Latino sports network, have teamed up to provide our sport's most expansive Spanish-language broadcast offering ever with coverage of 15 Monster Energy NASCAR Cup Series races which started in 2013.

## Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

NASCAR also operates under a ten-year comprehensive agreement with NBC Sports Group granting NBCUniversal ( NBC ) exclusive rights to 20 Monster Energy NASCAR Cup Series races, 19 NASCAR XFINITY Series events, select NASCAR Regional & Touring Series events and other live content which began in 2015. Further, NBC has been granted Spanish-language rights, certain video-on-demand rights and exclusive TV Everywhere rights for its Monster Energy NASCAR Cup Series and NASCAR XFINITY Series events.

## Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

Looking forward, our sanction agreements with NASCAR contain annual increases of between 3 and 4 percent in media rights fees for each sanctioned event conducted, and provide a specific percentage of media rights fees to be paid to competitors. The sanction agreements also provide for annual increases in sanction fees and non-media rights related prize and point fund monies (to be paid to competitors) of between 4 and 4.5 percent annually over the term of the agreements.

We have hosted the Firefly Music Festival ( Firefly ) on our property in Dover, Delaware for seven consecutive years and it is scheduled to return on June 21-23, 2019. The inaugural three day festival with 40 musical acts was held in July 2012 and the 2018 event was held on June 14-17, 2018 with approximately 120 musical acts. In September 2014, Red Frog Events LLC formed RFGV Festivals LLC - a joint venture with Goldenvoice that promotes Firefly. Goldenvoice is a company of AEG Presents, LLC, a subsidiary of Anschutz Entertainment Group, Inc. AEG Presents, one of the world's largest presenters of live music and entertainment events, announced on July 18, 2018 that it had acquired the remainder of RFGV Festivals LLC from Red Frog. We entered into an amended agreement with RFGV Festivals granting them two 5 year options to extend our facility rental agreement through 2032 (from its original expiration date of 2022) in exchange for a rental commitment to secure our property for up to two festivals per year. Rent is at differing rates depending on how many events are actually held. In addition to the facility rental fee, we also receive a percentage of the concession sales we manage at the events.

We expect 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, capital spending requirements, stock repurchases, as well as any cash dividends our Board of Directors may declare at least through the next twelve months and also provide for our long-term liquidity. Based on current business conditions, we expect to spend approximately \$5,000,000 - \$6,000,000 on capital expenditures during 2019. We have no minimum required pension contributions for 2019, but will consider making additional contributions.

### Contractual Obligations

At December 31, 2018, we had the following contractual obligations and other commercial commitments:

|                                    | Total        | 2019 | Payments Due by Period |      |      |      | Thereafter   |
|------------------------------------|--------------|------|------------------------|------|------|------|--------------|
|                                    |              |      | 2020                   | 2021 | 2022 | 2023 |              |
| Contingent obligation(a)           | \$ 2,384,000 | \$   | \$                     |      | \$   | \$   | \$ 2,384,000 |
| Total contractual cash obligations | \$ 2,384,000 | \$   | \$                     |      | \$   | \$   | \$ 2,384,000 |

(a) 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 Nashville Superspeedway, of which \$14,400,000 was outstanding at December 31, 2018. Annual principal payments range from \$1,000,000 in September 2019 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 therefore have historically not been required to be recorded on our consolidated balance sheet. If the applicable 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 \$14,642,000 irrevocable direct-pay letter of credit issued by our bank group. We are exposed to fluctuations in interest rates for these bonds.

As of December 31, 2018 and 2017, \$1,052,000 and \$1,479,000, 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 2018, we paid \$984,000 into the sales and incremental property tax fund and \$1,411,000 was deducted from the fund for debt service. 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.



Nashville Superspeedway no longer promotes motorsports events and has not entered into sanction agreements with NASCAR since 2011. We lease the facility on a short term basis to third parties from time to time. In 2011 we recorded a \$2,250,000 provision for contingent obligation reflecting the present value of the estimated portion of the

revenue bonds debt service that may not be covered by the projected sales and incremental property taxes from the facility. Due to changing interest rates, the provision for contingent obligation increased by \$424,000, \$158,000 and \$75,000 in 2018, 2017 and 2016, respectively, and is \$2,384,000 at December 31, 2018. See NOTE 11 Commitments and Contingencies of the consolidated financial statements included elsewhere in this document for further discussion.

### **Related Party Transactions**

See NOTE 10 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 December 31, 2018, our valuation allowance on state net operating loss carry-forwards net of federal income taxes was \$7,005,000, which decreased by \$1,286,000 in 2018. These state net operating losses are related to our Midwest facilities that have not produced taxable income. Valuation allowances fully reserve the state net operating loss carryforwards, net of federal tax benefit. 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 3 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.

*Accrued Pension Cost*

On June 15, 2011, we decided to freeze participation and benefit accruals under our defined benefit pension plans. The freeze was effective July 31, 2011. The benefits provided by our defined benefit pension plans are based on years of service and employee's remuneration through July 31, 2011. Accrued pension costs are developed using actuarial principles and assumptions which consider a number of factors, including estimates for the discount rate, expected long-term rate of return on assets and mortality. Changes in these estimates would impact the amounts that we record in our consolidated financial statements.

**Recent Accounting Pronouncements**

See NOTE 2 Summary of Significant Accounting Policies to our consolidated financial statements included elsewhere in this document for a full description of recent accounting pronouncements that affect us.

**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 7A.                    Quantitative And Qualitative Disclosures About Market Risk**

Not applicable.

**Item 8.                    Financial Statements And Supplementary Data**

Our consolidated financial statements and the Report of Independent Registered Public Accounting Firm included in this report are shown on the Index to Consolidated Financial Statements on page 25.

**Item 9.                    Changes In And Disagreements With Accountants On Accounting And Financial Disclosure**

None.

**Item 9A.                    Controls and Procedures**

Our management is responsible for the preparation, integrity and objectivity of the consolidated financial statements and other financial information included in this Form 10-K. The consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles and reflect the effects of certain estimates and judgments made by management.

## Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

Our management also is responsible for establishing and maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded and transactions are properly recorded and executed in accordance with management's authorization. The system is regularly monitored by direct management review and by internal auditors who conduct an extensive program of audits throughout our organization. The Director of Internal Audit reports directly to the Audit Committee of our Board of Directors. We have confidence in our financial reporting, the underlying system of internal controls, and our people, who are objective in their responsibilities and operate under our Code of Business Conduct and with the highest level of ethical standards. These standards are a key element of our control system.

The Audit Committee of our Board of Directors, which is comprised entirely of independent directors, has direct and private access to and meets regularly with management, our internal auditors and our independent registered public accounting firm to review accounting, reporting, auditing and internal control matters.

Management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of internal controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, any evaluation of the effectiveness of controls in future periods are subject to the risk that those internal controls may become inadequate because of changes in business conditions, or that the degree of compliance with the policies or procedure may deteriorate.

(a) *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 December 31, 2018, 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.

(b) *Management's Report on Internal Control Over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. We conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2018.

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to the rules of the SEC that permit us to provide only management's report in this annual report.

(c) *Changes in Internal Control Over Financial Reporting*

There have been no changes in our internal control over financial reporting during the fiscal quarter ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B.**            **Other Information**

None.

**Item 10.**            **Directors, Executive Officers And Corporate Governance**

Except as presented below, biographical information relating to our directors and executive officers, information regarding our audit committee financial experts and information on Section 16(a) Beneficial Ownership Reporting Compliance called for by this Item 10 are incorporated by reference to our Proxy Statement to be filed pursuant to Regulation 14A for the Annual Meeting of Stockholders to be held on April 24, 2019.

We have a Code of Business Conduct applicable to all of our employees, including our Chief Executive Officer and Chief Financial Officer. We also have a Code of Business Conduct and Ethics for Directors and Executive Officers and Related Party Transactions Policy applicable to all directors and executive officers. Copies of these Codes and other corporate governance documents are available on our website at [www.dovermotorsports.com](http://www.dovermotorsports.com) under the heading, Investor Relations. We will post on our website any amendments to, or waivers from, these Codes as required by law.

## Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

Executive Officers of the Registrant. As of December 31, 2018, our executive officers were:

| <b>Name</b>         | <b>Position</b>  | <b>Age</b> | <b>Term of Office</b> |
|---------------------|--|------------|-----------------------|
| Denis McGlynn       | President and Chief Executive Officer                  | 72         | 11/79 to date         |
| Michael A. Tatoian  | Executive Vice President and Chief Operating Officer   | 58         | 01/07 to date         |
| Timothy R. Horne    | Sr. Vice President-Finance and Chief Financial Officer | 52         | 04/08 to date         |
| Klaus M. Belohoubek | Sr. Vice President-General Counsel and Secretary       | 59         | 07/99 to date         |
| Thomas Wintermantel | Treasurer and Assistant Secretary                      | 60         | 07/02 to date         |

Our Chairman of the Board, Henry B. Tippie, is a non-employee director and, therefore, not an executive officer. Mr. Tippie has served as Chairman of the Board for 19 years and prior to that served as Vice Chairman of the Board. Mr. Tippie also serves as Chairman of the Board to Gaming as a non-employee director.

Denis McGlynn has served as our President and Chief Executive Officer for 39 years. Mr. McGlynn also serves as President and Chief Executive Officer to Gaming.

Michael A. Tatoian joined us as Executive Vice President in January 2007. Mr. Tatoian has more than 30 years of experience in professional sports ownership, management and operations. He served as Chief Executive Officer and Managing Partner of Victory Sports Group, LLC, where he oversaw the development and management of professional sports organizations, including minor league baseball, minor league hockey and a NASCAR Nationwide Series team. Mr. Tatoian also served as Chief Operating Officer of United Sports Ventures, Inc., an umbrella sports company that owned and operated eight minor league teams.

Timothy R. Horne has been Sr. Vice President-Finance and Chief Financial Officer since April 2008. Mr. Horne was the Chief Financial Officer of Dover Motorsports, Inc. from 1996 until its 2002 spin-off of Gaming. He has served as Sr. Vice President-Finance, Treasurer and Chief Financial Officer of Gaming since 2002, but has been actively involved in the financial departments of both companies.

Klaus M. Belohoubek has been Sr. Vice President-General Counsel and Secretary since 1999 and has provided us legal representation in various capacities since 1990. Mr. Belohoubek also serves as Sr. Vice President-General Counsel and Secretary of Gaming.

Thomas Wintermantel has been Treasurer and Assistant Secretary since July 2002. Previously, Mr. Wintermantel was the Financial Vice President and Treasurer of John W. Rollins & Associates, Financial Vice President of Rollins Jamaica, Ltd. and President and Director of the John W. Rollins Foundation.

### **Item 11.            Executive Compensation**



The information called for by this Item 11 is incorporated by reference to our Proxy Statement to be filed pursuant to Regulation 14A for the Annual Meeting of Stockholders to be held on April 24, 2019.

**Item 12.**            **Security Ownership Of Certain Beneficial Owners And Management And Related Stockholder Matters**

The information called for by this Item 12 is incorporated by reference to our Proxy Statement to be filed pursuant to Regulation 14A for the Annual Meeting of Stockholders to be held on April 24, 2019.

**Equity Compensation Plan Information**

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. Refer to NOTE 8 Stockholders Equity of the consolidated financial statements included elsewhere in this document for further discussion. Securities authorized for issuance under equity compensation plans at December 31, 2018 are as follows:

| Plan Category  | Number of securities to be issued upon exercise of outstanding options, warrants and rights<br>(a) | Weighted-average exercise price of outstanding options, warrants and rights<br>(b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))<br>(c) |
|--|--|--|--|
| Equity compensation plans approved by security holders     |  | \$   | 1,440,730  |
| Equity compensation plans not approved by security holders |  |  |  |
| Total  |  | \$   | 1,440,730  |

**Item 13. Certain Relationships And Related Transactions, And Director Independence**

The information called for by this Item 13 is incorporated by reference to our Proxy Statement to be filed pursuant to Regulation 14A for the Annual Meeting of Stockholders to be held on April 24, 2019.

**Item 14. Principal Accounting Fees And Services**

The information called for by this Item 14 is incorporated by reference to our Proxy Statement to be filed pursuant to Regulation 14A for the Annual Meeting of Stockholders to be held on April 24, 2019.

**Part IV****Item 15. Exhibits, Financial Statement Schedules**

- (a)(1) Financial Statements See accompanying Index to Consolidated Financial Statements on page 25.
- (2) Financial Statement Schedules None.
- (3) Exhibits:

Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

- 2.1 Share Exchange Agreement and Plan of Reorganization dated June 14, 1996 between Dover Motorsports, Inc. (formerly known as Dover Downs Entertainment, Inc.), Dover Downs, Inc., Dover Downs International Speedway, Inc. and the shareholders of Dover Downs, Inc. (incorporated herein by reference to Exhibit 2.1 to the Registration Statement, Number 333-8147, on Form S-1 dated July 15, 1996, which was declared effective on October 3, 1996).
- 2.2 Amended and Restated Agreement Regarding Distribution and Plan of Reorganization, dated as of February 15, 2002, by and between Dover Motorsports, Inc. (formerly known as Dover Downs Entertainment, Inc.) and Dover Downs Gaming & Entertainment, Inc. (incorporated herein by reference to Exhibit 2.1 to the

## Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

Registration Statement of Dover Downs Gaming & Entertainment, Inc., Number 1-16791, on Form 10 dated February 26, 2002, which was declared effective on March 7, 2002).

- 3.1 Restated Certificate of Incorporation of Dover Motorsports, Inc. (formerly known as Dover Downs Entertainment, Inc.), dated March 10, 2000 (incorporated herein by reference to Exhibit 3.1 to the Form 10-Q dated April 28, 2000).
- 3.2 Amended and Restated By-laws of Dover Motorsports, Inc. dated March 1, 2017 (incorporated herein by reference to Exhibit 3.2 to the Form 10-K filed on March 1, 2017).
- 4.1 Rights Agreement, dated as of June 14, 2016 between Dover Motorsports, Inc. and Computershare Inc. (incorporated herein by reference to Exhibit 4.1 to the Form 8-A filed on June 10, 2016).
- 10.1 Transition Support Services Agreement, dated as of January 15, 2002, by and between Dover Motorsports, Inc. (formerly known as Dover Downs Entertainment, Inc.) and Dover Downs Gaming & Entertainment, Inc. (incorporated herein by reference to Exhibit 10.3 to the Registration Statement of Dover Downs Gaming & Entertainment, Inc., Number 1-16791, on Form 10 dated January 16, 2002, which was declared effective on March 7, 2002).
- 10.2 Real Property Agreement, dated as of January 15, 2002, by and between Dover Motorsports, Inc. (formerly known as Dover Downs Entertainment, Inc.) and Dover Downs Gaming & Entertainment, Inc. (incorporated herein by reference to Exhibit 10.5 to the Registration Statement of Dover Downs Gaming & Entertainment, Inc., Number 1-16791, on Form 10 dated January 16, 2002, which was declared effective on March 7, 2002).
- 10.3 Sanction Agreement between Dover International Speedway, Inc. and NASCAR Event Management, Inc. for the spring National Association for Stock Car Auto Racing, Inc. Sprint Cup Series event for the years 2016 - 2020 (incorporated herein by reference to Exhibit 10.1 to the Form 8-K dated February 23, 2016).
- 10.4 Sanction Agreement between Dover International Speedway, Inc. and NASCAR Event Management, Inc. for the fall National Association for Stock Car Auto Racing, Inc. Sprint Cup Series event for the years 2016 - 2020 (incorporated herein by reference to Exhibit 10.2 to the Form 8-K dated February 23, 2016).
- 10.5 Amended and Restated Employment and Non-Compete Agreement between Dover Motorsports, Inc. and Denis McGlynn dated February 13, 2006 (incorporated herein by reference to Exhibit 10.1 to the Form 8-K dated February 17, 2006).
- 10.6 Amended and Restated Employment and Non-Compete Agreement between Dover Motorsports, Inc. and Michael A. Tatoian dated July 26, 2007 (incorporated herein by reference to Exhibit 10.1 to the Form 8-K dated July 26, 2007).
- 10.7 Amended and Restated Employment and Non-Compete Agreement between Dover Motorsports, Inc. and Klaus M. Belohoubek dated February 13, 2006 (incorporated herein by reference to Exhibit 10.4 to the Form 8-K dated February 17, 2006).
- 10.8 Amended and Restated Employment and Non-Compete Agreement between Dover Motorsports, Inc. and Thomas G. Wintermantel dated February 13, 2006 (incorporated herein by reference to Exhibit 10.5 to the Form 8-K dated February 17, 2006).
- 10.9 Amended and Restated Employment and Non-Compete Agreement between Dover Motorsports, Inc. and Timothy R. Horne dated January 3, 2008 (incorporated herein by reference to Exhibit 10.1 to the Form 8-K dated January 4, 2008).
- 10.10 Non-Compete Agreement between Dover Motorsports, Inc. and Henry B. Tippie dated June 16, 2004 (incorporated herein by reference to Exhibit 10.6 to the Form 10-Q dated August 6, 2004).

## Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

- 10.11 Amendment to certain agreements between Dover Motorsports, Inc. and selected executives and directors (incorporated herein by reference to Exhibit 10.1 to the Form 10-Q dated November 5, 2008).
- 10.12 Amendment to certain agreements between Dover Motorsports, Inc. and certain executives dated June 15, 2011 (incorporated herein by reference to Exhibit 2.1 to the Form 8-K dated June 15, 2011).
- 10.13 Dover Motorsports, Inc. 2014 Stock Incentive Plan (incorporated herein by reference to Exhibit A to our Proxy Statement filed on March 28, 2014).
- 10.14 Form of Restricted Stock Grant Agreement Used With Dover Motorsports, Inc. 2014 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Form 10-Q dated April 30, 2014).
- 10.15 Dover Motorsports, Inc. Supplemental Executive Retirement Savings Plan Dated November 9, 2012 (incorporated herein by reference to Exhibit 10.1 to the Form 10-Q dated November 9, 2012).
- 10.16 Credit Agreement between Dover Motorsports, Inc., Dover International Speedway, Inc. and Nashville Speedway, USA, Inc. and RBS Citizens, N.A., as agent, dated as of April 12, 2011 (incorporated herein by reference to Exhibit 10.1 to the Form 8-K dated April 12, 2011).
- 10.17 Modification Letter to Credit Agreement between Dover Motorsports, Inc., Dover International Speedway, Inc. and Nashville Speedway, USA, Inc. and RBS Citizens, N.A., as agent, dated as of October 2, 2012 (incorporated herein by reference to Exhibit 10.1 to the Form 8-K dated October 2, 2012).
- 10.18 Loan Modification and Reaffirmation Agreement between Dover Motorsports, Inc., Dover International Speedway, Inc. and Nashville Speedway, USA, Inc. and RBS Citizens, N.A., as agent, dated as of April 29, 2013 (incorporated herein by reference to Exhibit 10.1 to the Form 8-K dated April 29, 2013).
- 10.19 Third Loan Modification and Reaffirmation Agreement between Dover Motorsports, Inc., Dover International Speedway, Inc. and Nashville Speedway, USA, Inc. and Citizens Bank, N.A., as agent, dated as of September 16, 2016 (incorporated herein by reference to Exhibit 10.1 to the Form 8-K dated September 16, 2016).
- 21.1 Subsidiaries
- 24.1 Powers of Attorney for Directors
- 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
- 99.1 Audit Committee Charter of Dover Motorsports, Inc. (incorporated herein by reference to Exhibit A to our Proxy Statement dated March 30, 2010).
- 101 The following materials from the Dover Motorsports, Inc. annual report on Form 10-K for the year ended December 31, 2018, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Earnings and Comprehensive Income for the years ended December 31, 2018, 2017 and 2016; (ii) Consolidated Balance Sheets as of December 31, 2018 and 2017; (iii) Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016; and (iv) Notes to the Consolidated Financial Statements.

**Signatures**

Pursuant to the requirements of Section 13 or 15(d) 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: March 1, 2019

Dover Motorsports, Inc.  
Registrant

BY: /s/ Denis McGlynn  
Denis McGlynn  
*President, Chief Executive Officer and  
Director*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

/s/ Denis McGlynn  
Denis McGlynn

*President, Chief Executive Officer and Director*      March 1, 2019  
  
(Principal Executive Officer)

/s/ Timothy R. Horne  
Timothy R. Horne

*Sr. Vice President Finance, Chief Financial  
Officer and Director*      March 1, 2019  
  
(Principal Financial and Accounting Officer)

The Directors of the registrant (listed below) executed a power of attorney appointing Denis McGlynn and Timothy R. Horne their attorneys-in-fact, empowering them to sign this report on their behalf.

/s/ Henry B. Tippie  
Henry B. Tippie

*Chairman of the Board*      March 1, 2019

/s/ Patrick J. Bagley  
Patrick J. Bagley

*Director and Chairman of the Audit Committee*      March 1, 2019

/s/ Jeffrey W. Rollins  
Jeffrey W. Rollins

*Director*      March 1, 2019

/s/ R. Randall Rollins  
R. Randall Rollins

*Director*      March 1, 2019

/s/ Denis McGlynn  
Denis McGlynn

*As Attorney-in-Fact and Director*      March 1, 2019

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

|  | <b>Page</b> |
|--|-------------|
| <u>Report of Independent Registered Public Accounting Firm</u>   | 26          |
| <u>Consolidated Statements of Earnings and Comprehensive Income for the years ended December 31, 2018, 2017 and 2016</u> | 27          |
| <u>Consolidated Balance Sheets at December 31, 2018 and 2017</u>   | 28          |
| <u>Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016</u>                        | 29          |
| <u>Notes to the Consolidated Financial Statements</u>  | 30          |

**Report of Independent Registered Public Accounting Firm**

To the stockholders and board of directors

Dover Motorsports, Inc.:

*Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated balance sheets of Dover Motorsports, Inc. and subsidiaries (the Company) as of December 31, 2018 and 2017, the related consolidated statements of earnings and comprehensive income and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

*Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 1996.



Philadelphia, Pennsylvania

March 1, 2019

## DOVER MOTORSPORTS, INC.

## CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

(in thousands, except per share data)

|  | Years ended December 31, |          |          |
|--|--------------------------|----------|----------|
|  | 2018                     | 2017     | 2016     |
| <b>Revenues:</b>   |                          |          |          |
| Admissions   | \$ 5,694                 | \$ 6,657 | \$ 6,937 |
| Event-related  | 8,410                    | 8,303    | 8,264    |
| Broadcasting   | 32,905                   | 31,775   | 30,658   |
| Other  | 7                        | 7        | 14       |
|  | 47,016                   | 46,742   | 45,873   |
| <b>Expenses:</b>   |                          |          |          |
| Operating and marketing  | 29,277                   | 28,764   | 28,197   |
| General and administrative   | 7,310                    | 7,347    | 7,433    |
| Depreciation   | 3,285                    | 3,566    | 3,433    |
| Costs to remove long-lived assets  |                          | 286      | 203      |
|  | 39,872                   | 39,963   | 39,266   |
| Gain on sale of land   | 2,413                    |          |          |
| Operating earnings   | 9,557                    | 6,779    | 6,607    |
| Interest expense, net  | (62)                     | (169)    | (199)    |
| Provision for contingent obligation  | (424)                    | (158)    | (75)     |
| Other (expense) income   | (4)                      | 85       | 57       |
| Earnings before income taxes   | 9,067                    | 6,537    | 6,390    |
| Income tax (expense) benefit   | (2,178)                  | 1,889    | (2,589)  |
| Net earnings   | 6,889                    | 8,426    | 3,801    |
| Change in pension net actuarial loss and prior service cost, net of income taxes | 155                      | (70)     | (279)    |
| Unrealized gains on equity investments, net of income taxes                      |                          | 22       | 8        |
| Comprehensive income   | \$ 7,044                 | \$ 8,378 | \$ 3,530 |
| <b>Net earnings per common share (Note 2):</b>                                   |                          |          |          |
| Basic  | \$ 0.19                  | \$ 0.23  | \$ 0.10  |
| Diluted  | \$ 0.19                  | \$ 0.23  | \$ 0.10  |

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 data)

|   | December 31, |           |
|---|--------------|-----------|
|   | 2018         | 2017      |
| <b>ASSETS</b>   |              |           |
| Current assets:   |              |           |
| Cash  | \$ 3,951     | \$ 1      |
| Accounts receivable   | 676          | 476       |
| Inventories   | 21           | 15        |
| Prepaid expenses and other  | 1,055        | 1,119     |
| Income taxes receivable   |              | 562       |
| Assets held for sale  | 531          | 2,455     |
| Total current assets  | 6,234        | 4,628     |
| Property and equipment, net   | 48,137       | 51,000    |
| Nashville Superspeedway facility  | 23,567       | 23,545    |
| Other assets  | 1,015        | 1,107     |
| Total assets  | \$ 78,953    | \$ 80,280 |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>  |              |           |
| Current liabilities:  |              |           |
| Accounts payable  | \$ 187       | \$ 61     |
| Accrued liabilities   | 3,083        | 3,049     |
| Payable to Dover Downs Gaming & Entertainment, Inc.   | 9            | 7         |
| Income taxes payable  | 118          |           |
| Contract liabilities  | 1,140        | 1,249     |
| Total current liabilities   | 4,537        | 4,366     |
| Revolving line of credit  |              | 3,240     |
| Liability for pension benefits  | 773          | 2,819     |
| Provision for contingent obligation   | 2,384        | 1,960     |
| Deferred income taxes   | 8,371        | 8,673     |
| Total liabilities   | 16,065       | 21,058    |
| Commitments and contingencies (see Notes to the Consolidated Financial Statements)  |              |           |
| Stockholders' equity:   |              |           |
| Preferred stock, \$.10 par value; 1,000,000 shares authorized; shares issued and outstanding: none  |              |           |
| Common stock, \$.10 par value; 75,000,000 shares authorized; shares issued and outstanding: 18,045,276 and 18,250,440, respectively         | 1,805        | 1,825     |
| Class A common stock, \$.10 par value; 55,000,000 shares authorized; shares issued and outstanding: 18,509,975 and 18,509,975, respectively | 1,851        | 1,851     |
| Additional paid-in capital  | 101,416      | 101,844   |
| Accumulated deficit   | (38,826)     | (42,858)  |
| Accumulated other comprehensive loss  | (3,358)      | (3,440)   |
| Total stockholders' equity  | 62,888       | 59,222    |
| Total liabilities and stockholders' equity  | \$ 78,953    | \$ 80,280 |

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)

|   | Years ended December 31, |          |          |
|---|--------------------------|----------|----------|
|   | 2018                     | 2017     | 2016     |
| <b>Operating activities:</b>  |                          |          |          |
| Net earnings  | \$ 6,889                 | \$ 8,426 | \$ 3,801 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: |                          |          |          |
| Depreciation  | 3,285                    | 3,566    | 3,433    |
| Amortization of credit facility fees  | 63                       | 65       | 87       |
| Stock-based compensation  | 302                      | 364      | 284      |
| Deferred income taxes   | (966)                    | (4,286)  | (661)    |
| Provision for contingent obligation   | 424                      | 158      | 75       |
| Losses on equity investments  | 90                       |          |          |
| Gain on sale of land  | (2,413)                  |          |          |
| Excess tax benefits from stock-based compensation                                   |                          |          | (27)     |
| Changes in assets and liabilities:  |                          |          |          |
| Accounts receivable   | (200)                    | (57)     | (246)    |
| Inventories   | (6)                      | 2        | 55       |
| Prepaid expenses and other  | 37                       | (97)     | (44)     |
| Accounts payable  | 66                       | (252)    | 176      |
| Accrued liabilities   | 38                       | (3)      | (442)    |
| Payable to/receivable from Dover Downs Gaming & Entertainment, Inc.                 | 2                        |          | 51       |
| Income taxes payable/receivable   | 1,284                    | (699)    | 223      |
| Contract liabilities  | (109)                    | (106)    | 77       |
| Liability for pension benefits  | (1,835)                  | (1,248)  | (32)     |
| Net cash provided by operating activities   | 6,951                    | 5,833    | 6,810    |
| <b>Investing activities:</b>  |                          |          |          |
| Capital expenditures  | (992)                    | (1,877)  | (2,580)  |
| Proceeds from sale of land, net   | 4,945                    |          |          |
| Purchases of equity investments   | (124)                    | (176)    | (293)    |
| Proceeds from sale of equity investments  | 90                       | 145      | 203      |
| Net cash provided by (used in) investing activities                                 | 3,919                    | (1,908)  | (2,670)  |
| <b>Financing activities:</b>  |                          |          |          |
| Borrowings from revolving line of credit  | 12,260                   | 25,680   | 28,820   |
| Repayments on revolving line of credit  | (15,500)                 | (26,280) | (30,880) |
| Dividends paid  | (2,930)                  | (2,944)  | (1,840)  |
| Repurchase of common stock  | (750)                    | (381)    | (189)    |
| Excess tax benefits from stock-based compensation                                   |                          |          | 27       |
| Credit facility fees  |                          |          | (78)     |
| Net cash used in financing activities   | (6,920)                  | (3,925)  | (4,140)  |
| Net increase in cash  | 3,950                    |          |          |
| Cash, beginning of year   | 1                        | 1        | 1        |
| Cash, end of year   | \$ 3,951                 | \$ 1     | \$ 1     |
| <b>Supplemental information:</b>  |                          |          |          |
| Interest paid   | \$ 72                    | \$ 368   | \$ 367   |

Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

|   |    |       |    |       |    |       |
|---|----|-------|----|-------|----|-------|
| Income tax payments                                 | \$ | 1,861 | \$ | 3,097 | \$ | 3,025 |
| Change in accounts payable for capital expenditures | \$ | 60    | \$ | (34)  | \$ | 34    |

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

**DOVER MOTORSPORTS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 Business Operations**

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

Dover Motorsports, Inc. is a public holding company that is a leading marketer and promoter of motorsports entertainment in the United States. Through our subsidiaries, we own and operate Dover International Speedway® in Dover, Delaware and Nashville Superspeedway® near Nashville, Tennessee. Our Dover facility promoted the following six events during 2018, all of which were under the auspices of the premier sanctioning body in motorsports - the National Association for Stock Car Auto Racing ( NASCAR ):

- 2 Monster Energy NASCAR Cup Series events (May and October);
- 2 NASCAR XFINITY Series events (May and October);
- 1 NASCAR Camping World Truck Series event (May); and
- 1 NASCAR K&N Pro Series East event (October).

In 2019, we celebrate our 50th anniversary of NASCAR racing and we are scheduled to once again promote these six events at Dover International Speedway, together with many special fan amenities to mark this historic milestone. Total revenues from these events were approximately 96%, 96% and 97% of total revenues in 2018, 2017 and 2016, respectively.

We have hosted the Firefly Music Festival ( Firefly ) on our property in Dover, Delaware for seven consecutive years and it is scheduled to return on June 21-23, 2019. The inaugural three day festival with 40 musical acts was held in July 2012 and the 2018 event was held on June 14-17, 2018 with approximately 120 musical acts. In September 2014, Red Frog Events LLC formed RFGV Festivals LLC - a joint venture with Goldenvoice that promotes Firefly. Goldenvoice is a company of AEG Presents, LLC, a subsidiary of Anschutz Entertainment Group, Inc. AEG Presents, one of the world's largest presenters of live music and entertainment events, announced on July 18, 2018 that it had acquired the remainder of RFGV Festivals LLC from Red Frog. Our amended agreement with RFGV Festivals grants them two 5 year options to extend our facility rental agreement through 2032 in exchange for a rental commitment to secure our property. In addition to the facility rental fee, we also receive a percentage of the concession sales we manage at the events.

## Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

Nashville Superspeedway no longer promotes motorsports events and has not entered into sanction agreements with NASCAR since 2011. We lease the facility on a short term basis to third parties from time to time. On August 17, 2017, we entered into an agreement with an entity owned by Panattoni Development Company relative to the sale of approximately 147 acres of land at a purchase price of \$35,000 per acre. On March 2, 2018, we closed on the sale of the property with proceeds, less closing costs, of \$4,945,000. Net proceeds after taxes were approximately \$4,150,000. On September 1, 2017, we also awarded to the purchaser a three year option for 88.03 additional acres at a purchase price of \$55,000 per acre. On February 9, 2018, we amended the option agreement to extend its term and to add additional acreage to the option. The option is for three years beginning March 1, 2018. An additional 86.45 acres were added to the option at a purchase price of \$66,685 per acre and an additional 50.51 acres were added at a purchase price of \$35,000 per acre. The option may only be exercised for all of the 224.99 acres at one time for a total purchase price of \$12,374,000. While management remains committed to selling the remaining Nashville Superspeedway property which consists of over 1,000 acres, we do not believe it is probable that the remaining property will be sold within the next twelve months. At December 31, 2018, \$23,567,000 was reported as long term assets in our consolidated balance sheets. At December 31, 2017, \$2,455,000 representing 147 acres of the total Nashville Superspeedway property was reported as assets held for sale and \$23,545,000 was reported as long term assets in our consolidated balance sheets.



**NOTE 2 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.

*Investments* Investments, which consist of mutual funds, are reported at fair-value in other assets in our consolidated balance sheets. Prior to 2018, changes in fair value were reported in other comprehensive (loss) income. Upon adopting Accounting Standards Update ( ASU ) No. 2016-01 on January 1, 2018, changes in fair value are reported in other income. See NOTE 7 Pension Plans, NOTE 8 Stockholders Equity and NOTE 9 Fair Value Measurements for further discussion.

*Accounts receivable* Accounts receivable are stated at their estimated collectible amount and do not bear interest.

*Inventories* Inventories of items for resale are stated at the lower of cost or net realizable value with cost being determined on the first-in, first-out basis.

*Property and equipment* Property and equipment is stated at cost. Depreciation is provided using the straight-line method over the following estimated useful lives:

|                                   |             |
|-----------------------------------|-------------|
| Facilities                        | 10-40 years |
| Furniture, fixtures and equipment | 3-10 years  |

*Impairment of long-lived assets* Long-lived assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair value. Generally, fair value is determined using valuation techniques such as the comparable sales approach based on either independent third party appraisals or pending/completed sales transactions.

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

positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that has a greater than 50% likelihood of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. As of December 31, 2018, our valuation allowance on state net operating loss carry-forwards net of federal income taxes was \$7,005,000, which decreased by \$1,286,000 in 2018. These state net operating losses are related to our Midwest facilities that have not produced taxable income and no longer host events. As such, the valuation allowances fully reserve the state net operating loss carryforwards, net of federal tax benefit.

*Revenue recognition* We classify our revenues as admissions, event-related, broadcasting and other. Admissions revenue includes ticket sales for our events. Event-related revenue includes amounts received from sponsorship fees; luxury suite rentals; hospitality tent rentals and catering; concessions and vendor commissions for the right to sell concessions and souvenirs at our events; sales of programs; track rentals; broadcasting rights other than domestic television broadcasting revenue, and other event-related revenues. Additionally, event related revenue includes amounts received for the use of our property and a portion of the concession sales we manage from the Firefly Music Festival. Broadcasting revenue includes rights fees obtained for domestic television broadcasts of events held at our speedway.

All of our revenues are based on contracts with customers and, with the exception of certain track rentals, relate to two NASCAR event weekends and the Firefly Music Festival held at our Dover facility. Our contracts are typically for specific events or a racing season. We have several multi-year sponsorship contracts for our racing events and our contract with the promoter of the Firefly Music Festival is multi-year. Revenues pertaining to specific events are deferred and recorded as contract liabilities in our consolidated balance sheets until the event is held. As of December 31, 2018, contract liabilities in our consolidated balance sheets relate to 2019 events. As of December 31, 2017, contract liabilities in our consolidated balance sheets related to 2018 events. Concession and souvenir revenues are recorded at the time of sale. Revenues and related expenses from barter transactions in which we provide sponsorship packages in exchange for goods or services are recorded at fair value. Barter transactions accounted for \$685,000, \$612,000 and \$400,000 of total revenues for the years ended December 31, 2018, 2017 and 2016, respectively.

The following table summarizes the liability activity related to contracts with customers for the years ended December 31, 2018 and 2017:

|  | 2018 |         | 2017 |          |
|--|------|---------|------|----------|
| Balance, beginning of period   | \$   | 1,249   | \$   | 1,355    |
| Reductions from beginning balance  |      | (1,249) |      | (1,355)  |
| Additional liabilities recorded during the period  |      | 9,941   |      | 11,650   |
| Reduction of additional liabilities recorded during the period, not from beginning balance |      | (8,801) |      | (10,401) |
| Balance, end of period   | \$   | 1,140   | \$   | 1,249    |

We have contracted future revenues representing unsatisfied performance obligations. These contracts contain initial terms typically ranging from one to three years, with some for longer periods, excluding renewal options. We have excluded unsatisfied performance obligations for future NASCAR broadcasting revenue with contract terms through 2024. We anticipate recognizing unsatisfied performance obligations for the calendar year ending 2019 and beyond of approximately \$4,600,000 at December 31, 2018.

Under the terms of our sanction agreements with NASCAR, we receive a portion of the broadcast revenue NASCAR negotiates with various television networks. NASCAR typically remits payment to us for the broadcast revenue within 30 days of the event being held. NASCAR retains 10% of the gross broadcast rights fees allocated to each NASCAR-sanctioned event as a component of its sanction fee. The remaining 90% is recorded 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* The cost of advertising is expensed as incurred. Advertising expenses were \$1,205,000, \$1,195,000 and \$1,202,000 in 2018, 2017 and 2016, respectively. Certain direct expenses pertaining to specific events, including prize and point fund monies and sanction fees paid to NASCAR, and other expenses associated with our racing events are deferred until the event is held, at which point they are expensed. As a result of adopting Financial Accounting Standards Board ( FASB ) ASU No. 2014-09, *Revenue from Contracts with Customers*, certain expenses previously deferred until an event occurred are now expensed as incurred.

*Net earnings 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 earnings 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):

|  | 2018     | 2017     | 2016     |
|--|----------|----------|----------|
| Net earnings per common share basic and diluted: |          |          |          |
| Net earnings                                     | \$ 6,889 | \$ 8,426 | \$ 3,801 |
| Allocation to nonvested restricted stock awards  | (111)    | (133)    | (61)     |
| Net earnings available to common stockholders    | \$ 6,778 | \$ 8,293 | \$ 3,740 |
| Weighted-average shares outstanding              | 36,130   | 36,275   | 36,232   |
| Net earnings per common share basic and diluted  | \$ 0.19  | \$ 0.23  | \$ 0.10  |

There were no options outstanding during 2018, 2017 or 2016.

*Accounting for stock-based compensation* We recorded total stock-based compensation expense for our restricted stock awards of \$302,000, \$364,000 and \$284,000 as general and administrative expenses for the years ended December 31, 2018, 2017 and 2016, respectively. We recorded income tax benefits of \$83,000, \$167,000 and \$115,000 for the years ended December 31, 2018, 2017 and 2016, respectively, related to vesting of 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.

*Recent accounting pronouncements* In August 2018, the FASB issued ASU No. 2018-14, *Compensation Retirement Benefits Defined Benefit Plans General*. This new standard makes changes to the disclosure requirements for sponsors of defined benefit pension and/or other postretirement benefit plans to improve effectiveness of notes to the financial statements. ASU 2018-14 is effective for fiscal years ending after December 15, 2020, and requires retrospective adoption. Early adoption is permitted. We are currently analyzing the impact of this ASU and we do not expect it to have a significant impact on our financial statement disclosures.

## Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

In February 2018, the FASB issued ASU No. 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, which provides the option to reclassify certain income tax effects related to the Tax Cuts and Jobs Act passed in December of 2017 between accumulated other comprehensive income and retained earnings and also requires additional disclosures. The amendments in this ASU are effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption permitted. Adoption of this ASU is to be applied either in the period of adoption or retrospectively to each period in which the effect of the change in the tax laws or rates were recognized. We are currently analyzing the impact of this ASU and, at this time, we have not yet determined whether we will elect to make this optional reclassification.

## Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

In March 2017, the FASB issued ASU No. 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (Topic 715)*. ASU 2017-07 provides guidance on the presentation of the service cost component and the other components of net period pension cost in the consolidated statements of earnings. The standard is effective for annual and interim reporting periods beginning after December 15, 2017 and requires retrospective adoption. We adopted this ASU effective January 1, 2018, which resulted in a reclassification of \$33,000 and \$34,000 of pension benefit from general and administrative expenses to other income in our consolidated statements of earnings for the years ended December 31, 2017 and 2016, respectively.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments*, which provides guidance on how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The update is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. We adopted this ASU in the first quarter of 2018. The adoption of this ASU did not have an impact on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires that lessees recognize assets and liabilities for leases with lease terms greater than twelve months in the statement of financial position and also requires improved disclosures to help users of financial statements better understand the amount, timing and uncertainty of cash flows arising from leases. The update is effective for fiscal years beginning after December 15, 2018, including interim reporting periods within those fiscal years. Early adoption is permitted. The ASU requires a transition adoption election using either 1) a modified retrospective approach with periods prior to the adoption date being recast or 2) a prospective adoption approach with a cumulative-effect adjustment recognized to the opening balance of retained earnings on the adoption date with prior periods not recast. We anticipate adopting this standard in the first quarter of 2019 using the prospective adoption approach and electing the practical expedients allowed under the standard. We are currently analyzing the impact of this ASU and, at this time, we are unable to determine the impact of the new standard on our consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which enhances the reporting model for financial instruments to provide users of financial statements with more decision-useful information. The standard addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. Some of the amendments include the following: 1) Require certain equity investments to be measured at fair value with changes in fair value recognized in net income; 2) Simplify the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment; 3) Require public business entities to use exit price notion when measuring fair value of financial instruments for disclosure purposes; 4) Require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting in a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value; among others. The update is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. We adopted this standard effective January 1, 2018. In accordance with the standard, we reclassified \$73,000, net of income taxes, of unrealized gains from accumulated other comprehensive loss to accumulated deficit as of January 1, 2018. See NOTE 8 Stockholders' Equity. Additionally, changes in fair value of equity investments are now included in other income in our consolidated statements of earnings. See NOTE 9 Fair Value Measurements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which supersedes nearly all existing revenue recognition guidance under accounting principles generally accepted in the United States of America. The FASB issued several amendments to the standard, including clarification on accounting for and identifying performance obligations. The standard can be applied using the full retrospective method or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application. The new standard requires a company to recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration that the company expects to receive for those goods or services.

Additionally, the guidance requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The update is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. We adopted this standard effective January 1, 2018 using the retrospective with cumulative effect method.



We have reviewed our sponsorship agreements, sanctioning agreements and other contracts, as well as our accounting for certain costs associated with our events. The adoption of the new revenue standard did not have a material impact on our revenues, results of operations or financial position. However, we have expanded certain disclosures as required. See *Revenue recognition* above.

*Reclassifications* Certain amounts in the prior year financial statements have been reclassified to conform to the current-year presentation. The impact of the reclassifications made to prior year amounts are not material and did not affect net earnings.

### NOTE 3 Property and Equipment

Property and equipment consists of the following as of December 31:

|                                   | 2018          | 2017          |
|-----------------------------------|---------------|---------------|
| Land                              | \$ 15,286,000 | \$ 15,916,000 |
| Facilities                        | 86,725,000    | 86,282,000    |
| Furniture, fixtures and equipment | 8,893,000     | 8,490,000     |
| Construction in progress          | 275,000       | 99,000        |
|                                   | 111,179,000   | 110,787,000   |
| Less accumulated depreciation     | (63,042,000)  | (59,787,000)  |
|                                   | \$ 48,137,000 | \$ 51,000,000 |

In September 2018, we entered into negotiations to sell a parcel of land we own near St. Louis. The sale closed in January 2019 with proceeds, less closing costs, of \$531,000. As a result, we recorded a loss of \$99,000 on sale of land in our consolidated statements of earnings for 2018. At December 31, 2018, \$531,000 representing the fair value of the land is reported as assets held for sale in our consolidated balance sheets.

In the fourth quarter of 2017, we made the decision to not complete certain facility improvements. Costs previously capitalized of \$186,000 were charged to depreciation expense in 2017.

In the fourth quarter of 2016, we began removing certain grandstand seating that had been taken out of service and written-off in 2015. We incurred costs of \$203,000 in the fourth quarter of 2016 and \$286,000 in the first quarter of 2017 to remove the seating which is included in costs to remove long-lived assets in our consolidated statements of earnings. As of March 31, 2017, these assets had been removed and no further costs have been incurred.

In the first quarter of 2016, we began a renovation project of certain track related assets that was completed in the first quarter of 2017. As a result, we adjusted the service lives of those assets to properly reflect their shortened estimated useful life. We recorded depreciation expense of \$208,000 in 2016 related to these assets. As of December 31, 2016, these assets were fully depreciated.

### NOTE 4 Accrued Liabilities



Accrued liabilities consist of the following as of December 31:

|                           | 2018         |    | 2017      |
|---------------------------|--------------|----|-----------|
| Payroll and related items | \$ 383,000   | \$ | 370,000   |
| Real estate taxes         | 962,000      |    | 972,000   |
| Pension                   | 1,146,000    |    | 1,150,000 |
| Other                     | 592,000      |    | 557,000   |
|                           | \$ 3,083,000 | \$ | 3,049,000 |

**NOTE 5 Long-Term Debt**

At December 31, 2018, Dover Motorsports, Inc. and its wholly owned subsidiaries Dover International Speedway, Inc. and Nashville Speedway, USA, Inc., as co-borrowers had a \$35,000,000 credit agreement with a bank group. The credit facility expires on July 31, 2020. Interest is based upon LIBOR plus a margin that varies between

125 and 175 basis points depending on the leverage ratio. At December 31, 2018, there were no borrowings outstanding under the credit facility. The credit facility contains certain covenants including maximum funded debt to earnings before interest, taxes, depreciation and amortization ( leverage ratio ) and a minimum fixed charge coverage ratio. Material adverse changes in our results of operations could impact our ability to maintain financial ratios necessary to satisfy these requirements. In addition, the credit agreement includes a material adverse change clause. The credit facility also provides that if we default under any other loan agreement, that would be a default under this facility. At December 31, 2018, we were in compliance with the terms of the credit facility. The credit facility provides for seasonal funding needs, capital improvements, letter of credit requirements and other general corporate purposes. After consideration of stand-by letters of credit outstanding, the remaining maximum borrowings available pursuant to the credit facility were \$20,358,000 at December 31, 2018. We expect to be in compliance with the financial covenants, and all other covenants, for all measurement periods during the next twelve months.

**NOTE 6 Income Taxes**

The current and deferred income tax (expense) benefit is as follows:

|                                    | Years ended December 31, |                |                |
|------------------------------------|--------------------------|----------------|----------------|
|                                    | 2018                     | 2017           | 2016           |
| <b>Current:</b>                    |                          |                |                |
| Federal                            | \$ (2,461,000)           | \$ (1,835,000) | \$ (2,456,000) |
| State                              | (683,000)                | (562,000)      | (794,000)      |
|                                    | (3,144,000)              | (2,397,000)    | (3,250,000)    |
| <b>Deferred:</b>                   |                          |                |                |
| Federal                            | 929,000                  | 4,353,000      | 520,000        |
| State                              | 37,000                   | (67,000)       | 141,000        |
|                                    | 966,000                  | 4,286,000      | 661,000        |
| Total income tax (expense) benefit | \$ (2,178,000)           | \$ 1,889,000   | \$ (2,589,000) |

A reconciliation of the effective income tax rate with the applicable statutory federal income tax rate is as follows:

|                                     | Years ended December 31, |         |         |
|-------------------------------------|--------------------------|---------|---------|
|                                     | 2018                     | 2017    | 2016    |
| Federal tax at statutory rate       | 21.0%                    | 35.0%   | 35.0%   |
| State taxes, net of federal benefit | 19.8%                    | 8.8%    | 36.0%   |
| Valuation allowance                 | (14.2)%                  | (2.5)%  | (29.2)% |
| Tax Cuts and Jobs Act               |                          | (69.3)% |         |
| Other                               | (2.6)%                   | (0.9)%  | (1.3)%  |
| Effective income tax rate           | 24.0%                    | (28.9)% | 40.5%   |

Deferred income tax assets and liabilities are comprised of the following as of December 31:

|  | 2018         | 2017         |
|--|--------------|--------------|
| <b>Deferred income tax assets:</b>                 |              |              |
| Accruals not currently deductible for income taxes | \$ 1,524,000 | \$ 1,906,000 |
| Net operating loss carry-forwards                  | 7,602,000    | 8,928,000    |
| Total deferred income tax assets                   | 9,126,000    | 10,834,000   |
| Valuation allowance                                | (7,005,000)  | (8,291,000)  |

Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

|  |                |                |
|--|----------------|----------------|
| Net deferred income tax assets                         | 2,121,000      | 2,543,000      |
| Deferred income tax liabilities:                       |                |                |
| Depreciation   | (10,492,000)   | (11,216,000)   |
| Total deferred income tax liabilities                  | (10,492,000)   | (11,216,000)   |
| Net deferred income tax liability                      | \$ (8,371,000) | \$ (8,673,000) |
| Amounts recognized in the consolidated balance sheets: |                |                |
| Noncurrent deferred income tax liabilities             | \$ (8,371,000) | \$ (8,673,000) |

## Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

Deferred income taxes relate to the temporary differences between financial accounting income and taxable income and are primarily attributable to differences between the book and tax basis of property and equipment and net operating loss carry-forwards (expiring through 2032). At December 31, 2018, we have available state net operating loss carryforwards of \$137,913,000. Valuation allowances which fully reserve the state net operating loss carryforwards, net of federal tax benefit, decreased in 2018, 2017 and 2016 by \$1,286,000, \$163,000 and \$1,872,000, respectively.

The passage of the Tax Cuts and Jobs Act in December of 2017 lowered our federal income tax rate to 21% beginning in 2018 requiring us to revalue our net deferred federal tax liabilities at December 31, 2017. This resulted in a \$4,531,000 decrease in our net deferred income tax liabilities, with a corresponding deferred income tax benefit.

We recognize interest expense and penalties on uncertain income tax positions as a component of interest expense. No interest expense or penalties were recorded for uncertain income tax matters in 2018, 2017 or 2016. As of December 31, 2018 and 2017, we had no liabilities for uncertain income tax matters.

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 December 31, 2018, tax years after 2014 remain open to examination for federal and Delaware income tax purposes.

### NOTE 7 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 the qualified plan. Benefits provided by our qualified pension plan were based on years of service and employees remuneration over their employment period. 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. 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 \$995,000 and \$1,052,000 as of December 31, 2018 and 2017, respectively, and are recorded in other assets in our consolidated balance sheets (see NOTE 9 Fair Value Measurements).

The following table sets forth the defined benefit plans funded status and amounts recognized in our consolidated balance sheets as of December 31:

|  | 2018          | 2017          |
|--|---------------|---------------|
| <b>Change in benefit obligation:</b>           |               |               |
| Benefit obligation at beginning of year        | \$ 14,268,000 | \$ 13,265,000 |
| Interest cost                                  | 463,000       | 468,000       |
| Actuarial (gain) loss                          | (976,000)     | 914,000       |
| Benefits paid                                  | (396,000)     | (379,000)     |
| Benefit obligation at end of year              | 13,359,000    | 14,268,000    |
| <b>Change in plan assets:</b>                  |               |               |
| Fair value of plan assets at beginning of year | 10,299,000    | 8,166,000     |

Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

|  |                |                |
|--|----------------|----------------|
| Actual (loss) gain on plan assets        | (216,000)      | 1,293,000      |
| Employer contribution                    | 1,750,000      | 1,216,000      |
| Benefits paid                            | (396,000)      | (379,000)      |
| Other                                    | 3,000          | 3,000          |
| Fair value of plan assets at end of year | 11,440,000     | 10,299,000     |
| Unfunded status                          | \$ (1,919,000) | \$ (3,969,000) |

Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

The following table presents the amounts recognized in our consolidated balance sheets as of December 31:

|                                | 2018 |             | 2017 |             |
|--------------------------------|------|-------------|------|-------------|
| Accrued liabilities            | \$   | (1,146,000) | \$   | (1,150,000) |
| Liability for pension benefits |      | (773,000)   |      | (2,819,000) |
|                                | \$   | (1,919,000) | \$   | (3,969,000) |

Amounts recognized in accumulated other comprehensive loss that have not yet been recognized as components of net periodic benefit at December 31 are as follows:

|                             | 2018 |           | 2017 |           |
|-----------------------------|------|-----------|------|-----------|
| Net actuarial loss, pre-tax | \$   | 5,708,000 | \$   | 5,923,000 |

The components of net periodic pension benefit for our defined benefit pension plans for the years ended December 31, 2018, 2017 and 2016 are as follows:

|                                | 2018 |           | 2017 |           | 2016 |           |
|--------------------------------|------|-----------|------|-----------|------|-----------|
| Interest cost                  | \$   | 463,000   | \$   | 468,000   | \$   | 462,000   |
| Expected return on plan assets |      | (699,000) |      | (644,000) |      | (622,000) |
| Recognized net actuarial loss  |      | 151,000   |      | 143,000   |      | 126,000   |
|                                | \$   | (85,000)  | \$   | (33,000)  | \$   | (34,000)  |

The net periodic pension benefit is included in other income in our consolidated statements of earnings.

For the year ending December 31, 2019, we expect to recognize the following amount as a component of net periodic benefit which is included in accumulated other comprehensive loss as of December 31, 2018:

|                |    |         |
|----------------|----|---------|
| Actuarial loss | \$ | 145,000 |
|----------------|----|---------|

The principal assumptions used to determine the net periodic pension benefit for the years ended December 31, 2018, 2017 and 2016, and the actuarial value of the benefit obligation at December 31, 2018 and 2017 (the measurement dates) for our pension plans are as follows:

|  | Net Periodic Pension Cost |      |      | Benefit Obligation |      |
|--|---------------------------|------|------|--------------------|------|
|  | 2018                      | 2017 | 2016 | 2018               | 2017 |
| Weighted-average discount rate                   | 3.8%                      | 4.2% | 4.4% | 4.4%               | 3.8% |
| Weighted-average rate of compensation increase   | n/a                       | n/a  | n/a  | n/a                | n/a  |
| Expected long-term rate of return on plan assets | 6.5%                      | 8.0% | 8.0% | n/a                | n/a  |

We use the spot rate approach to determine the benefit obligation and the subsequent years' interest cost component of the net periodic pension benefit. This method uses individual spot rates along the yield curve that correspond with the timing of each benefit payment and will provide a

## Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

more precise measurement of the interest cost by improving the correlation between projected benefit cash flows and the corresponding spot yield curve rates.

For 2018, we assumed a long-term rate of return on plan assets of 6.5%. In developing the expected long-term rate of return assumption, we reviewed asset class return expectations and long-term inflation assumptions and considered our historical compounded return, which was consistent with our long-term rate of return assumption.

In determining the 2017 pension liability, we used the Society of Actuaries (SOA) RP-2014 mortality tables and the MP-2017 mortality improvement tables, which along with a lower discount rate, resulted in an increase in our benefit obligation and accumulated other comprehensive loss at December 31, 2017. For 2018, we adopted the updated MP-2018 mortality improvement tables. These new mortality tables, along with the lower discount rate, resulted in an increase in our benefit obligation and accumulated other comprehensive loss at December 31, 2018.

## Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

Historically, our investment goals were to achieve a combination of moderate growth of capital and income with moderate risk. Acceptable investment vehicles included mutual funds, exchange-traded funds (ETFs), limited partnerships, and individual securities. Our target allocations for plan assets were 60% equities and 40% fixed income. Of the equity portion, 50% were invested in passively managed securities using ETFs and the other 50% were invested in actively managed investment vehicles. We addressed diversification by investing in mutual funds and ETFs which held large, mid and small capitalization U.S. stocks, international (non-U.S.) equity, REITS, and real assets (consisting of inflation-linked bonds, real estate and natural resources). A sufficient percentage of investments were readily marketable in order to be sold to fund benefit payment obligations as they became payable. Beginning in 2018, our investment strategy changed to a liability driven investment policy. Our asset management decisions are largely determined by the sum of current and future liabilities of our pension plan. Our liability driven investment strategies involve hedging, in whole or in part, the plan's exposure to changes in interest rates and inflation. Our liability driven investments consist of exchange traded mutual funds that may have underlying investments in hedge funds that are comprised of bonds, swaps and other derivatives that over time seeks to achieve a return that matches or exceeds the growth in projected pension plan liabilities and duration. Our target allocations for plan assets are 25% equities and 75% liability hedges.

The fair values of our pension assets as of December 31, 2018 by asset category are as follows (refer to NOTE 9 Fair Value Measurements for a description of Level 1, Level 2 and Level 3 categories):

| Asset Category            | Total         | Level 1       | Level 2 | Level 3 |
|---------------------------|---------------|---------------|---------|---------|
| <b>Mutual funds/ETFs:</b> |               |               |         |         |
| Equity-large cap          | \$ 770,000    | \$ 770,000    | \$      | \$      |
| Equity-mid cap            | 374,000       | 374,000       |         |         |
| Equity-small cap          | 453,000       | 453,000       |         |         |
| Equity-international      | 560,000       | 560,000       |         |         |
| Fixed income              | 8,798,000     | 8,798,000     |         |         |
| Money market              | 485,000       | 485,000       |         |         |
| Total mutual funds/ETFs   | \$ 11,440,000 | \$ 11,440,000 | \$      | \$      |

The fair values of our pension assets as of December 31, 2017 by asset category are as follows (refer to NOTE 9 Fair Value Measurements for a description of Level 1, Level 2 and Level 3 categories):

| Asset Category            | Total         | Level 1       | Level 2 | Level 3 |
|---------------------------|---------------|---------------|---------|---------|
| <b>Mutual funds/ETFs:</b> |               |               |         |         |
| Equity-large cap          | \$ 2,623,000  | \$ 2,623,000  | \$      | \$      |
| Equity-mid cap            | 1,022,000     | 1,022,000     |         |         |
| Equity-small cap          | 1,200,000     | 1,200,000     |         |         |
| Equity-international      | 1,651,000     | 1,651,000     |         |         |
| Fixed income              | 2,520,000     | 2,520,000     |         |         |
| Money market              | 1,283,000     | 1,283,000     |         |         |
| Total mutual funds/ETFs   | \$ 10,299,000 | \$ 10,299,000 | \$      | \$      |

We have no minimum required pension contributions for 2019, but will consider making additional contributions.

Estimated future benefit payments are as follows:

|      |              |
|------|--------------|
| 2019 | \$ 1,637,000 |
| 2020 | \$ 557,000   |



Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

|           |    |           |
|-----------|----|-----------|
| 2021      | \$ | 563,000   |
| 2022      | \$ | 568,000   |
| 2023      | \$ | 627,000   |
| 2024-2028 | \$ | 3,339,000 |

Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

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 contributions 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. In 2018, 2017 and 2016, we recorded expenses of \$112,000, \$80,000 and \$96,000, respectively, related to the SERP. During 2018, 2017 and 2016, we contributed \$85,000, \$96,000 and \$81,000 to the plan, respectively. The liability for SERP pension benefits was \$108,000 and \$81,000 as of December 31, 2018 and 2017, respectively, and is included in accrued liabilities in our consolidated balance sheets.

We maintain a defined contribution 401(k) plan that permits participation by substantially all employees. Our matching contributions to the 401(k) plan were \$129,000, \$123,000 and \$128,000 in 2018, 2017 and 2016, respectively.

**NOTE 8 Stockholders Equity**

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

|   | Common<br>Stock | Class A<br>Common<br>Stock | Additional<br>Paid-in<br>Capital | Accumulated<br>Deficit | Accumulated<br>Other<br>Comprehensive<br>Loss |
|---|-----------------|----------------------------|----------------------------------|------------------------|---|
| <b>Balance at December 31, 2015</b>   | \$ 1,822        | \$ 1,851                   | \$ 101,742                       | \$ (50,301)            | \$ (3,121)                                    |
| Net earnings  |                 |                            |                                  | 3,801                  |   |
| Dividends paid, \$0.05 per share  |                 |                            |                                  | (1,840)                |   |
| Issuance of restricted stock awards, net of forfeitures                                 | 14              |                            | (14)                             |                        |   |
| Stock-based compensation  |                 |                            | 284                              |                        |   |
| Repurchase and retirement of common stock   | (8)             |                            | (181)                            |                        |   |
| Unrealized gain on available-for-sale securities, net of income tax expense of \$6      |                 |                            |                                  |                        | 8   |
| Change in net actuarial loss and prior service cost, net of income tax benefit of \$191 |                 |                            |                                  |                        | (279)   |
| Excess tax benefit on restricted stock  |                 |                            | 27                               |                        |   |
| <b>Balance at December 31, 2016</b>   | 1,828           | 1,851                      | 101,858                          | (48,340)               | (3,392)                                       |
| Net earnings  |                 |                            |                                  | 8,426                  |   |
| Dividends paid, \$0.08 per share  |                 |                            |                                  | (2,944)                |   |
| Issuance of restricted stock awards, net of forfeitures                                 | 15              |                            | (15)                             |                        |   |
| Stock-based compensation  |                 |                            | 364                              |                        |   |
| Repurchase and retirement of common stock   | (18)            |                            | (363)                            |                        |   |
| Unrealized gain on available-for-sale securities, net of income tax expense of \$15     |                 |                            |                                  |                        | 22  |
| Change in net actuarial loss and prior service cost, net of income tax benefit of \$48  |                 |                            |                                  |                        | (70)  |
| <b>Balance at December 31, 2017</b>   | 1,825           | 1,851                      | 101,844                          | (42,858)               | (3,440)                                       |
| Adoption of ASU 2016-01 (see NOTE 2)  |                 |                            |                                  | 73                     | (73)  |
| Net earnings  |                 |                            |                                  | 6,889                  |   |
| Dividends paid, \$0.08 per share  |                 |                            |                                  | (2,930)                |   |
| Issuance of restricted stock awards, net of forfeitures                                 | 15              |                            | (15)                             |                        |   |
| Stock-based compensation  |                 |                            | 302                              |                        |   |
| Repurchase and retirement of common stock   | (35)            |                            | (715)                            |                        |   |
| Change in net actuarial loss and prior service cost, net of income tax expense of \$60  |                 |                            |                                  |                        | 155   |
| <b>Balance at December 31, 2018</b>   | \$ 1,805        | \$ 1,851                   | \$ 101,416                       | \$ (38,826)            | \$ (3,358)                                    |



## Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

As of December 31, 2018 and 2017, accumulated other comprehensive loss, net of income taxes, consists of the following:

|   | 2018           | 2017           |
|---|----------------|----------------|
| Net actuarial loss and prior service cost not yet recognized in net periodic benefit cost, net of income tax benefit of \$2,350,000 and \$2,410,000, respectively | \$ (3,358,000) | \$ (3,513,000) |
| Accumulated unrealized gain on available-for-sale securities, net of income tax expense of \$52,000   |                | 73,000         |
| Accumulated other comprehensive loss  | \$ (3,358,000) | \$ (3,440,000) |

Holders of common stock have one vote per share and holders of Class A common stock have ten votes per share. There is no cumulative voting. Shares of Class A common stock are convertible at any time into shares of common stock on a share for share basis at the option of the holder thereof. Dividends on Class A common stock cannot exceed dividends on common stock on a per share basis. Dividends on common stock may be paid at a higher rate than dividends on Class A common stock. The terms and conditions of each issue of preferred stock are determined by our Board of Directors. No preferred shares have been issued.

Effective June 14, 2016, we adopted a stockholder rights plan. The rights are attached to and trade in tandem with our common stock. The rights, unless earlier redeemed by our board of directors, will detach and trade separately from our common stock only upon the occurrence of certain events such as the unsolicited acquisition by a third party of beneficial ownership of 10% or more of our outstanding combined common stock and Class A common stock or the announcement by a third party of the intent to commence a tender or exchange offer for 10% or more of our outstanding combined common stock and Class A common stock. After the rights have detached, the holders of such rights would generally have the ability to purchase such number of either shares of our common stock or stock of an acquirer of our company having a market value equal to twice the exercise price of the right being exercised, thereby causing substantial dilution to a person or group of persons attempting to acquire control of our company. The rights may serve as a significant deterrent to unsolicited attempts to acquire control of us, including transactions involving a premium to the market price of our stock. The rights expire on June 13, 2026, unless earlier redeemed.

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 years ended December 31, 2018, 2017 and 2016, we purchased and retired 308,928, 130,741 and 37,813 shares of our outstanding common stock at an average purchase price of \$2.08, \$2.07 and \$2.22 per share, respectively, not including nominal brokerage commissions. At December 31, 2018, we had remaining repurchase authority of 700,649 shares.

During the years ended December 31, 2018, 2017 and 2016, we purchased and retired 47,236, 46,179 and 44,311 shares of our outstanding common stock at an average purchase price of \$2.00, \$2.27 and \$2.33 per share, 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 transferred to the employee in satisfaction of their tax liability. The surrender of these shares is treated by us as a purchase of the shares.

We have a stock incentive plan, adopted in 2014, 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. As of December 31, 2018, there were 1,440,730 shares available for granting options or stock awards.



Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

Nonvested restricted stock activity for the year ended December 31, 2018 was as follows:

|                                | Number of<br>Shares | Weighted<br>Average<br>Grant Date<br>Fair Value |
|--------------------------------|---------------------|---|
| Nonvested at December 31, 2017 | 583,000             | \$ 2.25   |
| Granted                        | 151,000             | \$ 2.00   |
| Vested                         | (141,200)           | \$ 2.04   |
| Nonvested at December 31, 2018 | 592,800             | \$ 2.24   |

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 service period or the service period remaining until normal retirement age, if shorter. The total fair value of shares vested during the years ended December 31, 2018, 2017 and 2016 based on the weighted average grant date fair value was \$288,000, \$267,000 and \$261,000, respectively. The grant-date fair value per share of nonvested restricted stock awards granted during the years ended December 31, 2018, 2017 and 2016 was \$2.00, \$2.27 and \$2.33, respectively. We recorded compensation expense of \$302,000, \$364,000 and \$284,000 related to restricted stock awards for the years ended December 31, 2018, 2017 and 2016, respectively. As of December 31, 2018, there was \$691,000 of total unrecognized compensation cost related to nonvested restricted stock awards granted to employees under our stock incentive plan. That cost is expected to be recognized over a weighted-average period of 3.7 years.

**NOTE 9 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 December 31, 2018 and 2017:

|                    | Total      | Level 1    | Level 2 | Level 3 |
|--------------------|------------|------------|---------|---------|
| <b>2018</b>        |            |            |         |         |
| Equity investments | \$ 995,000 | \$ 995,000 | \$      | \$      |
| <b>2017</b>        |            |            |         |         |

Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

|                    |    |           |    |           |    |    |
|--------------------|----|-----------|----|-----------|----|----|
| Equity investments | \$ | 1,052,000 | \$ | 1,052,000 | \$ | \$ |
|--------------------|----|-----------|----|-----------|----|----|

Our equity investments consist of mutual funds. These investments are included in other assets in our consolidated balance sheets. Gains and losses on our equity investments for the year ended December 31, 2018 are as follows:

|   |    |           |
|---|----|-----------|
| Net losses recognized during the period on equity investments                                 | \$ | (90,000)  |
| Less: net gains recognized during the period on equity investments sold during the period     |    | (15,000)  |
| Unrealized losses recognized during the period on equity investments still held at period end | \$ | (105,000) |

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

## Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

There were no borrowings outstanding under our credit facility at December 31, 2018. At December 31, 2017, there was \$3,240,000 outstanding under our revolving credit agreement. The borrowings under our revolving credit agreement bear interest at the variable rate described in NOTE 5 Long-Term Debt and therefore we believe approximate fair value.

The following table summarizes the valuation of our pricing levels for non-financial assets that are measured at fair value on a non-recurring basis as of December 31, 2018 and 2017:

|                                 | Total        | Level 1 | Level 2 | Level 3      |
|---------------------------------|--------------|---------|---------|--------------|
| <b>2018</b>                     |              |         |         |              |
| Long-lived assets held for sale | \$ 531,000   | \$      | \$      | \$ 531,000   |
| <b>2017</b>                     |              |         |         |              |
| Long-lived assets held for sale | \$ 2,455,000 | \$      | \$      | \$ 2,455,000 |

Fair value of the long-lived assets held for sale was determined using a valuation methodology which gave specific consideration to the value of the owned real estate.

### NOTE 10 Related Party Transactions

During the years ended December 31, 2018, 2017 and 2016, Dover Downs Gaming & Entertainment, Inc. ( Gaming ), a company related through common ownership, allocated costs of \$1,775,000, \$1,862,000 and \$1,952,000, respectively, to us for certain administrative and operating services, including leased space. We allocated certain administrative and operating service costs of \$189,000, \$187,000 and \$158,000, respectively, to Gaming for the years ended December 31, 2018, 2017 and 2016. The allocations were based on an analysis of each company's share of the costs. In connection with our NASCAR event weekends at Dover International Speedway, Gaming provided certain services, primarily catering, for which we were invoiced \$847,000, \$903,000 and \$876,000, during the years ended December 31, 2018, 2017 and 2016, respectively. Additionally, we invoiced Gaming \$211,000, \$224,000 and \$200,000, during 2018, 2017 and 2016, respectively, for tickets, display space, our commission for suite catering and other services to the events. As of December 31, 2018 and 2017, our consolidated balance sheets included \$9,000 and \$7,000 of payables to Gaming for the aforementioned items. We settled these items in January of 2019 and 2018. 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 the spin-off of Gaming from our company 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 Gaming to ensure that the real property holdings of each company was aligned with its past uses and future business needs. During its harness racing season, Gaming has historically used the 5/8-mile harness racing track that is located on our property and is on the inside of our one-mile motorsports superspeedway. In order to continue this historic use, we granted a perpetual easement to the harness track to Gaming at the time of the spin-off. This perpetual easement allows Gaming 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 Gaming maintain the harness track but does not require the payment of any rent.



## Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

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. We pay rent to Gaming for the lease of our principal executive office space. Gaming also allows us to use its indoor grandstands in connection with our two annual motorsports weekends. This occasional grandstand use is not material to us and Gaming does not assess rent for it; Gaming may also discontinue our use at its discretion.

In April of 2002, we spun-off our gaming business which was then owned by our subsidiary, Dover Downs Gaming & Entertainment, Inc. On a tax-free basis, we made a pro rata distribution of all of the capital stock of Gaming to our stockholders. Our continuing operations subsequent to the spin-off consist solely of our motorsports activities.

## Edgar Filing: DOVER MOTORSPORTS INC - Form 10-K

In conjunction with the spin-off of Gaming by us, the two companies entered into various agreements that addressed the allocation of assets and liabilities between the two companies and that define the companies' relationship after the separation. Among these are the Real Property Agreement and the Transition Support Services Agreement.

The Real Property Agreement governs certain real property transfers, leases and easements affecting our Dover, Delaware facility.

The Transition Support Services Agreement provides for each of the two companies to provide each other with certain administrative and operational services. The party receiving the services is required to pay for them within 30 business days after receipt of an invoice at rates agreed upon by the companies. The agreement may be terminated in whole or in part 90 days after the request of the party receiving the services or 180 days after the request of the party providing the services.

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

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

### **NOTE 11 Commitments and Contingencies**

We lease equipment with leases expiring at various dates through 2022. Total rental expense charged to operations amounted to \$67,000, \$67,000 and \$68,000 for the years ended December 31, 2018, 2017 and 2016, 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, Series 1999, to acquire, construct and develop certain public infrastructure improvements which benefit Nashville Superspeedway, of which \$14,400,000 was outstanding at December 31, 2018. Annual principal payments range from \$1,000,000 in September 2019 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 therefore have historically not been required to be recorded on our consolidated balance sheet. If the sales taxes and incremental property taxes ( applicable 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 \$14,642,000 irrevocable direct-pay letter of credit issued by our bank group. We are exposed to fluctuations in interest rates for these bonds.

As of December 31, 2018 and 2017, \$1,052,000 and \$1,479,000, 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 2018, we paid \$984,000 into the sales and incremental property tax fund and \$1,411,000 was deducted from the fund for debt service. 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.

Nashville Superspeedway no longer promotes motorsports events and has not entered into sanction agreements with NASCAR since 2011. We lease the facility on a short term basis to third parties from time to time. In 2011 we recorded a \$2,250,000 provision for contingent obligation reflecting the present value of the estimated portion of the revenue bonds debt service that may not be covered by the projected sales and incremental property taxes from the facility. Due to changing interest rates, the provision for contingent obligation increased by \$424,000, \$158,000 and \$75,000 in 2018, 2017 and 2016, respectively, and is \$2,384,000 at December 31, 2018. An increase in the bonds

interest rates would result in an increase in the portion of debt service not covered by applicable taxes and therefore an increase in our liability.

We have employment, severance and noncompete agreements with certain of our officers and directors under which certain change of control, severance and noncompete payments and benefits might become payable in the event of a change in our control, defined to include a tender offer or the closing of a merger or similar corporate transactions. In the event of such a change in control and the subsequent termination of employment of all employees covered under these agreements, we estimate that the maximum contingent liability would range from \$7,300,000 to \$9,100,000 depending on the tax treatment of the payments.

To the extent that any of the potential payments or benefits due under the agreements constitute an excess parachute payment under the Internal Revenue Code and result in the imposition of an excise tax, each agreement requires that we pay the amount of such excise tax plus any additional amounts necessary to place the officer or director in the same after-tax position as he would have been had no excise tax been imposed. We estimate that the tax gross ups that could be paid under the agreements in the event the agreements were triggered due to a change of control could be between \$1,000,000 and \$2,800,000 and these amounts have been included in the maximum contingent liability disclosed above. This maximum tax gross up figure assumes that none of the payments made after the hypothetical change in control would be characterized as reasonable compensation for services rendered. Each agreement with an executive officer provides that fifty percent of the monthly amount paid during the term is paid in consideration of the executive officer's non-compete covenants. The exclusion of these amounts would reduce the calculated amount of excess parachute payments subject to tax. We are unable to conclude whether the Internal Revenue Service would characterize all or some of these non-compete payments as reasonable compensation for services rendered.

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

#### NOTE 12 Quarterly Results (unaudited)

|   | March 31(a)    | June 30       | September 30(b) | December 31(c) |
|---|----------------|---------------|-----------------|----------------|
| <b>Year Ended December 31, 2018</b>             |                |               |                 |                |
| Revenues  | \$ 226,000     | \$ 25,812,000 | \$ 227,000      | \$ 20,751,000  |
| Operating (loss) earnings                       | \$ (1,246,000) | \$ 8,954,000  | \$ (4,062,000)  | \$ 5,911,000   |
| Net (loss) earnings                             | \$ (992,000)   | \$ 6,508,000  | \$ (2,699,000)  | \$ 4,072,000   |
| Net (loss) earnings per share basic and diluted | \$ (0.03)      | \$ 0.18       | \$ (0.07)       | \$ 0.11        |
| <b>Year Ended December 31, 2017</b>             |                |               |                 |                |
| Revenues  | \$ 110,000     | \$ 25,587,000 | \$ 2,740,000    | \$ 18,305,000  |
| Operating (loss) earnings                       | \$ (4,071,000) | \$ 8,868,000  | \$ (3,382,000)  | \$ 5,364,000   |
| Net (loss) earnings                             | \$ (2,405,000) | \$ 5,203,000  | \$ (2,015,000)  | \$ 7,643,000   |
| Net (loss) earnings per share basic and diluted | \$ (0.07)      | \$ 0.14       | \$ (0.06)       | \$ 0.21        |

(a) In the first quarter of 2018, we closed on the sale of land at our Nashville Superspeedway facility resulting in a gain of \$2,512,000 (\$1,984,000 after income taxes). See NOTE 1 Business Operations.

In the first quarter of 2017, we recorded costs to remove long-lived assets of \$286,000 (\$167,000 after income taxes) related to the removal and disposal of certain grandstand seating. See NOTE 3 Property and Equipment.

(b) In the third quarter of 2018, we entered into negotiations to sell a parcel of land we own near St. Louis. As a result, we recorded a loss of \$99,000 (\$76,000 after income taxes) on sale of land. See NOTE 3 Property and Equipment.

(c) In the fourth quarter of 2017, we made the decision to not complete certain facility improvements. Costs previously capitalized of \$186,000 (\$110,000 after income taxes) were charged to depreciation expense. See NOTE 3 Property and Equipment.

In the fourth quarter of 2017, the passage of the Tax Cuts and Jobs Act lowered our future federal income tax rate to 21% requiring us to revalue net deferred federal tax liabilities. As a result, net earnings and net earnings per share basic and diluted increased by \$4,531,000 and \$0.13, respectively. See NOTE 6 Income Taxes.

Per share data amounts for the quarters have each been calculated separately. Accordingly, quarterly amounts may not add to the annual amounts due to differences in the weighted-average common shares outstanding during each period.

Our operations are seasonal in nature. In 2018, three NASCAR racing events were held in the second quarter and three in the fourth quarter. In 2017, three NASCAR racing events were held in the second quarter, two in the third quarter and one in the fourth quarter.