DOVER MOTORSPORTS INC
Form 10-Q
July 31, 2015

United States

Securities and Exchange Commission

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended June 30, 2015

Commission file number 1-11929

Dover Motorsports, Inc.

(Exact name of registrant as specified in its charter)

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

1131 North DuPont Highway, Dover, Delaware 19901

(Address of principal executive offices)

(302) 883-6500

(Registrant s telephone number, including area code)

N/A

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

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

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

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

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

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

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

Common Stock -	18,220,484 shares
Class A Common Stock -	18,510,975 shares

Part I Financial Information

Item 1. Financial Statements

DOVER MOTORSPORTS, INC.

CONSOLIDATED STATEMENTS OF EARNINGS

AND COMPREHENSIVE INCOME

In Thousands, Except Per Share Amounts

(Unaudited)

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Revenues:				
Admissions	$ 4,212	$ 4,473	$ 4,212	$ 4,473
Event-related	4,681	4,194	4,691	4,367
Broadcasting	16,486	15,606	16,486	15,606
Other	1		1	10
	25,380	24,273	25,390	24,456
Expenses:				
Operating and marketing	13,629	13,268	14,738	14,303
General and administrative	1,811	1,776	3,751	3,636
Loss on disposal of long-lived assets			40	
Depreciation	1,422	818	2,967	1,643
	16,862	15,862	21,496	19,582
Income from assets held for sale	606		1,033	
Operating earnings	9,124	8,411	4,927	4,874
Interest expense, net	(86)	(99)	(233)	(264)
Benefit (provision) for contingent obligation	125	(70)	102	8
Other income		14	1	17
Earnings before income taxes	9,163	8,256	4,797	4,635
Income tax expense	(3,669)	(3,412)	(1,907)	(1,909)
Net earnings	5,494	4,844	2,890	2,726
Unrealized (loss) gain on available-for-sale securities, net of income taxes	(7)	9	4	16
Change in net actuarial loss and prior service cost, net of income taxes	19	9	38	18
Comprehensive income	$ 5,506	$ 4,862	$ 2,932	$ 2,760
Net earnings per common share:				

Basic	$	0.15	$	0.13	$	0.08	$	0.07
Diluted	$	0.15	$	0.13	$	0.08	$	0.07

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

DOVER MOTORSPORTS, INC.

CONSOLIDATED BALANCE SHEETS

In Thousands, Except Share and Per Share Amounts

(Unaudited)

	June 30, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash	$ 480	$ 24
Accounts receivable	1,299	139
Inventories	116	70
Prepaid expenses and other	1,162	1,042
Prepaid income taxes		170
Deferred income taxes	82	79
Assets held for sale	26,000	26,000
Total current assets	29,139	27,524
Property and equipment, net	55,698	58,236
Other assets	903	925
Deferred income taxes	561	580
Total assets	$ 86,301	$ 87,265
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 554	$ 889
Accrued liabilities	5,630	4,944
Payable to Dover Downs Gaming & Entertainment, Inc.	22	22
Income taxes payable	1,840	
Deferred revenue	4,107	1,348
Total current liabilities	12,153	7,203
Revolving line of credit	2,800	10,760
Liability for pension benefits	4,132	4,231
Provision for contingent obligation	1,711	1,813
Deferred income taxes	14,354	15,163
Total liabilities	35,150	39,170
Commitments and contingencies (see Notes to the Consolidated Financial Statements)		
Stockholders equity:		
Preferred stock, $0.10 par value; 1,000,000 shares authorized; shares issued and outstanding: none		
Common stock, $0.10 par value; 75,000,000 shares authorized; shares issued and outstanding: 18,220,484 and 18,116,562, respectively	1,822	1,812
Class A common stock, $0.10 par value; 55,000,000 shares authorized; shares issued and outstanding: 18,510,975 and 18,510,975, respectively	1,851	1,851
Additional paid-in capital	101,622	101,508
Accumulated deficit	(50,859)	(53,749)
Accumulated other comprehensive loss	(3,285)	(3,327)
Total stockholders equity	51,151	48,095
Total liabilities and stockholders equity	$ 86,301	$ 87,265

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

DOVER MOTORSPORTS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

In Thousands

(Unaudited)

	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Operating activities:		
Net earnings	$ 2,890	$ 2,726
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation	2,967	1,643
Amortization of credit facility fees	48	48
Stock-based compensation	196	164
Deferred income taxes	(772)	(93)
Benefit for contingent obligation	(102)	(8)
Income from assets held for sale	(1,033)	
Changes in assets and liabilities:		
Accounts receivable	(1,160)	(11,902)
Inventories	(46)	(3)
Prepaid expenses and other	(132)	(64)
Accounts payable	348	433
Accrued liabilities	519	1,846
Payable to/receivable from Dover Downs Gaming & Entertainment, Inc.		43
Income taxes payable/prepaid income taxes	2,006	1,351
Deferred revenue	2,759	2,292
Liability for pension benefits	(36)	(77)
Net cash provided by (used in) operating activities	8,452	(1,601)
Investing activities:		
Capital expenditures	(1,112)	(322)
Purchases of available-for-sale securities	(8)	(45)
Proceeds from available-for-sale securities	5	42
Non-refundable payments received related to assets held for sale	1,200	
Net cash provided by (used in) investing activities	85	(325)
Financing activities:		
Borrowings from revolving line of credit	12,640	16,540
Repayments on revolving line of credit	(20,600)	(14,440)
Repurchase of common stock	(121)	(129)
Net cash (used in) provided by financing activities	(8,081)	1,971
Net increase in cash	456	45
Cash, beginning of period	24	4
Cash, end of period	$ 480	$ 49
Supplemental information:		
Interest paid	$ 255	$ 318
Income tax payments	$ 669	$ 652
Change in accounts payable for capital expenditures	$ (683)	$

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

DOVER MOTORSPORTS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 Basis of Presentation

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

The accompanying consolidated financial statements have been prepared in compliance with Rule 10-01 of Regulation S-X and U.S. generally accepted accounting principles, and accordingly do not include all of the information and disclosures required for audited financial statements. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our latest Annual Report on Form 10-K filed on March 6, 2015. In the opinion of management, these consolidated financial statements include all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the results of operations, financial position and cash flows for the interim periods presented. Operating results for the three and six-month periods ended June 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015 due to the seasonal nature of our business.

NOTE 2 Business Operations

Dover Motorsports, Inc. is a public holding company that is a leading marketer and promoter of motorsports entertainment in the United States. Through our subsidiaries, we own and operate Dover International Speedway® in Dover, Delaware and Nashville Superspeedway® near Nashville, Tennessee. Our Dover facility is scheduled to promote the following six events during 2015, all of which were under the auspices of the premier sanctioning body in motorsports - the National Association for Stock Car Auto Racing (NASCAR):

- 2 NASCAR Sprint Cup Series events;
- 2 NASCAR Xfinity Series events;
- 1 NASCAR Camping World Truck Series event; and
- 1 NASCAR K&N Pro Series East event.

We have hosted the Firefly Music Festival on our property in Dover, Delaware for four consecutive years. The inaugural three day festival with 40 musical acts was held in July 2012, followed by a three day festival in June 2013 with over 70 musical acts and an expanded four day festival in June 2014 with over 100 musical acts. The event returned to Dover on June 18-21, 2015 with 120 musical acts. In September 2014, Red Frog Events LLC formed RFGV Festivals LLC - a joint venture with Goldenvoice that promotes Firefly. Goldenvoice is owned by AEG Live, one of the world s largest presenters of live music and entertainment events. 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. On June 26-28, 2015, the inaugural Big Barrel Country Music Festival was held at our facility. The three day festival was promoted by RFGV Festivals and featured 40 musical acts. We also receive a percentage of the concession sales we manage at the events.

Nashville Superspeedway no longer promotes NASCAR events and has not entered into sanction agreements with NASCAR since 2011. We currently use the facility on a limited basis for motorsports track rentals. On May 29, 2014, we entered into an agreement to sell the facility for $27 million in cash and the assumption by the potential buyer of obligations of ours under certain Variable Rate Tax Exempt Infrastructure Revenue Bonds. The sales agreement was amended several times extending the closing date. In consideration for these amendments, during 2014 we received $1,700,000 in non-refundable deposits from the potential buyer which was to be applied against the purchase price at closing. In the first six months of 2015, we received $1,200,000 in non-refundable deposits to extend closing under the agreement a portion of which was to be applied against the purchase price depending on the closing date.

During the three and six-month periods ended June 30, 2015, $606,000 and $1,033,000, respectively, was recorded as income from assets held for sale in our consolidated statements of earnings as those amounts were not to be applied against the purchase price at closing based on the terms of the amendments. As of June 30, 2015 and December 31, 2014, deposits of $1,867,000 and $1,700,000, respectively, were included in accrued expenses in our consolidated balance sheets. On June 1, 2015, the potential buyer defaulted under the agreement and did not subsequently cure the default. The amended closing date under the agreement was July 27, 2015; therefore, the agreement has now expired by its terms. Accordingly, we will record as income the remaining deposits of $1,867,000 in the third quarter of 2015. We have expanded our sales efforts and are in discussions with additional prospective buyers. The assets of Nashville Superspeedway are reported as assets held for sale in our consolidated balance sheet at June 30, 2015 and December 31, 2014.

NOTE 3 Summary of Significant Accounting Policies

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

Investments Investments, which consist of mutual funds, are classified as available-for-sale and reported at fair-value in other assets in our consolidated balance sheets. Changes in fair value are reported in other comprehensive income (loss). See NOTE 5 Pension Plans, NOTE 6 Stockholders Equity and NOTE 7 Fair Value Measurements for further discussion.

Property and equipment Property and equipment is stated at cost. Depreciation is provided for financial reporting purposes using the straight-line method over the asset s estimated useful life. Accumulated depreciation was $51,963,000 and $49,083,000 as of June 30, 2015 and December 31, 2014, respectively.

In the first quarter of 2015, we identified certain assets that, as a result of our planned reduction of grandstand seating, will be retired at the end of our 2015 race season. As a result, we adjusted the service lives of those assets to properly reflect their shortened estimated useful life. We recorded depreciation expense of $655,000 and $1,384,000 in the three and six-month periods ended June 30, 2015 related to these assets. We expect to record depreciation expense of approximately $2,216,000 during 2015 related to these assets.

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 June 30, 2015, our valuation allowance on state net operating loss carry-forwards net of federal income taxes was $10,374,000, which decreased by $30,000 in the first six months of 2015. 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 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 June 30, 2015, tax years after 2010 remain open to examination for federal and Delaware income tax purposes.

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

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 advertising or other goods or services in exchange for sponsorships of motorsports events are recorded at fair value. Barter transactions accounted for $251,000 and $224,000 of total revenues for the three and six-month periods ended June 30, 2015 and 2014, respectively.

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.

Expense recognition The cost of non-event related advertising, promotion and marketing programs is expensed as incurred. Certain direct expenses pertaining to specific events, including prize and point fund monies and sanction fees paid to NASCAR, a majority of our marketing expenses and other expenses associated with the promotion of our racing events are deferred until the event is held, at which point they are expensed. Advertising expenses were $634,000 and $668,000 for the three and six-month periods ended June 30, 2015 and 2014.

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):

	Three Months Ended June 30,	Six Months Ended June 30,

		2015		2014		2015		2014
Net earnings per common share basic and diluted:								
Net earnings	$	5,494	$	4,844	$	2,890	$	2,726
Allocation to nonvested restricted stock awards		86		77		45		43
Net earnings available to common stockholders	$	5,408	$	4,767	$	2,845	$	2,683
Weighted-average shares outstanding basic and diluted		36,157		36,042		36,155		36,052
Net earnings per common share basic and diluted	$	0.15	$	0.13	$	0.08	$	0.07

There were no options outstanding and we paid no dividends during the three and six-month periods ended June 30, 2015 or 2014.

Accounting for stock-based compensation We recorded total stock-based compensation expense for our restricted stock awards of $60,000 and $196,000, and $58,000 and $164,000 as general and administrative expenses for the three and six-month periods ended June 30, 2015 and 2014, respectively. We recorded income tax benefits of $23,000 and $78,000, and $23,000 and $67,000 for the three and six-month periods ended June 30, 2015 and 2014, respectively, related to our restricted stock awards.

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

NOTE 4 Long-Term Debt

At June 30, 2015, 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 secured credit agreement with a bank group. The credit facility expires on July 31, 2017. Interest is based upon LIBOR plus a margin that varies between 125 and 175 basis points depending on the leverage ratio (150 basis points at June 30, 2015). The facility provides that we may elect to enter into a negative pledge with the bank group in exchange for the release of the security interest in the collateral securing the agreement. In the event we elect to enter into the negative pledge, interest will be based upon LIBOR plus a margin that varies between 150 and 200 basis points depending on the leverage ratio. 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 and provides the lenders with a first lien on all of our assets. The credit facility also provides that if we default under any other loan agreement, that would be a default under this facility. At June 30, 2015, there was $2,800,000 outstanding under the credit facility at an interest rate of 1.69%. The credit facility provides for seasonal funding needs, capital improvements, letter of credit requirements and other general corporate purposes. At June 30, 2015, we were in compliance with the terms of the credit facility. After consideration of stand-by letters of credit outstanding, the remaining maximum borrowings available pursuant to the credit facility were $13,898,000 at June 30, 2015. We expect to be in compliance with the financial covenants, and all other covenants, for all measurement periods during the next twelve months.

NOTE 5 Pension Plans

We maintain a non-contributory tax qualified defined benefit pension plan that has been frozen since July 2011. All of our full time employees were eligible to participate in 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. Participants as of July 31, 2011 continue to earn vesting credit with respect to their frozen accrued benefits as they continue to work. We also maintain a non-qualified, non-contributory defined benefit pension plan, the excess plan, for certain employees that has been frozen since July 2011. This excess plan provided benefits that would otherwise be provided under the qualified pension plan but for maximum benefit and compensation limits applicable under federal tax law. The cost associated with the excess plan is determined using the same actuarial methods and assumptions as those used for our qualified pension plan. The assets for the excess plan aggregate $832,000 and $820,000 as of June 30, 2015 and December 31, 2014, respectively, and are recorded in other assets in our consolidated balance sheets (see NOTE 7 Fair Value Measurements).

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

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Interest cost	$ 130,000	$ 119,000	$ 260,000	$ 237,000
Expected return on plan assets	(161,000)	(154,000)	(322,000)	(307,000)
Recognized net actuarial loss	31,000	15,000	62,000	30,000
	$	$ (20,000)	$	$ (40,000)

We made no contributions to our defined benefit pension plans during the six months ended June 30, 2015. We do not expect to contribute to our defined benefit pension plans in 2015. We contributed $8,000 to our defined benefit pension plans during the three and six-month periods ended June 30, 2014.

We also maintain a non-elective, non-qualified supplemental executive retirement plan (SERP) which provides deferred compensation to certain highly compensated employees that approximates the value of benefits lost by the freezing of the pension plan which are not offset by our enhanced matching 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 the three and six-month periods ended June 30, 2015 and 2014, we recorded expenses of $18,000 and $35,000, and $18,000 and $35,000, respectively, related to the SERP. During the six-month periods ended June 30, 2015 and 2014, we contributed $72,000 and $65,000 to the plan, respectively. The liability for pension benefits was $36,000 and $73,000 as of June 30, 2015 and December 31, 2014, respectively.

We maintain a defined contribution 401(k) plan that permits participation by substantially all employees. Our matching contributions to the 401(k) plan were $35,000 and $63,000, and $34,000 and $60,000 in the three and six-month periods ended June 30, 2015 and 2014, respectively.

NOTE 6 Stockholders Equity

Changes in the components of stockholders equity are as follows (in thousands):

	Common Stock	Class A Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss
Balance at December 31, 2014	$ 1,812	$ 1,851	$ 101,508	$ (53,749)	$ (3,327)
Net earnings				2,890	
Issuance of restricted stock awards, net of forfeitures	15		(15)		
Stock-based compensation			196		
Repurchase and retirement of common stock	(5)		(116)		
Unrealized gain on available-for-sale securities, net of income tax expense of $3					4
					38

Change in net actuarial loss and prior service cost, net of income tax expense of $25					
Excess tax benefit on restricted stock			49		
Balance at June 30, 2015	$ 1,822	$ 1,851	$ 101,622	$ (50,859)	$ (3,285)

As of June 30, 2015 and December 31, 2014, accumulated other comprehensive loss, net of income taxes, consists of the following:

	June 30, 2015	December 31, 2014
Net actuarial loss and prior service cost not yet recognized in net periodic benefit cost, net of income tax benefit of $2,298,000 and $2,323,000, respectively	$ (3,349,000)	$ (3,387,000)
Accumulated unrealized gain on available-for-sale securities, net of income tax expense of $46,000 and $43,000, respectively	64,000	60,000
Accumulated other comprehensive loss	$ (3,285,000)	$ (3,327,000)

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 six months ended June 30, 2014, we purchased and retired 13,950 shares of our outstanding common stock at an average purchase price of $2.27 per share, not including nominal brokerage commissions. No purchases of our equity securities were made pursuant to this authorization during the six months ended June 30, 2015. At June 30, 2015, we had remaining repurchase authority of 1,178,131 shares.

We had a stock incentive plan, adopted in 2004, which provided for the grant of up to 1,500,000 shares of common stock to our officers and key employees through stock options and/or awards valued in whole or in part by reference to our common stock, such as nonvested restricted stock awards. Under the plan, nonvested restricted stock vests an aggregate of twenty percent each year beginning on the second anniversary date of the grant. The aggregate market value of the nonvested restricted stock at the date of issuance is being amortized on a straight-line basis over the six-year period. We granted 151,000 stock awards under this plan during the six months ended June 30, 2014. This plan expired on January 27, 2014; therefore, no further grants of stock options or stock awards can be made under this plan.

On January 29, 2014, our board of directors adopted a new stock incentive plan. The plan was approved by our shareholders on April 23, 2014. The plan 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. Terms of the plan are similar to the 2004 plan discussed above. We granted 153,000 stock awards under this plan during the six months ended June 30, 2015. As of June 30, 2015, there were 1,848,626 shares available for granting options or stock awards.

During the six months ended June 30, 2015 and 2014, we purchased and retired 49,078 and 40,210 shares of our outstanding common stock at an average purchase price of $2.46 and $2.41 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 vested in satisfaction of their tax liability. The surrender of these shares is treated by us as a purchase of the shares.

NOTE 7 Fair Value Measurements

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

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

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

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

The following table summarizes the valuation of our financial instrument pricing levels as of June 30, 2015 and December 31, 2014:

	Total	Level 1	Level 2	Level 3
June 30, 2015				
Available-for-sale securities	$ 832,000	$ 832,000		