TELEPHONE & DATA SYSTEMS INC /DE/
Form DEF 14A
August 31, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material under §240.14a-12

Telephone and Data Systems, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

ý No fee required.

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(1) Amount Previously Paid:

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(3) Filing Party:

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TELEPHONE AND DATA SYSTEMS, INC.

30 North LaSalle Street, 40th Floor
Chicago, Illinois 60602
312-630-1900

August 31, 2011

Dear Fellow Shareholders:

You are cordially invited to attend a Special Meeting of Shareholders of Telephone and Data Systems, Inc., which we refer to as "TDS," to be held on Thursday, October 6, 2011, at 2:00 p.m. Chicago time, on the 4th floor of the Standard Club, 320 S. Plymouth Court, Chicago, Illinois. The formal notice of the meeting and a Proxy Statement are enclosed.

At the Special Meeting, you are being asked to vote on important proposals to amend the TDS Restated Certificate of Incorporation to improve and simplify the capital structure of TDS. The changes to the TDS Restated Certificate of Incorporation would involve:

(a) an amendment to reclassify the Special Common Shares (on a one-for-one basis) as, and thereby consolidate such shares as one class with, the Common Shares;

(b) an amendment to provide that the percentage voting power in matters other than the election of directors of the Series A Common Shares and of the Common Shares (including the Special Common Shares that have been reclassified as Common Shares) would be set at the aggregate percentage voting power of the Series A Common Shares and Common Shares immediately prior to the effective time of the foregoing reclassification and consolidation, which as of June 30, 2011 was approximately 56.7% and 43.3%, respectively, subject to adjustment for net changes in the number of outstanding Series A Common Shares between the date of such reclassification and consolidation and subsequent record dates for shareholder votes; and

(c) an amendment to eliminate obsolete and inoperative provisions relating to tracking stock (which have never been issued) and series of Preferred Shares that are no longer outstanding.

As a result of the share consolidation described in item (a), there will be only one publicly-traded class of stock, which will eliminate the discount in the market price of the Special Common Shares in relation to the Common Shares. TDS believes this will have several benefits, including facilitating certain of the following purposes, (i) consolidate the public float and increase the market liquidity of the publicly-traded shares of TDS (due to an anticipated increase in the trading volume of the consolidated common stock), (ii) reduce economic dilution that occurs from the issuance of Special Common Shares that trade at a discount to the market price of the Common Shares, (iii) increase flexibility for the issuance of shares of common stock for possible financings, acquisitions or other transactions, (iv) allow for easier analysis and valuation of the single class of publicly-traded common stock, (v) increase the market recognition of the value of TDS, (vi) simplify the TDS capital structure and reduce investor and employee confusion regarding two publicly-traded classes of capital stock, and (vii) simplify the planning and execution of TDS' open market stock repurchase program and its employee compensation activities.

The Common Shares are currently listed on the New York Stock Exchange under the symbol "TDS" and the Special Common Shares are currently listed on the New York Stock Exchange under the symbol "TDS.S." If the reclassification is approved and becomes effective, the Special Common Shares will cease to be outstanding and cease to trade and will be reclassified as Common Shares, which will continue to trade on the New York Stock Exchange under the symbol "TDS," as discussed more fully in the enclosed Proxy Statement.

TDS views the above proposals as a way to achieve the objectives that were intended to be achieved from the distribution of Special Common Shares in 2005 but that, due to various factors described in the accompanying Proxy Statement, were not achieved by the 2005 distribution.

Because the Common Shares and Special Common Shares have substantially identical economic rights, the relative economic ownership interest of each holder of Special Common Shares and Common Shares will be the same immediately after the reclassification and consolidation becomes effective as it was immediately prior thereto.

Citigroup Global Markets Inc., which we refer to as "Citi," is acting as financial advisor to TDS in connection with the foregoing proposals. The TDS board of directors has studied the proposals, has consulted with its financial and legal advisors, and has carefully weighed potential advantages against potential disadvantages, and has concluded that the potential advantages of the proposals outweigh potential disadvantages. In evaluating the reclassification of all outstanding Special Common Shares as Common

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Shares, the TDS board of directors received and considered the opinion of Citi to the effect that, as of the date of the opinion, and based upon and subject to the considerations and limitations set forth therein, Citi's work described in the enclosed Proxy Statement and other factors Citi deemed relevant, the reclassification ratio of one-for-one was fair from a financial point of view to both the holders of Common Shares and the holders of Special Common Shares (solely in their capacity as holders of the Common Shares or holders of the Special Common Shares, as the case may be, and disregarding any interest any holder of Common Shares or Special Common Shares, as the case may be, may have in any other equity securities of TDS), as described in the enclosed Proxy Statement and in the opinion attached to the enclosed Proxy Statement.

In addition, the independent directors of TDS have retained Credit Suisse Securities (USA) LLC, which we refer to as "Credit Suisse," to act as their financial advisor and have retained independent legal counsel in connection with the foregoing proposals.

Subject to shareholder approvals and certain other conditions, shortly after the Special Meeting, the TDS board of directors expects to approve the filing of the proposed Restated Certificate of Incorporation (attached to the enclosed Proxy Statement) to effect the foregoing amendments.

In addition, the Proxy Statement includes proposals to be considered at the Special Meeting to adopt or amend certain compensation plans related to the foregoing proposals.

TDS also is asking shareholders to authorize an adjournment of the Special Meeting if deemed appropriate to continue to solicit shareholder support for the proposals.

The TDS board of directors, including the independent directors, has unanimously approved the proposals, believes that the adoption of such proposals is in the best interests of TDS and holders of each class of its outstanding shares of capital stock and unanimously recommends that you vote "FOR" such proposals.

YOUR PROXY IS VERY IMPORTANT. The trustees of the Voting Trust, which holds a majority of the voting power of all shares of capital stock of TDS (the "TDS Voting Trust"), have advised TDS that they intend to vote FOR the foregoing proposals. However, because the TDS Voting Trust and its trustees and beneficiaries have an interest in the implementation of the proposals and related transactions as discussed in the enclosed Proxy Statement, the TDS board of directors has also determined to voluntarily submit the share consolidation amendment described in item (a) above and the vote amendment described in item (b) above for ratification and approval by a majority of the outstanding Common Shares and Special Common Shares (excluding shares held by the TDS Voting Trust and certain other persons affiliated with TDS), each voting separately as a class. **Accordingly, please sign and mail your proxy in the enclosed self-addressed envelope or vote by proxy on the Internet or by phone in accordance with the instructions set forth on the proxy card(s)**.

YOU SHOULD RETAIN ALL CERTIFICATES WHICH REPRESENT TDS SHARES BECAUSE COMMON SHARE CERTIFICATES WILL CONTINUE TO REPRESENT COMMON SHARES, AND SPECIAL COMMON SHARE CERTIFICATES WILL REPRESENT COMMON SHARES IF THE PROPOSALS ARE APPROVED AND BECOME EFFECTIVE, AND WILL CONTINUE TO REPRESENT SPECIAL COMMON SHARES IF THE PROPOSALS ARE NOT APPROVED OR DO NOT BECOME EFFECTIVE FOR ANY REASON.

This Notice of Special Meeting and Proxy Statement is first being mailed to shareholders on or about September 1, 2011 to holders of record on August 18, 2011.

If you have any questions, please call TDS' information agent, MacKenzie Partners, Inc., at 1-800-322-2885. We look forward with pleasure to visiting with you at the Special Meeting.

Very truly yours,

Walter C.D. Carlson	LeRoy T. Carlson, Jr.
Chairman of the Board	President and Chief Executive Officer

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NOTICE OF SPECIAL MEETING OF SHAREHOLDERS AND IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON

October 6, 2011

TO THE SHAREHOLDERS OF

TELEPHONE AND DATA SYSTEMS, INC.

A Special Meeting of Shareholders of Telephone and Data Systems, Inc., a Delaware corporation, which we refer to as "TDS," will be held on the 4th floor of the Standard Club, 320 S. Plymouth Court, Chicago, Illinois, on Thursday, October 6, 2011, at 2:00 p.m. Chicago time (the "Special Meeting"), for the following purposes:

1. To consider and approve an amendment, which we refer to as the "Share Consolidation Amendment," to the Restated Certificate of Incorporation of TDS, which we refer to as the "TDS Charter," to reclassify the Special Common Shares (on a one-for-one basis) as, and thereby consolidate such shares as one class with, the Common Shares, which we refer to as the "Share Consolidation," including the reclassification of all outstanding Special Common Shares as Common Shares and the consolidation of the 165,000,000 authorized Special Common Shares with the 100,000,000 authorized Common Shares, for a consolidated total of 265,000,000 authorized Common Shares, as more fully described in the accompanying Proxy Statement, by the statutory votes required pursuant to Section 242(b) of the Delaware General Corporation Law as described in the enclosed Proxy Statement. We refer to Proposal 1 as the "Share Consolidation Amendment Statutory Vote."

2. To ratify and approve the Share Consolidation Amendment, and the TDS board of directors' decision to approve such amendment, based on a non-waivable condition voluntarily established by the TDS board of directors, by (i) approval by a majority of the outstanding Common Shares (excluding Common Shares held by Affiliated Persons (as defined below)), voting separately as a class, and (ii) approval by a majority of the outstanding Special Common Shares (excluding Special Common Shares held by Affiliated Persons), voting separately as a class. We refer to Proposal 2 as the "Share Consolidation Amendment Ratification Vote."

3. To consider and approve an amendment, which we refer to as the "Vote Amendment," to the TDS Charter to fix the total percentage voting power of the Series A Common Shares, on the one hand, and Common Shares, on the other hand, in matters other than the election of directors at the aggregate percentage of the voting power of the Series A Common Shares and Common Shares, respectively, immediately prior to the effective time of the foregoing reclassification, subject to adjustment due to changes in the number of outstanding Series A Common Shares, as more fully described in the accompanying Proxy Statement, by the statutory votes required pursuant to Section 242(b) of the Delaware General Corporation Law as described in the enclosed Proxy Statement. We refer to Proposal 3 as the "Vote Amendment Statutory Vote."

4. To ratify and approve the Vote Amendment, and the TDS board of directors' decision to approve such amendment, based on a non-waivable condition voluntarily established by the TDS board of directors, by (i) approval by a majority of the outstanding Common Shares (excluding Common Shares held by Affiliated Persons), voting separately as a class, and (ii) approval by a majority of the outstanding Special Common Shares (excluding Special Common Shares held by Affiliated Persons), voting separately as a class. We refer to Proposal 4 as the "Vote Amendment Ratification Vote."

5. To consider and approve a proposal to amend and restate the TDS Charter, which we refer to as the "Ancillary Amendment," to eliminate obsolete and inoperative provisions relating to series of Preferred Shares that are no longer outstanding and relating to Tracking Stock, which has never been issued and which the TDS board of directors no longer has any intention of issuing, as more fully described in the accompanying Proxy Statement, by the statutory votes required pursuant to Section 242(b) of the Delaware General Corporation Law as described in the enclosed Proxy Statement.

6.

To consider and approve the adoption of a new Telephone and Data Systems, Inc. 2011 Long-Term Incentive Plan, which we refer to as the "Incentive Plan Adoption," related to the Share Consolidation Amendment, as more fully described in the accompanying Proxy Statement, by the vote described below.

7.

To consider and approve an amendment and restatement of the Telephone and Data Systems, Inc. Compensation Plan for Non-Employee Directors, which we refer to as the "Director Plan

Amendment," related to the Share Consolidation, as more fully described in the accompanying Proxy Statement, by the vote described below.

8. To approve a proposal to adjourn the Special Meeting, if needed, to solicit additional votes in favor of Proposals 1, 2, 3 and 4, as more fully described in the accompanying Proxy Statement, by the vote described below.

9. To transact such other business as may properly be brought before the Special Meeting or any and all adjournments thereof by or at the direction of the TDS board of directors.

The approval of each of Proposals 6, 7 and 8 will require the affirmative vote of the holders of stock having a majority of the votes which could be cast by the holders of the Common Shares, Preferred Shares and Series A Common Shares voting together as a single group and entitled to vote on such proposal and present in person or represented by proxy at the Special Meeting.

The TDS board of directors unanimously recommends a vote **"FOR"** each of the proposals. As disclosed in the enclosed Proxy Statement, certain proposals are conditioned on the approval of other proposals.

For purposes of the foregoing votes, "Affiliated Persons" means the TDS Voting Trust, members of the Carlson family who are shareholders of TDS, and directors and executive officers of TDS. Such persons are identified below under "Security Ownership of Certain Beneficial Owners and Management Security Ownership of Management."

The close of business on August 18, 2011 is the record date for the determination of shareholders entitled to notice of, and to vote at, the Special Meeting or any adjournments or postponements thereof.

This Notice of Special Meeting and Proxy Statement is first being mailed to shareholders on or about September 1, 2011 to holders of record on August 18, 2011.

The TDS board of directors would like to have all shareholders represented at the Special Meeting. Whether or not you intend to be present at the meeting, please sign and mail your proxy in the enclosed self-addressed envelope to Computershare Trust Company, N.A., P.O. Box 43126, Providence, Rhode Island 02940-5138, or vote by proxy on the Internet or by phone in accordance with the instructions set forth on the proxy card. If you hold more than one class of TDS shares, you will find enclosed a separate proxy card for each holding. To assure that all your shares are represented, please vote by proxy on the Internet or by phone or return the enclosed proxy card(s).

Proxies given pursuant to this solicitation may be revoked at any time prior to the voting of the shares at the Special Meeting (by written notice to the Secretary of TDS, by submitting a later dated proxy or by attendance and voting in person at the Special Meeting).

The following additional information is being provided as required by rules of the Securities and Exchange Commission:

This notice and the enclosed Proxy Statement are available at *www.teldta.com* under Investor Relations Proxy Vote, or at *www.teldta.com/*proxyvote.

The following items have been posted to this web site:

1. Proxy Statement for the Special Meeting

2. Forms of Proxy Cards

Any control/identification numbers that you need to vote are set forth on your proxy card(s) if you are a record holder, or on your voting instruction card if you hold shares through a broker, dealer or bank.

The location where the Special Meeting will be held is the Standard Club in Chicago, Illinois. This is located in the Chicago Loop area between Jackson Boulevard and Van Buren Street at 320 South Plymouth Court, which is between State Street and Dearborn Street.

By order of the Board of Directors,

Kevin C. Gallagher
Vice President and Corporate Secretary

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TELEPHONE AND DATA SYSTEMS, INC.

PROXY STATEMENT

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QUESTIONS AND ANSWERS

The following provides information about this document, the Special Meeting and the proposals to be considered at the Special Meeting in question and answer format. These questions and answers may not address all questions that may be important to you. Please refer to the more detailed information contained elsewhere in this Proxy Statement, the attachments to this Proxy Statement and the documents referred to in this Proxy Statement, as indicated below. You may obtain the information incorporated by reference in this Proxy Statement without charge by following the instructions under "Where You Can Find More Information" below.

The Special Meeting

Why am I receiving this document?

This document constitutes a Proxy Statement and is being furnished to the shareholders of Telephone and Data Systems, Inc., a Delaware corporation, which we refer to as "TDS," in connection with the solicitation of proxies by the board of directors of TDS, which we refer to as the "TDS Board," for use at a Special Meeting of Shareholders of TDS and at any and all adjournments or postponements thereof.

This Notice of Special Meeting and Proxy Statement is first being mailed to shareholders on or about September 1, 2011 to holders of record on August 18, 2011.

When and where will the Special Meeting be held?

The Special Meeting will be held on Thursday, October 6, 2011, at 2:00 p.m. Chicago time, on the 4th floor of the Standard Club, 320 S. Plymouth Court, Chicago, Illinois.

What is the record date for the meeting?

The close of business on August 18, 2011 is the record date for the determination of shareholders entitled to notice of, and to vote at, the Special Meeting or any adjournments or postponements thereof.

A complete list of shareholders entitled to vote at the Special Meeting will be kept open at the offices of TDS, 30 North LaSalle Street, 40th Floor, Chicago, Illinois 60602, for examination by any shareholder for purposes germane to the meeting for a period of at least ten days before the Special Meeting.

What does the proxy authorize?

The TDS Board is seeking the proxy of the holders of Special Common Shares, Common Shares, Series A Common Shares and Preferred Shares to vote in favor of the proposals listed above in the Notice of the Special Meeting.

The enclosed proxy also confers discretionary authority for matters incident to the conduct of the meeting.

What do I need to do now?

If you do not expect to be present and vote in person at the Special Meeting, please sign and mail your proxy in the enclosed self-addressed envelope to Computershare Trust Company, N.A., P.O. Box 43126, Providence, Rhode Island 02940-5138, or vote by proxy on the Internet or by phone in accordance with the instructions on the proxy card.

Proxies given pursuant to this solicitation may be revoked at any time prior to the closing of polls at the Special Meeting (by written notice to the Secretary of TDS, by submitting a later dated proxy or by attendance and voting in person at the Special Meeting). Once the polls are closed, however, proxies may not be retroactively revoked.

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Summary of The Proposals

What will be considered at the Special Meeting?

At the Special Meeting, you will be asked to consider and vote upon the proposals listed above in the Notice of the Special Meeting and described below.

The Share Consolidation Amendment, the Vote Amendment and the Ancillary Amendment are referred to collectively as the "Charter Amendments."

The Incentive Plan Adoption and the Director Plan Amendment are referred to collectively as the "Plan Adoption and Amendment."

In addition, as described under "Other Proposal" below, TDS is seeking authority to adjourn the Special Meeting if needed to solicit more votes for the Share Consolidation Amendment in Proposals 1 and 2 or the Vote Amendment in Proposals 3 and 4, which we refer to as the "Adjournment Proposal."

See "Proposals" below.

What does the TDS Board recommend?

The TDS Board, including the independent directors, has unanimously approved each proposal, believes that the adoption of each proposal is in the best interests of TDS and its shareholders and unanimously recommends that you vote **"FOR"** each of the foregoing proposals.

See "Proposals Charter Amendments Charter Amendments Generally Background and Reasons for the Charter Amendments and Related Transactions; Recommendation of the TDS Board."

What is the Share Consolidation Amendment in Proposals 1 and 2?

The Share Consolidation Amendment is a proposed amendment to the TDS Charter to reclassify the Special Common Shares (on a one-for-one basis) as, and thereby consolidate such shares as one class with, the Common Shares. This amendment would reclassify all outstanding Special Common Shares as Common Shares and also consolidate the 165,000,000 authorized Special Common Shares with the 100,000,000 authorized Common Shares, for a consolidated total of 265,000,000 authorized Common Shares. The Share Consolidation Amendment will also eliminate from the TDS Charter provisions relating to the Special Common Shares, because they would be reclassified and consolidated with Common Shares.

Proposals 1 and 2 each relate to the Share Consolidation Amendment. Proposal 1 represents the statutory votes required by Delaware law for the Share Consolidation Amendment. In addition, although not required to do so by law, regulation or otherwise, the TDS Board voluntarily determined to make the Share Consolidation Amendment, and the TDS Board's decision to approve such amendment, subject to a non-waivable condition requiring approval and ratification by (i) a majority of the outstanding Common Shares (excluding Common Shares held by Affiliated Persons), voting separately as a class, and (ii) a majority of the outstanding Special Common Shares (excluding Special Common Shares held by Affiliated Persons), voting separately as a class. This is being submitted for separate votes in Proposal 2.

See "Proposal 1 Share Consolidation Amendment Statutory Vote" and "Proposal 2 Share Consolidation Amendment Ratification Vote" under "Proposals Charter Amendments" below.

What is the Vote Amendment in Proposals 3 and 4?

The Vote Amendment is a proposed amendment to the TDS Charter to set the percentage voting power of the Series A Common Shares and Common Shares in matters other than the election of directors at the aggregate percentage voting power of the Series A Common Shares and Common Shares immediately prior to the effective time of the Charter Amendments, subject to adjustment due to subsequent changes in the number of outstanding Series A Common Shares, as discussed below.

The Vote Amendment would set the percentage voting power in matters other than the election of directors of the Series A Common Shares and Common Shares at the aggregate percentage of the

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voting power that such shares have immediately prior to the effective time of the Charter Amendments. For instance, the voting power of the Series A Common Shares and Common Shares in matters other than the election of directors was approximately 56.7% and 43.3%, respectively, as of June 30, 2011. Thus, if the transactions occurred as of June 30, 2011, the voting power in matters other than the election of directors of the Series A Common Shares initially would be set at about 56.7% of the total voting power of the common stock, and the voting power of the Common Shares initially would be set at about 43.3% of the total voting power of the common stock. The Series A Common Shares would continue to have ten votes per share. Accordingly, in order to achieve such aggregate percentage voting power, the per share voting power of the Common Shares would "float" and be redetermined on the record date for each shareholder vote. However, these initial percentages could be adjusted under certain circumstances as discussed below, except that the aggregate voting percentage of the Series A Common Shares could not increase above 56.7% based on shares outstanding on June 30, 2011.

Proposals 3 and 4 each relate to the Vote Amendment. Proposal 3 represents the statutory votes required by Delaware law for the Vote Amendment. Also, although not required to do so by law, regulation or otherwise, the TDS Board voluntarily determined to make the Vote Amendment, and the TDS Board's decision to approve such amendment, subject to a non-waivable condition requiring approval by (i) a majority of the outstanding Common Shares (excluding Common Shares held by Affiliated Persons), voting separately as a class, and (ii) a majority of the outstanding Special Common Shares (excluding Special Common Shares held by Affiliated Persons), voting separately as a class. This is being submitted for separate votes in Proposal 4.

See "Proposal 3 Vote Amendment Statutory Vote" and "Proposal 4 Vote Amendment Ratification Vote" under "Proposals Charter Amendments" below.

What is the Ancillary Amendment in Proposal 5?

The Ancillary Amendment is a proposed amendment of the TDS Charter to eliminate obsolete and inoperative provisions relating to series of Preferred Shares that are no longer outstanding and relating to Tracking Stock, which has never been issued and which the TDS Board no longer has any intention of issuing.

See "Proposals Charter Amendments Proposal 5 Ancillary Amendment."

What is the Plan Adoption and Amendment in Proposals 6 and 7?

The Plan Adoption and Amendment is comprised of the Incentive Plan Adoption and the Director Plan Amendment. The Telephone and Data Systems, Inc. 2004 Long-Term Incentive Plan and the Telephone and Data Systems, Inc. Compensation Plan for Non-Employee Directors currently provide for the issuance of Special Common Shares (in the case of the Telephone and Data Systems, Inc. 2004 Long-Term Incentive Plan, in addition to Common Shares). Because the Share Consolidation Amendment would reclassify Special Common Shares as Common Shares, the Plan Adoption and Amendment is being proposed in order to adopt the Telephone and Data Systems, Inc. 2011 Long-Term Incentive Plan to provide solely for the issuance of Common Shares and to amend the Telephone and Data Systems, Inc. Compensation Plan for Non-Employee Directors to eliminate provisions relating to the Special Common Shares and provide for the issuance of Common Shares, in each case if the Charter Amendments become effective.

See "Proposals Plan Adoption and Amendment."

What is the Adjournment Proposal in Proposal 8?

The Adjournment Proposal is a proposal to permit TDS to adjourn the Special Meeting, if needed, to solicit additional proxies if there are insufficient votes at the time of the Special Meeting to approve Proposal 1, 2, 3 or 4.

See "Proposals Other Proposal."

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What are the federal income tax consequences of the Charter Amendments?

No gain or loss will be recognized for federal income tax purposes by any of the holders of Special Common Shares or Common Shares upon the reclassification of Special Common Shares as Common Shares pursuant to the Share Consolidation Amendment or as a result of the Vote Amendment or Ancillary Amendment.

See "Proposals Charter Amendments Federal Income Tax Consequences" for a more complete discussion of the federal income tax consequences of the Charter Amendments. You are strongly urged to consult your tax advisor as to the specific tax consequences to you of the Charter Amendments, including the application of federal, state, local and foreign income and other tax laws based on your particular facts and circumstances.

Will the Common Shares be listed on a securities exchange following the Share Consolidation and related transactions?

The Common Shares are currently listed on the New York Stock Exchange ("NYSE") under the symbol "TDS" and the Special Common Shares are currently listed on the NYSE under the symbol "TDS.S."

If the Share Consolidation takes place, the Special Common Shares will cease to be outstanding or be traded and will become Common Shares, and the Common Shares will continue to trade on the NYSE under the listing symbol "TDS."

No public market exists for the Preferred Shares or the Series A Common Shares and this will not change. However, currently, the Series A Common Shares are convertible on a share-for-share basis into Common Shares or Special Common Shares. If the Share Consolidation takes place, the Series A Common Shares will continue to be convertible into Common Shares, but will no longer be convertible into Special Common Shares, because such shares will no longer be outstanding or be authorized.

The NYSE has advised TDS that the Charter Amendments would not violate Section 313 of the NYSE Listed Company Manual, which relates to voting rights of listed classes of stock.

See "Proposals Charter Amendments Charter Amendments Generally Listing on the New York Stock Exchange."

Will there be any change in operations or business as a result of the Charter Amendments?

No. There will be no changes in the operations or business of TDS as a result of the Charter Amendments. The Charter Amendments will only result in amendments to the TDS Charter.

See "Proposals Charter Amendments."

What will happen if the Charter Amendments become effective?

The following describes the anticipated effects on holders of Common Shares and Special Common Shares if the Charter Amendments become effective.

The following illustration assumes that you own 100 Special Common Shares.

Shares: In the Share Consolidation, your 100 Special Common Shares would become 100 Common Shares.

Votes for Directors: The 100 Common Shares would have 100 votes, the same as the 100 Special Common Shares prior to the Share Consolidation, in the election of 25% of the directors plus one additional director (or a total of four directors based on the current TDS Board size of twelve directors).

Votes for Other Matters: Although the Special Common Shares currently do not have a vote in matters other than the election of directors, the 100 Common Shares into which such Special Common Shares are reclassified would, as Common Shares, vote in the election of directors and on all other matters. On matters other than the election of directors, the votes of the 100 shares

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would float so that the total voting power of all Common Shares after the Charter Amendments are effective would equal approximately 43.3% of the total voting power of all outstanding shares of common stock in matters other than the election of directors, based on shares outstanding on June 30, 2011, subject to adjustment based on changes in the outstanding Series A Common Shares as discussed below. As a result of the reclassification of all outstanding Special Common Shares as Common Shares in the Share Consolidation, the initial per share voting power of each Common Share in matters other than the election of directors would be about 0.5 votes per share. Accordingly, such 100 Special Common Shares, which currently do not vote in matters other than the election of directors, would initially have about 50 votes in matters other than the election of directors after they are reclassified as 100 Common Shares in the Share Consolidation, and thereafter would have voting power that would float depending on the number of outstanding Common Shares and Series A Common Shares, as discussed below.

Dividends: Subject to declaration or change in the per share dividend rate by the TDS Board, you would continue to receive an aggregate quarterly cash dividend of $11.75 with respect to such 100 Common Shares, which is the amount of the aggregate quarterly dividend a holder of 100 Special Common Shares currently receives, based on the current quarterly dividend rate of $0.1175 per share. See "Dividend Policy" for the TDS Board's policy with respect to dividends and certain risks related to the payment of dividends.

NYSE: The Common Shares would continue to be traded on the NYSE under the symbol "TDS." The Special Common Shares would cease to trade on the NYSE after they are reclassified as Common Shares in the Share Consolidation because they would no longer be outstanding.

The following illustration assumes that you own 100 Common Shares.

Shares: After the Share Consolidation, your 100 Common Shares would continue to be 100 Common Shares.

Votes for Directors: The 100 Common Shares would continue to have 100 votes in the election of 25% of the directors plus one additional director (or a total of four directors based on the current TDS Board size of twelve directors).

Votes for Other Matters: The 100 Common Shares would also continue to vote on matters other than the election of directors. However, the Common Shares would no longer have one vote per share in such matters. Instead, the votes of the Common Shares would float so that the total voting power of all Common Shares after the Charter Amendments are effective would equal approximately 43.3% of the total voting power of all outstanding shares of common stock in matters other than the election of directors, based on shares outstanding on June 30, 2011, subject to adjustment based on changes in the outstanding Series A Common Shares as discussed below. As a result of the reclassification of all outstanding Special Common Shares as Common Shares in the Share Consolidation, the initial per share voting power of each Common Share would be about 0.5 votes per share. Accordingly, the total voting power of such 100 Common Shares would initially decline from 100 votes to about 50 votes in matters other than the election of directors after the Charter Amendments are effective and thereafter would have voting power that would float depending on the number of outstanding Common Shares and Series A Common Shares, as discussed below.

Dividends: Subject to declaration or change in the per share dividend rate by the TDS Board, you would continue to receive an aggregate quarterly cash dividend of $11.75 with respect to such 100 Common Shares, which is the amount of the aggregate quarterly dividend a holder of 100 Common Shares currently receives based on the current quarterly dividend rate of $0.1175 per share. See "Dividend Policy" for the TDS Board's policy with respect to dividends and certain risks related to the payment of dividends.

NYSE: The Common Shares would continue to be traded on the NYSE under the symbol "TDS."

See "Proposals Charter Amendments."

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What will happen to TDS' stock-based awards?

Outstanding options to purchase Special Common Shares, restricted stock units for Special Common Shares and other awards with respect to Special Common Shares issued under the TDS long-term incentive plan will be converted into options, restricted stock units and other awards for the same number of Common Shares upon the same terms as in effect before the Share Consolidation. Options and other stock awards relating to tandem Common Shares and Special Common Shares will be converted into options or other stock awards with respect to Common Shares upon the same terms as in effect before the Share Consolidation. As a result, if the market price of the Common Shares after the Charter Amendments are effective exceeds the market price of the Special Common Shares prior to the effective date of the Charter Amendments, this would result in an increase in value to all holders of such stock options, restricted stock units and other awards. Thus, the Charter Amendments could provide a benefit to all officers and employees who hold stock options, restricted stock units or other stock awards with respect to Special Common Shares. However, there is no assurance that this will occur and no assurance as to the price of the Common Shares if the Charter Amendments become effective.

There will be no changes to outstanding options to purchase Common Shares or other stock awards with respect to Common Shares, including the Common Share portion of tandem options and stock awards.

Also, in connection with the Charter Amendments, TDS is asking shareholders to approve the Telephone and Data Systems, Inc. 2011 Long-Term Incentive Plan as discussed in Proposal 6, which would replace the existing 2004 Long-Term Incentive Plan, which would be terminated with respect to new awards.

In addition, the Telephone and Data Systems, Inc. Compensation Plan for Non-Employee Directors would be amended and restated, as discussed under Proposal 7.

See "Proposals Charter Amendments Charter Amendments Generally Equity Based Compensation Plans."

When will all of this take place?

If shareholders approve the Charter Amendments, and subject to certain other conditions discussed below, the Charter Amendments are anticipated to become effective shortly after the Special Meeting.

Nevertheless, even if shareholders approve the Share Consolidation Amendment and Vote Amendment and related transactions, the TDS Board would not be required to effect, and could determine not to effect, the Share Consolidation Amendment and Vote Amendment. In such event, the TDS Board could determine to take no action or to pursue other action. If shareholders approve the proposals, the TDS Board will have a period of up to one year from the date of shareholder approval to effect the transactions. TDS currently does not know of any reason why the Charter Amendments would not be completed if all of the conditions are satisfied. If the TDS Board determines not to effect the Charter Amendments, TDS will issue a press release and file a Current Report on Form 8-K with the Securities and Exchange Commission ("SEC") announcing the decision.

See "Proposals Charter Amendments."

How will shares of capital stock vote after the Charter Amendments?

After the effectiveness of the Charter Amendments, holders of Common Shares (with one vote per share) will continue to vote in the election of 25% of the directors (rounded up) plus one director (or four of the twelve present directors). The holders of Series A Common Shares and Preferred Shares, voting as a group, will continue to elect the remaining directors (eight out of twelve present directors) who are not elected by the holders of Common Shares.

Actions submitted to a vote of shareholders other than the election of directors will continue to be voted on by holders of Common Shares, Series A Common Shares and Preferred Shares unless otherwise required by law or regulation. In such vote, holders of Common Shares will no longer have one vote per share. Instead, the votes of the Common Shares would float so that the total voting power of all Common Shares after the effective time of the Charter Amendments would equal approximately 43.3%, based on shares outstanding on June 30, 2011, subject to increase based on changes in the outstanding Series A Common Shares as discussed below. As a result of the reclassification of all outstanding Special Common Shares as Common Shares in the Share Consolidation, the initial per share voting power of each Common Share would be about 0.5 votes per share and thereafter would have voting power that would float depending on the number of outstanding Common Shares and Series A Common Shares, as discussed below.

See "Proposal 3 Vote Amendment Statutory Vote" and "Proposal 4 Vote Amendment Ratification Vote" under "Proposals Charter Amendments" below.

What are the reasons and potential advantages of the Charter Amendments?

The TDS Board believes that the Charter Amendments may enable TDS to benefit in a variety of ways.

As a result of the Share Consolidation Amendment, there will be only one publicly-traded class of stock, which will eliminate the discount in the market price of the Special Common Shares in relation to the Common Shares. TDS believes this will have several benefits, including facilitating certain of the following purposes, (i) consolidate the public float and increase the market liquidity of the publicly-traded shares of TDS (due to an anticipated increase in the trading volume of the consolidated common stock), (ii) reduce economic dilution that occurs from the issuance of Special Common Shares that trade at a discount to the market price of the Common Shares, (iii) increase flexibility for the issuance of shares of common stock for possible financings, acquisitions or other transactions, (iv) allow for easier analysis and valuation of the single class of publicly-traded common stock, (v) increase the market recognition of the value of TDS, (vi) simplify the TDS capital structure and reduce investor and employee confusion regarding two publicly-traded classes of capital stock, and (vii) simplify the planning and execution of TDS' open market stock repurchase program and its employee compensation activities.

The primary purpose of the Vote Amendment is to set the percentage voting power of the Series A Common Shares and Common Shares in matters other than the election of directors at the aggregate percentage voting power of the Series A Common Shares and Common Shares immediately prior to the effective time of the Charter Amendments (subject to adjustment as discussed herein).

The primary purpose of the Ancillary Amendment is to "clean up" the TDS Charter to remove obsolete and inoperative provisions.

See "Proposals Charter Amendments Charter Amendments Generally Background and Reasons for the Charter Amendments and Related Transactions; Recommendation of the TDS Board Reasons for Approval and Potential Advantages."

Are there any potential disadvantages or risks of the Charter Amendments of which I should be aware?

When evaluating the Charter Amendments and related transactions, shareholders should be aware of certain potential disadvantages and risks.

These potential disadvantages and risks include the following: (i) the Share Consolidation will have different effects on the holders of Common Shares compared to holders of Special Common Shares and may not benefit all shareholders the same or at all; (ii) there is no assurance that the market liquidity of the Common Shares after the Share Consolidation will increase and no assurance that the liquidity will not decrease; (iii) there can be no assurance as to the impact of the Charter Amendments on the market price of the Common Shares, and there is no assurance as to the market price of the Common Shares at any time following the Charter Amendments; (iv) if the Charter Amendments are effected, the vote per share in matters other than the election of directors of the current holders of Common Shares will decline; (v) the TDS Voting Trust, which controls TDS, and other Affiliated Persons, have interests in the Charter Amendments that may be different from, or in addition to, the interests of holders of Common Shares and Special Common Shares other than the Affiliated Persons; (vi) following the effectiveness of the Charter Amendments, the TDS Voting Trust will continue to control TDS and certain anti-takeover provisions in the TDS Charter or otherwise may delay or prevent a future change in control; (vii) the voting power of the TDS Voting Trust in matters other than the election of directors would increase by about 2.7% due to the fact that, in addition to Series A Common Shares, the TDS Voting Trust owns Special Common Shares which would receive the right to vote in matters other than the election of directors; (viii) the financial advisor opinion does not address all aspects of the proposed Charter Amendments and is subject to material qualifications, limitations, assumptions and other factors; and (ix) there is no assurance that the Charter Amendments will become effective and, if they do not become effective, TDS will not benefit from the expenses it has incurred in preparation for the Charter Amendments.

See "Proposals Charter Amendments Charter Amendments Generally Background and Reasons for the Charter Amendments and Related Transactions; Recommendations of the TDS Board Consideration of Potential Disadvantages."

Did TDS receive a fairness opinion from a financial advisor?

In deciding to approve the Charter Amendments, the TDS Board received and considered the opinion of Citi to the effect that, as of the date of the opinion, and based upon and subject to the considerations and limitations set forth therein, Citi's work described below under "Proposals Charter Amendments Charter Amendments Generally Opinion of Financial Advisor" and other factors Citi deemed relevant, the reclassification ratio of one-for-one was fair from a financial point of view to both the holders of Common Shares and the holders of Special Common Shares (solely in their capacity as holders of the Common Shares or holders of the Special Common Shares, as the case may be, and disregarding any interest any holder of Common Shares or Special Common Shares, as the case may be, may have in any other equity securities of TDS). The full text of the written opinion of Citi, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is included in this Proxy Statement as Exhibit B. We urge you to read the opinion in its entirety.

Citi's advisory services and opinion were provided for the information and assistance of the TDS Board in connection with its consideration of the Share Consolidation. Neither Citi's opinion nor the related analyses constituted a recommendation of the proposed Share Consolidation or the proposed reclassification ratio of one-for-one to the TDS Board. Citi's opinion is not intended to be and does not constitute a recommendation, and Citi does not make any recommendation, as to how any holder of TDS shares should vote with respect to the Share Consolidation Amendment or any of the other proposals.

See "Proposals Charter Amendments Charter Amendments Generally Opinion of Financial Advisor."

Did the independent directors of TDS receive financial and legal advice in connection with the Proposals?

In connection with their consideration of the Charter Amendments and related transactions, the independent directors engaged Credit Suisse Securities (USA) LLC, which we refer to as "Credit Suisse," as financial advisor, and Bass, Berry & Sims as legal advisor to the independent directors.

Do certain persons have an interest in the Charter Amendments?

Shareholders are urged to carefully study and consider the Charter Amendments and related transactions in light of the interests of certain persons in the Charter Amendments that are different from the interests of shareholders generally. The TDS Voting Trust and its trustees and beneficiaries have an interest in the Charter Amendments and related transactions that is different than the interests of shareholders generally because the Charter Amendments may facilitate the ability of the TDS Voting Trust to retain voting control of TDS. Certain directors of TDS are trustees and beneficiaries of the TDS Voting Trust.

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The voting power of the TDS Voting Trust on matters other than the election of directors will increase by approximately 2.7% (based on shares outstanding as of June 30, 2011) because the TDS Voting Trust owns a substantial number of Special Common Shares, which will be reclassified as Common Shares in the Share Consolidation. In addition, as a result of the Vote Amendment, future issuances of Common Shares (other than Common Shares issued upon conversion of Series A Common Shares) will not decrease the voting power of the Series A Common Shares held by the TDS Voting Trust, as compared to the aggregate voting power of the Common Shares, with respect to matters other than the election of directors. In comparison, currently the issuance of Common Shares (but not the issuance of Special Common Shares) would decrease the voting power of the Series A Common Shares held by the TDS Voting Trust in matters other than the election of directors. (The foregoing only relates to matters other than the election of directors. There will be no change in voting with respect to the election of directors, except that holders of Special Common Shares will vote as holders of Common Shares rather than holders of Special Common Shares if the Charter Amendments become effective. See descriptions under "Summary Comparison of Current Equity Capitalization with Proposed Capitalization" and "Description of TDS Capital Stock" for information on voting for directors.)

The TDS Voting Trust may also have an interest in the Share Consolidation Amendment that is different than the interests of holders of Common Shares because the TDS Voting Trust does not hold any Common Shares but holds a substantial number of Special Common Shares, which presently have a market price that is less than the market price of the Common Shares. In addition, as noted above, like all holders of Special Common Shares, the TDS Voting Trust's voting power on matters other than the election of directors would increase (by approximately 2.7% based on shares outstanding as of June 30, 2011) due to the reclassification of its Special Common Shares in the Share Consolidation, while the voting power of the pre-Share Consolidation holders of Common Shares will decrease. For the same reasons, executive officers of TDS may have an interest in the proposals because many of them beneficially own and/or have options or other equity awards primarily or solely with respect to Special Common Shares rather than Common Shares. Also, certain directors who are not otherwise interested in the transactions own primarily (or only) Special Common Shares due to the fact that TDS directors are compensated in part through the issuance of Special Common Shares.

As a result of these and other interests, the TDS Board determined it appropriate to voluntarily require, as a non-waivable condition, that the Share Consolidation Amendment and the Vote Amendment, and the actions of the TDS Board in approving and recommending the Charter Amendments to the TDS shareholders, be approved and ratified by (i) a majority of the outstanding Common Shares (excluding Common Shares held by the Affiliated Persons), voting separately as a class, and (ii) a majority of the outstanding Special Common Shares (excluding Special Common Shares held by the Affiliated Persons), voting separately as a class, as discussed below.

Although the approval of the Share Consolidation Amendment and the Vote Amendment by a majority of the outstanding Common Shares and Special Common Shares, each voting as a separate class and in each case excluding Common Shares and Special Common Shares held by the Affiliated Persons, is not required by the rules of the NYSE, Delaware law or the TDS Charter or Bylaws, TDS believes that such approvals may have certain effects under Delaware law. TDS believes that the aforementioned approvals by the Common Shares and Special Common Shares not held by Affiliated Persons would constitute evidence of the fairness of the Share Consolidation Amendment and/or the Vote Amendment in the event of any judicial proceedings, and could cause a court reviewing these transactions to apply a standard of review or burden of proof under Delaware law more favorable to sustaining the Charter Amendments than might apply absent such approvals. TDS believes that the aforementioned approvals of the Share Consolidation Amendment and the Vote Amendment by the Common Shares and Special Common Shares not held by the Affiliated Persons could operate as a ratification of the TDS Board's decision and its process in approving the Share Consolidation Amendment and/or the Vote Amendment and could extinguish some or all legal challenges to or otherwise resulting from the TDS Board's approval of the Share Consolidation Amendment and/or the Vote Amendment or the effectiveness of such amendments.

See "Proposals Charter Amendments Charter Amendments Generally Interests of Certain Persons."

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Are there conditions to the Charter Amendments and others proposals?

As permitted by Delaware law, there are certain conditions to the Charter Amendments and other proposals, as discussed below.

In addition, even if the conditions to the proposals are satisfied, the TDS Board will not be obligated to complete the proposals. As permitted under Delaware law, the TDS Board may determine not to effect the Charter Amendments, even if they are approved by shareholders and all of the other conditions to the Charter Amendments are satisfied. The TDS Board will have a period of up to one year after shareholder approval to effect the transactions. TDS currently does not know of any reason why the Charter Amendments would not be completed if all of the conditions are satisfied. If the TDS Board determines not to effect the Charter Amendments, TDS will issue a press release and file a Current Report on Form 8-K with the SEC announcing the decision.

See "Proposals Charter Amendments Charter Amendments Generally."

What are the conditions to each of the Charter Amendments in Proposals 1, 2, 3, 4 and 5?

As permitted by Delaware law, neither the Share Consolidation Amendment nor the Vote Amendment will be effected if the other is not approved or effected and the Ancillary Amendment will not be effected if either the Share Consolidation Amendment or Vote Amendment is not approved or effected.

In addition, the effectiveness of the Charter Amendments is subject to the following conditions: (i) approval by shareholders of the Charter Amendments, (ii) NYSE approval of the listing of the additional Common Shares that will be outstanding as a result of the Share Consolidation and no change in the NYSE interpretation that the Common Shares will qualify for continued listing after the effectiveness of the Charter Amendments, (iii) receipt of all required approvals and consents, if any, and (iv) no legal prohibition.

See "Proposals Charter Amendments."

What are the conditions to the Plan Adoption and Amendment in Proposals 6 and 7?

As permitted by Delaware law, these proposals are conditioned on the approval of the Charter Amendments. Thus, the Plan Adoption and Amendment will not be implemented if the Charter Amendments are not approved or implemented.

See "Proposals Plan Adoption and Amendment."

Are there any conditions to the Adjournment Proposal in Proposal 8?

The only condition of the Adjournment Proposal is that this proposal will not be utilized unless there are insufficient votes to adopt Proposal 1, 2, 3 or 4 at the Special Meeting.

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Advertising expenses were $4,000 and $246,000 in for the three months ended March 31, 2009 and 2008, respectively.

Net loss per common share Basic and diluted net loss per common share (EPS) are calculated in accordance with FASB Statement No. 128, *Earnings Per Share*. In June 2008, the FASB issued Staff Position (FSP) Emerging Issues Task Force (EITF) No. 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*, (FSP EITF 03-6-1) which clarifies EITF No. 03-6, *Participating Securities and the Two-Class Method Under FAS No. 128*. Under this FSP, unvested share-based payment awards that include nonforfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are considered participating securities, and the two-class method of computing EPS is required for all periods presented. We adopted the provisions of FSP EITF 03-6-1 effective January 1, 2009.

Our restricted stock awards include nonforfeitable rights to dividends with respect to nonvested shares. As clarified by FSP EITF 03-6-1, the nonvested shares of our restricted stock grants are considered participating securities and must be included in our computation of EPS. Accordingly, we have computed EPS to include the impact of outstanding nonvested shares of restricted stock in the calculation of basic EPS effective as of the first quarter of 2009 and have adjusted prior period EPS retrospectively for the inclusion of such outstanding nonvested restricted shares. The adoption of FSP EITF 03-6-1 had no impact on basic or diluted EPS for the three months ended March 31, 2008.

The following table sets forth the computation of basic and diluted EPS:

	Three Months Ended March 31,	
	2009	**2008**
Net loss per common share basic:		
Net loss	$ (4,688,000)	$ (4,148,000)
Allocation to nonvested restricted stock awards	(6,000)	(7,000)
Net loss available to common stockholders	$ (4,694,000)	$ (4,155,000)
Weighted-average shares outstanding	36,011,000	35,903,000
Net loss per common share basic	$ (0.13)	$ (0.12)
Net loss per common share diluted:		
Net loss	$ (4,688,000)	$ (4,148,000)
Allocation to nonvested restricted stock awards	(6,000)	(7,000)
Net loss available to common stockholders	$ (4,694,000)	$ (4,155,000)
Weighted-average shares outstanding	36,011,000	35,903,000
Dilutive stock options		
Weighted-average shares and dilutive shares outstanding	36,011,000	35,903,000
Net loss per common share diluted	$ (0.13)	$ (0.12)

For the three months ended March 31, 2009 and 2008, options to purchase 493,000 and 652,610 shares of common stock, respectively, were outstanding but not included in the computation of diluted EPS because we had a net loss and all outstanding options would have been anti-dilutive.

Accounting for stock-based compensation We recorded total stock-based compensation expense of $142,000 and $160,000 as general and administrative expenses for the three months ended March 31, 2009 and 2008, respectively. We recorded income tax benefits of $58,000 and $62,000 for the three months ended March 31, 2009 and 2008, respectively, related to our nonvested restricted stock awards.

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

Recent Accounting Pronouncements In March 2008, the FASB issued Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133*. Statement No. 161 amends and expands the disclosure requirements of FASB Statement No. 133 with the intent to provide users of financial statements with an enhanced understanding of how and why an entity uses derivative instruments, how derivative instruments and the related hedged items are accounted for under FASB Statement No. 133 and its related interpretations, and how derivative instruments and related hedged items affect an entity s financial position, financial performance and cash flows. Statement No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The adoption of Statement No. 161 did not have a significant impact on our consolidated financial statements.

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements*, which establishes a framework for measuring fair value and expands disclosures about fair value measurements. Statement No. 157 applies under other accounting pronouncements that require or permit fair value measurements and, accordingly, Statement No. 157 does not require any new fair value measurements. Statement No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years, for financial assets and liabilities that are measured at fair value on a recurring basis. In February 2008, the FASB issued FASB Staff Position (FSP) 157-2, *Effective Date of FASB Statement No. 157*, which delayed the effective date of Statement No. 157 s fair value measurement requirements for non-financial assets and liabilities that are not required or permitted to be measured at fair value on a recurring basis to fiscal years beginning after November 15, 2008. The impact of adoption of Statement No. 157 for financial assets and liabilities is discussed in NOTE 7 Financial Instruments. The adoption of Statement No. 157 for non-recurring non-financial assets and liabilities did not have a significant impact on our consolidated financial statements.

NOTE 4 Long-Term Debt

Long-term debt consists of the following:

	March 31, 2009	December 31, 2008
Revolving line of credit	$ 41,600,000	$ 42,200,000
SWIDA bonds	2,972,000	4,101,000
	44,572,000	46,301,000
Less current portion	(1,235,000)	(1,130,000)
	$ 43,337,000	$ 45,171,000

At March 31, 2009, Dover Motorsports, Inc. and all of its wholly owned subsidiaries, as co-borrowers, were parties to a $73,000,000 unsecured revolving credit agreement with a bank group. The credit facility expires July 1, 2011. It provides for seasonal funding needs, capital improvements, letter of credit requirements and other general corporate purposes. Interest is based, at our option, upon LIBOR plus a margin that varies between 125 and 200 basis points (200 basis points at March 31, 2009) depending on the ratio of funded debt to earnings before interest, taxes, depreciation and amortization (the leverage ratio) or the base rate (the greater of the prime rate or the federal funds rate plus 0.5%) plus a margin that varies between -50 and +25 basis points (+25 basis points at March 31, 2009) depending on the leverage ratio, except that the base rate option is not available for the portion of indebtedness equal to the notional amount under the interest rate swap agreement described below. The terms of the credit facility contain certain covenants including minimum tangible net worth, fixed charge coverage and maximum funded debt to earnings before interest, taxes, depreciation and amortization. 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 credit facility. At March 31, 2009, we were in compliance with the terms of the credit facility.

Material adverse changes in our results of operations could impact our ability to maintain financial ratios necessary to satisfy these requirements. There was $41,600,000 outstanding under the credit facility at March 31, 2009, at a weighted average interest rate of 2.9%. After consideration of stand-by letters of credit outstanding, borrowings of $8,726,000 were available pursuant to the credit facility at March 31, 2009. Based on projected future results, including the assumed sale of Memphis Motorsports Park (see NOTE 2 Business Operations), we expect to be in compliance with all of the covenants for all measurement periods during the next twelve months. We project that if the sale of Memphis Motorsports Park is not completed as anticipated that our ability to maintain compliance with the financial covenants in our revolving credit facility could be impacted in the third quarter. If this were to occur, we believe that we would be able to renegotiate our credit facility. However, violation of these financial covenants could result in the acceleration of all of our outstanding debt and could have a material adverse effect on our liquidity and financial position.

Effective October 21, 2005, we entered into an interest rate swap agreement that effectively converted $37,500,000 of our variable-rate debt to a fixed-rate basis, thereby hedging against the impact of potential interest rate changes on future interest expense. The notional amount of the swap agreement decreased to $30,000,000 on November 1, 2006, to $20,000,000 on November 1, 2007, and to $10,000,000 on November 1, 2008. The agreement terminates on November 1, 2009. Under this agreement, we pay a fixed interest rate of 4.74%. In return, the issuing lender refunds to us the variable-rate interest paid to the bank group under our revolving credit agreement on the same notional principal amount, excluding the margin that varies between 125 and 200 basis points depending on the leverage ratio (200 basis points at March 31, 2009).

In 1996, Midwest Racing, Inc. entered into an agreement (the SWIDA bonds) with Southwestern Illinois Development Authority (SWIDA) to receive the proceeds from the Taxable Sports Facility Revenue Bonds, Series 1996 (Gateway International Motorsports Corporation Project), a Municipal Bond Offering, in the aggregate principal amount of $21,500,000, of which $2,972,000 was outstanding at March 31, 2009. SWIDA loaned all of the proceeds from the Municipal Bond Offering to Midwest Racing for the purpose of the redevelopment, construction and expansion of Gateway International Raceway (Gateway). The proceeds of the SWIDA bonds were irrevocably committed to complete construction of Gateway, to fund interest, to create a debt service reserve fund and to pay for the cost of issuance of the bonds. The repayment terms and debt service reserve requirements of the bonds issued in the Municipal Bond Offering correspond to the terms of the SWIDA bonds. The bonds are being amortized through February 2012.

We have established certain restricted cash funds to meet debt service as required by the SWIDA bonds, which are held by the trustee (BNY Trust Company of Missouri). At March 31 2009, $3,894,000 of cash and cash equivalents were restricted by the SWIDA bonds and are appropriately classified as a non-current asset in our consolidated balance sheet. The SWIDA bonds are secured by a first mortgage lien on all the real property owned and a security interest in all property leased by Gateway. Also, the SWIDA bonds are unconditionally guaranteed by Midwest Racing. The SWIDA bonds bear interest at a rate of 9.2%. Interest expense related to the SWIDA bonds was $77,000 and $96,000 for the three months ended March 31, 2009 and 2008, respectively. In addition, a portion of the property taxes to be paid by Gateway (if any) to the City of Madison Tax Incremental Fund have been pledged to the annual retirement of debt and payment of interest.

NOTE 5 Pension Plans

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

The components of net periodic pension cost are as follows:

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Service cost	$ 97,000	$ 98,000
Interest cost	106,000	101,000
Expected return on plan assets	(96,000)	(136,000)
Recognized net actuarial loss	56,000	14,000
Net amortization	8,000	7,000
	$ 171,000	$ 84,000

We expect to contribute between $300,000 and $650,000 to our pension plans in 2009 in order to satisfy minimum statutory funding requirements. No contributions were made to our pension plans during the three months ended March 31, 2009 or 2008.

NOTE 6 Stockholders Equity

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

	Common Stock	Class A Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss
Balance at December 31, 2008	$ 1,787	$ 1,851	$ 100,539	$ (34,366)	$ (2,364)
Net loss				(4,688)	
Dividends paid, $0.01 per share				(367)	
Issuance of restricted stock awards, net of forfeitures	26		(26)		
Stock-based compensation			142		
Excess tax expense on stock awards			(53)		
Repurchase and retirement of common stock	(1)		(11)		
Unrealized gain on interest rate swap, net of income tax expense of $34					50
Unrealized loss on available-for-sale securities, net of income tax benefit of $16					(24)
Amortization of net actuarial loss and prior service cost included in net periodic pension benefit cost, net of income tax expense of $26					38
Balance at March 31, 2009	$ 1,812	$ 1,851	$ 100,591	$ (39,421)	$ (2,300)

On April 29, 2009, our Board of Directors declared a quarterly cash dividend on both classes of common stock of $.01 per share. The dividend is payable on June 10, 2009 to stockholders of record at the close of business on May 10, 2009.

On July 28, 2004, our Board of Directors authorized the repurchase of up to 2,000,000 shares of our outstanding common stock. The purchases may be made in the open market or in privately negotiated transactions as conditions warrant. The repurchase authorization has no expiration date, does not obligate us to acquire any specific number of shares and may be suspended at any time. No purchases of our equity securities were made pursuant to this authorization during the three months ended March 31, 2009 or 2008. At March 31, 2009, we had remaining repurchase authority of 1,634,607 shares.

During the three months ended March 31, 2009 and 2008, we purchased and retired 8,755 and 14,445 shares of our outstanding common stock at an average purchase price of $1.48 and $6.60 per share, respectively. These purchases were made from employees in connection with the vesting of restricted stock awards under our 2004 Stock Incentive Plan and were not pursuant to the aforementioned repurchase authorization. Since the vesting of a restricted stock award is a taxable event to our employees for which income tax withholding is required, the plan allows employees to surrender to us some of the shares that would otherwise have vested in satisfaction of their tax liability. The surrender of these shares is treated by us as a purchase of the shares.

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

	March 31, 2009	December 31, 2008
Net actuarial loss and prior service cost not yet recognized in net periodic benefit cost, net of income tax benefit of $1,383,000 and $1,409,000, respectively	$ (2,018,000)	$ (2,056,000)
Unrealized loss on interest rate swap, net of income tax benefit of $113,000 and $147,000, respectively	(163,000)	(213,000)
Accumulated unrealized loss on available-for-sale securities, net of income tax benefit of $81,000 and $65,000, respectively	(119,000)	(95,000)
Accumulated other comprehensive loss	$ (2,300,000)	$ (2,364,000)

NOTE 7 Financial Instruments

We adopted FASB Statement No. 157 effective January 1, 2008 for financial assets and liabilities measured on a recurring basis. Statement No. 157 applies to all financial assets and financial liabilities that are being measured and reported on a fair value basis. There was no impact from the adoption of Statement No. 157 to the consolidated financial statements. Statement No. 157 requires disclosure that establishes a framework for measuring fair value and expands disclosure about fair value measurements. The statement requires fair value measurement be 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 instruments by the Statement No. 157 pricing levels as of March 31, 2009:

	Total	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available-for-sale securities	$ 367,000	$ 367,000	$	$
Interest rate swap	(276,000)		(276,000)	

Our investments in available-for-sale securities are recorded at fair value based on quoted market prices. These investments are included in other non-current assets on our consolidated balance sheets.

At March 31, 2009 and December 31, 2008, there was $41,600,000 and $42,200,000, respectively, outstanding under our revolving credit agreement. The borrowings under our revolving credit agreement bear interest at the variable rate described in NOTE 4 Long-Term Debt and therefore approximate fair value at March 31, 2009 and December 31, 2008, respectively. We are subject to interest rate risk on the variable component of the interest rate. Our risk management objective is to lock in the interest cash outflows on a portion of our debt. As a result, as described in NOTE 4 Long-Term Debt, we entered into an interest rate swap agreement effectively converting a portion of the outstanding borrowings under the revolving credit agreement to a fixed-rate, thereby hedging against the impact of potential interest rate changes on future interest expense. At March 31, 2009 and December 31, 2008, the interest rate swap had a negative fair value of $276,000 and $360,000, respectively, which is recorded in other liabilities. The fair value of the interest rate swap was based on quotes from the issuer of the swap and represents the estimated amounts that we would expect to pay to terminate the swap.

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

At March 31, 2009 and December 31, 2008, our outstanding SWIDA bonds had carrying values of $2,972,000 and $4,101,000, respectively, and estimated fair values of $3,188,000 and $4,499,000, respectively. The fair values were determined through the use of a discounted cash flow methodology utilizing estimated interest rates that would be available to us for borrowings with similar terms.

NOTE 8 Related Party Transactions

During the three months ended March 31, 2009 and 2008, Dover Downs Gaming & Entertainment, Inc. (Gaming), a company related through common ownership, allocated costs of $489,000 and $526,000, respectively, to us for certain administrative and operating services. Additionally, we allocated costs of $73,000 and $36,000, respectively, to Gaming for the three months ended March 31, 2009 and 2008. 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, we invoiced Gaming $91,000 and $89,000 during the three months ended March 31, 2009 and 2008, respectively, for a skybox suite, tickets and other services to the events. As of March 31, 2009 and December 31, 2008, our consolidated balance sheets include a $5,000 payable and $11,000 receivable from Gaming, respectively, for the aforementioned items. We have since settled the payable in the second quarter of 2009 and the receivable was settled in the first quarter of 2009. The net costs incurred by each company for these services are not necessarily indicative of the costs that would have been incurred if the companies had been unrelated entities and/or had otherwise independently managed these functions; however, management believes that these costs are reasonable.

Use by Gaming of our 5/8-mile harness racing track is under an easement from us which does not require the payment of any rent. Under the terms of the easement, Gaming has exclusive use of the harness track during the period beginning November 1 of each year and ending April 30 of the following year, together with set up and tear down rights for the two weeks before and after such period. The harness track is located on our property and is on the inside of our one-mile motorsports superspeedway. Gaming s indoor grandstands are used by us at no charge in connection with our motorsports events. We also lease our principal executive office space from Gaming. Various easements and agreements relative to access, utilities and parking have also been entered into between us and Gaming relative to our respective Dover, Delaware facilities.

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

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

NOTE 9 Commitments and Contingencies

In September 1999, the Sports Authority of the County of Wilson (Tennessee) issued $25,900,000 in Variable Rate Tax Exempt Infrastructure Revenue Bonds, Series 1999, to acquire, construct and develop certain public infrastructure improvements which benefit the operation of Nashville Superspeedway, of which $22,300,000 was outstanding at March 31, 2009. Annual principal payments range from $600,000 in September 2009 to $1,600,000 in 2029 and are payable solely from sales taxes and incremental property taxes generated from the facility. These bonds are direct obligations of the Sports Authority and are therefore not recorded on our consolidated balance sheet. If the sales taxes and incremental property taxes are insufficient for the payment of principal and interest on the bonds, we would become responsible for the difference. In the event we were unable to make the payments, they would be made pursuant to a $22,674,000 irrevocable direct-pay letter of credit issued by our bank group. We are exposed to fluctuations in interest rates for these bonds. A significant increase in interest rates could result in us being responsible for debt service payments not covered by the sales and incremental property taxes generated from the facility.

We believe that the sales taxes and incremental property taxes generated from the facility will continue to satisfy the necessary debt service requirements of the bonds through the maturity date in 2029. As of March 31, 2009 and December 31, 2008, $515,000 and $549,000, respectively, was available in the sales and incremental property tax fund maintained by the Sports Authority to pay the remaining principal and interest due under the bonds. During the year ended December 31, 2008, we paid $1,165,000 into the sales and incremental property tax fund and $1,151,000 was deducted from the fund for principal and interest payments. If the debt service is not satisfied from the sales and incremental property taxes generated from the facility, a portion of the bonds would become our liability. If we fail to maintain the letter of credit that secures the bonds or we allow an uncured event of default to exist under our reimbursement agreement relative to the letter of credit, the bonds would be immediately redeemable.

We have employment, severance and noncompete agreements with certain of our officers and directors under which certain change of control, severance and noncompete payments and benefits might become payable in the event of a change in our control, defined to include a tender offer or the closing of a merger or similar corporate transactions. In the event of such a change in control and the subsequent termination of employment of all employees covered under these agreements, we estimate that the maximum contingent liability would range from $7,600,000 to $9,200,000 depending on the tax treatment of the payments.

To the extent that any of the potential payments or benefits due under the agreements constitute an excess parachute payment under the Internal Revenue Code and result in the imposition of an excise tax, each agreement requires that we pay the amount of such excise tax plus any additional amounts necessary to place the officer or director in the same after-tax position as he would have been had no excise tax been imposed. We estimate that the tax gross ups that could be paid under the agreements in the event the agreements were triggered due to a change of control could be between $1,000,000 and $2,600,000 and these amounts have been included in the maximum contingent liability disclosed above. This maximum tax gross up figure assumes that none of the payments made after the hypothetical change in control would be characterized as reasonable compensation for services rendered. Each agreement with an executive officer provides that fifty percent of the monthly amount paid during the term is paid in consideration of the executive officer s non-compete covenants. The exclusion of these amounts would reduce the calculated amount of excess parachute payments subject to tax. We are unable to conclude whether the Internal Revenue Service would characterize all or some of these non-compete payments as reasonable compensation for services rendered.

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

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

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

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

Revenues pertaining to specific events are deferred until the event is held. Concession revenue from concession stand sales and sales of souvenirs are recorded at the time of sale. Revenues and related expenses from barter transactions in which we receive advertising or other goods or services in exchange for sponsorships of motorsports events are recorded at fair value in accordance with Emerging Issues Task Force (EITF) Issue No. 99-17, *Accounting for Advertising Barter Transactions*. Barter transactions accounted for $56,000 of total revenues for the three months ended March 31, 2008. No barter transactions were recorded as revenues for the three months ended March 31, 2009.

Expenses that are not directly related to a specific event are recorded as incurred. Expenses that specifically relate to an event are deferred until the event is held, at which time they are expensed. Our expenses include prize and point fund monies and sanction fees paid to various sanctioning bodies, including NASCAR, labor, advertising, cost of goods sold for merchandise and souvenirs, and other expenses associated with the promotion of our racing events.

Results of Operations

Three Months Ended March 31, 2009 vs. Three Months Ended March 31, 2008

Revenues decreased $2,427,000 in the first quarter of 2009 as compared to the first quarter of 2008. We promoted a NASCAR Nationwide Series event at our Nashville facility during the first quarter of 2008. This event was held in the second quarter of 2009.

Operating and marketing expenses were $2,199,000 in the first quarter of 2009 as compared to $4,610,000 in the first quarter of 2008. The $2,411,000 decrease primarily related to the change in our motorsports event calendar discussed above.

General and administrative expenses remained consistent between the first quarter of 2009 and the first quarter of 2008 at $3,058,000 and $3,167,000, respectively.

Depreciation and amortization expense was $1,565,000 in the first quarter of 2009 as compared to $1,662,000 in the first quarter of 2008. The decrease resulted primarily from a reduction in our depreciable asset base resulting from an impairment charge recorded in the fourth quarter of 2008, partially offset by depreciation on assets placed in service in the second quarter of 2008 related to our Monster Makeover project in Dover, Delaware.

Net interest expense decreased to $780,000 in the first quarter of 2009 as compared to $1,070,000 in the first quarter of 2008 due to a lower average interest rate on our credit facility.

Our effective income tax rates for the first quarter of 2009 and 2008 were 37.6% and 48.1%, respectively. The decrease in the effective income tax rate from the prior year rate was primarily the result of a reduction in our combined effective state income tax rate.

Liquidity and Capital Resources

Our operations are seasonal in nature with a majority of our motorsports events occurring during the second and third quarters. However, our cash flows from operating activities are more evenly spread throughout the year, primarily due to the impact of advance ticket sales and other event-related cash receipts, such as sponsorship and luxury suite rentals.

Net cash provided by operating activities decreased slightly to $2,332,000 for the three months ended March 31, 2009 from $2,624,000 for the three months ended March 31, 2008 primarily due to lower advance collections from customers.

Net cash provided by investing activities was $626,000 for the three months ended March 31, 2009 as compared to net cash used in investing activities of $1,252,000 for the three months ended March 31, 2008. Capital expenditures were $699,000 in the first three months of 2009, down from $1,598,000 in the first three months of 2008. The 2009 additions related primarily to the Monster Makeover project, including racetrack improvements at our Dover facility. The 2008 additions also related primarily to the Monster Makeover project, including the construction of a new entranceway, fan zone and medical center placed in service in the second quarter of 2008, and the renovation and construction of other fan amenities at our Dover facility. Changes in our restricted cash accounts were $1,325,000 and $346,000 for the three month periods ended March 31, 2009 and 2008, respectively.

Net cash used in financing activities was $2,108,000 for the three months ended March 31, 2009 as compared to $743,000 for the three months ended March 31, 2008. We had net repayments on our outstanding line of credit of $600,000 in the first three months of 2009. There was no net change in borrowings on our line of credit in the first three months of 2008. Repayments of our outstanding SWIDA bonds were $1,129,000 for the first three months of 2009 as compared to $111,000 for the first three months of 2008. We paid $367,000 in cash dividends in the first three months of 2009 as compared to $546,000 in the first three months of 2008. During the first three months of 2009 and 2008, we purchased and retired 8,755 and 14,445 shares of our common stock at an average purchase price of $1.48 and $6.60 per share, respectively, not including nominal brokerage commissions.

On April 29, 2009, our Board of Directors declared a quarterly cash dividend on both classes of common stock of $0.01 per share. The dividend is payable on June 10, 2009 to shareholders of record at the close of business on May 10, 2009.

At March 31, 2009, Dover Motorsports, Inc. and all of its wholly owned subsidiaries, as co-borrowers, were parties to a $73,000,000 unsecured revolving credit agreement with a bank group. The credit facility expires July 1, 2011. It provides for seasonal funding needs, capital improvements, letter of credit requirements and other general corporate purposes. Interest is based, at our option, upon LIBOR plus a margin that varies between 125 and 200 basis points (200 basis points at March 31, 2009) depending on the ratio of funded debt to earnings before interest, taxes, depreciation and amortization (the leverage ratio) or the base rate (the greater of the prime rate or the federal funds rate plus 0.5%) plus a margin that varies between -50 and +25 basis points (+25 basis points at March 31, 2009) depending on the leverage ratio, except that the base rate option is not available for the portion of indebtedness equal to the notional amount under the interest rate swap agreement described below. The terms of the credit facility contain certain covenants including minimum tangible net worth, fixed charge coverage and maximum funded debt to earnings before interest, taxes, depreciation and amortization (EBITDA). 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 credit facility. At March 31, 2009, we were in compliance with the terms of the credit facility including all covenants.

Material adverse changes in our results of operations could impact our ability to maintain financial ratios necessary to satisfy these requirements. There was $41,600,000 outstanding under the credit facility at March 31, 2009, at a weighted average interest rate of 2.9%. After consideration of stand-by letters of credit outstanding, borrowings of $8,726,000 were available pursuant to the credit facility at March 31, 2009. Based on projected future results, including the assumed sale of Memphis Motorsports Park (see NOTE 2 Business Operations), we expect to be in compliance with all of the covenants for all measurement periods during the next twelve months. We project that if the sale of Memphis Motorsports Park is not completed as anticipated that our ability to maintain compliance with the financial covenants in our revolving credit facility could be impacted in the third quarter. If this were to occur, we believe that we would be able to renegotiate our credit facility. However, violation of these financial covenants could result in the acceleration of all of our outstanding debt and could have a material adverse effect on our liquidity and financial position.

Effective October 21, 2005, we entered into an interest rate swap agreement that effectively converted $37,500,000 of our variable-rate debt to a fixed-rate basis, thereby hedging against the impact of potential interest rate changes. The notional amount of the swap agreement decreased to $30,000,000 on November 1, 2006, to $20,000,000 on November 1, 2007, and to $10,000,000 on November 1, 2008. The agreement terminates on November 1, 2009. Under this agreement, we pay a fixed interest rate of 4.74%. In return, the issuing lender refunds to us the variable-rate interest paid to the bank group under our revolving credit agreement on the same notional principal amount, excluding the margin that varies between 125 and 200 basis points depending on the leverage ratio (200 basis points at March 31, 2009).

Our wholly-owned subsidiary, Midwest Racing, Inc., entered into a stock purchase agreement dated January 28, 2009, to sell Memphis Motorsports Park to Gulf Coast Entertainment, L.L.C. Under the terms of the agreement, Midwest Racing will sell all of the stock of its wholly-owned subsidiary, Memphis International Motorsports Corporation, the owner of Memphis Motorsports Park, to Gulf Coast for $10,000,000 in cash. Gulf Coast is the owner of Alabama Motorsports Park, a proposed multi-use entertainment complex expected to be constructed in Mobile, Alabama. As additional consideration for the purchase, we will receive a two percent non-dilutable interest in Gulf Coast and expect to enter into an agreement to provide motorsports management services to Alabama Motorsports Park when the facilities become operational. Closing is expected to take place on or before June 29, 2009 and is subject to financing and customary closing conditions. In March 2009, we received a $100,000 non-refundable deposit towards the purchase price. Two additional $100,000 non-refundable deposits are to be received by us prior to closing.

We are scheduled to promote 1 NASCAR Nationwide Series event, 1 NASCAR Camping World Truck Series event and 1 NHRA event in 2009 at our Memphis location. Although we will no longer own this facility after the close of the sale, we expect to enter into an agreement with Gulf Coast to provide management services for the Memphis facility.

Cash provided by operating activities is expected to substantially fund our capital expenditures and maintenance of a dividend in 2009. Based on current business conditions, we expect to spend approximately $2,000,000 on capital expenditures during 2009. These expenditures primarily relate to our Monster Makeover project. On May 24, 2006, we announced plans for a five-year capital improvement project, referred to as the Monster Makeover, that will provide new offerings and upgraded amenities for fans, competitors and the media. The project is expected to take up to five years to complete at an estimated total cost of approximately $25,000,000 to $30,000,000, of which approximately $20,000,000 was spent as of March 31, 2009. We continue to review the amount and timing of capital expenditures in light of our current earnings level. Additionally, we expect to contribute between $300,000 and $650,000 to our pension plans in 2009 in order to satisfy minimum statutory funding requirements, none of which was contributed during the three months ended March 31, 2009. We expect continued cash flows from operating activities and funds available from our credit agreement to provide for our working capital needs and capital spending requirements at least through the next twelve months, as well as any cash dividends our Board of Directors may declare, and also provide for our long-term liquidity.

Contractual Obligations

At March 31, 2009, we had the following contractual obligations and other commercial commitments:

	Payments Due by Period				
	Total	**2009**	**2010 2011**	**2012 2013**	**Thereafter**
Revolving line of credit	$ 41,600,000	$	$ 41,600,000	$	$
SWIDA bonds(b)	2,972,000		2,580,000	392,000	
Total debt	44,572,000		44,180,000	392,000	
Estimated interest payments on revolving line of credit(a)	3,070,000	1,167,000	1,903,000		
Interest payments on SWIDA bonds(b)	472,000	137,000	317,000	18,000	
Operating leases	4,653,000	229,000	406,000	331,000	3,687,000
Pension contributions(c)	475,000	475,000			
Total contractual cash obligations	$ 53,242,000	$ 2,008,000	$ 46,806,000	$ 741,000	$ 3,687,000

(a) The future interest payments on our revolving credit agreement were estimated using the current outstanding principal as of March 31, 2009 and related interest rates. For $10,000,000 of our outstanding borrowings, we used the fixed interest rate per the interest rate swap agreement. For the remaining $31,600,000 of our outstanding borrowings, we used our interest rates as of March 31, 2009.

(b) In 1996, Midwest Racing entered into an agreement with SWIDA to receive the proceeds from the Taxable Sports Facility Revenue Bonds, Series 1996 (Gateway International Motorsports Corporation Project), a Municipal Bond Offering, in the aggregate principal amount of $21,500,000, of which $2,972,000 was outstanding at March 31, 2009. SWIDA loaned all of the proceeds from the Municipal Bond Offering to Midwest Racing for the purpose of the redevelopment, construction and expansion of Gateway. The proceeds of the SWIDA bonds were irrevocably committed to complete construction of Gateway, to fund interest, to create a debt service reserve fund and to pay for the cost of issuance of the bonds. The repayment terms and debt service reserve requirements of the bonds issued in the Municipal Bond Offering correspond to the terms of the SWIDA bonds. The bonds are being amortized through February 2012.

We have established certain restricted cash funds to meet debt service as required by the SWIDA bonds, which are held by the trustee (BNY Trust Company of Missouri). At March 31, 2009, $3,894,000 of cash and cash equivalents were restricted by the SWIDA bonds and are appropriately classified as a non-current asset in our consolidated balance sheet. The SWIDA bonds are secured by a first mortgage lien on all the real property owned and a security interest in all property leased by Gateway. Also, the SWIDA bonds are unconditionally guaranteed by Midwest Racing. The SWIDA bonds bear interest at a rate of 9.2%. Interest expense related to the SWIDA bonds was $77,000 and $96,000 for the three months ended March 31, 2009 and 2008, respectively. In addition, a portion of the property taxes to be paid by Gateway (if any) to the City of Madison Tax Incremental Fund have been pledged to the annual retirement of debt and payment of interest.

(c) We expect to contribute between $300,000 and $650,000 to our pension plans for 2009 in order to satisfy minimum statutory funding requirements, none of which was contributed in the first three months of 2009. For years subsequent to 2009, we are unable to estimate what our pension contributions will be.

In September 1999, the Sports Authority of the County of Wilson (Tennessee) issued $25,900,000 in Variable Rate Tax Exempt Infrastructure Revenue Bonds, Series 1999, to acquire, construct and develop certain public infrastructure improvements which benefit the operation of Nashville Superspeedway, of which $22,300,000 was outstanding at March 31, 2009. Annual principal payments range from $600,000 in September 2009 to $1,600,000 in 2029 and are payable solely from sales taxes and incremental property taxes generated from the facility. These bonds are direct obligations of the Sports Authority and are therefore not recorded on our consolidated balance sheet. If the sales taxes and incremental property taxes are insufficient for the payment of principal and interest on the bonds, we would become responsible for the difference. We are exposed to fluctuations in interest rates for these bonds. A significant increase in interest rates could result in us being responsible for debt service payments not covered by the sales and incremental property taxes generated from the facility. In the event we were unable to make the payments, they would be made pursuant to a $22,674,000 irrevocable direct-pay letter of credit issued by our bank group.

We believe that the sales taxes and incremental property taxes generated from the facility will continue to satisfy the necessary debt service requirements of the bonds through the maturity date in 2029. As of March 31, 2009 and December 31, 2008, $515,000 and $549,000, respectively, was available in the sales and incremental property tax fund maintained by the Sports Authority to pay the remaining principal and interest due under the bonds. During the year ended December 31, 2008, we paid $1,165,000 into the sales and incremental property tax fund and $1,151,000 was deducted from the fund for principal and interest payments. If the debt service is not satisfied from the sales and incremental property taxes generated from the facility, a portion of the bonds would become our liability. If we fail to maintain the letter of credit that secures the bonds or we allow an uncured event of default to exist under our reimbursement agreement relative to the letter of credit, the bonds would be immediately redeemable.

We have not included our non current income taxes payable of $9,119,000 which is classified in accordance with FASB Interpretation No. 48 in the contractual obligations disclosure since we cannot reasonably estimate the period of potential cash settlement for unrecognized tax benefits.

Related Party Transactions

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

Critical Accounting Policies

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

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating losses. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. As of March 31, 2009, our valuation allowance net of federal income taxes was $8,488,000, which increased by $131,000 in the first three months of 2009, on deferred tax assets related to state net operating loss carry-forwards. We have considered ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance. In the event we were to determine that we would be able to realize all or a portion of these deferred tax assets, an adjustment to the valuation allowance would increase earnings in the period such determination was made. Likewise, should we determine that we would not be able to realize all or a portion of our remaining deferred tax assets in the future, an adjustment to the valuation allowance would be charged to earnings in the period such determination was made.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided for financial reporting purposes using the straight-line method over estimated useful lives ranging from 5 to 10 years for furniture, fixtures and equipment and up to 40 years for facilities. These estimates require assumptions that are believed to be reasonable. We perform reviews for impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair value. Generally, fair value is determined using valuation techniques such as the comparable sales approach and for facilities the cost approach, which gives specific consideration to the value of the land plus contributory value to the improvements.

Accrued Pension Cost

The benefits provided by our defined-benefit pension plans are based on years of service and employee s remuneration over their employment with us. Accrued pension costs are developed using actuarial principles and assumptions which consider a number of factors, including estimates for the discount rate, assumed rate of compensation increase, and expected long-term rate of return on assets. Changes in these estimates would impact the amounts that we record in our consolidated financial statements.

Recent Accounting Pronouncements

See NOTE 3 Summary of Significant Accounting Policies of the consolidated financial statements included elsewhere in this document for a description of recent accounting pronouncements including the respective expected dates of adoption and effects on results of operations, financial condition and cash flows.

Factors That May Affect Operating Results; Forward-Looking Statements

In addition to historical information, this Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, relating to our financial condition, profitability, liquidity, resources, business outlook, proposed acquisitions, market forces, corporate strategies, consumer preferences, contractual commitments, legal matters, capital requirements and other matters. Documents incorporated by reference into this Annual Report may also contain forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. To comply with the terms of the safe harbor, we note that a variety of factors could cause our actual results and experience to differ substantially from the anticipated results or other expectations expressed in our forward-looking statements. When words and expressions such as: believes, expects, anticipates, estimates, plar intends, objectives, goals, aims, projects, forecasts, possible, seeks, may, could, should, might, likely, enable or si used in this document, as well as statements containing phrases such as in our view, there can be no assurance, although no assurance can be given or there is no way to anticipate with certainty, forward-looking statements are being made.

Various risks and uncertainties may affect the operation, performance, development and results of our business and could cause future outcomes to differ materially from those set forth in our forward-looking statements, including the following factors:

stability and viability of sanctioning bodies;

success of or changes in our growth strategies;

development and potential acquisition of new facilities;

trends and uncertainties in the motorsports industry;

patron demographics;

obtaining favorable contracts relative to sponsorships, event sanctions and broadcast rights;

relationships with sanctioning bodies, sponsors, broadcast media, drivers and teams;

general market and economic conditions, including consumer and corporate spending sentiment;

ability to finance future business requirements;

ability to maintain compliance with debt covenants;

the effect of changing interest rates;

the availability of adequate levels of insurance;

ability to successfully integrate acquired companies and businesses;

management retention and development;

changes in Federal, state and local laws and regulations, including environmental regulations;

the effect of weather conditions on outdoor event attendance;

military or other government actions;

availability of air travel; and

national or local catastrophic events.

The above risks and uncertainties and the cautionary statements below should be considered in connection with any future forward-looking statements we make. We undertake no obligation to publicly update or revise any forward-looking statements as a result of future developments, events or conditions. New risk factors emerge from time to time and it is not possible for us to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ significantly from those forecast in any forward-looking statements. Given these risks and uncertainties, stockholders should not overly rely or attach undue weight to our forward-looking statements as an indication of our actual future results.

Our Relationships With and the Success of Various Sanctioning Bodies Is Vital To Our Success In Motorsports

Our continued success in motorsports is dependent upon the success of various governing bodies of motorsports that sanction national racing events and our ability to secure favorable contracts with and maintain a good working relationship with these sanctioning bodies, particularly NASCAR. Sanctioning bodies regularly issue and award sanctioned events and their issuance depends, in large part, on maintaining good working relationships with the sanctioning bodies. Many events are sanctioned on an annual basis with no contractual obligation to renew, including our agreements with NASCAR. By awarding a sanctioned event or a series of sanctioned events, the sanctioning bodies do not warrant, nor are they responsible for, the financial success of any sanctioned event. Our success is directly tied to our ability to negotiate favorable terms to our sanction agreements, including the amount of the sanction fee and purse, and our ability to continue to derive economic benefits from such agreements, such as our share of live broadcast revenues.

Our ability to obtain additional sanctioned events in the future and to negotiate favorable terms to our sanction agreements and the success of a particular sanctioning body in attracting drivers and teams, signing series sponsors and negotiating favorable television and/or radio broadcast rights is dependent on many factors which are largely outside of our control. As our success depends on the terms of our sanction agreements and the success of each event or series that we are promoting, a material change in the terms of a sanction agreement or a material adverse effect on a sanctioning body, such as the loss or defection of top drivers, the loss of significant series sponsors, or the failure to obtain favorable broadcast coverage or to properly advertise the event or series could result in a reduction in our revenues from live broadcast coverage, admissions, luxury suite rentals, sponsorships, hospitality, concessions and merchandise, which could have a material adverse effect on our business, financial condition and results of operations.

We Rely On Sponsorship Contracts To Generate Revenues

We receive a portion of our annual revenues from sponsorship agreements, including the sponsorship of our various events and our permanent venues, such as title, official product and promotional partner sponsorships, billboards, signage and skyboxes. Loss of our existing title sponsors or other major sponsorship agreements or failure to secure such sponsorship agreements in the future could have a material adverse effect on our business, financial condition and results of operations.

We are in negotiations with various potential sponsors for our 2009 events, including title sponsors for our two NASCAR Sprint Cup Series events and one of our NASCAR Nationwide Series events at Dover International Speedway, one of our NASCAR Nationwide Series events at Nashville Superspeedway, and our NASCAR Nationwide Series and NASCAR Camping World Truck Series events at Memphis Motorsports Park.

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

We compete with other auto speedways for the patronage of motor racing spectators as well as for sponsorships. Moreover, racing events sanctioned by different organizations are often held on the same dates at different tracks. The quality of the competition, type of racing event, caliber of the event, sight lines, ticket pricing, location and customer conveniences, among other things, distinguish the motorsports facilities. In addition, all of our events compete with other sports and recreational events scheduled on the same dates. As a result, our revenues and operations are affected not only by our ability to compete in the motorsports promotion market, but also by the availability of alternative spectator sports events, forms of entertainment and changing consumer preferences.

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

Our financial results depend significantly upon a number of factors relating to discretionary consumer and corporate spending, including economic conditions affecting disposable consumer income and corporate budgets such as employment, business conditions, interest rates and taxation rates.

These factors can impact both attendance at our events and advertising and marketing dollars available from the motorsports industry s principal sponsors and potential sponsors. Economic and other lifestyle conditions such as illiquid consumer and business credit markets adversely affect consumer and corporate spending thereby impacting our growth, revenue and profitability. Unavailability of credit on favorable terms can adversely impact our operations, growth, development and capital spending plans. General economic conditions were significantly and negatively impacted by the September 11, 2001 terrorist attacks and the war in Iraq and could be similarly affected by any future attacks, by a terrorist attack at any mass gathering or fear of such attacks, or by other acts or prospects of war. Any future attacks or wars or related threats could also increase our expenses related to insurance, security or other related matters. A weakened economic and business climate, as well as consumer uncertainty and the loss of consumer confidence created by such a climate, could adversely affect our financial results.

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

In September 1999, the Sports Authority of the County of Wilson (Tennessee) issued $25,900,000 in revenue bonds to build local infrastructure improvements which benefit the operation of Nashville Superspeedway, of which $22,300,000 was outstanding on March 31, 2009. Debt service on the bonds is payable solely from sales taxes and incremental property taxes generated from the facility. As of March 31, 2009 and December 31, 2008, $515,000 and $549,000, respectively, was available in the sales and incremental property tax fund maintained by the Sports Authority to pay the remaining principal and interest due under the bonds. During the year ended December 31, 2008, we paid $1,165,000 into the sales and incremental property tax fund and $1,151,000 was deducted from the fund for principal and interest payments. These bonds are direct obligations of the Sports Authority and are therefore not recorded on our consolidated balance sheet. In the event the sales taxes and incremental property taxes are insufficient to cover the payment of principal and interest on the bonds, we would become responsible for the difference. We are exposed to fluctuations in interest rates for these bonds. A significant increase in interest rates could result in us being responsible for debt service payments not covered by the sales and incremental property taxes generated from the facility. In the event we were unable to make the payments, they would be made under a $22,674,000 irrevocable direct-pay letter of credit issued by our bank group. We would be responsible to reimburse the banks for any drawings made under the letter of credit. Such an event could have a material adverse effect on our business, financial condition and results of operations and compliance with debt covenants.

The Seasonality Of Our Motorsports Events Increases The Variability Of Quarterly Earnings

Our business has been, and is expected to remain, seasonal given that it depends on our outdoor events for a substantial portion of revenues. We derive a substantial portion of our motorsports revenues from admissions, event-related and broadcasting revenue attributable to six NASCAR-sanctioned events at Dover, Delaware which are currently held in May and September. Total revenues from these events were approximately 70% of total revenues for each of the years in the three year period ended December 31, 2008. This has been offset to some degree by our other motorsports events, but quarterly earnings will vary.

Our Insurance May Not Be Adequate To Cover Catastrophic Incidents

We maintain insurance policies that provide coverage within limits that are sufficient, in the opinion of management, to protect us from material financial loss incurred in the ordinary course of business. We also purchase special event insurance for motorsports events to protect against race-related liability. However, there can be no assurance that this insurance will be adequate at all times and in all circumstances. If we are held liable for damages beyond the scope of our insurance coverage, including punitive damages, our business, financial condition and results of operations could be materially and adversely affected.

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

We sponsor and promote outdoor motorsports events. Weather conditions affect sales of tickets, concessions and souvenirs, among other things at these events. Although we sell many tickets well in advance of the outdoor events and these tickets are issued on a non-refundable basis, poor weather conditions may adversely affect additional ticket sales and concessions and souvenir sales, which could have an adverse effect on our business, financial condition and results of operations.

We do not currently maintain weather-related insurance for major events. Due to the importance of clear visibility and safe driving conditions to motorsports racing events, outdoor racing events may be significantly affected by weather patterns and seasonal weather changes. Any unanticipated weather changes could impact our ability to stage events. This could have a material adverse effect on our business, financial condition and results of operations.

Postponement And/Or Cancellation Of Major Motorsports Events Could Adversely Affect Us

If one of our events is postponed because of weather or other reasons such as, for example, the general postponement of all major sporting events in this country following the September 11, 2001 terrorism attacks, we could incur increased expenses associated with conducting the rescheduled event, as well as possible decreased revenues from tickets, food, drinks and merchandise at the rescheduled event. If such an event is cancelled, we could incur the expenses associated with preparing to conduct the event as well as lose the revenues, including live broadcast revenues associated with the event.

If a cancelled event is part of the NASCAR Sprint Cup Series or NASCAR Nationwide Series, we could experience a reduction in the amount of money received from television revenues for all of our NASCAR-sanctioned events in the series that experienced the cancellation. This would occur if, as a result of the cancellation, and without regard to whether the cancelled event was scheduled for one of our facilities, NASCAR experienced a reduction in broadcast revenues greater than the amount scheduled to be paid to the promoter of the cancelled event.

Due To Our Concentrated Stock Ownership, Stockholders May Have No Effective Voice In Our Management

We have elected to be treated as a controlled corporation as defined by New York Stock Exchange Rule 303A. We are a controlled corporation because a single person, Henry B. Tippie, the Chairman of our Board of Directors, controls in excess of fifty percent of our voting power. This means that he has the ability to determine the outcome of the election of directors at our annual meetings and to determine the outcome of many significant corporate transactions, many of which only require the approval of a majority of our voting power. Such a concentration of voting power could also have the effect of delaying or preventing a third party from acquiring us at a premium. In addition, as a controlled corporation, we are not required to comply with certain New York Stock Exchange rules.

We May Not Be Able To Maintain Our Listing With The New York Stock Exchange

Our common stock is traded on the NYSE. We are required to maintain market capitalization of more than $75,000,000 (measured over a 30 day trading period) or stockholders equity of more than $75,000,000 in order to remain in compliance with NYSE continued listing standards. NYSE notified us on February 17, 2009 that we are below compliance because as of February 13, 2009 our 30 trading-day average market capitalization was $61.9 million and our stockholder s equity as of December 31, 2008 was $67,447,000. We had 45 days from receipt of the notice from the NYSE to submit a plan to them and demonstrate our ability to achieve compliance with continued listing standards within 18 months. We submitted our plan on March 19, 2009 and it has been accepted by the NYSE. As a result, our common stock will continue to be listed on the NYSE, subject to quarterly reviews by the NYSE s Listing and Compliance Committee to ensure that we progress toward our plan to restore compliance with continued listing standards. If we are not able to regain compliance with NYSE listing standards, our stock will be delisted from trading on the NYSE. This would result in the need to find another market on which our stock can be listed or cause our stock to cease trading on an active market, which could result in a reduction in the liquidity for our stock and a reduction in demand for our stock.

It is our expectation that stock market conditions will improve and that we will either be able to achieve compliance with NYSE continued listing standards or take the steps necessary to list our stock on another national securities exchange, such as NASDAQ or NYSE Alternext. However, there can be no assurance that we will be able to do so and our stock may ultimately trade on an over-the-counter market. Non-compliance with NYSE continued listing standards or delisting from the NYSE could negatively impact us, including, without limitation, our relationships with stockholders, businesses and lenders, our access to debt and equity financing, and our ability to attract and retain personnel by means of equity compensation. This, in turn, could materially and adversely affect our business, financial condition and results of operations. Securities traded in the over-the-counter market generally have significantly less liquidity than securities traded on a national securities exchange, through factors such as a reduction in the number of investors that will consider investing in the securities, the number of market makers in the securities, reduction in securities analyst and news media coverage and lower market prices than might otherwise be obtained.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to financial market risk resulting from changes in interest rates. We do not engage in speculative or leveraged transactions, nor hold or issue financial instruments for trading purposes.

At March 31, 2009, we have marketable securities of $367,000. These securities, which consist of mutual funds, are classified as available-for-sale and reported at fair-value in our consolidated balance sheet. Fair-value is determined based on the current market values.

At March 31, 2009, there was $41,600,000 outstanding under our revolving credit agreement. The credit agreement bears interest at our option, upon LIBOR plus a margin that varies between 125 and 200 basis points depending on the leverage ratio or the base rate (the greater of the prime rate or the federal funds rate plus 0.5%) plus a margin that varies between -50 and +25 basis points depending on the leverage ratio. Therefore, we are subject to interest rate risk on the variable component of the interest rate. Historically, we managed our mix of fixed and variable-rate debt by structuring the terms of our debt agreements. Effective October 21, 2005, we entered into a $37,500,000 interest rate swap agreement that effectively converted this portion of the outstanding variable-rate borrowings under the revolving credit agreement to fixed-rate securities, thereby hedging against the impact of potential interest rate changes. Under this agreement, we pay a fixed interest rate of 4.74%. In return, the issuing lender refunds to us the variable-rate interest paid to the bank group under our revolving credit agreement on the same notional principal amount, excluding the margin that varies between 125 and 200 basis points depending on the leverage ratio. The notional amount of the swap agreement decreased to $30,000,000 on November 1, 2006, to $20,000,000 on November 1, 2007, and to $10,000,000 on November 1, 2008. The agreement terminates on November 1, 2009. As of March 31, 2009, the interest rate swap had a negative fair value of $276,000. An increase in interest rates of one percent would result in the interest rate swap having a negative fair value of approximately $225,000 at March 31, 2009. A decrease in interest rates of one percent would result in the interest rate swap having a negative fair value of approximately $327,000 at March 31, 2009. A change in interest rates will have no impact on the interest expense associated with the $10,000,000 of borrowings under the revolving credit agreement that are subject to the interest rate swap agreement. A change in interest rates of one percent on the outstanding borrowings under the revolving credit agreement at March 31, 2009 not subject to the interest rate swap would cause a change in total annual interest costs of $316,000. The borrowings under our revolving credit agreement bear interest at the variable rate described above and therefore approximate fair value at March 31, 2009.

At March 31, 2009, our outstanding balance of the SWIDA bonds had a carrying value of $2,972,000 and an estimated fair value of $3,188,000. The fair value was determined through the use of a discounted cash flow methodology applying interest rates which we believe would be available to us for issues with similar terms at March 31, 2009.

In September 1999, the Sports Authority of the County of Wilson (Tennessee) issued $25,900,000 in Variable Rate Tax Exempt Infrastructure Revenue Bonds, of which $22,300,000 was outstanding at March 31, 2009. These bonds are direct obligations of the Sports Authority and are therefore not recorded on our consolidated balance sheet; however, we are exposed to market risks related to fluctuations in interest rates for these bonds. A significant increase in interest rates could result in our being responsible for debt service payments not covered by the sales and incremental property taxes generated from the facility.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Based on their evaluation as of March 31, 2009, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are effective to ensure that the information we are required to disclose in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the fiscal quarter ended March 31, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II Other Information

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

Disclosure regarding the most significant factors that may adversely affect our business, operations, industry or financial position or our future financial performance is set forth under the section entitled, Factors That May Affect Operating Results; Forward-Looking Statements, beginning on page 19.

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

On July 28, 2004, our Board of Directors authorized the repurchase of up to 2,000,000 shares of our outstanding common stock. The purchases may be made in the open market or in privately negotiated transactions as conditions warrant. The repurchase authorization has no expiration date, does not obligate us to acquire any specific number of shares and may be suspended at any time. No purchases of our equity securities were made pursuant to this authorization during the three months ended March 31, 2009.

During the three months ended March 31, 2009, we purchased and retired 8,755 shares of our outstanding common stock at an average purchase price of $1.48 per share. These purchases were made from employees in connection with the vesting of restricted stock awards under our 2004 Stock Incentive Plan and were not pursuant to the aforementioned repurchase authorization. Since the vesting of a restricted stock award is a taxable event to our employees for which income tax withholding is required, the plan allows employees to surrender to us some of the shares that would otherwise have vested in satisfaction of their tax liability. The surrender of these shares is treated by us as a purchase of the shares.

The following table details our purchases of equity securities for the three months ended March 31, 2009 (the average price paid per share does not include nominal brokerage commissions):

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
January 1, 2009 January 31, 2009	8,755	$ 1.48		1,634,607
February 1, 2009 February 28, 2009				1,634,607
March 1, 2009 March 31, 2009				1,634,607
Total	8,755	$ 1.48		1,634,607

Item 3. **Defaults Upon Senior Securities**

None.

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

At the Annual Meeting of Stockholders held on April 29, 2009, Henry B. Tippie, R. Randall Rollins and Patrick J. Bagley were re-elected as directors by our stockholders. Directors whose terms of office continued after the meeting were Denis McGlynn, John W. Rollins, Jr., Jeffrey W. Rollins and Kenneth K. Chalmers.

	Votes For	Votes Withheld	Shares Not Voted
Election of Henry B. Tippie	193,156,731	8,729,428	1,346,587
Election of R. Randall Rollins	198,167,816	3,718,343	1,346,587
Election of Patrick J. Bagley	197,432,641	4,453,518	1,346,587

Additionally, an attempt to eliminate our rights agreement was defeated by our stockholders with 189,326,505 votes against, 8,813,881 votes for and 64,369 votes abstained.

Item 5. **Other Information**

None.

Item 6. **Exhibits**

10.1 Amendment No. 1 dated February 13, 2009 to the Stock Purchase Agreement dated January 28, 2009 between Midwest Racing, Inc. and Gulf Coast Entertainment, L.L.C.

10.2 Amendment No. 2 dated April 24, 2009 to the Stock Purchase Agreement dated January 28, 2009 between Midwest Racing, Inc. and Gulf Coast Entertainment, L.L.C.

31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a)

31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a)

32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Sec. 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Sec. 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Signatures

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

DATED: May 8, 2009

Dover Motorsports, Inc.
Registrant

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

/s/ Timothy R. Horne
Timothy R. Horne
Senior Vice President-Finance and Chief Financial Officer