

CARNEY & APPLEBY, P.L.C.
ATTORNEYS AT LAW

JAMES W. CARNEY
GEORGE W. APPLEBY
DIANE L. DORNBURG
SCOTT A. HALL

400 HOMESTEAD BUILDING
303 LOCUST STREET
DES MOINES, IOWA 50309-1770

Telephone (515) 282-6803
Facsimile (515) 282-4700

www.carneylawfirmiowa.com

E-mail: carney@carneylawfirmiowa.com

JENNIFER A. TYLER

January 27, 2010

Governor Chet Culver
State Capitol, Governor's Office
Des Moines, IA 50319

RE: Dog Racing Study

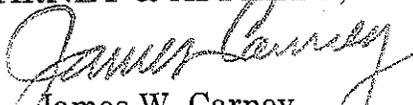
Dear Governor:

I am enclosing a copy of the Iowa Greyhound Study which we are making available to all legislators and the Governor's office. The study calls into question the very large purse supplements being paid to a very limited number of greyhound breeders – kennels – with a large portion (more than 40%) being paid to kennels outside the state. The study also points out that there is minimal economic impact attributed to greyhound racing (at least in Iowa), especially when you consider that there has been more than \$140 million of purse subsidies paid through the years.

Harrah's strongly believes that the purse supplements would be more appropriately used for a public purpose that serves to benefit the entire state of Iowa as compared to a very limited number of kennel operators. Casinos with dog racing should not be statutorily required to continue to support an industry that is disappearing across the country—dying too in Iowa, despite by far the richest purses in the nation, which have not and will not resuscitate this dying sport. The report notes that more than 90% of the purses for dog races are paid/subsidized from gaming revenues and not pari-mutuel wagering generated by patrons in Iowa (who are declining year by year). As a result, given the circumstances of greyhound racing in Iowa and nationally, Harrah's urges you and the members of leadership to consider legislation ending live dog racing and instead, paying a fee that promotes a more advantageous public policy goal.

A.J. Baker of Harrah's and I will be available to answer any questions regarding the study and to provide any further information you may need. We thank you for the courtesies extended to us as we were meeting with legislators in both the House and the Senate. We look forward to working with you on our proposal that will benefit all Iowans instead of a very limited number of greyhound owners-kennels.

Sincerely yours,
CARNEY & APPLEBY, P.L.C.


James W. Carney

JWC/scr
cc: AJ Baker
John Frew, Dick Oshlo, Jim Larew
Enclosure

Iowa Greyhound Study *Is Subsidizing Dog Racing In the Public Interest?*

In a comprehensive Study prepared by Christiansen Capital Advisors, the issue of the legislative directive to dedicate funds to the greyhound industry has been put directly into question. In short, the Study raises serious questions about Iowa's public policy that currently creates a legislatively mandated windfall for a small group of dog owners (many not from Iowa) for a sport that has little public interest. The concern is heightened in these difficult economic times when the funds can be reallocated to better "public uses" such as education, healthcare, agriculture or other public uses.

How much supplement is gifted to a small group of dog owners that could be rededicated? Million\$

- Since the inception of the purse supplements in 1995, more than \$140 million in gaming revenue has been redistributed to greyhound kennels and owners (about \$12 million per year at this time).

Who benefits from the purse supplements? Much goes out-of state – very small group gets windfall

- An estimated \$58 million in gaming revenue has actually left Iowa and sent to out-of-state kennels and dog owners – 42% of the purse distributions. In 2008 alone, more than \$5 million in purse supplements was paid to non-Iowa kennels and dog owners.
- The purse supplements are highly concentrated and lucrative, benefiting a few greyhound owners and kennels. Less than 7 % (20 owners and kennels) are receiving more than 50% of the purse awards. One breeder observed that a breeder can make more than \$100,000 from a \$5,000 investment.

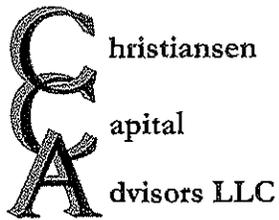
Are the Purse supplements justified? No – it is not justified by actual wagering or fan interest.

- The Study concludes that only a small portion - 4% in 2008 - of Iowa purses is funded with revenue from pari-mutuel betting. Most of the purses awarded in Iowa - about 96% in 2008 - are funded with gaming revenue pursuant to the supplement agreement, funds which could go to other "public uses."
- The Study concludes that purses for Iowa dog racing are disproportionately large when compared to the size and popularity of Iowa greyhound racing. In fact, Iowa greyhound purses are by far the richest in the US in relation to actual wagering on the races (where Iowa ranks near the bottom).
- The Study concludes that the enormous purse subsidies have not stimulated consumer interest in greyhound racing. Wagering has dropped precipitously since the early 1990s with the amount wagered on Iowa greyhound racing today only about one third of the amount wagered in the early 1990s; despite the most generous purse supplements in the nation.

Does dog racing contribute meaningfully to Iowa's agricultural economy? No

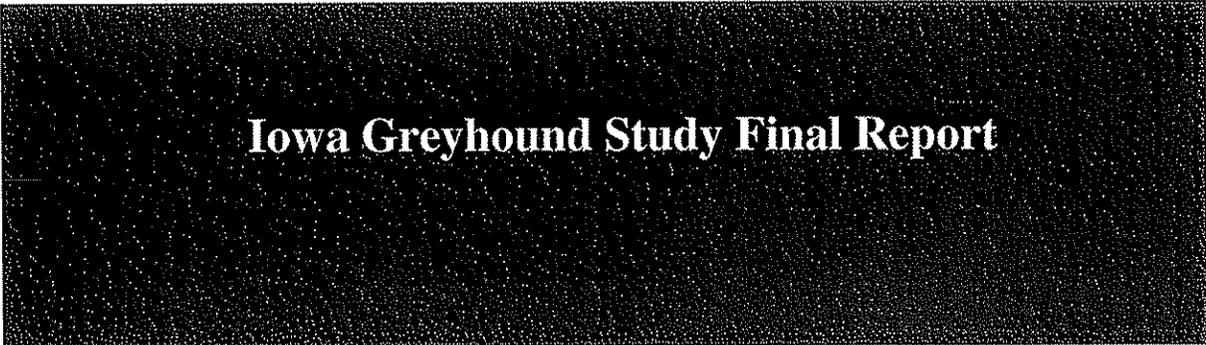
- The Study concludes that unlike the horse racing industry that contributes greatly to Iowa's economy, "[g]reyhound racing and breeding is a tiny component of Iowa agribusiness, and small in comparison with equine breeding and racing in Iowa".

As the Study concludes: "From a public policy perspective, it is questionable in light of the Iowa purse and Greyhound handle data we reviewed in this report whether the allocation of approximately \$12 million ... in Greyhound purse supplements each year is economically justified."



250 West 57th Street, Suite 432
New York, New York 10107
Phone: 207.688.4500
Email: cca-ny@verizon.net

170 Sawyer Road
New Gloucester, ME 04260
Phone: 207.688.4500
Email: stsinc@gwi.net

A large, black, textured rectangular box with a fine, grainy pattern. Centered within this box is the text 'Iowa Greyhound Study Final Report' in a white, serif font.

Iowa Greyhound Study Final Report

Prepared by: Christiansen Capital Advisors, LLC
Prepared for: Harrah's Entertainment, Inc.
Thursday January 7, 2010

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Executive Summary

Iowa's Greyhound racing industry currently comprises three racetracks, Bluffs Run Greyhound Park and Dubuque Greyhound Park and Prairie Meadows (import/intertrack greyhound wagering only). Both Bluffs Run and Dubuque Greyhound conduct pari-mutuel betting on live and simulcast Greyhound races. Both racetracks also offer slot machine and table gaming the year round. In 2008 these two racetracks conducted 463 days of live Greyhound racing and operated approximately 2,816 slot machines and 85 table games.

Iowa's Greyhound racing industry is an anomaly: Iowa ranks near the bottom among Greyhound racing States in handle or wagering on its Greyhound races (Exhibit 1.3), while Iowa Greyhound purses in relation to wagering on Iowa Greyhound races are by far the richest in the United States (Exhibit 1.5). In recent years Iowa Greyhound purses have been larger than wagering or handle on live Iowa Greyhound races (Exhibits 2.1, 4.1).

The explanation for Iowa's disproportionately large Greyhound purses in relation to consumer interest in Greyhound racing in Iowa (as measured by wagering on live Greyhound racing) is the program of supplementing Iowa Greyhound purses with revenue generated from slot machine gaming at Iowa Greyhound racetracks initiated in 1995 and table games initiated in 2005. Only a small portion (4% in 2008) of Iowa Greyhound purses is funded with revenue from pari-mutuel betting (Exhibit 4.1). Most of the Greyhound purses awarded in Iowa (about 90% in 2008) are funded with revenue generated from racino gaming revenue pursuant to this purse supplement program (Exhibit 4.6), the balance coming from pari-mutuel betting, breakage, and stakes (as we shall describe further in this report, however, since pari-mutuel betting is inadequate to fund breakage and stakes races the funds actually come from gaming). Since the inception of this purse supplement program in 1995 through 2008 a total of \$140.0 million in racino gaming revenue has been distributed to Greyhound owners and kennels competing at Iowa Greyhound racetracks. About 42% of Iowa Greyhound purse distributions flow to owners and kennels in other States (Exhibits 4.4, 4.5), or more than \$58.8 million over the life of the purse supplement program. In 2008 about \$5.7 million in Iowa Greyhound purse money flowed to owners and kennels in other States, of which about \$4.9 million was funded with revenue diverted from Iowa Greyhound facility slot machines and table games pursuant to Iowa's purse supplement program (Exhibits 4.4, 4.8).

The transfer of \$140 million in gaming revenue to Greyhound purses has failed to stimulate renewed consumer interest in Greyhound racing in Iowa. Wagering on Iowa Greyhound races (live plus export handle) dropped precipitously in the 1990s, falling from \$109 million in 1991 to \$23.7 million in 1996, the year after the purse supplement program was instituted (Exhibit 4.3). Wagering on Iowa Greyhound races stabilized at around \$25 million annually for a decade thereafter before increasing to a post-supplement program high of \$38.4 million in 2007, far below its 1991 level.

In terms of their recipients Iowa Greyhound purse awards are highly concentrated, with a relatively small number of owners and kennels receiving more than half of the purse money that is distributed at Iowa's two Greyhound tracks. While more than 300 owners and kennels competed for Greyhound purses in Iowa in 2008 the top 20 recipients, measured by the amount of purse money distributed, received 51.8% of the Purses awarded that year (Exhibit 4.11). Breeding Greyhounds for racing can be highly profitable in Iowa, one breeder observing that a

breeder can make more than \$100,000 from a \$5,000 investment. (Source: American Greyhound Council, Iowa Greyhound Association, "Greyhound Business Swift in Iowa" by Luke Meredith, Associated Press <http://www.iaGreyhounds.org/modules.php?name=News&file=article&sid=204>)

Iowa's distribution of purses is concentrated with a select few owners and kennels receiving the majority of awards. In 2008, the top 20 recipients (of over 300 total recipients) received over 50% of purse awards (Exhibit 4.11). Purse awards within this group ranged from approximately \$1 million to just under \$200,000. However, the median purse award in 2008 was slightly more than \$6000 and the lower 50% of all recipients received far less.

Greyhound racing and breeding is a tiny component of Iowa agribusiness, and small in comparison with equine breeding and racing in Iowa. In 2009 there were 3,620 licensed horse racing positions in Iowa, compared to 544 licensed Greyhound racing positions (Exhibit 5.3). The value of Iowa equine industry goods and services purchased in 2006 totaled \$862.5 million in 2004, compared to \$23.3 million worth of goods and services purchased by Iowa's Greyhound industry in 2006, the most recent years for which these data are available (Exhibit 5.5). The \$23.3 million worth of goods and services purchased by Iowa's Greyhound racing industry amounted to approximately 0.11% of the total value of Iowa agricultural products sold in that year (Exhibit 5.6).

The evaluation of Iowa's purse subsidy program in realizing Iowa public policy goals is a public policy issue for the State of Iowa to assess. From a public policy perspective, it is questionable in light of the Iowa purse and Greyhound handle data we reviewed in this report whether the allocation of approximately \$12 million (Exhibit 4.1) in Greyhound purse supplements each year is economically justified. As Exhibits 4.1 - 4.13 show, the allocation of approximately \$12 million in slot machine and table game revenue annually to Greyhound purses has failed to stimulate renewed consumer interest in Iowa Greyhound racing as measured by wagering on Iowa Greyhound races. Moreover, we were unable to find verifiable data supporting the premise that the Iowa economy benefits in a commensurate way from the annual transfer of approximately \$12 million in slot machine and table game revenue to Greyhound owners and kennels (Exhibits 4.8-4.13).

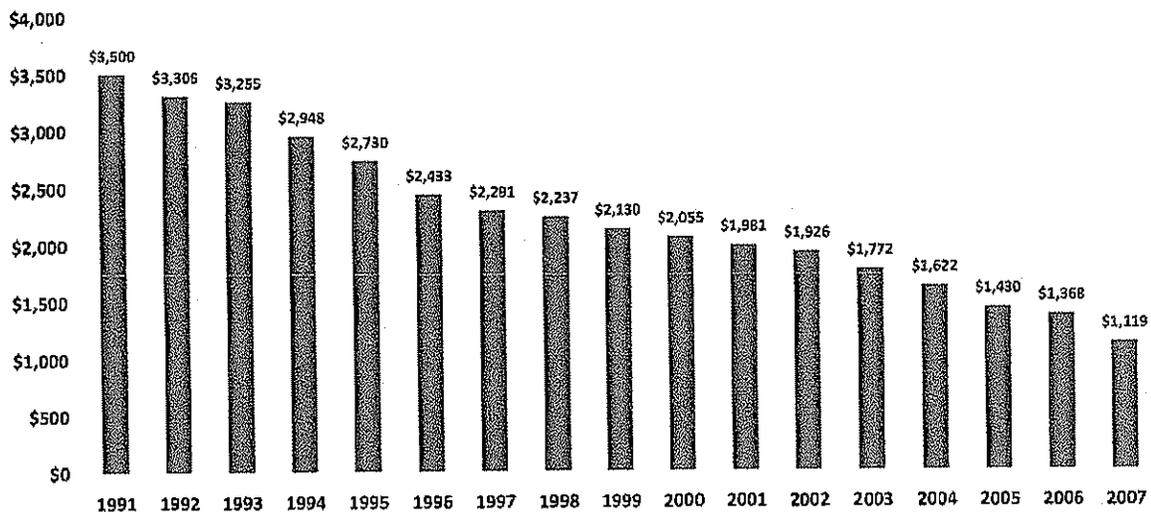
I. Scope of Study

Christiansen Capital Advisors, LLC (“CCA”) has been retained by Harrah’s Entertainment (“Harrah’s”) to conduct an independent study of Greyhound racing in Iowa. This report presents the results of that study.

II. Greyhound Racing in the United States

Exhibit 1.1 presents total pari-mutuel handle, or wagering, including wagering on live Greyhound races, inter-track wagering on simulcast races, off-track wagering (OTW) on simulcast races and wagering on simulcast races at facilities of other kinds in the United States for the years 1991 through 2007, the most recent year for which these data are available.

EXHIBIT 1.1 - 1991-2007 TOTAL UNITED STATES GREYHOUND HANDLE (LIVE, INTER-TRACK, OTW, AND SIMULCAST) IN \$MILLIONS



Source: Association of Racing Commissioners International, "Pari-mutuel Racing 2007, A Statistical Summary".

Note: In this and following exhibits total United States handle includes live, import inter-track, and off-track wagering or OTW. Total United States handle does not include export handle, wagers placed on out-of-State tracks, frontons and OTW facilities, because this handle is included in the import handle category.

Handle on Greyhound racing in the U.S. declined from \$3.5 billion in 1991 to \$1.1 billion in 2007, a decrease of \$2.4 billion or 68%. The decline was steady, with handle falling in each year compared with the preceding year during this period.

As Exhibit 1.1 illustrates, pari-mutuel Greyhound racing in the U.S. is an industry in long-term decline. Since the late 1980s, when there were more than 55 Greyhound racetracks in the United States, nearly 30 Greyhound tracks—more than half the U.S. Greyhound racing plant—have closed as of December 31, 2009. Exhibit 1.2 summarizes these closings.

EXHIBIT 1.2 RECENT AND PROJECTED UNITED STATES GREYHOUND TRACK CLOSING

State	Track	Closing Date	Note
Arizona	Phoenix Greyhound Park	2009	
	Apache Junction	2004	
Colorado	Mile High	2008	
	Cloverleaf	2009	
Connecticut	Plainfield	2005	
	Shoreline	2005	
Kansas	Wichita Greyhound Park	2008	
	Woodlands	2008	
	Camptown	2000	
Massachusetts	Wonderland Park	2009	
	Raynham Park	2009	
New Hampshire	Seabrook	2009	
	Belmont	2009	
	Hinsdale	2008	
Oregon	Multnomah	2004	
Rhode Island	Twin River	2009	In bankruptcy, future uncertain
Texas	Valley Greyhound Park	Uncertain	
	Corpus Christi	2007	
Wisconsin	Geneva Lakes	2005	
	Dairyland	2009	

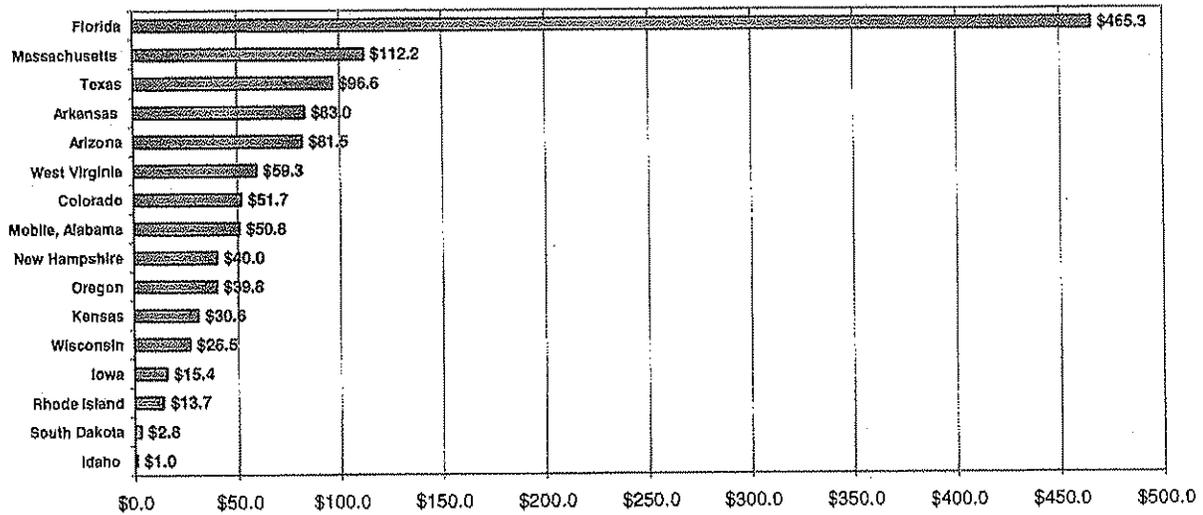
Note: By January 2010 it is estimated that there will be 24-26 greyhound tracks running in the U.S. compared to more than 55 tracks operating in the late 80s and the early 90s

Source: National Greyhound Association

Greyhound racing in Iowa and neighboring States conforms to this general trend. In 1995 Iowa's Waterloo Greyhound Park entered bankruptcy and closed. In Kansas, Camptown closed in 2000, Wichita Greyhound Park closed in 2008 and Woodlands closed in 2008, leaving that State without live Greyhound racing.

Exhibit 1.3 presents total pari-mutuel wagering on Greyhound racing in 2007 by State. Total in-State handle in Exhibit 1.3 includes live, import inter-track, and off-track wagering or OTW; that is, wagering on Greyhound races within a State, such as Iowa, regardless of where the race is run. Total in-State handle does not include export handle, wagers placed at tracks, frontons and OTW facilities in other States, since this handle is included in the import handle category in the State in which the receiving facility is located.

EXHIBIT 1.3 2007 TOTAL IN-STATE GREYHOUND HANDLE BY STATE * (\$ MILLIONS)



Source: Association of Racing Commissioners International, "Pari-mutuel Racing 2007, A Statistical Summary"

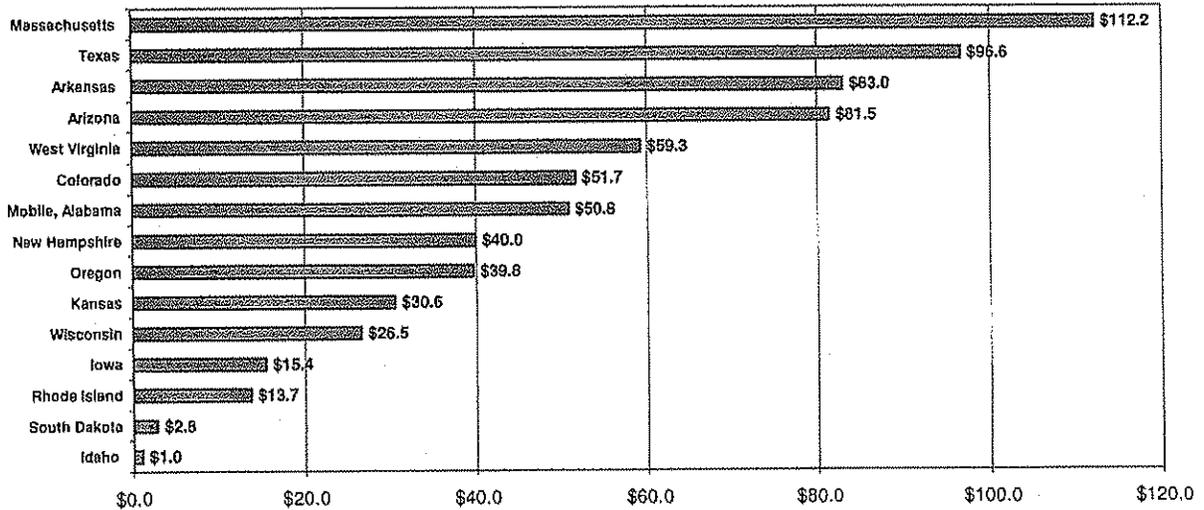
* Note: Total in-State handle includes live, import inter-track, and off-track wagering or OTW; that is, wagering on Greyhound races within a State, regardless of where the race is run. Total handle does not include export handle, wagers placed on races in out-of-State tracks, frontons and OTW facilities.

Florida is, by far, the largest Greyhound racing State measured by handle. In 2007 \$465.3 million was wagered on Greyhound races in Florida, more than four times the amount wagered in the second-largest State, Massachusetts (which is projected to discontinue live Greyhound racing in 2009). Iowa ranked 13th of 16 in Greyhound handle among Greyhound racing States, with \$15.4 million wagered on this sport in 2007. Only three Greyhound racing States, Idaho, Rhode Island (which does not currently conduct live racing) and South Dakota, reported smaller handles.

Florida has the largest pari-mutuel industry in the United States measured by the number of licensed racetracks and frontons, with more licensed horse racing, Greyhound racing, and jai-alai facilities than any other State. Exhibit 1.4 presents total pari-mutuel wagering on Greyhound racing in 2007 by State excluding Florida. Iowa ranked 12th, ahead only of Idaho, Rhode Island and South Dakota.

Because the Florida Greyhound industry is much larger than Greyhound industries in other states, we have included an exhibit that places Iowa in the universe of "all other states" as measured by in-state handle (Exhibit 1.4). Even excluding Florida, Exhibit 1.4 illustrates Iowa's relatively small contribution to the U.S. Greyhound industry.

EXHIBIT 1.4 2007 TOTAL IN-STATE GREYHOUND HANDLE BY STATE EXCLUDING FLORIDA * (\$ MILLIONS)

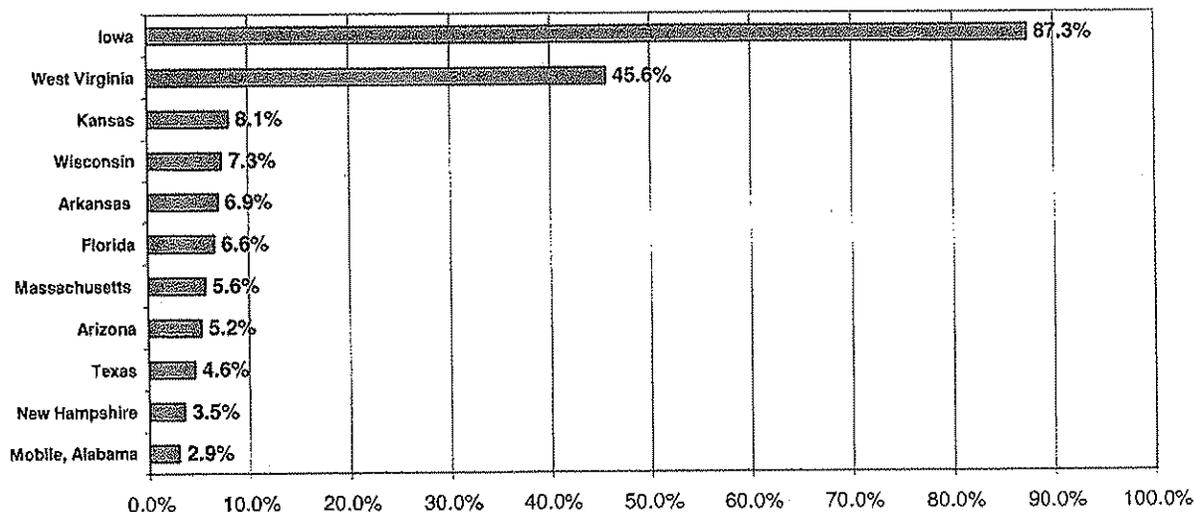


Source: Association of Racing Commissioners International, "Pari-mutuel Racing 2007, A Statistical Summary"

* Note: Total in-State handle includes live, import inter-track, and off-track wagering or OTW; that is, wagering on Greyhound races within a State, regardless of where the race is run. Total handle does not include export handle, wagers placed on races in out-of-State tracks, frontons and OTW facilities.

Exhibit 1.5 compares Greyhound purses as a percentage of total in-State handle for a subset of Greyhound racing States with Greyhound racing roughly comparable to Iowa in 2007.

EXHIBIT 1.5 2007 GREYHOUND PURSES RANKED AS A PERCENT OF TOTAL IN-STATE HANDLE BY STATE *



Source: Association of Racing Commissioners International, "Pari-mutuel Racing 2007, A Statistical Summary"

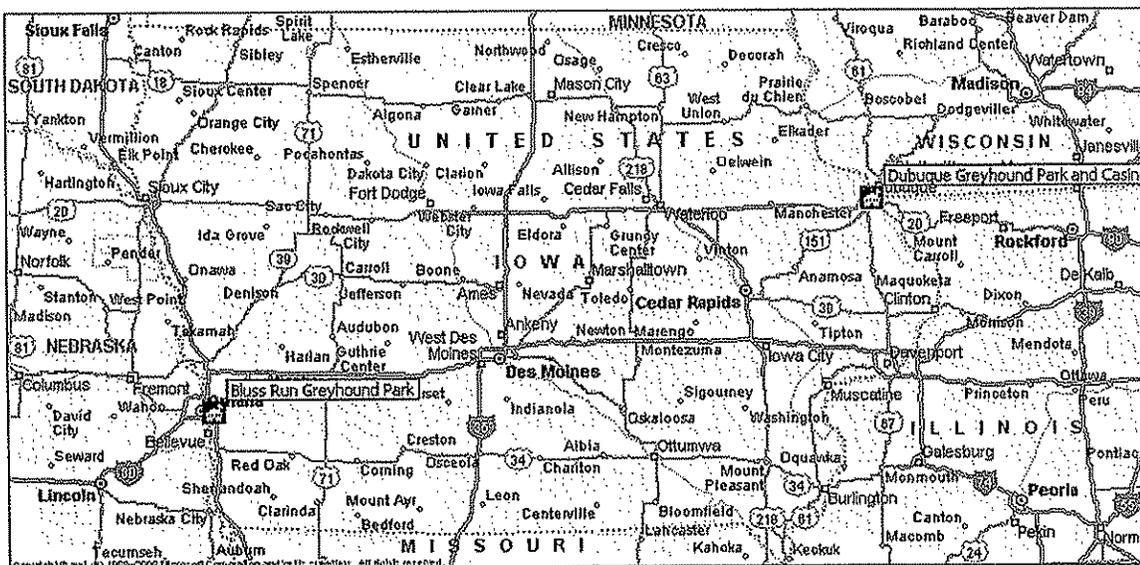
* Note: Total in-State handle includes live, import inter-track, and off-track wagering or OTW; that is, wagering on Greyhound races within a State, regardless of where the race is run. Total handle does not include export handle, wagers placed on races in out-of-State tracks, frontons and OTW facilities.

In 2007 Iowa Greyhound purses amounted to 87.3% of total in-State Iowa handle, by far the largest purse distribution in relation to wagering on Greyhound racing of any State. West Virginia Greyhound purses, which, like Iowa's, are supplemented with gaming revenue, amounted to 45.6% of total in-State handle. In other words, West Virginia has a much larger purse in relation to wagering on Greyhound racing than most other Greyhound racing States but its Greyhound purse is only about half as large as Iowa's Greyhound purse by this measure. The data presented in Exhibit 1.5 indicate that Iowa's Greyhound purse distributions are disproportionately large in relation to Iowa Greyhound handle. Greyhound purses in other Greyhound racing States suggest that Iowa's Greyhound purses are richer than they need to be to maintain the current level of consumer interest, as expressed by betting, on Iowa Greyhound racing.

III. Iowa's Pari-mutuel Greyhound Racing Industry

Iowa's Greyhound racing industry currently comprises three racetracks, Bluffs Run Greyhound Park and Dubuque Greyhound Park and Prairie Meadows (Prairie Meadows provides import/intertrack greyhound wagering only). Both Bluffs Run and Dubuque Greyhound conduct pari-mutuel betting on live and simulcast Greyhound races. Both racetracks also offer slot machine and table gaming the year round. The locations of these two racetracks are shown on the map below.

EXHIBIT 1 DUBUQUE GREYHOUND PARK AND BLUFFS RUN GREYHOUND PARK



Dubuque Greyhound Park and Casino	- 162 days of live racing (2008) - 1000 slot machines - 18 Table Games
Bluffs Run Greyhound Park	- 301 days of live racing (2008) - 1816 slot machines - 67 Table Games

Source: Iowa Racing and Gaming Commission

Dubuque Greyhound Park conducted 162 days of live racing in 2008 and had approximately 1,000 slot machines and 18 table games installed. Bluffs Run conducted 301 days of live racing (essentially the year round) in 2008 and had approximately 1,816 slot machines and 67 table games installed.

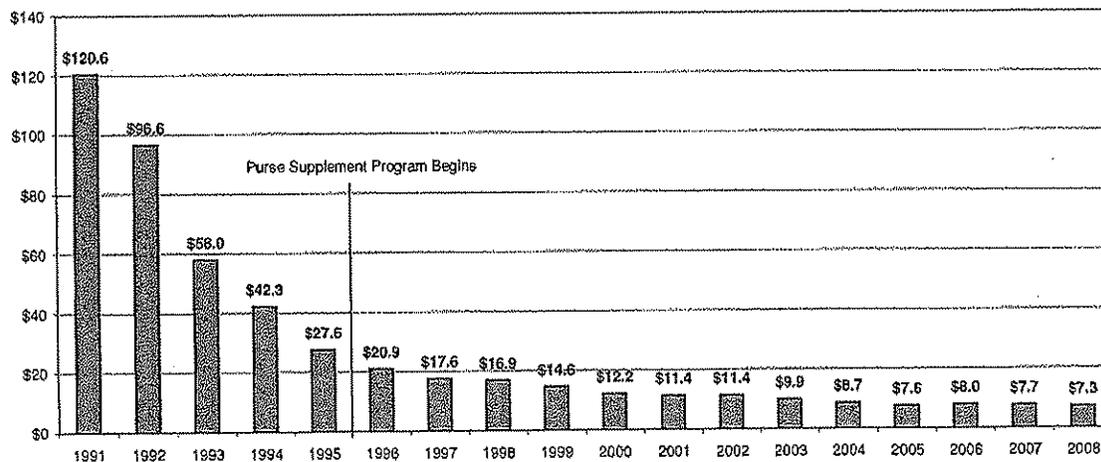
IV. Trends in Iowa Pari-mutuel Greyhound Handle

We collected statistics for pari-mutuel betting (handle) and slot machine and table game adjusted gross receipts (win or AGR) at Iowa's two Greyhound racetracks to establish trends in these activities and determine whether they are correlated.

Exhibits 2.1 – 2.6 present trends in Iowa Greyhound handle by category: handle on live races, import handle (wagers placed at tracks within Iowa on other in-state and out-of-State Greyhound races), and export handle (i.e., wagering on Iowa Greyhound races at facilities in other States). Handle or wagering is the primary metric by which consumer interest in Greyhound racing (and other pari-mutuel sports) is measured; by this measure consumer interest in Greyhound racing, in Iowa and in the United States, has decreased sharply and consistently in the past two decades.

Exhibit 2.1 presents total annual wagering on live Greyhound racing in Iowa for the period 1991—2008.

EXHIBIT 2.1 TOTAL IOWA YEARLY LIVE GREYHOUND HANDLE 1991-2008
(\$ MILLIONS)

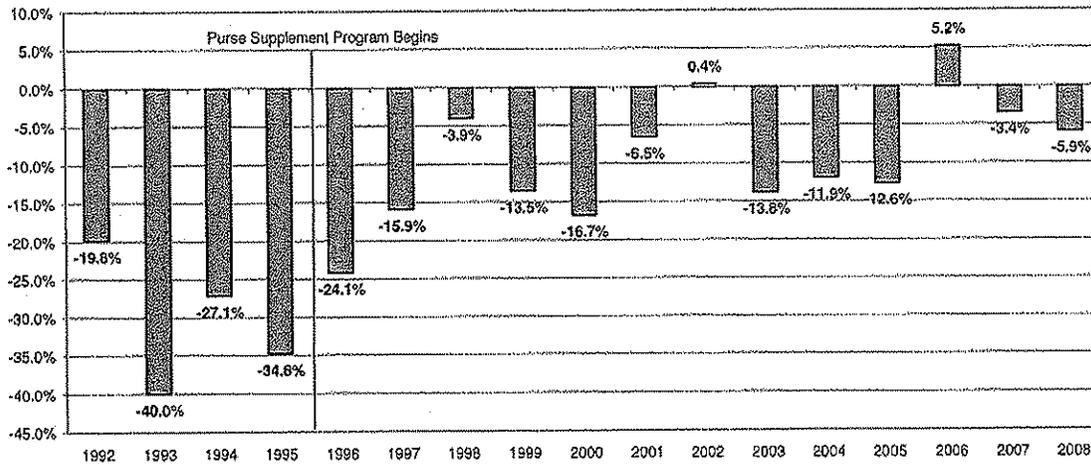


Source: Association of Racing Commissioners International, 1991-2007. Iowa Racing and Gaming Commission, 2008.

Wagering on live Greyhound races in Iowa declined from a series peak of \$120.6 million in 1991 to a series low of \$7.3 million in 2008. Between 1991 and 1996 the decline in live wagering on Greyhound races in Iowa was precipitous, falling from \$120.6 million (in 1991) to \$20.9 million (in 1996); subsequently annual wagering on live Greyhound races has not exceeded \$17.6 million despite the introduction of purse supplements from gaming revenue in 1995.

Exhibit 2.2 presents year-over-year percentage changes in Iowa live Greyhound handle for 1991 through 2008.

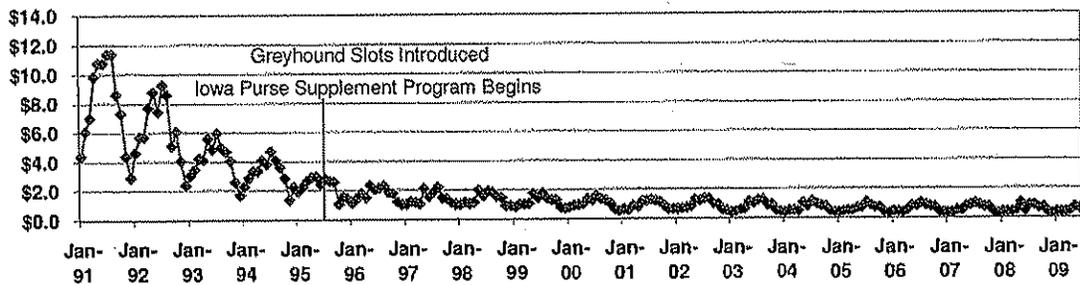
EXHIBIT 2.2 YEAR OVER YEAR PERCENTAGE CHANGE IN IOWA LIVE GREYHOUND HANDLE 1991-2008



Source: Association of Racing Commissioners International, 1991-2007. Iowa Racing and Gaming Commission, 2008.

The very large year-over-year percentage declines in Iowa live Greyhound wagering that occurred between 1991 and 1997 indicate a shift in consumer preferences away from betting on live Greyhound to other gambling options or other activities during these years. This shift occurred in part because of the “simulcast revolution”; allowing handicappers to place wagers at locations other than the live event facility. Almost certainly, the only consumers remaining in the Iowa live Greyhound betting market after the mid-1990s, when the machine revenue purse supplements were initiated, were a dwindling number of committed handicappers with lifetime commitments to this activity. This interpretation of the data presented in this section is consistent with trends in Iowa Greyhound wagering subsequent to the mid-1990s, when Greyhound handle tracked at a level far below its 1991 level. Low, stable pari-mutuel handle is characteristic of a consumer base made up of a small number of bettors with lifetime commitments to pari-mutuel betting.

EXHIBIT 2.3 TOTAL MONTHLY LIVE IOWA GREYHOUND HANDLE 1991-2009 (\$ MILLIONS)

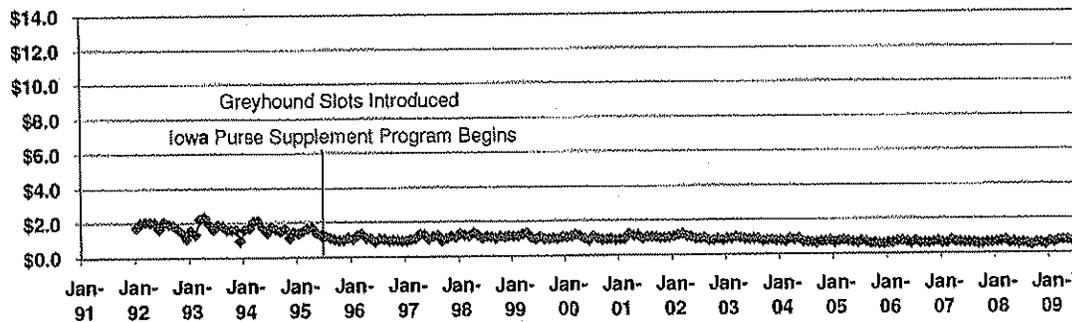


Source: Iowa Racing and Gaming Commission

Exhibit 2.3 presents monthly live Greyhound handle in Iowa for the period January 1991—January 2009. Betting on simulcast and/or inter-track racing is not included in Exhibit 2.3.

Handle in Iowa on live Greyhound races reached a monthly peak of nearly \$12 million in 1991 and thereafter trended sharply downward, falling below \$2 million in 1996 and remaining below \$2 million since 2000. The long-term downward trend in Iowa's live Greyhound handle mirrors trends in overall U.S. Greyhound handle (Exhibit 1.1): Greyhound racing is an industry in decline. It is apparent from Exhibit 2.3 that the introduction of purse supplements from slot machine revenue in 1995 did not reverse the decline in betting on live Greyhound races in Iowa.

EXHIBIT 2.4 TOTAL MONTHLY INTER-TRACK IOWA GREYHOUND HANDLE 1991-2009 (\$ MILLIONS) *



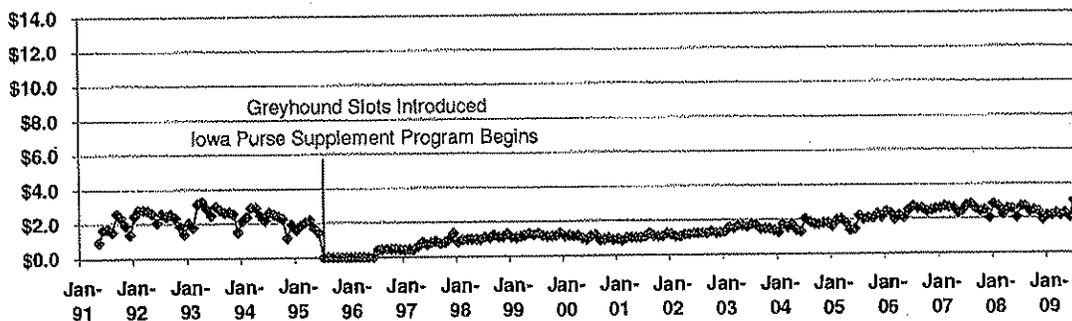
Source: Iowa Racing and Gaming Commission

* Inter-track wagering consists of Greyhound wagers placed in Iowa on in-state and out-of-state races.

Exhibit 2.4 presents total monthly inter-track (or inter-facility) Iowa Greyhound handle for the period January 1992—August 2009. Inter-track betting on Greyhound racing in Iowa is a small-scale activity, currently totaling less than \$1 million a month. As is true of handle on Iowa live Greyhound races, the introduction of purse supplements from slot machine revenue in 1995 did not stimulate a perceptible increase in inter-track betting on Greyhound races in Iowa.

Exhibit 2.5 presents total monthly export (i.e., wagering on Iowa Greyhound races in other States) handle on Iowa Greyhound races for the period January 1991—January 2009.

EXHIBIT 2.5 TOTAL MONTHLY EXPORT IOWA GREYHOUND HANDLE 1991-2009 (\$ MILLIONS) *



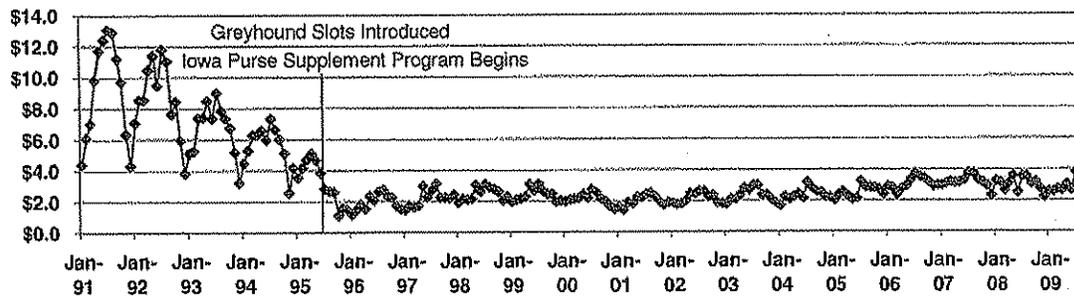
Source: Iowa Racing and Gaming Commission

* Export handle consists of wagers placed on Iowa races at tracks, frontons and OTW facilities in other States.

Wagering on Iowa Greyhound races in other States peaked in 1993 at \$3.5 million a month. Export handle on Iowa Greyhound races dropped sharply in 1995-1996, the year Greyhound purse supplements from machine revenue were initiated, and then slowly recovered in subsequent years. Export handle on Iowa Greyhound races exceeded \$2 million a month in 2004-2005 but has not to date returned to its 1993 levels. In other words, while purse supplements from machine revenue should logically have improved the quality of Greyhounds competing for purses in Iowa races and thus the value of Iowa Greyhound racing signals to bettors in other States, purse supplements from machine revenue have not restored Iowa export handle to its peak 1993 level.

Exhibit 2.6 presents total monthly live plus export handle on Iowa Greyhound races for the period January 1991—January 2009.

EXHIBIT 2.6 TOTAL MONTHLY LIVE PLUS EXPORT IOWA GREYHOUND HANDLE 1991-2009* (\$ MILLIONS)



Source: Iowa Racing and Gaming Commission

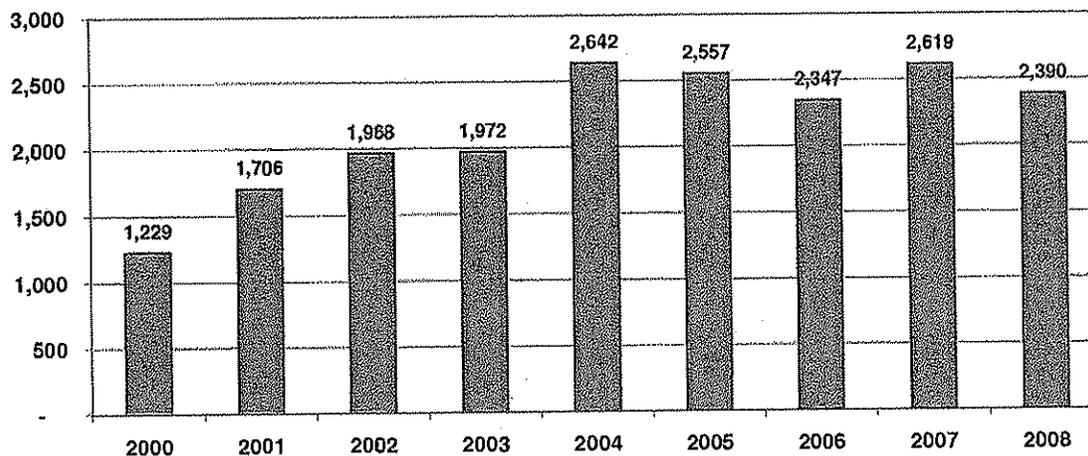
*Export handle consists of wagers placed on Iowa races at tracks, frontons and OTW facilities in other States.

Monthly handle on live plus export Iowa Greyhound races reached a monthly peak of \$13 million in 1991 and thereafter trended sharply downward, falling below \$2 million in 1996 and remaining below \$4 million since that year. This long-term downward trend in Iowa's live plus export Greyhound handle mirrors trends in overall U.S. Greyhound handle (Exhibit 1.1): Greyhound racing, in Iowa and the United States, is an industry in decline. It is apparent from Exhibit 2.6 that the introduction of purse supplements from gaming revenue in 1995 did not restore betting on Iowa Greyhound races in Iowa and other States to pre-supplement levels.

V. The Supply of Greyhounds in Iowa

Exhibit 2.7 presents the number of Iowa-bred registered Greyhounds for the years 2000, the earliest year for which these data are available, through 2008.

EXHIBIT 2.7 2000-2008 IOWA BRED REGISTERED GREYHOUNDS



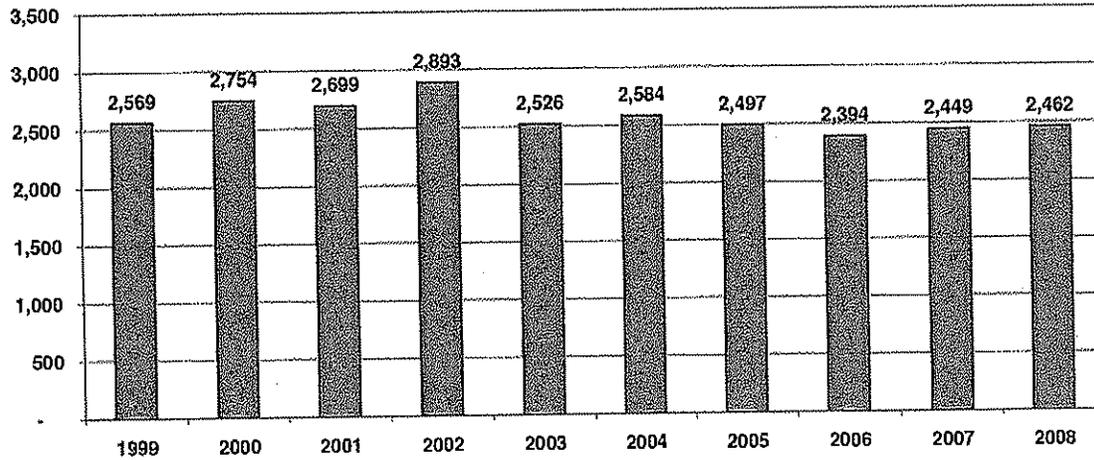
Source: Iowa Department of Agriculture and Land Stewardship, Horse and Dog Bureau.

Note: These yearly registered Greyhounds represent dogs available to race but not all of which are going to race in Iowa.

Despite the sharply declining consumer interest in Iowa Greyhound racing as measured by handle or wagering on Iowa Greyhound races (Exhibits 2.1—2.5) the number of Iowa-bred registered Greyhounds more than doubled between 2000, when there were 1,229 Iowa-bred registered Greyhounds, and 2004, when there were 2,642 Iowa-bred registered Greyhounds. Subsequently the number of Iowa-bred registered Greyhounds declined slightly, to 2,390 in 2008, but remains nearly twice the number of Iowa-bred registered Greyhounds in 2000. As Exhibits 2.1—2.6 show, the increase in the supply of Iowa-bred registered Greyhounds since 2000 is not in response to any increase in demand for Iowa Greyhound racing, since wagering on Iowa Greyhound racing has been essentially static or declining during this period and far below the levels of a decade earlier. The most likely explanation for the great increase in the number of Iowa-bred registered Greyhounds since 2000 is the continuing supplement of Iowa Greyhound purses during this period. This makes racing Greyhounds at Iowa tracks more remunerative despite declining consumer interest in Iowa Greyhound racing as measured by betting on Iowa Greyhound races and the disbursement of money from Iowa Greyhound Breeders' Fund to the owners of Iowa-bred registered Greyhounds. Machine supplements for Iowa Greyhound purses and disbursements from the Iowa Greyhound Breeders' Fund thus appear to be maintaining the breeding and ownership of Iowa racing Greyhounds at artificially elevated levels even though consumer interest in Iowa Greyhound racing, as measured by betting on Iowa Greyhound races (live plus export handle), has precipitously declined since 1991 from a peak of approximately \$13.5 million per month in 1991 to a currently stabilized \$4.5 million per month (Exhibit 3.1).

Exhibit 2.8 presents the total number of licensed Iowa and out-of-State Greyhounds running at Bluffs Run and Dubuque Greyhound Park in the years 1999—2008.

EXHIBIT 2.8 1999-2008 TOTAL LICENSED IN-STATE AND OUT-OF-STATE GREYHOUNDS RUNNING AT BLUFFS RUN AND DUBUQUE GREYHOUND PARK



Source Dubuque Greyhound and Bluffs Run

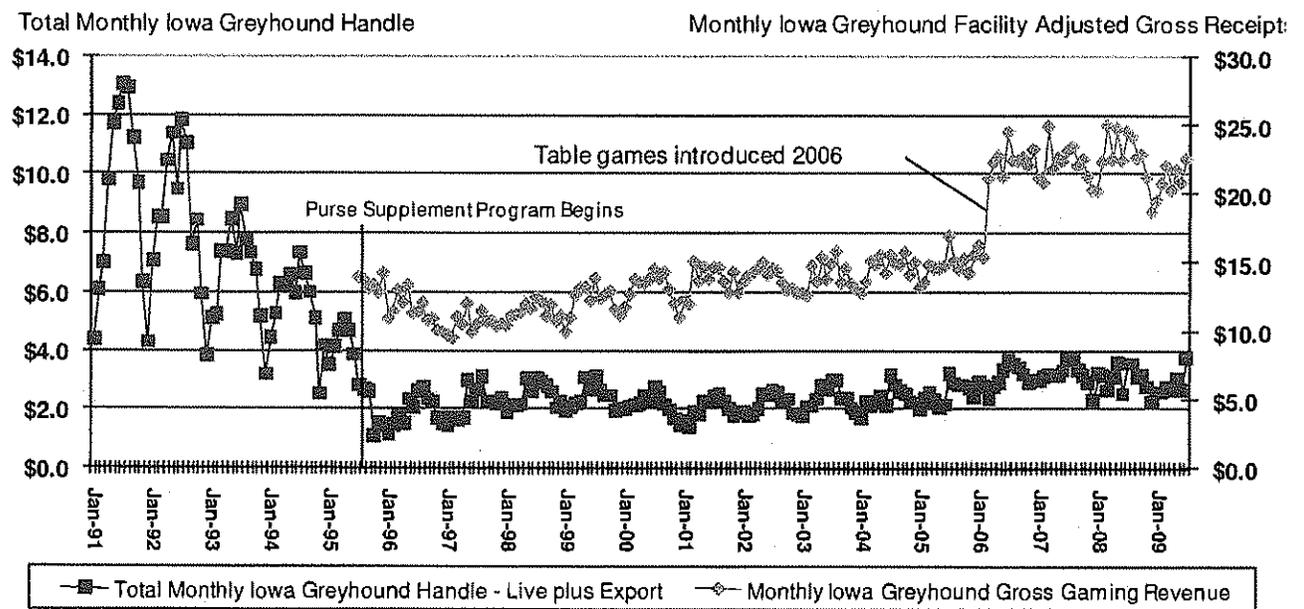
The number of licensed Iowa and out-of-State Greyhounds running at Bluffs Run and Dubuque Greyhound Park has remained relatively constant over this period despite the sharp decline in wagering on Iowa Greyhound races. In 1999, 2,569 licensed Iowa and out-of-State Greyhounds competed at Bluffs Run and Dubuque Greyhound Park, rising to a series peak of 2,893 licensed Iowa and out-of-State Greyhounds in 2002 and decreasing, slightly, to 2,462 licensed Iowa and out-of-State Greyhounds in 2008. The constant supply of Greyhounds competing at Iowa's Greyhound tracks during a period when wagering on Iowa Greyhound races declined precipitously almost certainly reflects the attractiveness to Greyhound owners of the gaming-supplemented purses distributed by Bluffs Run and Dubuque Greyhound Park.

It is noteworthy that Exhibit 2.8 shows a relatively constant number of licensed Greyhounds running at the two Greyhound tracks while Exhibit 4.2 shows a steady increase in purse supplements derived from gaming revenue at Bluffs Run and Dubuque Greyhound. Moreover, as Exhibit 2.3 shows, wagering on live Greyhound racing at these two tracks steadily declined over this period.

VI. Iowa Pari-mutuel Greyhound Racing and Racetrack Slot Machines and Table Games

Exhibit 3.1 presents total monthly Iowa Greyhound facility slot machine and table game adjusted gross receipts (AGR) and live plus export handle on Iowa Greyhound racing for the period January 1991—January 2009. In perusing the data presented in this section it is important to bear in mind that pari-mutuel handle and machine adjusted gross receipts are fundamentally dissimilar statistics. Pari-mutuel handle is gross wagering: the money circulating in a pari-mutuel betting game. Slot machine gross gaming revenue is not gross wagering in slot machines but the portion or percentage of gross wagering that is lost by players collectively and won or retained by the machines' operators (Bluffs Run and Dubuque Greyhound Park). Slot machine and table game gross revenue is comparable to pari-mutuel takeout or retention, defined as handle less amounts returned to bettors in the form of winnings. Pari-mutuel takeout and adjusted gross receipts are not profit. These statistics constitute the gross revenue of businesses that conduct pari-mutuel betting or slot machine and table gaming. Salaries, wages, debt service and taxes of various kinds including gambling privilege taxes must be paid from these gross revenue, which head the income statements of business that (like Bluffs Run and Dubuque Greyhound Park) conduct pari-mutuel betting and slot machine and table gaming.

EXHIBIT 3.1 1991-2009 TOTAL MONTHLY IOWA GREYHOUND FACILITY AGR V. LIVE HANDLE PLUS EXPORT HANDLE*



Source: Iowa Racing and Gaming Commission

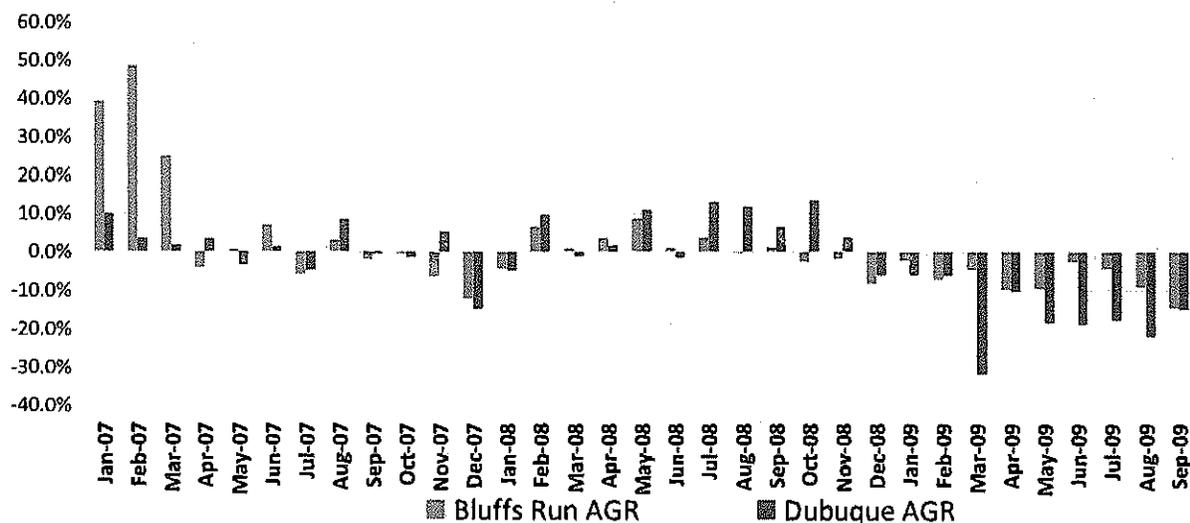
* Export handle consists of wagers placed on Iowa Greyhound races at tracks, frontons and OTW facilities in other States.

As noted in the discussion of trends in pari-mutuel Greyhound racing (Section IV), monthly live plus export handle on Iowa Greyhound racing fell precipitously from 1991 through 1996 and thereafter fluctuated within a narrow range (\$2 million to \$4 million a month).

Adjusted gross receipts from slot machines at Bluffs Run and Dubuque Greyhound Park totaled slightly more than \$13 million a month in 1995, the year in which slot machines were added to these racetracks, declined moderately through January 1997, and then increased steadily through January 2006 (Exhibit 3.1). Table games were added to both racetracks in 2006, stimulating a sharp increase in racetrack machine AGR, which reached a series peak of nearly \$25 million a month in 2008 before falling below \$20 million in the winter of 2008-2009 due to the onset of recession in the U.S. economy. The trends in Bluffs Run and Dubuque Greyhound Park machine AGR conform to the general pattern of regional machine gaming markets, which typically exhibit moderate declines in the 12 to 18 months following the start of machine operations and then enter a period of sustained growth that levels off once supply and demand for this form of gambling come into balance and the market matures. The falloff in machine AGR in late 2008 and 2009 is likewise typical of regional gaming markets in North America, almost all of which contracted with the onset of the present recession.

Exhibit 3.2 presents month over month percentage changes in machine AGR for Bluffs Run and Dubuque Greyhound Park for the period January 2007, prior to the onset of the credit crisis and the recession, through September 2009. The impact of the recession on machine AGR at these two racetracks in late 2008 and 2009 is apparent.

**EXHIBIT 3.2 RECENT BLUFFS RUN AND DUBUQUE GREYHOUND CASINO PERFORMANCE
MONTH OVER MONTH PERCENTAGE CHANGE IN TOTAL AGR JANUARY 2007 –
SEPTEMBER 2009**

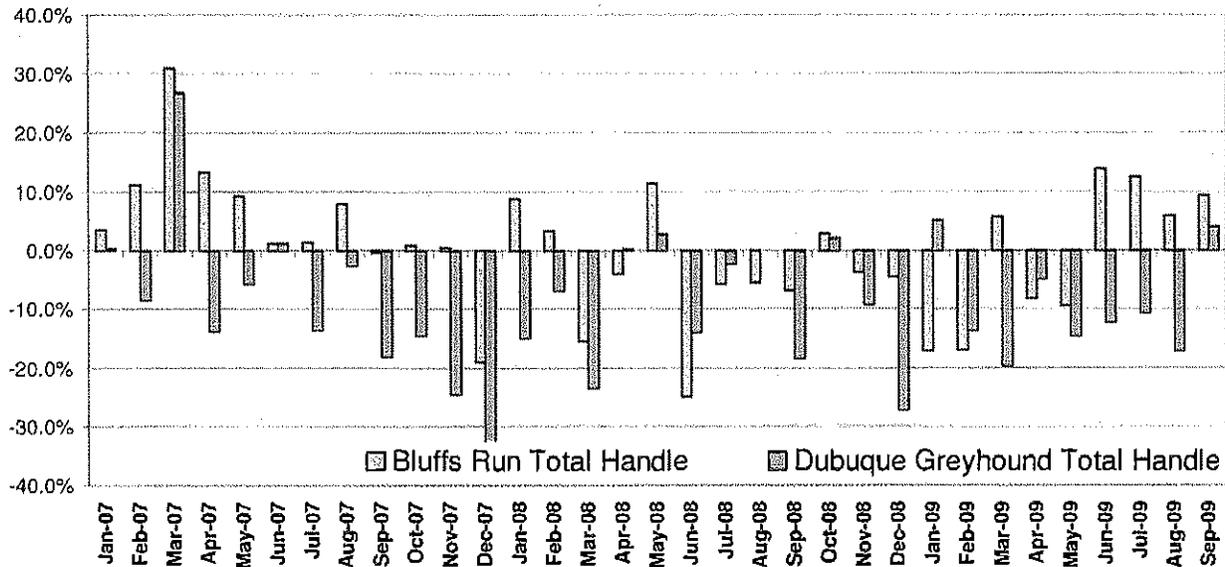


Source: Iowa Racing and Gaming Commission

Exhibit 3.3 presents month-over-month percentage changes in total (live, export and import) Greyhound pari-mutuel handle at Bluffs Run and Dubuque Greyhound Park for the period January 2007, prior to the onset of the credit crisis and the recession, through September 2009. The impact of the recession on pari-mutuel betting at these two racetracks is evident, but trends in pari-mutuel betting, as reflected by month-over-month changes, generally worsen in the spring of 2007, particularly at Dubuque Greyhound Park. Trends in pari-mutuel betting at these two Iowa Greyhound tracks conform to trends in the U.S. pari-mutuel industry during the period illustrated

in Exhibit 3.3: many domestic pari-mutuel businesses experienced double-digit declines in wagering during this period.

EXHIBIT 3.3 RECENT BLUFFS RUN AND DUBUQUE GREYHOUND PARI-MUTUEL PERFORMANCE: MONTH OVER MONTH PERCENTAGE CHANGE IN TOTAL HANDLE* JANUARY 2007 – SEPTEMBER 2009

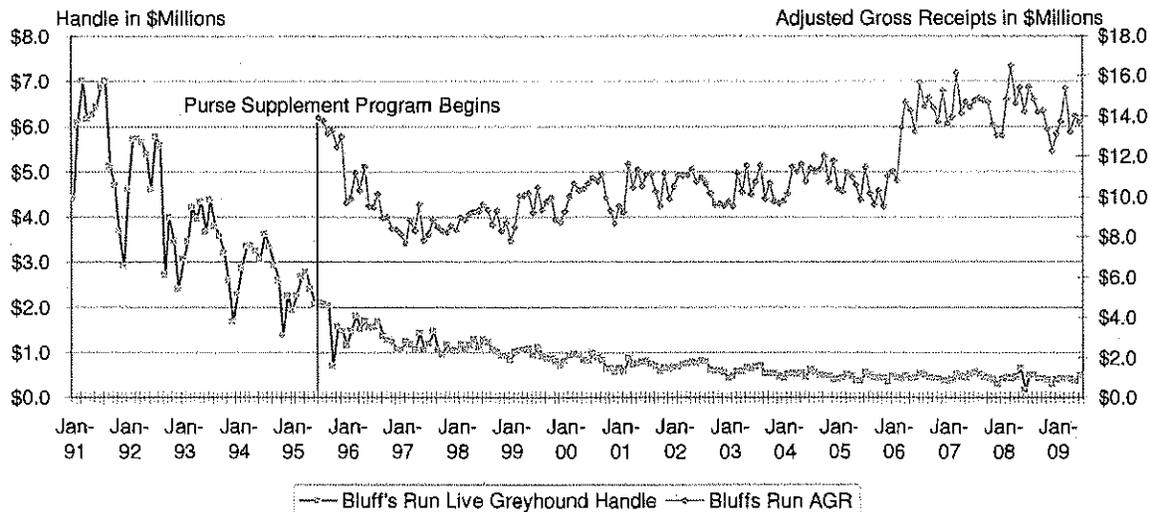


Source: Iowa Racing and Gaming Commission

* Total handle consists of: live handle, Greyhound import handle and Greyhound export handle.

Exhibit 3.4 presents monthly handle on live Greyhound racing and monthly slot machine and table gross gaming revenue (or Adjusted Gross Receipts) for Bluffs Run from January 1991 through January 2009.

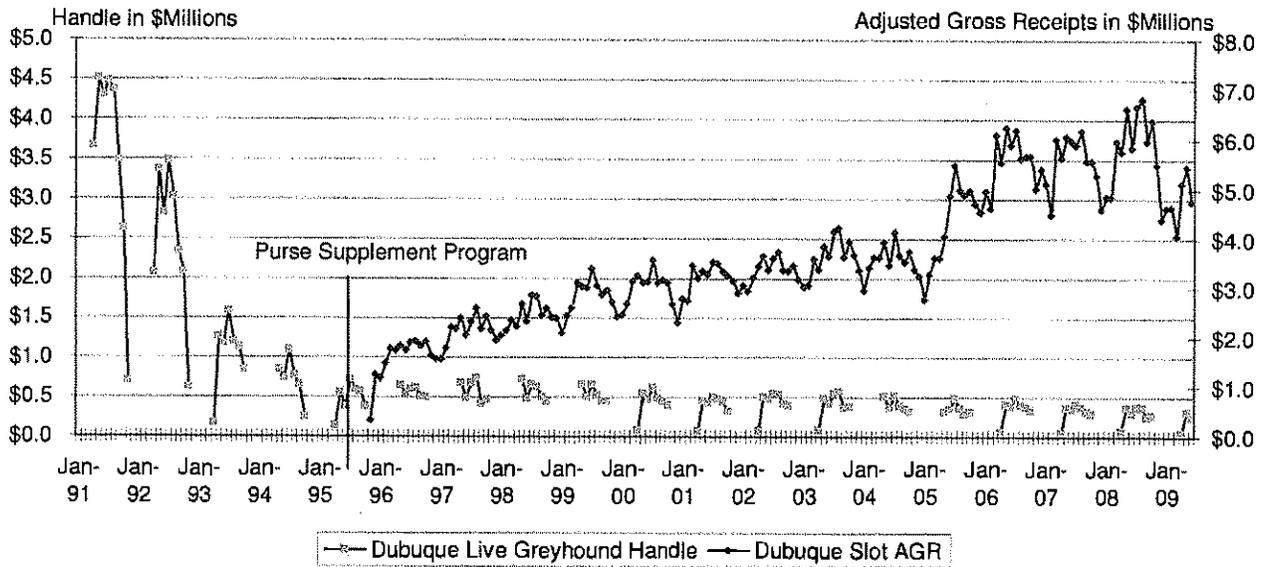
EXHIBIT 3.4 BLUFFS RUN MONTHLY LIVE GREYHOUND HANDLE V. MONTHLY AGR – 1991-2009



Source: Iowa Racing and Gaming Commission

Exhibit 3.5 presents monthly handle on live Greyhound racing and monthly slot machine and table games gross gaming revenue for Dubuque Greyhound Park from January 1991 through January 2009.

EXHIBIT 3.5 MONTHLY DUBUQUE LIVE GREYHOUND HANDLE V. MONTHLY AGR – 1991-2009

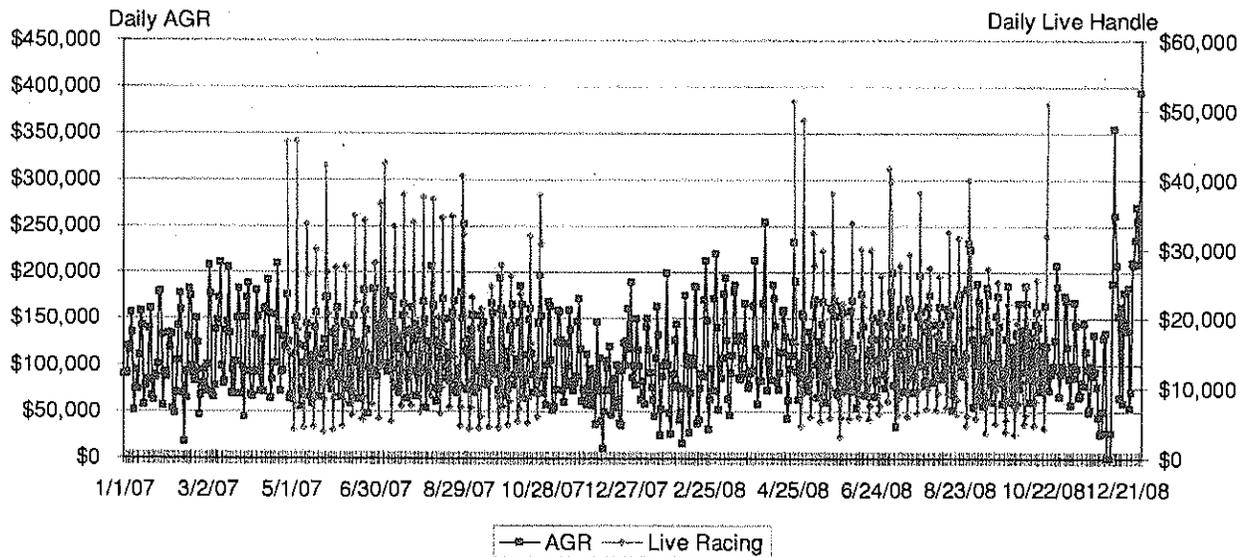


Source: Iowa Racing and Gaming Commission

The diverging trends in these indicators—steadily eroding betting on live Greyhound racing and upward trending machine AGR—are apparent from Exhibits 3.4 and 3.5 and reflect the fundamentally different market economics for Greyhound racing and machine gaming in Iowa. Consumer interest in live Greyhound race betting in Iowa has collapsed since 1991, while consumer interest in slot machine and table gaming remains robust in spite of the current recession. Exhibits 3.4 and 3.5 indicate that supplementing purses with machine revenue failed to stimulate renewed consumer interest in betting on Greyhound races at either Iowa Greyhound racetrack.

Exhibit 3.6 presents daily live Greyhound handle and slot machine adjusted gross receipts at Dubuque Greyhound Park for 2007 and 2008.

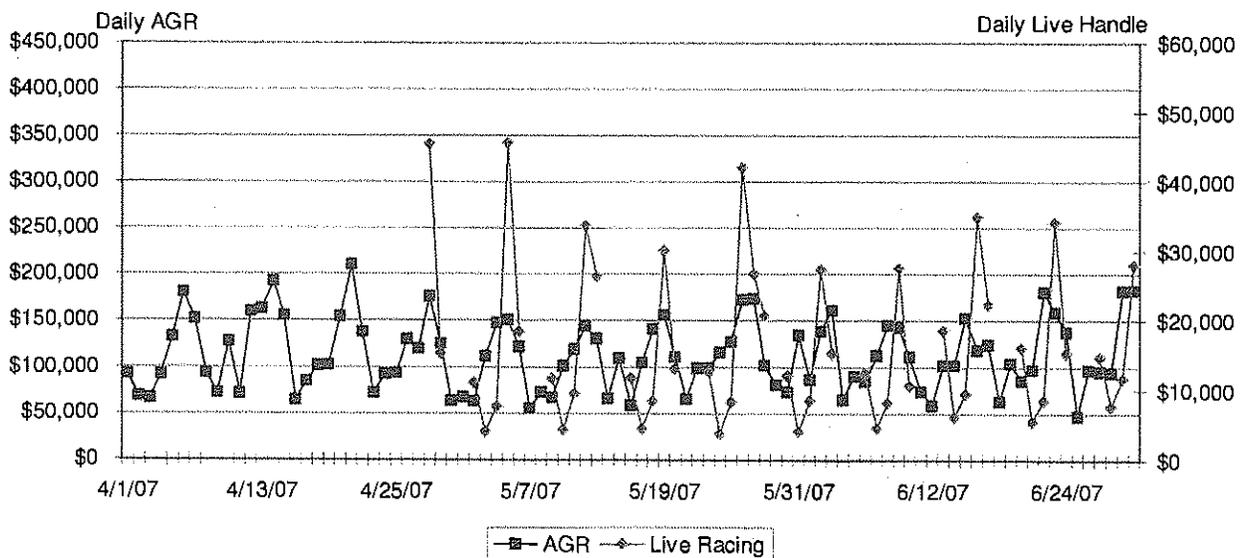
EXHIBIT 3.6 DAILY DUBUQUE LIVE GREYHOUND HANDLE V. DAILY AGR – 2007-2008



Source: Dubuque Greyhound Park

Exhibit 3.7 presents daily live Greyhound handle and slot machine adjusted gross receipts at Dubuque Greyhound Park for a shorter period, April 1, 2007 through July 1, 2007. By focusing on a shorter period of time patterns in these activities are somewhat easier to see. In April only slot machine gaming was offered at Dubuque; live racing was not conducted during these four weeks. Live racing resumed in May. Slot machine AGR declined slightly following the start of live racing, possibly indicating some transfer of consumer dollars from slot machines to live race betting. Both forms of gambling exhibit similar patterns, almost certainly reflecting stable patterns of day-of-week business activity at this facility.

EXHIBIT 3.7 DAILY DUBUQUE LIVE GREYHOUND HANDLE V. DAILY AGR – APRIL 1 JUNE 30-2007



Source: Dubuque Greyhound

As noted, live racing is conducted at Dubuque during the summer months (May through October). Slot machines and tables games are offered year round. Handle per day of live racing

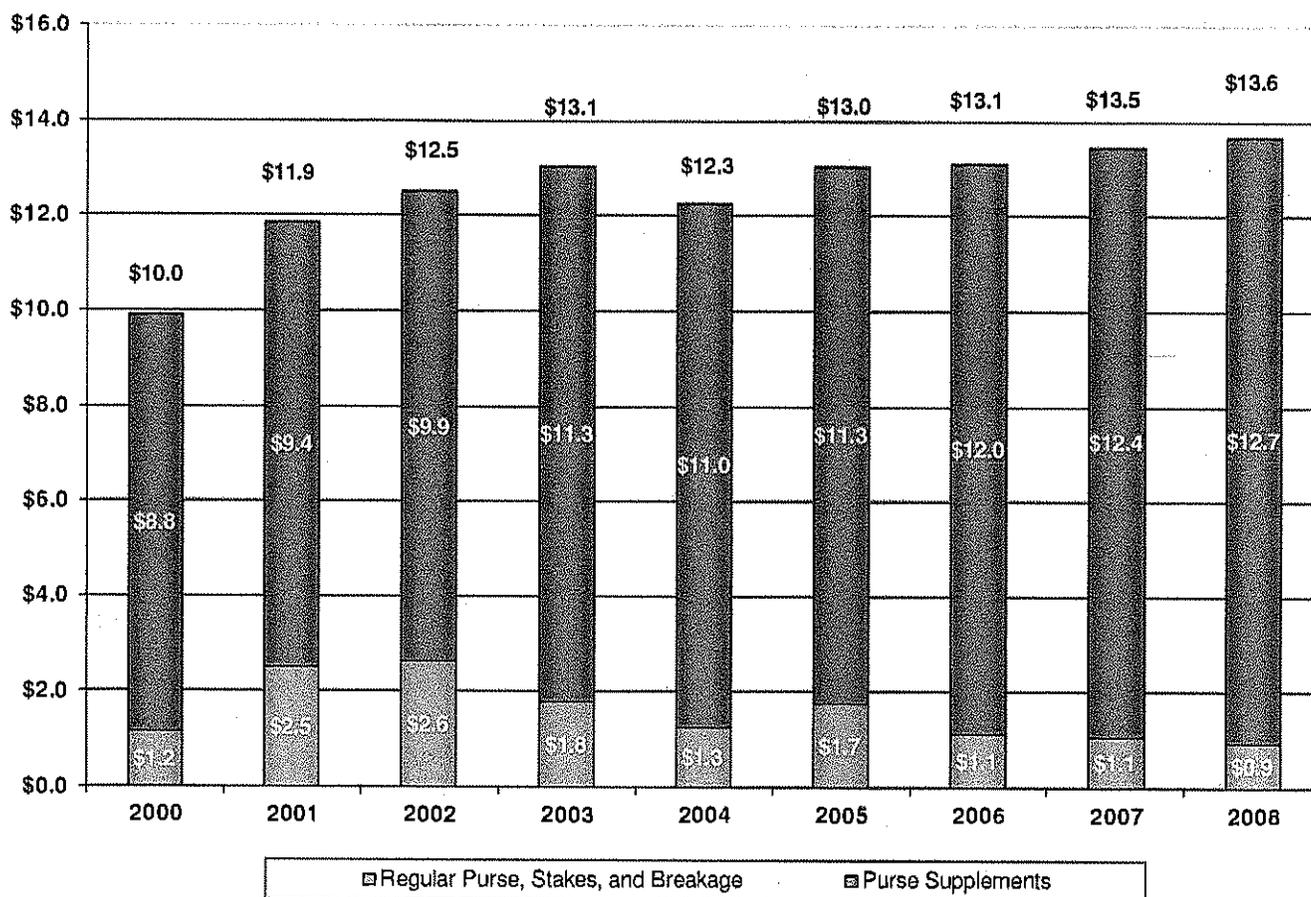
fluctuated over a very wide range during the 2007 racing season, from less than \$10,000 a day to about \$50,000 a day. Daily adjusted gross receipts from Dubuque slot machines fluctuated in a narrower range, falling on most days between \$50,000 and \$200,000, with scattered outliers above and below these levels. Live handle and slot machine AGR at Dubuque exhibit roughly similar patterns, reflecting day-of-week and seasonal fluctuations in these businesses.

Exhibits 3.6 and 3.7 show little or no correlation between live racing and slot machine gaming at Dubuque Greyhound Park. Rather, as noted in the preceding paragraph, both activities appear to conform to day-of-the-week and seasonal patterns of business activity at this facility. The pari-mutuel handle and slot machine and table game adjusted gross receipts data presented in this section are consistent with the thesis that pari-mutuel betting on live racing and playing slot machines and table games are separate activities even when offered at the same Iowa facility. CCA has observed in analyses of pari-mutuel betting and machine gaming in numerous other markets that to consumers pari-mutuel betting and machine gaming are fundamentally dissimilar activities, with little in common other than their status as gambling under the law. We would not expect the presence or absence of live racing to have an impact, positive or negative, on machine gaming when both activities are offered at the same Iowa facility. Moreover, gaming AGR and pari-mutuel betting in Iowa exhibit sharply divergent trends between 1991 and 2009. While consumer spending on slot machines and table games seems to decline slightly when live racing resumed at Dubuque Greyhound Park in the Spring of 2007 the negative impact of live racing on gaming AGR is not great, and when viewed on a daily basis both forms of gambling exhibit remarkably stable patterns regardless of whether live racing is being conducted. One or two years of activity is not a sufficient basis for firm conclusions regarding the impact of pari-mutuel betting on live racing and slot machine and table gaming when both are offered in the same facility. A longer time series of data would be required for firm conclusions concerning this relationship.

VII. The Iowa Greyhound Purse

Exhibit 4.1 presents the total Iowa Greyhound purse as reported by the Iowa Racing and Gaming Commission for the years 2000 through 2008, analyzed into pari-mutuel revenue and machine supplement components. In each of these years pari-mutuel betting contributed only a small portion of the purses distributed at Iowa's Greyhound tracks. The large majority of Iowa's Greyhound purse distribution was funded with supplements from gaming revenue.

EXHIBIT 4.1 2000-2008 ESTIMATED YEARLY IOWA GREYHOUND PURSES PLUS PURSE SUPPLEMENTS (\$ MILLIONS)



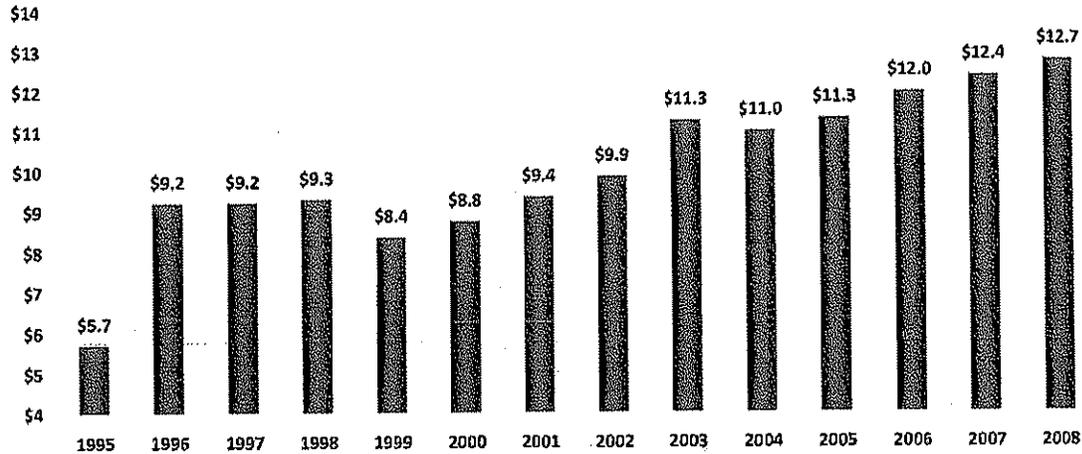
Source: Bluffs Run Greyhound Park and Dubuque Greyhound Park. Iowa Racing and Gaming Commission. CCA estimates.

Exhibit 4.2 presents the dollar amounts of the gaming revenue used to supplement Iowa Greyhound purses in the years 1995 through 2008. Since 1999 the dollar amount of these purse supplements has risen almost steadily, despite the declining interest of Iowa consumers in Greyhound racing, as measured by handle, documented in Section III. The average annual growth in Iowa Greyhound purse supplements from machine revenue during these years was 6.4%. Since the inception of this purse supplement program in 1995 through 2008 a total of \$140.4 million in gaming revenue has been distributed to Greyhound owners and kennels competing at Iowa Greyhound racetracks.

(It is important to note that close to 50% of pari-mutuel handle generated at Iowa's two Greyhound tracks is derived from wagering on in-State and out-of-State horse races. Thus a

significant portion of Iowa's Greyhound purse derived from pari-mutuel handle is generated from horse racing.)

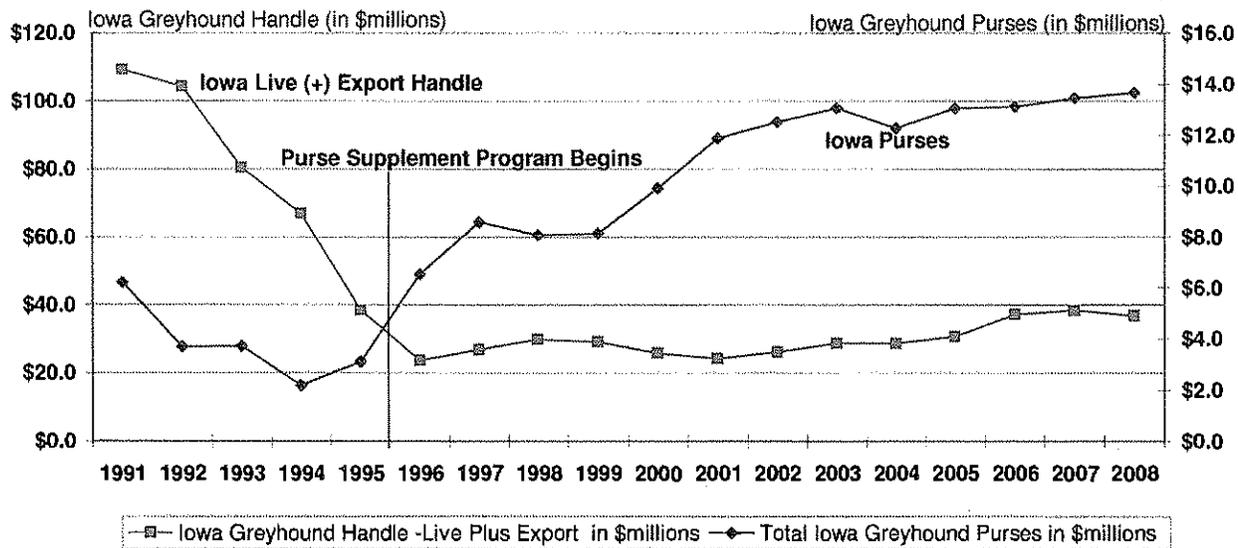
EXHIBIT 4.2 1995-2008 IOWA GREYHOUND PURSE SUPPLEMENTS (\$ MILLIONS)*



Source: Bluffs Run Greyhound Park and Dubuque Greyhound Park.
* Average Yearly Purse Supplement Growth Rate 6.4%

Exhibit 4.3 presents yearly Iowa Greyhound purses and wagering on Iowa Greyhound races (live plus export handle) for the years 1991 through 2008. Following the inception of purse supplements from machine revenue in 1995 trends in these two indicators sharply diverge: Iowa purses rise almost steadily, while betting on Iowa Greyhound races stabilizes at levels far below the approximately \$109 million bet on Iowa Greyhound races in 1991. As Exhibit 4.3 clearly shows, the growth in Iowa Greyhound purses has far outpaced the modest stabilized growth (at a much lower level) in handle on Iowa Greyhound races after the introduction of the purse supplement program. Exhibits 4.4 – 4.16 analyze the distribution of Iowa purses. These exhibits in total indicate that the benefits of Iowa Greyhound purses are disproportionately accruing to a small select group of owners and kennels.

EXHIBIT 4.3 1991-2008 YEARLY IOWA GREYHOUND PURSES V. LIVE HANDLE PLUS EXPORT HANDLE* (\$ MILLIONS)



Source: Iowa Racing and Gaming Commission, Association of Racing Commissioners International, "Pari-mutuel Racing 1991-2007, A Statistical Summary"

* Export handle consists of wagers placed on Iowa races at tracks, frontons and OTW facilities in other States.

Exhibit 4.4 presents total Iowa Greyhound purse distributions to kennels and owners in Iowa and to kennels and owners in other States in 2007 and 2008 as reported by Dubuque Greyhound Park and Bluffs Run. In 2007 a total of \$13.6 million was distributed as purses to owners and kennels racing at Iowa’s two Greyhound tracks. Of this \$13.6 million, \$7.8 million, or 57%, was distributed to kennels and owners in Iowa and \$5.8 million, or 43%, was distributed to kennels and owners in other States. In 2008 a total of \$13.9 million was distributed as purses to owners and kennels racing at Iowa’s two Greyhound tracks. Of this \$13.9 million, \$8.0 million, or 59%, was distributed to kennels and owners in Iowa and \$5.7 million, or 41%, was distributed to kennels and owners in other States. Thus a considerable amount of Iowa’s Greyhound purse is being exported to out-of-state owners and kennels.

EXHIBIT 4.4 ESTIMATED TOTAL IOWA GREYHOUND PURSE DISTRIBUTIONS: IN-STATE V. OUT-OF-STATE*

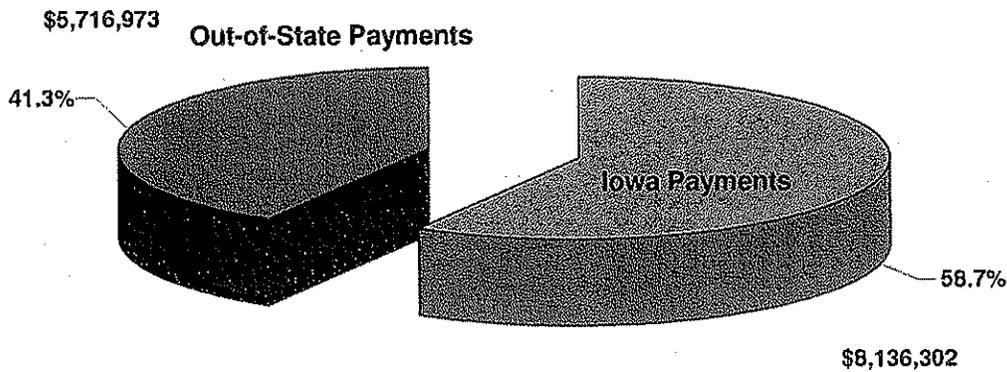
	2007	2008
Payments to Iowa Kennels and Owners	7,830,445	8,136,302
Payments to Out-of-State Kennels and Owners	5,811,001	5,716,973
Total	13,641,445	13,853,275

Source Dubuque Greyhound Park and Bluffs Run Greyhound Park, CCA estimates.

*The variation from track reporting and the Iowa Racing and Gaming Commission is due to small accounting variations and different reporting periods (Fiscal Years). Data does not include payments to the Iowa Department of Agriculture.

Exhibit 4.5 presents Iowa purse distribution data for 2008, the most recent year for which these data are available, in pie chart format. In 2008, 59% of the Iowa Greyhound purse was distributed to owners and kennels in Iowa and 41% of the Iowa purse, or \$5.7 million, was distributed to owners and kennels in other States.

EXHIBIT 4.5 ESTIMATED DISTRIBUTION OF IOWA PURSES: IN-STATE V. OUT-OF-STATE WITH CORRESPONDING 2008 DOLLAR AMOUNTS



Source: Dubuque Greyhound Park and Bluffs Run Greyhound Park, CCA estimates.

Exhibit 4.6 presents the sources of actual funding for the Iowa Greyhound purse in 2008. While the purse supplement from gaming as determined by contract between the two dog tracks and kennels and owners was approximately 90% of total purse contributions, because pari-mutuel betting has declined to such low levels (Exhibit 4.3) there were insufficient funds available at either track to fund purses for stakes races or from breakage (as required by statute). Therefore, these purses were actually funded by gaming revenue at the two tracks. Thus, distributions from revenue generated from pari-mutuel betting only funded approximately 4.0% of the Iowa Greyhound purse in 2008. Approximately 96% of the Iowa Greyhound purse was actually funded with gaming revenue.

EXHIBIT 4.6 APPROXIMATE SOURCE OF IOWA GREYHOUND PURSE

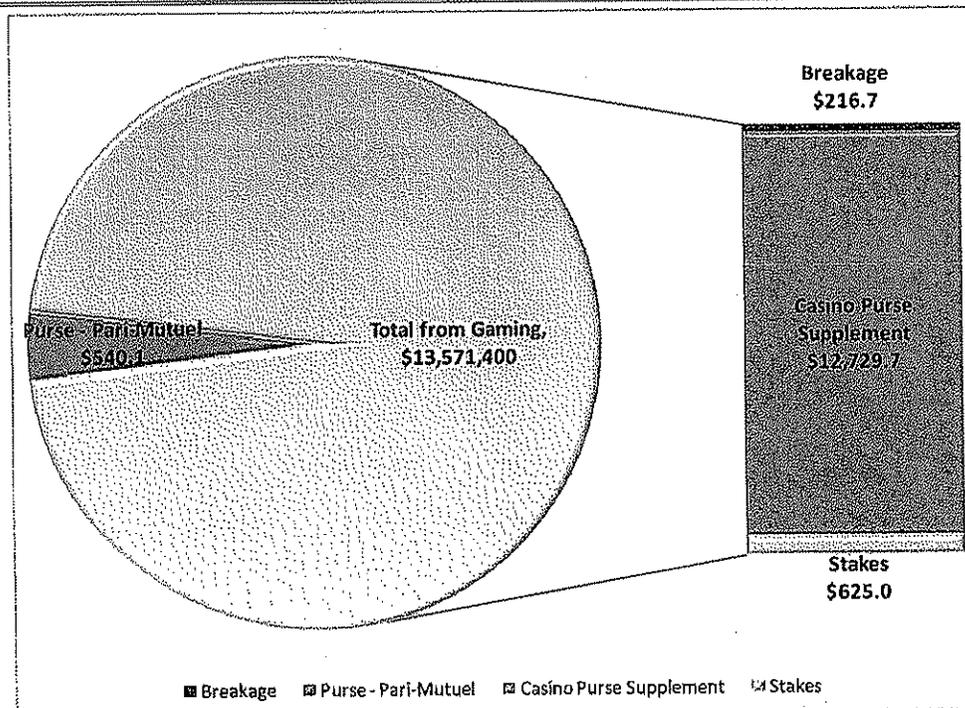
	2008
Purse - Pari-Mutuel	3.8%
Total Contributions from Gaming	96.2%
Casino Purse Supplement	90.2%
Stakes	4.4%
Breakage	1.5%
Total	100.0%

Source: Bluffs Run Greyhound Park and Dubuque Greyhound Park. Iowa Racing and Gaming Commission.

Exhibit 4.7 presents the sources of funding for the Iowa purse in 2008, the most recent year for which these data are available, in pie chart format. Revenues derived from pari-mutuel betting funded approximately 3.8% of Iowa's Greyhound purses in 2008, or about \$540,000. Revenues derived from slot machines and table games at Iowa's Greyhound tracks funded approximately 90.2% of Iowa's Greyhound purses in 2008, or about \$13.6 million. Stakes contributed by Iowa's two Greyhound tracks funded approximately 4.4% of Iowa's Greyhound purses in 2008,

or about \$625,000. As noted above, pari-mutuel breakage (the odd cents left over after rounding pari-mutuel winning prices to the nearest nickel, dime or quarter) generated from pari-mutuel betting on Iowa Greyhound races was insufficient to meet Iowa statutory distributions and, pursuant to agreements between Bluffs Run and Dubuque Greyhound Park and the Iowa Greyhound Association, the deficiency was made up from gaming revenue generated at these two tracks. The fact that breakage from pari-mutuel betting on Iowa Greyhound races was insufficient to meet Iowa statutory breakage distributions in 2008 is another indication that public interest in Greyhound racing in Iowa is slight, and marginal compared to public interest in casino games. Breakage funded approximately 1.5% of Iowa's Greyhound purses in 2008, or about \$217,000.

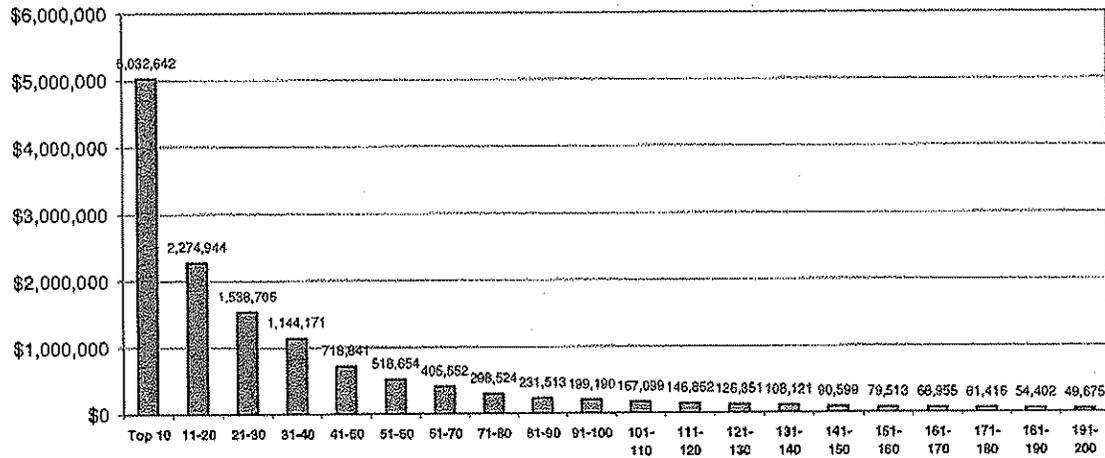
EXHIBIT 4.7 APPROXIMATE SOURCE OF IOWA GREYHOUND PURSES, CORRESPONDING 2008 DOLLAR AMOUNTS



Source: Bluffs Run Greyhound Park and Dubuque Greyhound Park. Iowa Racing and Gaming Commission.

Further, Iowa's Greyhound purse distributions are highly concentrated among a small number of recipients. Exhibit 4.8 presents the recipients (kennels and owners) of Iowa Greyhound purses in 2007, ranked by the dollar amount received. The top ten recipients received \$5.0 million of the total Iowa Greyhound purses distributed in 2007. The top 20 recipients received \$7.3 million of the total Iowa Greyhound purses distributed in 2007. In other words, while there were over 300 owners and kennels competing for purses at Iowa's two Greyhound tracks in 2007, the top 20 owners and kennels received \$7.3 million or 54% of the total Greyhound purses (\$13.6 million) distributed in Iowa in that year.

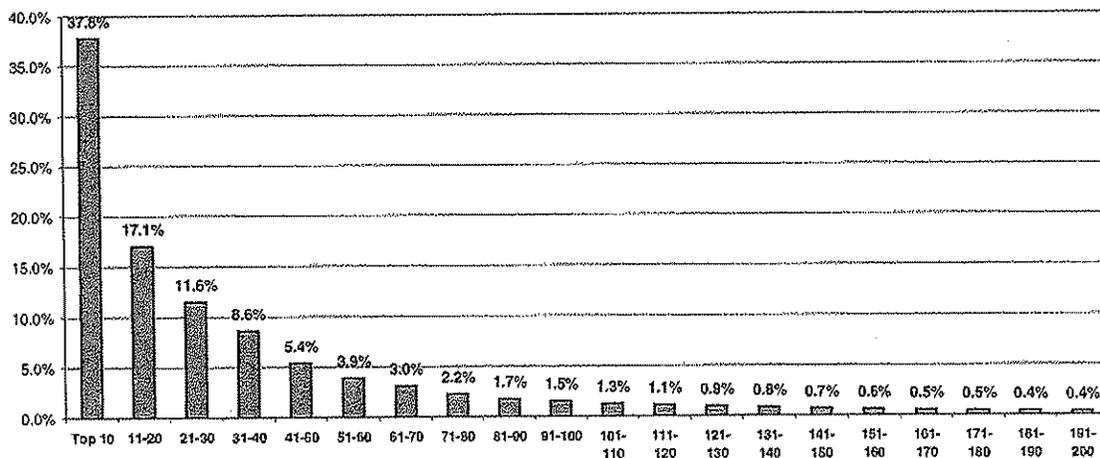
EXHIBIT 4.8 RECIPIENTS OF IOWA GREYHOUND PURSES IN 2007



Source: Bluffs Run Greyhound Park Casino and Dubuque Greyhound Park and Casino
 Note – Ranked Iowa purse recipients – Top 10, next group of 10 (11-20), next group of 10 (31-30), etc.

Exhibit 4.9 presents the recipients of Iowa Greyhound purses in 2007, ranked by the percentage amount of the total Iowa Greyhound purse received by the top ten recipients, the next ten recipients and so forth. The top ten recipients received 37.8% of the total Iowa Greyhound purses distributed in 2007. The top 20 recipients received nearly 55% of the total Iowa Greyhound purses distributed in 2007. In other words, while there were over 300 owners and kennels competing for purses at Iowa’s two Greyhound tracks in 2007, the top 20 owners and kennels received more than half of the total Greyhound purses distributed in Iowa in that year.

EXHIBIT 4.9 RECIPIENTS OF IOWA GREYHOUND PURSES RANKED BY PERCENTAGE OF TOTAL PURSE DISTRIBUTIONS IN 2007

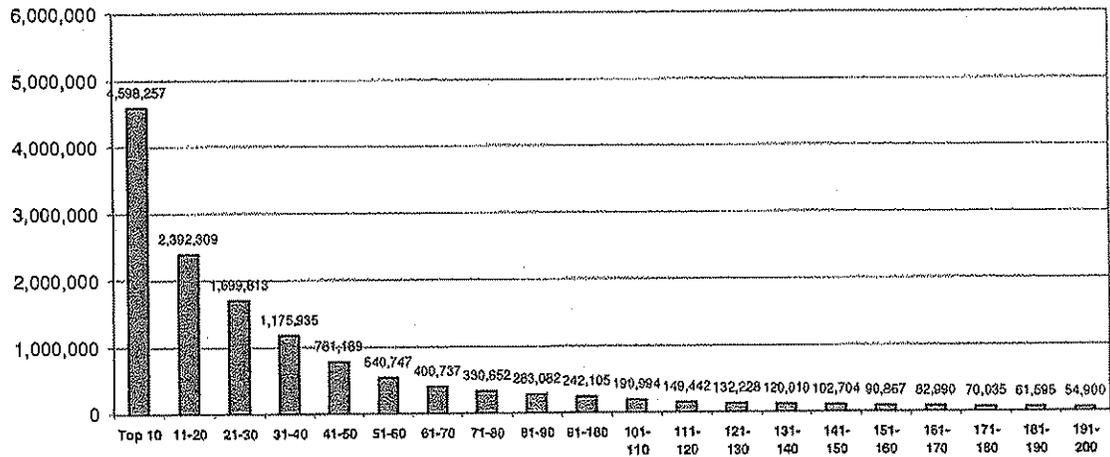


Source: Bluffs Run Greyhound Park Casino and Dubuque Greyhound Park and Casino
 Note – Same as Exhibit 4.8 except each group ranked as a percentage of total purses.

Exhibit 4.10 presents the recipients (kennels and owners) of Iowa Greyhound purses in 2008, ranked by the dollar amount received. The top ten recipients received \$4.6 million of the total

Iowa Greyhound purses distributed in 2008. The top 20 recipients received \$7 million of the total Iowa Greyhound purses distributed in 2008. In other words, while there were over 300 owners and kennels competing for purses at Iowa's two Greyhound tracks in 2008, the top 20 owners and kennels received \$7 million of the total Greyhound purses distributed in Iowa in that year.

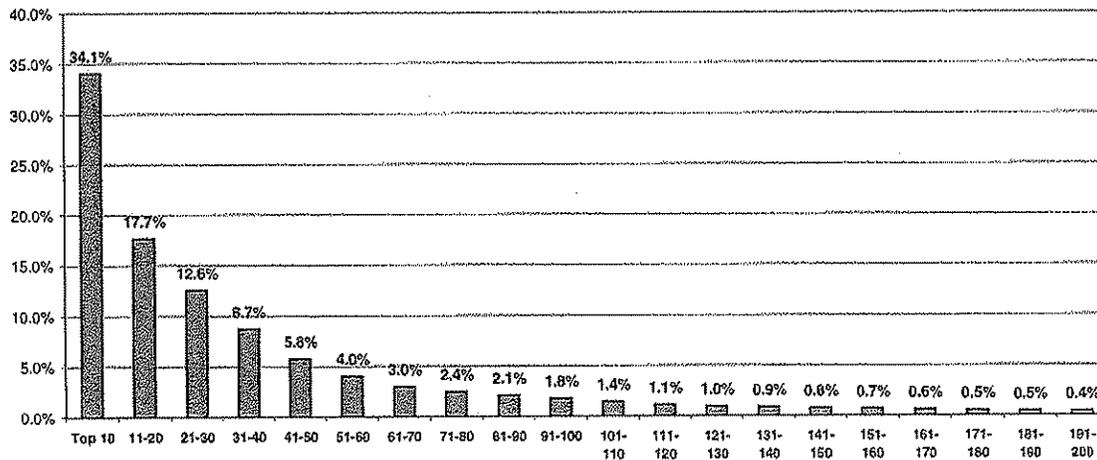
EXHIBIT 4.10 RECIPIENTS OF IOWA GREYHOUND PURSES IN 2008



Source: Bluffs Run Greyhound Park Casino and Dubuque Greyhound Park and Casino

Exhibit 4.11 presents the recipients of Iowa Greyhound purses in 2008, ranked by the percentage amount of the total Iowa Greyhound purse received by the top ten recipients, the next ten recipients and so forth. The top ten recipients received 34.1% of the total Iowa Greyhound purses distributed in 2008. The top 20 recipients received 51.8% of the total Iowa Greyhound purses distributed in 2008. In other words, while there were over 300 owners and kennels competing for purses at Iowa's two Greyhound tracks in 2008, the top 20 owners and kennels received more than half of the total Greyhound purses distributed in Iowa in that year.

EXHIBIT 4.11 RECIPIENTS OF IOWA GREYHOUND PURSES RANKED BY PERCENTAGE OF TOTAL PURSE AWARDS IN 2008



Source: Bluffs Run Greyhound Park Casino and Dubuque Greyhound Park and Casino

We analyzed 1099s and earnings reports provided by Bluffs Run and Dubuque Greyhound Park to determine the distributions from the Iowa Greyhound purse received by kennels and owners in other States in 2007 and 2008 by individual State.

As noted in Exhibits 4.4 and 4.5, about 42% of the Greyhound purses distributed at Iowa's two Greyhound tracks flowed out of Iowa to kennels and owners in other States in 2007 and 2008. Exhibit 4.12 ranks the out-of-State recipients of Iowa Greyhound purses by State in 2007. Kennels and owners in neighboring Kansas were the largest out-of-State recipients of Iowa purses in 2007, receiving \$3.0 million in purses distributed at Iowa Greyhound tracks. Kennels and owners in Texas were the next largest recipients of Iowa purses in 2007, receiving \$860,000 in purses distributed at Iowa Greyhound tracks.

EXHIBIT 4.12 DISTRIBUTION OF THE IOWA GREYHOUND PURSE IN 2007: TOP 10 LICENSED IOWA PURSE RECIPIENTS BY STATE

State	Sum of State	% of total
IA	7,830,444.68	57.4%
KS	3,029,459.89	22.2%
TX	860,164.32	6.3%
OK	531,575.95	3.9%
CO	480,053.37	3.5%
FL	406,868.52	3.0%
NE	212,490.48	1.6%
WI	91,438.25	0.7%
AZ	48,619.84	0.4%
NC	24,185.95	0.2%

Source: Data provided by Bluffs Run Greyhound Park Casino and Dubuque Greyhound Park and Casino licensed owners and kennels earnings reports and 1099s

Exhibit 4.13 ranks the out-of-State recipients of Iowa Greyhound purses by State in 2008. As was true in 2007, kennels and owners in neighboring Kansas were the largest out-of-State recipients of Iowa purses in 2008, receiving \$2.8million in purses distributed at Iowa Greyhound tracks. Kennels and owners in Texas were again the next largest recipients of Iowa purses in 2008, receiving \$971,000 million in purses distributed at Iowa Greyhound tracks.

EXHIBIT 4.13 DISTRIBUTION OF THE IOWA GREYHOUND PURSE IN 2008: TOP 10 LICENSED IOWA PURSE RECIPIENTS BY STATE

State	Sun of State	% of Total
IA	8,136,301.85	58.7%
KS	2,824,615.66	20.4%
TX	971,390.51	7.0%
OK	673,129.52	4.9%
CO	360,402.51	2.6%
FL	355,515.30	2.6%
NE	143,348.88	1.0%
WI	130,359.00	0.9%
MD	101,077.91	0.7%
AR	30,960.98	0.2%

Source: Data provided by Bluffs Run Greyhound Park Casino and Dubuque Greyhound Park and Casino licensed owners and kennels earnings reports and 1099s

VIII. The Economic Impact of Greyhound Racing and Breeding in Iowa

Exhibits 5.1 through 5.7 present economic data that describe Iowa Greyhound racing and breeding and compare these activities to Iowa horse racing and breeding and to selected components of Iowa agribusiness. The economic data presented in this section have been gathered from the 2006 American Greyhound Track Operators Association (AGTOA), Bluffs Run and Dubuque Greyhound Park, the Iowa Racing and Gaming Commission, the Iowa Department of Agriculture and Land Stewardship, the Iowa Equine Task Force, the American Greyhound Council, and the United States Department of Agriculture's 2008 State Agriculture Overview of Iowa.

Exhibit 5.1 presents Greyhound pari-mutuel employment and wages and salaries at Iowa's two Greyhound racetracks, Dubuque Greyhound Park and Bluffs Run. In 2008-2009 there were approximately 94 employees dedicated to pari-mutuel Greyhound racing operations at these two racetracks (as reported by the Iowa Racing and Gaming Commission). We estimate the annual payroll for these 94 employees at \$1.75 million.

EXHIBIT 5.1 2008-2009 EMPLOYMENT AND WAGES AT DUBUQUE GREYHOUND AND BLUFFS RUN

2008-2009	Bluffs Run	Dubuque Greyhound	Total
Pari-mutuel Employment	35	59	94
Pari-mutuel Wages	\$1,085,929	\$664,071	\$1,750,000

Source: Iowa Racing and Gaming Commission - employment
Bluffs Run Greyhound Park - wages

Dubuque Greyhound pari-mutuel wages - CCA estimate, Total wages - CCA estimate.

Note: Total Iowa Greyhound pari-mutuel employment as reported by the Iowa Racing and Gaming Commission is 94. The estimated payroll for these 94 employees is \$1.75 million. These employment numbers include both full-time and part-time employment. (Wages and salaries were estimated by CCA as full-time equivalents. It should be noted that Dubuque Greyhound conducts live racing for approximately six months per year and as a result employment and wages fluctuate accordingly. Thus this report may overstate the actual wages at the two tracks. Additionally, employees may work both at the track and casino portion of the two Greyhound facilities.)

Exhibit 5.2 presents basic economic data for the United States and the Iowa Greyhound racing and breeding industries in 2006, the most recent year for which these data are available. With the exception of the Iowa Greyhound purse line and Iowa Greyhound employment line in Exhibit 5.2, the United States and Iowa industry taxes and goods and services statistics are provided by the American Greyhound Track Operators Association, 2006 Greyhound Racing Industry's Report to the Community - National and Iowa. AGTOA does not provide a clear definition of these statistics. Applying our broad knowledge of pari-mutuel economies in the United States, we assume that the tax and goods and services lines include multipliers of unknown origin and are possibly co-mingled with other agriculture/farming operation statistics. These statistics may, in some cases, significantly overstate the economic impact of the Greyhound industry in Iowa.

However, as noted earlier in this report, for a select few owners and kennels, the Iowa Greyhound industry has proven to be highly profitable. An article on this subject, "Greyhound Business Swift in Iowa" by Luke Meredith, posted on the Iowa Greyhound Association's website

(<http://www.iagreghounds.org/modules.php?name=News&file=article&sid=204>), which states that... "Iowa breeder Allan Hill says 'a breeder can make \$100,000 off a \$5,000 investment.'", illustrates the industry's profitability for a few industry participants.

EXHIBIT 5.2 2006 UNITED STATES AND IOWA GREYHOUND ECONOMIC STATISTICS

2006 Greyhound Racing Industry (\$ in Millions)	United States	Iowa as a %	
		Iowa	of U.S.
Greyhound industry employment ¹	14,957	538	3.6%
Greyhound track pari-mutuel employees ²	N/A	94	N/A
Greyhound track pari-mutuel estimated wages ²	N/A	\$1.75	N/A
Greyhound industry property tax ¹	18.50	\$1.11	N/A
Greyhound industry sales and use tax ¹	5.10	\$0.45	N/A
Greyhound industry pari-mutuel tax ¹	40.20	\$0.66	N/A
Greyhound industry licenses & permits ¹	3.50	\$0.13	N/A
Greyhound industry all other taxes ¹	\$181.31	\$59.54	32.8%
Greyhound industry total taxes ¹	\$272.89	\$63.10	23.1%
Greyhound industry goods & services ¹	\$356.97	\$23.33	6.5%
Greyhound industry purses received ²	N/A	\$13.90	N/A

Source: 1 American Greyhound Track Operators Association, Greyhound Racing Industry's Report to the Community – National.

American Greyhound Track Operators Association, Greyhound Racing Industry's Report to the Community – Iowa.

2. Bluffs Run and Dubuque Greyhound Park
Iowa Racing and Gaming Commission

Exhibit 5.3 presents tabulations of licensed positions at Iowa's three racetracks: Prairie Meadows (horseracing), Dubuque Greyhound Park and Bluffs Run in 2009. There were 3,620 licensed horseracing positions (at Prairie Meadows) and 543 licensed positions at Dubuque Greyhound Park and Bluffs Run. In other words, there are more than six times the number of licensed horseracing positions in Iowa as licensed Greyhound positions.

**EXHIBIT 5.3 2009 IOWA ACTIVE LICENSED POSITIONS AT PRAIRIE MEADOWS,
DUBUQUE GREYHOUND PARK AND BLUFFS RUN**

Facility	Type	Classification	License Code	# of Licenses
Prairie Meadows - Horse	Racing non-owners	Vendor Employee	102	89
Prairie Meadows - Horse	Racing non-owners	Apprentice Jockey	103	3
Prairie Meadows - Horse	Racing non-owners	Assistant Trainer	104	93
Prairie Meadows - Horse	Racing non-owners	Exercise Rider	105	79
Prairie Meadows - Horse	Racing non-owners	Farrier/Plater	106	15
Prairie Meadows - Horse	Racing non-owners	Groom	107	275
Prairie Meadows - Horse	Racing non-owners	Jockey/Driver	108	184
Prairie Meadows - Horse	Racing non-owners	Jockey Agent	109	16
Prairie Meadows - Horse	Racing non-owners	Pony Rider	114	31
Prairie Meadows - Horse	Racing non-owners	Trainer	115	315
Prairie Meadows - Horse	Owners and Trainers	Trainer	115	142
Prairie Meadows - Horse	Racing non-owners	Practicing Veterinarian	116	11
Prairie Meadows - Horse	Owners only	Owner (Thoroughbred)	117	1328
Prairie Meadows - Horse	Owners only	Owner (Quarterhorse)	118	503
Prairie Meadows - Horse	Owners only	Owner (Standardbred)	119	335
Prairie Meadows - Horse	Racing non-owners	Practicing Vet Assistant	121	15
Prairie Meadows - Horse	Racing non-owners	QF Driver	122	5
Prairie Meadows - Horse	Racing non-owners	Exercise/Pony Rider	208	18
Prairie Meadows - Horse	Racing non-owners	Owner/Driver/Trainer	211	35
Prairie Meadows - Horse	Racing non-owners	O/T (Thoroughbred)	212	73
Prairie Meadows - Horse	Racing non-owners	O/T (Quarter Horse)	213	28
Prairie Meadows - Horse	Racing non-owners	O/T (Standardbred)	214	20
Bluffs Run Greyhound	Owners only	Owner (Thoroughbred)	117	4
Bluffs Run Greyhound	Owners only	Owner (Quarterhorse)	118	1
Bluffs Run Greyhound	Racing non-owners	O/T (Thoroughbred)	212	1
Bluffs Run Greyhound	Owners only	O/T (Thoroughbred)	212	1
Total Horseracing Licenses				3,620
Facility	Type	Classification	License Code	# of Licenses
Dubuque Greyhound	Racing non-owners	Vendor Employee	102	8
Dubuque Greyhound	Racing non-owners	Assistant Trainer	104	19
Dubuque Greyhound	Racing non-owners	Kennel Helper	110	50
Dubuque Greyhound	Owners only	Owner Greyhound	112	122
Dubuque Greyhound	Racing non-owners	Trainer	115	21
Dubuque Greyhound	Owners and Trainers	Trainer	115	7
Dubuque Greyhound	Racing non-owners	Practicing Veterinarian	116	1
Dubuque Greyhound	Racing non-owners	Practicing Vet Assistant	121	1
Bluffs Run Greyhound	Racing non-owners	Vendor Employee	102	19
Bluffs Run Greyhound	Racing non-owners	Assistant Trainer	104	35
Bluffs Run Greyhound	Racing non-owners	Kennel Helper	110	37
Bluffs Run Greyhound	Owners only	Owner Greyhound	112	182
Bluffs Run Greyhound	Racing non-owners	Trainer	115	29
Bluffs Run Greyhound	Owners and Trainers	Trainer	115	4
Bluffs Run Greyhound	Racing non-owners	Practicing Veterinarian	116	2
Prairie Meadows - Horse	Owners only	Owner (Greyhound)	112	6
Total Greyhound Racing Licenses				543

Source: Iowa Racing and Gaming Commission

Licensed Track Positions Summary

Total horse licensed track positions – 3,620

Total Greyhound licensed track positions – 543

Source: Iowa Racing and Gaming Commission

Exhibit 5.4 presents economic data for Iowa's equine industry in 2004, the most recent year for which these data are available. Iowa's equine industry is substantial. Equine industry goods and services totaled \$862.5 million; the value of Iowa equine industry assets was \$8.3 billion; approximately 5.9% of Iowa's area was devoted to equine purposes; and Iowa ranked 17th among U.S. States in the number of horses.

EXHIBIT 5.4 2004 IOWA EQUINE INDUSTRY

Iowa Equine Industry Goods and Services Produced	\$862.5 Million
Value of Iowa Equine Industry Assets	\$8.3 Billion
Iowa Equine Land Acreage	2.1 Million Acres
Iowa Equine Land Acreage - % of Iowa Land	5.87%
Number of Horses in Iowa	200,000
Number of Horses - Iowa Ranked v. Other States	17th
Iowa Equine Industry Direct Employment	10,000 Jobs

Source: Iowa Department of Agriculture and Land Stewardship, Iowa Equine Task Force.

Exhibit 5.5 compares Iowa's equine industry to Iowa's Greyhound industry using the most recent data available. Iowa's Greyhound industry is much smaller than its equine industry: \$23.3 million in Greyhound industry goods and services compared to \$862.5 million in equine industry goods and services, 10,000 equine industry related jobs compared to 538 Greyhound industry related jobs, an estimated 2,500 Greyhounds compared to 200,000 horses.

EXHIBIT 5.5 COMPARISON OF IOWA'S GREYHOUND INDUSTRY (IN 2006) TO IOWA'S EQUINE INDUSTRY (IN 2004)

Economic Indicators (\$ in millions)	Equine/Horse ¹	Greyhound ²
Iowa industry goods and services produced	\$862.5	\$23.3
Iowa Industry Related Jobs	10,000	538
Iowa Track Employment ³	109	94
Number of Iowa Horses/Greyhounds	200,000	2,500 Estimate
Value of Industry Assets	\$8,300.0	N/A
Iowa Horse v. Greyhound Total Purses (2008)	\$18.8	\$13.7
Percentage of Total Iowa Purse (2008)	58%	42%

Source:

- 1 Iowa Department of Agriculture and Land Stewardship, Iowa Equine Task Force.
- 2 American Greyhound Track Operators Association, Greyhound Racing Industry's Report to the Community – Iowa
- 3 Iowa Racing and Gaming Commission 2008

Exhibit 5.6 compares Iowa's Greyhound industry to selected Iowa agriculture/farming industries. Greyhound racing is a very small component of Iowa agribusiness, accounting for just \$23.3 million, or less than 0.11%, of the \$20.4 billion total value of Iowa agriculture products sold in 2007.

EXHIBIT 5.6 COMPARISON OF IOWA'S GREYHOUND INDUSTRY (IN 2006) TO SELECTED IOWA AGRICULTURE/FARMING INDUSTRIES (IN 2007)

2007 Census of Agriculture State Profile - Iowa ¹	Quantity
Value of Sales by Commodity Group	
Hogs and pigs ¹	\$4,827,224,000
Cattle and calves ¹	\$3,606,633,000
Poultry and eggs ¹	\$872,263,000
Iowa equine industry goods and services produced ²	\$862,500,000
Nursery, greenhouse, floriculture, and sod ¹	\$93,813,000
Sheep, goats and their products ¹	\$40,199,000
Iowa greyhound industry goods & services ³	\$23,325,505
Fruit, trees nuts, and berries ¹	\$7,371,000
Aquaculture ¹	\$3,507,000
Total Value of Iowa agriculture products sold ¹	\$20,418,096,000

Source:

- 1 United States Department of Agriculture, 2008 State Agriculture Overview – Iowa.
 - 2 Iowa Department of Agriculture and Land Stewardship, Iowa Equine Task Force.
 - 3 American Greyhound Track Operators Association, Greyhound Racing Industry's Report to the Community – Iowa
- Green highlight indicates relevant comparative statistics for this study.

IX. Conclusion

Sections IV through Sections VIII of this report examine the various aspects of Iowa's Greyhound pari-mutuel industry: evaluating historical trends in Iowa's Greyhound handle, tracking the changes in the supply of racing dogs, assessing the relationship between Iowa's track slot machine and table game operations with the performance of Iowa's Greyhound pari-mutuel industry, analyzing Iowa's Greyhound purse distribution and the purse supplement programs, and finally undertaking a review of available information relating to the economic impact of Greyhound racing in Iowa.

With respect to Iowa's Greyhound purse distribution program, CCA believes there may be a discontinuity in the magnitude of Iowa Greyhound purse awards when compared to other States' Greyhound racing industries. These awards appear to be artificially high because of Iowa's purse supplement program that funds 90% of total purses (96% when breakage and stakes are factored in) from the two track's slot machine and table game revenue.

As with all taxes and mandated distributions, there are two underlying criteria that should be considered when evaluating the utility of such programs: issues relating to the equity of the tax or distribution, and issues relating to the effectiveness of the tax or distribution in realizing Iowa's policy goals. The evaluation of Iowa's purse subsidy program in realizing Iowa public policy goals is a public policy issue for the State of Iowa to assess. Concerning both the equity and the effectiveness of the purse subsidy program, however, it is CCA's opinion that both reveal deficiencies. The goal of the purse distribution program is two-fold; one is to revitalize the Greyhound racing industry in Iowa and the other is to make a meaningful contribution to Iowa's economy.

With respect to the effectiveness of Iowa's purse supplement program in revitalizing Iowa's Greyhound racing industry, the purse supplement program has not been effective as measured by wagering on Iowa Greyhound racing: in-State Greyhound racing handle has remained stuck in a narrow range and continued its decline since 1996. Export handle, which does not benefit Iowa's two tracks or the State of Iowa's General Fund in any meaningful way, has shown only a modest upward slope.

Regarding the economic impact of the purse supplement program on Iowa's economy, Section VIII of this report presents available Iowa economic Greyhound statistics that describe this industry's contribution to the Iowa economy. Unfortunately, current verifiable and well-defined economic data for this industry are not available. This may be due in part to the fact that the breeding, whelping, training and racing of Greyhounds is a small component of Iowa's agricultural economy. Additionally there is no mechanism in place to track the racing animals. The industry as a whole appears to lack a central data register that makes transparent Greyhound statistics publicly available. For example, the American Greyhound Track Operators Association (AGTOA) reported in 2006, the most recent year for which data are available, that the Iowa Greyhound industry generated \$23.3 million in goods and services. It is unclear however, whether the \$23.3 million represents only direct expenditures or if this figure includes indirect and or induced expenditures as well. CCA believes that the \$23.3 million estimate may have been derived by applying an unknown multiplier to a direct impact estimate, but this can not be verified.

It is CCA's opinion, drawing upon our past experience in evaluating pari-mutuel racing industries in the United State that the following assumptions relating to the economics of Greyhound racing in the US, and by extension, in Iowa, generally hold true:

- Greyhound racing in the United States is a declining or much diminished industry with an uncertain future.
- Greyhound breeding, whelping, and training involve a relatively low capital expenditure when compared to, for example, a state's equine industry.
- Iowa's purse supplement program has greatly increased the amount of money distributed as purses. This appears to have stimulated an increase in Iowa's Greyhound population while Greyhound betting in Iowa has declined.
- As Exhibits 4.5 and Exhibits 4.8 - 4.13 illustrate, the State's two Greyhound tracks, through their gaming operations, are transferring the majority of the mandated purse supplemental income to a select few Greyhound owners and breeders both within Iowa and, approximately 42% to out-of-state recipients. This tends to limit or restrict the economic benefits associated with the transfer of a portion of table and slot revenue to Greyhound owners and kennels.