



Spectrum Gaming Group

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FUNDING ANALYSIS:

Recommendations for Distribution of Iowa Greyhound Pari-Mutuel Racing Fund

Prepared for the Iowa Racing and Gaming Commission
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Executive Summary

The State of Iowa, Department of Inspections and Appeals, Racing and Gaming Commission, retained Spectrum Gaming Group (“Spectrum,” “we” or “our”) to provide the following study:

To provide the State recommendations for the distribution of the Iowa Greyhound Pari-Mutuel Racing Fund (Fund) and developing rules for the distribution of the Fund pursuant to 99D.9B.¹ In developing these recommendations and rules, the Vendor shall receive input from the stakeholders of the greyhound racing industry in Iowa, including but not limited to, owners, trainers and individuals no longer in the industry but were in past years.

Spectrum reached out to stakeholders throughout Iowa. We had direct contact with more than 70 people and businesses participating in the greyhound industry in the state. Our interviews were conducted during three public meetings, as well as in private meetings and via email to a dedicated address (greyhound@spectrumgaming.com).

As defined in the statute, the Iowa Greyhound Pari-Mutuel Racing Fund (the “Fund”) will consist of moneys currently in the Dog Racing Promotion Fund and additional moneys deposited in the Fund from the two Iowa greyhound racetracks (hereafter referred to as the “Cessation Fund”).² Under the statute, the two Iowa greyhound racetracks will remit \$72 million to the Cessation Fund. Per Section 3 3(a) of the legislation, 50 percent of the Cessation Fund is to be distributed to the Iowa Greyhound Association (“IGA”) for its use in conducting pari-mutuel wagering on live dog races or simultaneously telecast horse or dog races conducted in Dubuque County (the “IGA Fund”). The other 50 percent is under the control of the Iowa Racing and Gaming Commission (“IRGC”) to distribute to Iowa greyhound industry participants (the “Commission Fund”).³ Spectrum’s role in undertaking this study is to provide recommendations to the IRGC for the distribution of the \$36 million Commission Fund. Spectrum recommends, in accordance with the statute, that the Commission deduct each year

¹ See Appendix I for statute.

² Ibid, Section 3 subsection 1 and subsection 2 of the statute.

³ Ibid, Section 3, subsection 3(b) of the statute.

an amount that it determines is sufficient to compensate it for “direct and indirect administrative expenses” incurred to oversee the fund.⁴

It should also be noted that under Section 99C.9C, subsection 2(b), if the IGA fails to conduct live dog racing during any calendar year beginning on or after January 1, 2015, the IGA shall receive no further distributions and the money shall transfer to the Commission Fund. Spectrum recommends that if the IGA fails to conduct racing then the Commission shall, at its discretion, review and revise Commission Fund payouts to reflect the additional funds, up to \$36 million, available. The additional funds should be allocated to the following funding baskets (described on following page):

1. One-Time Distributions
 - a. No-kill animal shelters for incremental greyhound adoptions
 - b. Dubuque racetrack kennel removal
 - c. Other as determined by the Commission
2. Fixed-Payment Distributions
 - a. Incremental administrative costs
 - b. Trainers and assistant trainers
3. Past-Performance Distributions

Figure 1: Sources of capital for Cessation Fund

Source	Annual fee (M)	Beginning	End	Total (M)
Bluffs Run Greyhound Park (at Harrah’s Council Bluffs)	\$9.3	1/1/16	1/1/22	\$65.0
Dubuque Greyhound Park	\$1.0	1/1/15	1/1/21	\$7.0
Subtotal, Cessation Fund				\$72.0
Less: remittance to Iowa Greyhound Association (IGA Fund)				\$36.0
Total, Commission Fund				\$36.0

Source: Iowa Senate Bill 2362

Based on the objectives of the legislation and our conversations with industry participants, we have allocated Commission Fund distributions into three distinct baskets, as follows:

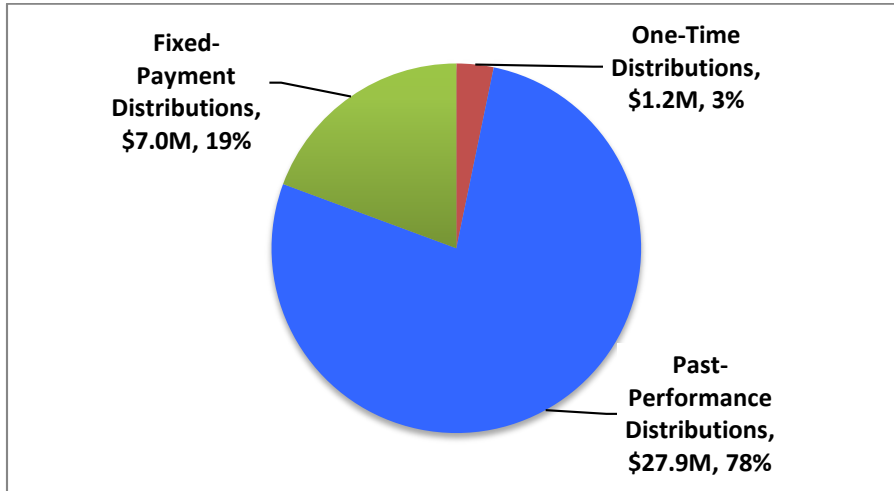
⁴ Chapter 1126, p. 3.

1. **One-Time Distributions** (\$1,170,000): These reflect payments that occur only once. One example is payments to no-kill adoption agencies to administer adoptions of greyhounds retired as a result of the closure of the Bluffs Run Greyhound Track at Horseshoe Council Bluffs casino.
2. **Past-Performance Distributions** (80 percent of the funds after One-Time Distributions are awarded): These are based on past earnings of purses paid to greyhound owners at both greyhound racetracks in Iowa and distributions from the Iowa Department of Agriculture to owners of Iowa-bred dogs; they represent the largest component of distributions from the Commission Fund. The Past-Performance Distributions basket is \$27,864,000 based on the \$36 million Commission Fund as described in Figure 1. Spectrum recognizes that the actual Past-Performance Distributions could be higher if the IGA fails to offer live racing during any calendar year.
3. **Fixed-Payment Distributions** (20 percent of the funds after One-Time Distributions are awarded and inclusive of administrative expenses). These are earmarked for greyhound industry participants without regard to purse winnings. They instead are linked, for example, to individual dogs whelped and to each farm licensed by the Department of Agriculture from 2010 to 2014. These distributions are designed, in part, to recognize industry participants that either did not win purse awards or won modest amounts. Examples of persons eligible to receive funds from this distribution include trainers, assistant trainers, greyhound owners regardless of purse earnings, and Iowa-based farms that breed, but might not race, greyhounds. The Fixed-Payment Distributions will also include distributions set aside for IRGC administrative expenses to oversee the fund. We note that recipients of Past-Performance Distributions will also be eligible to receive Fixed-Payment Distributions. The top purse winners often bred and registered the most amount of dogs. The Fixed-Payment Distributions basket is \$6,966,000 based on the \$36 million Commission Fund as described in Figure 1. Spectrum recognizes that the actual Fixed-Payment Distributions could be higher if the IGA fails to offer live racing during any calendar year.

Spectrum recommends that all distributions be made without regard to residency. Some Iowa breeders and greyhound owners called for distributions to be made to only Iowa residents. We rejected that position, as the statute contains no language that would have banned non-Iowa residents from obtaining distributions and we note that under current law non-Iowa residents are able to fully compete for purse awards. Therefore, we do not believe it would be fair to exclude non-Iowa residents from the buyout distributions.

In Figure 2 below, we provide the breakdown of the distributions from the Commission Fund. (Please see Appendix 1 for Spectrum’s recommended regulations regarding distributions of the Commission Fund.)

Figure 2: Distribution of funds from the \$36 million Commission Fund



Source: Spectrum Gaming Group. The Fixed Payment Distributions includes \$500,000 for IRGC administrative expenses.

A. One-Time Distributions of Commission Fund Disbursements

Spectrum has identified certain disbursements from the Commission Fund as One-Time Distributions that will not continue in subsequent years. These disbursements reflect reimbursement to no-kill animal shelters for adoptions of greyhounds retired as a result of the closure of Bluffs Run Greyhound Track, as well as costs to greyhound owners for the removal of equipment from the 15 kennels at Bluffs Run. These disbursements would only occur in the first year of the Commission Fund. Included within the One-Time Distributions is \$585,000 for the IRGC to award on a case-by-case basis to greyhound industry participants who demonstrate a need to be compensated due to hardships caused by the closing of Bluffs Run. The IRGC-directed funds would be disbursed in the second year of the Commission Fund. These One-Time Distributions total \$1.17 million, or 3.25 percent of the fund.

Figure 3: Breakdown of One-Time Distributions

Distribution	Amount
No-kill animal shelters	\$510,000
Bluffs Run equipment removal	\$75,000
Other, as determined by IRGC	\$585,000
Total	\$1,170,000

Source: Spectrum Gaming Group

Iowa Senate Bill 2362 (“the legislation” or “the statute”) specifically states that “the commission shall distribute a portion of the money in the fund to no-kill adoption agencies to facilitate care for and adoption of greyhounds no longer racing as a result of the discontinuance of live racing.”⁵ Based on our conversations with greyhound owners and adoption agencies, we estimate that as many as 300 adoptions could occur within a year of the closing of Bluffs Run. With an estimated expense of \$1,700 per greyhound for adoptions (see Figure 5), we recommend that \$510,000, or 1.4 percent of the Commission Fund, be set aside for adoption agencies. Adoption agencies should be required to submit receipts to the Commission as proof of expenditures. Whatever moneys are not used would revert to the Past-Performance Distributions.

While the legislation does not specifically require that funds be set aside for costs incurred in removing property from the kennels at Bluffs Run once that facility closes, we recommend a nominal amount be set aside for this purpose, based on language in the statute. As stated in the legislation, “The commission may distribute moneys from the fund to greyhound industry participants and to kennel owners and operators and greyhound owners for costs incurred in removing property from the dog racetrack located in Pottawattamie County.”⁶

As a result of input from kennel owners at Bluffs Run, we estimate that each of the 15 kennels would spend no more than \$5,000, or \$75,000 in total, to remove equipment. Greyhound owners would be required to submit receipts to the Commission as proof of expenditures. Transporting the greyhounds away from the track would not be an eligible

⁵ Iowa Senate Bill 2362, enacted by signature of Governor Terry Branstad May 2014.

⁶ Senate Bill 2362.

expense, as that would not qualify as equipment. Whatever moneys are not used would revert to the Past-Performance Distributions.

B. Fund Disbursement after One-Time Distribution Payments

After One-Time Distributions are administered, the Commission Fund would then have a balance of approximately \$34.83 million. As Spectrum considered the distribution of the remaining funds, the sentiment expressed by stakeholders concerning distributions consisted of two primary themes:

- Distribute the funds based on past performance (“Past-Performance Distributions”)
- Distribute the funds based on a set amount for each greyhound industry participant – breeders, greyhound farm owners, greyhound owners, trainers, assistant trainers (“Fixed-Payment Distributions”)

Spectrum recommends distributing 80 percent of the remaining money in the Commission Fund based on past performance. To distribute 100 percent based on past performance would be to ignore the contribution and investment made by other industry participants, such as smaller kennels and owners, as well as trainers and assistant trainers. As a result, we recommend a hybrid distribution model with 80 percent of distributions based on past performance and the remaining 20 percent distributed to greyhound “industry participants” without regard to performance.

Using the statute as a guide, we recommend that industry participants receiving distributions without regard to performance be eligible to receive a full payment only if they were involved in racing during the entire five-year period ending in 2014. If participation were less than five years, we recommend that a proportional reduction be made whenever it is practical to do so; i.e., if the participant was actively involved in the greyhound industry for four years, then that participant may be eligible for 80 percent of the payment.

i. Distribution Based on Past Performance

Our recommendation would result in 80 percent of the funds after One-Time Distributions being distributed based on past performance. As noted earlier, if the IGA fails to

conduct live racing during any calendar year, then the 50 percent of Funds allocated to the IGA, up to \$36 million, reverts to the Commission Fund. Spectrum recommends that such additional funds, if any, first be distributed to (a) no-kill animal shelters; (b) the removal of kennel equipment from Dubuque; (c) other distributions as determined by the Commission; (d) incremental administrative costs of the IRGC; and (e) trainers and assistant trainers. The remainder of the additional funds should be distributed based on past performance.

The advocates for past performance are those operators that have collected the majority of purse awards from 2010-2014. They make a compelling argument that their ability to collect those purse awards is the result of significant investments made in state-of-the art, 100-plus-acre farms that often include heated and air-conditioned housing for their greyhounds along with detailed work plans to consistently produce A-rated greyhounds. (A-rated greyhounds race in the highest category and for the highest purses. There are six separate grades of racers. The winner of any race is advanced one grade until reaching grade "A." A greyhound is lowered a grade if it fails to finish first, second or third in three consecutive starts.⁷)

We note that had the two relevant Iowa casinos continued to make purse-subsidy payments, it is highly likely that the top performers would continue to have won those purses. Our research showed that a handful of entities captured an overwhelming amount of the purses. Over the 2010-2014 period, the top 20 purse winners, or roughly 7 percent of owner/operators, collected nearly two-thirds of purse awards. Most, but not all, of the top performers insisted that 100 percent of distributions be made through past performance. Under such a scenario, an operator who earned 10 percent of the purses from 2010 to 2014 would be awarded 10 percent of the distributions from the Past-Performance Distributions basket of the Commission Fund.

⁷ The Greyhound Association of America. http://www.gaa-america.org/the_sport/at_the_track/gradingsystem.html (accessed January 21, 2015)

ii. Distribution Based on a Set Amount

While Spectrum recommends allocating a substantial amount of money based on past performance, we believe that it would be unfair to completely do so. A 100 percent distribution would ignore the sizable contributions made by key players and participants in the industry whose greyhounds, for one reason or another, did not win a significant amount of purse awards, or who participated in the industry in some capacity other than as an owner. Examples of these types of industry participants include breeders and trainers. Indeed, some greyhound owners said they could not get their Iowa-bred greyhounds into kennels at the Iowa tracks, forcing them to race their dogs elsewhere or not at all. Spectrum notes that economic impact reports prepared for the IGA in 2001, 2003 and 2010 acknowledge the significant contributions made by breeders and farmers who operate away from the two greyhound racetracks.⁸ In fact, there is much greater economic activity off the track than there is on the track, according to those economic impact reports.⁹ A 2010 report concluded that the Iowa greyhound Industry is a “multi-million dollar, multi-faceted” operation.¹⁰

Under our recommendation, 20 percent of the remaining Commission Fund, or \$6,966,000, would be placed into the Fixed-Payment Distributions basket and be awarded through a non-performance system that would take into account the role that breeders, farmers, trainers, assistant trainers and others have played in the greyhound industry from 2010 to 2014. (Some of these participants do not own racers and would not be eligible for distributions based on past performance while many of those that do race won only a modest amount of purses.)

In assessing the distributions from the Fixed-Payment basket, we performed the calculations as if all payees participated in the industry for all five years. Because we believe funds should be distributed on a pro rata basis for each year of participation in the greyhound industry, some of the \$7.0 million may not be disbursed from the Fixed-Payment Distributions

⁸ Daniel Otto, “The Economic Importance of the Iowa Greyhound Industry, 2010,” prepared for the Iowa Greyhound Association.

⁹ Otto.

¹⁰ Ibid.

basket of funds. Spectrum recommends that any undistributed Fixed-Payment Distributions revert to the Past-Performance Distributions.

For illustrative purposes, we recommend that from the Fixed-Payment Distributions, each trainer employed at Bluffs Run receive \$8,000 for each year of service during the five-year period from 2010 through 2014. Trainers would thus be eligible for up to \$40,000 based on five years of employment in the greyhound industry. We note that part of the salaries earned by trainers comes from purse payments, as it is standard industry practice to pay trainers a 5 percent commission on all purse winnings. We recommend that assistant trainers receive \$4,000 for each year of service, up to \$20,000. As with the trainers, the recommendation of distributions to assistant trainers are illustrative, with the caveat that Spectrum did not have access to employment records. The final distributions could differ based on more complete information and as circumstances warrant.

To make those payments to trainers and assistant trainers, \$0.9 million would need to be set aside (see Figure 7). We also recommend that in order to be eligible to receive any payments for calendar year 2015, trainers and assistant trainers be required to continue working until racing operations at Bluffs Run cease at the end of 2015, unless the kennel owner determines their services are no longer needed and that trainers and assistant trainers provide proof of employment for each year of employment.

We learned that the IGA itself debated whether to urge that any distribution include trainers. In the end, the IGA decided not to take a position on the issue but a number of greyhound owners indicated to Spectrum during interviews that if the Commission Fund did not make a distribution to them, they (the owners) would. The owners said they believe that the trainers were deserving of compensation because they are a critical to a racing operation. However, some owners also stated that trainers and assistant trainers are undeserving of any distributions because they did not invest in the industry. Because some owners will compensate trainers for past service, while others will (or may) not, Spectrum has allocated some of the fund to trainers and assistant trainers to ensure direct compensation to all the trainers and assistant trainers. We also believe that they are deserving of compensation in light of their significant contributions to the greyhound industry in Iowa.

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Introduction

Iowa is home to two greyhound racetracks: Dubuque Greyhound Park at Mystique Casino (“Dubuque”) and Bluffs Run Greyhound Park (at Horseshoe Council Bluffs casino). In 2013, the two racetracks offered more than 460 live racing performances¹¹ and paid more than \$13 million in purses. They had a live racing handle of \$5.8 million. Note that purses were more than 2.3 times the live handle. During the period studied for this report – 2010 through 2014 – the number of Iowa-bred registered greyhounds registered with the Department of Agriculture and Land Stewardship, Horse and Dog Bureau, declined from 1,906 to 1,631, or by 14 percent.

Dubuque Greyhound Park opened as the state’s first pari-mutuel racetrack on June 1, 1985. In 1994, the Iowa Legislature passed a law allowing for the operation of slot machines at land-based casinos, and combined gaming and racing operations began at Dubuque in November 1995.¹² Bluffs Run opened as a greyhound racetrack on February 27, 1986. In March 1995, it also became a combined racetrack and casino.¹³

Figure 4: Iowa greyhound racetracks

Track	Opening Date	Racing Season	2013		
			Number of races	Live handle (M)	Purses (M)
Bluffs Run Greyhound Park	2/27/86	Year-round	302	\$4.0	\$10.1
Dubuque Greyhound Park	6/1/85	6 months	161	\$1.8	\$3.3
Total			463	\$5.8	\$13.4

Source: Iowa Racing and Gaming Commission 2013 Annual Report

On May 30, 2014, Senate Bill 2362 (“the legislation” or “the statute”) was signed into law by Governor Terry Branstad. It was approved in the Senate by a vote of 46-2 and in the House by 76-16. The legislation also had support from greyhound industry participants, as it was developed and approved by both the racetrack casinos (which were subsidizing more than 90 percent of the purse money) and the Iowa Greyhound Association (“IGA”).

¹¹ A performance consists of a racing card. Sometimes, a track will have more than one performance a day. As a result, a track has more performances than racing days.

¹² Chronology, Iowa Racing & Gaming Commission. <http://www.iowa.gov/irgc/CommChronology.htm>

¹³ Ibid.

Under the terms of the legislation, Dubuque began leasing its track to the IGA for five years effective January 1, 2015, and Bluffs Run will cease live racing on December 31, 2015. In total, the two casinos/racetrack owners will remit \$72 million to the newly created Iowa Greyhound Pari-Mutuel Racing Fund (the “Fund”) over a seven-year period. The Fund will consist of moneys currently in the Dog Racing Promotion Fund and additional moneys deposited in the Fund from the two Iowa greyhound racetracks (hereafter referred to as the “Cessation Fund”).

Horseshoe Council Bluffs will pay \$9.3 million into the Cessation Fund beginning January 1, 2016, and will remit annual payments of \$9.3 million every January 1 for the next six years. Dubuque will pay \$1 million into the Cessation Fund beginning January 1, 2015, and will remit annual payments of \$1 million every January 1 for the next six years. As planned in the legislation, the IGA has been licensed to conduct live racing at the racetrack in Dubuque County. So long as the IGA continues to conduct live racing, half of what is in the Fund will be awarded to the IGA for the operation of live racing. The other half will be distributed to the Commission to distribute as it sees fit based on the statute.

The State of Iowa, through the Iowa Racing and Gaming Commission (“IRGC”), engaged Spectrum Gaming Group (“Spectrum,” “we” or “our”) in October 2014 to develop a plan to fairly and equitably distribute \$36 million from the Commission Fund to greyhound industry participants.¹⁴ Should the IGA continue to offer live racing at Dubuque, the statute requires that \$36 million be allocated to the IGA. The statute also requires that some of the Commission Fund be distributed to no-kill greyhound animal adoption agencies and suggests that participants be reimbursed for the removal of property from Bluffs Run. **(Please see Appendix 1 for Spectrum’s recommended regulations regarding distributions of the Commission Fund.)**

To identify greyhound industry participants and to develop a method to distribute funds from the Commission Fund, Spectrum in late 2014 held three public meetings: in Council Bluffs on November 3, in Des Moines on November 5, and in Dubuque on November 7. Spectrum also conducted numerous interviews with various stakeholders who did not attend the three public

¹⁴ See applicable statute in Appendix 1.

meetings. We further created a dedicated email inbox (greyhound@spectrumgaming.com) to receive comments from industry participants; we received 25 messages to this address. In total, Spectrum had contact with more than 70 individuals and or entities concerning how the funds should be distributed.

I. No-Kill Greyhound Adoption Agencies

Spectrum interviewed Iowa-based greyhound adoption agencies as well as agencies based outside the state to estimate the adoption costs for each greyhound placed into adoption due to the cessation of racing at Bluffs Run. We attempted to determine how many greyhounds would be retired due to the discontinuance of live racing. Our research showed that the cost per greyhound ranged from a low of \$1,100 to a high of \$2,800. We gave greater weight to the \$1,500 estimate provided by Heartland Greyhound Adoption (“HGA”) because it is the official adoption agency at Bluffs Run and is familiar with the operation there and the need to facilitate the adoption of retired greyhound racers. An HGA spokesperson told us it places into adoption roughly 300 greyhounds a year that retire from racing at Bluffs Run.

All of the adoption agencies interviewed noted that the cost would vary depending on how far the greyhound needs to be transported to adopting home. We therefore added a \$200-per-greyhound contingency to the HGA estimate to account for higher-than-normal transportation costs. We note that HGA charges \$275 to adopt a greyhound. The difference between what it charges and actual costs are made up through fundraising efforts and donations.

Figure 5: Costs related to greyhound adoptions at no-kill shelters

Description	Costs
Boarding/food (30 day supply)	\$750
Vetting: Vaccinations/Dental/Spay/Neuter/De-worming/etc. (Central Iowa Costs)	\$500
Other/Contingency	\$200
Transport/hauling	\$160
Collars/Leashes/Tags/Muzzles	\$30
Micro-chipping	\$30
Flea/prevention	\$15
Administrative/office supplies	\$15
Total	\$1,700

Source: Heartland Adoption Agency, plus Spectrum Gaming Group \$200 contingency

Of the nearly 700 greyhounds that are currently housed in kennels at Bluffs Run,¹⁵ adoption agencies we interviewed said they expected as many as 300 to be adopted as a result

¹⁵ Spectrum interviews with track personnel and greyhound kennel owners.

of the cessation of racing. They noted that the number could be much higher if greyhounds from Bluffs Run push greyhounds from Dubuque into retirement. We note that Bluffs Run is the state's dominant track. In 2015, it is expected to account for 64 percent of the greyhound races and for 69 percent of the greyhound performances. Bluffs Run has scheduled 296 performances, or 3,552 races, in its last year of operation. Races will end there on December 31.¹⁶ In an interview with Spectrum on January 22, 2015, Racing Director Brian Carpenter said Dubuque plans to offer fewer races in 2015 than it did in 2014. It will offer five performances per week in 2015 compared to six in 2014. The result, he said, will be 131 performances in 2015 compared to 161 in 2014, and 1,980 races in 2015 compared to 2,337 in 2014. That equates to 15 percent fewer races and 19 percent fewer performances. Carpenter said he does not know what will happen in 2016 after Bluffs Run stops racing. Carpenter explained that it is possible that Dubuque might return to its racing level of 2014 but noted no decisions have yet been made. He said he does not expect it to exceed the 2014 level. The bottom line: Once Bluffs Run closes at the end of 2015, there will be significantly less greyhound racing in Iowa.

Greyhound owners disputed the cost estimates provided by the adoption agencies. They believe that the vast majority of greyhounds will go onto race at other tracks, including Dubuque, and envision no more than 70 adoptions occurring as a result of the end of racing at Bluffs Run. They also argued that the cost-per-greyhound to retire would be no more than \$400.

To be conservative and to ensure that the retired greyhounds are adequately funded for adoption, we chose to use the higher estimates provided by the adoption agencies, with the understanding that any unused distributions revert to Past-Performance Distributions basket of funds to be distributed to greyhound industry participants. To ensure proper accounting of the disbursements, we recommend that adoption agencies be required to provide verification to the IRGC that the greyhound was retired due to the discontinuance of racing at Bluffs Run and to submit receipts for all expenses incurred.

¹⁶ Bluffs Run Live 2015 Racing Calendar. <http://www.bluffsdogs.com/daychange/Statsfacts/2015LiveRaceCal.pdf>

We used an estimate of 300 adoptions of greyhounds occurring as a result of the cessation of racing. We estimate the cost of each adoption at \$1,700. As such, we believe it would be prudent to set aside \$510,000, or roughly 1.4 percent, of the Commission Fund for adoptions. The number of adoptions and the cost to reimburse agencies for the cost of those adoptions would clearly be more should the IGA fail to commence racing, or any time after commencement cease racing, at Dubuque.

Several greyhound breeders and owners suggested that the IRGC prohibit any adoption agency that has expressed anti-racing sentiments from receiving a distribution. They argue it is wrong to use these funds to assist an organization that has worked to put them out of business. While Spectrum understands this position by the industry participants, we believe it would be impractical to impose such a requirement, and could increase the amount of time a greyhound would be housed at a shelter due to the concentration of dogs at only a few shelters. We note that the current racing-dog owner makes adoption decisions and can decide at which agency to place a dog for adoption. Nevertheless, we believe the IRGC should not interfere with a decision that has always been the owner's to make.

Spectrum recommends:

- That the adoption agency and the greyhound owner certify that:
 - It was the adoption agency that physically handled the greyhound to facilitate the adoption;
 - The adoption agency has a no-kill policy;
 - The greyhound raced in Iowa; and
 - The greyhound was placed into adoption due to the cessation of racing
- That the dog be placed for adoption within 12 months after racing is halted at Bluffs Run
- That a cap of \$1,700 be placed on each greyhound adoption
- That distribution requests be made by December 31, 2016
- Any funds not expended be returned to the Fund to distribute to greyhound industry participants based on past performance

II. Costs Incurred to Remove Property from Bluffs Run

The statute provides that the IRGC may “distribute moneys” from the Commission Fund to kennel owners and operators for the removal of property at Bluffs Run.

Kennel owners we interviewed stated that they believe that there will be little, if any, expense involved in removing equipment or property from the 15 kennels at Bluffs Run. The greyhounds are housed in the kennels, which are owned by the casinos. Some of the crates owned by the kennel owners will be removed, and there would likely be some expense involved with that removal.

Spectrum recommends setting aside \$75,000 for expenses incurred to remove property from Bluffs Run. We recommend that:

- A cap of \$5,000 be placed on any single distribution;
- Kennel owners seeking reimbursements must do so within six months of the closing at Bluffs Run;
- Kennel owners certify that expenses were incurred as a result of the removal of property from Bluffs Run and provide receipts to the IRGC; and
- Any funds not expended revert to the Past-Performance Distributions basket of funds to distribute to greyhound industry participants based on performance.

III. Funds to be Awarded on Case-by-Case Basis

Spectrum allocated 3.25 percent of the Commission Fund to One-Time Distributions, which includes the payments to no-kill adoption agencies (see Chapter I) and for the removal equipment from the kennels at Bluffs Run (see Chapter II). After deducting distributions to no-kill adoption agencies and for equipment removal from Bluffs Run, there is \$585,000 remaining to be used to establish a discretionary fund that would allow the IRGC to make awards on a case-by-case basis to greyhound industry participants who demonstrate that they have sustained economic hardships due to the closing of Bluffs Run.

Spectrum recommends that such participants be encouraged to provide evidence to the IRGC to show how they have been impacted by the closing of Bluffs Run. The burden of proof should rest with these participants to demonstrate they are deserving of assistance. We recommend that claims not be entertained until at least one year after the closing of Bluffs Run, unless the IRGC agrees to hear certain hardship cases earlier at its discretion. The reason for the one-year delay in hearing the hardship cases is to ensure that applicants have sustained real and lasting damages from the cessation of racing at Bluffs Run. Such claims would have to be filed within 18 months of the track's closing.

Whatever moneys are not used would revert to the Past-Performance Distributions.

Spectrum recommends:

- That distribution requests not be considered until after December 31, 2016, and that they be submitted no later than June 1, 2017; and
- That a \$29,250 cap be placed on any individual award.

IV. Distributions to Greyhound Industry Participants

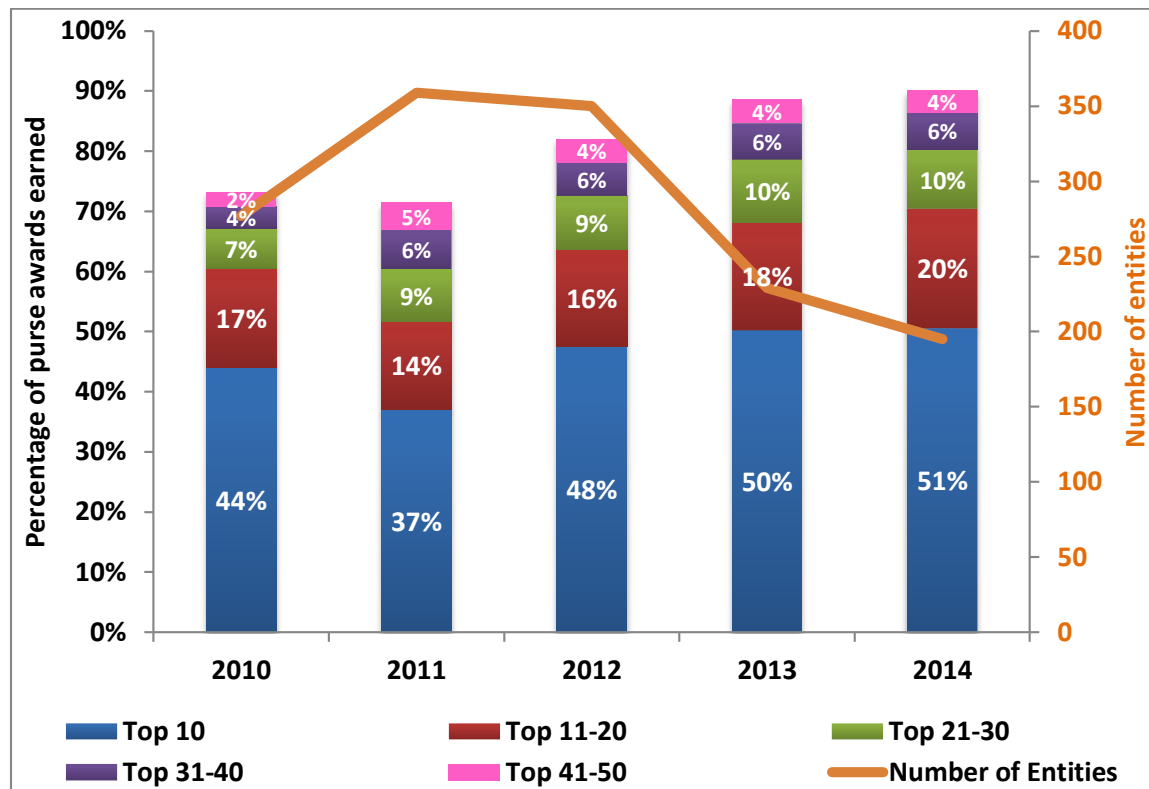
The statute states the IRGC may consider “objective evidence” to determine how to distribute moneys from the Commission Fund. Part of that objective evidence could include “purse payments to greyhound participants” from January 1, 2010, through December 31, 2014. During that five-year period, greyhound industry participants received nearly \$69 million in purse awards and special distributions from the State Department of Agriculture for low-bred greyhounds.

Spectrum research shows that most of the payments were highly concentrated among a handful of operators. Seven percent (20 out of 280) of owner/operators collected nearly two-thirds of purse awards during the period from January 1, 2010, through December 31, 2014. We found that the top earners consistently won every year. In fact, seven entities were among the top 10 purse earners in all five years. Spectrum further found that:

- The top two operators collected 16 percent of purse awards
- The top five collected 31 percent of purse awards
- The top 10 collected 47 percent of purse awards
- The top 20 collected 64 percent of purse awards

As Figure 6 below shows, the top 50 performers in terms of purse earnings, or roughly 15 percent of all greyhound owners and breeders, earn the substantial majority of awards. Over the five-year period, the top 50 purse winners earned 70 percent to 90 percent of all purses won.

Figure 6: Percentage of Iowa greyhound purse awards earned by top 50 earners, 2010-2014



Source: Dubuque Greyhound and Bluffs Run

Bluffs Run has historically generated higher purse awards than Dubuque. From 2010-2014, purse awards totaled \$51.3 million for Bluffs Run compared to \$16.9 million at Dubuque.¹⁷ Greyhound owners compete for regular purses as well as special purses set up for Iowa-bred greyhounds that also include special stakes races. Regular purses comprised 61 percent of the purses offered at Bluffs Run and 70 percent at Dubuque. Only greyhounds that have been registered with the Iowa Department of Agriculture are eligible to compete for Iowa-Bred and Stakes purses. The Department of Agriculture separately rewards Iowa-bred greyhounds that win purses in Iowa through a special state program. From 2010 to 2013, the Department of Agriculture issued \$1.1 million in breeder awards to owners of Iowa-bred greyhounds that won purse money during that four-year period (full-year 2014 figures were not available at the time Spectrum performed its analyses). The figure represents about 2 percent of the total regular purses awarded from 2010-2013 (the most recent year made available to

¹⁷ Spectrum analysis of purse awards provided by the two tracks.

Spectrum). The special awards are designed to boost greyhound farming in Iowa. We again found that a handful of entities dominated the distributions from the state Department of Agriculture: 45 percent were distributed to just five entities.¹⁸

A. 80 Percent of Commission Fund after One-Time Payments Distributed Based on Past Performance

The top operators argue that it is no coincidence that they have won so much of the purses over the years. They said that they have made significant investments to build state-of-the-art-breeding farms to produce greyhound racers that win the vast majority of races in Iowa.

Several owners who were top performers argued to Spectrum that distributions should be awarded based only on past performance at Bluffs Run, and that no consideration should be given to purse awards at Dubuque. We rejected those positions. We note that Bluffs Run ran 302 of the 463 races statewide in 2013, or roughly 65 percent of the total. With the closure of Bluffs Run, the number of racing days statewide is expected to be cut by two-thirds. We also highlight from our analysis that many greyhound owners earned purses at both tracks, suggesting these owners will transition many racers from Bluffs Run to Dubuque. Racing at Dubuque, therefore, is expected to be quite competitive. It is likely that Dubuque-only operators currently racing may get pushed aside by Bluffs Run operators, whose greyhounds tend to be of a higher quality. The result is that Dubuque greyhound owners could be adversely impacted by the closing at Bluffs Run. We believe that the purse awards should be reviewed on a statewide basis, and not restricted to one track. We also note that the legislation did not direct us to review only Bluffs Run.

Spectrum saw the magnitude of investments in first-rate greyhound farms during a November 6 tour of a farm owned by Brad Boeckenstedt of Bellevue, whose greyhounds have consistently been among the top performers in Iowa during the last five years. The 150 greyhounds at Boeckenstedt's farm that November day consumed nearly 400 pounds of raw meat. Since 2010, Boeckenstedt said he has invested more than \$1 million. In 2014, his female

¹⁸ Iowa Department of Agriculture.

greyhounds gave birth to 147 puppies, according to the Iowa Department of Agriculture. Those births accounted for 10 percent of the greyhound puppies that were born in Iowa that year. The retired female racers give birth to pups in a whelping barn that has 10 air-conditioned and heated stalls. About 150 pups are born each year at this farm, with training costs per pup stated at \$3,000 per pup over an 18-month period. In another building, pregnant greyhounds, about to give birth, are carefully observed. The greyhounds lie on concrete that has had embedded radiant heat. Turnout pens are 20 feet to 40 feet long. Last year, a 600-foot sand run was built for the greyhounds to improve muscle development. “We have taken the risk and made the investment, and, therefore, should be able to get our fair share of this buyout money,”¹⁹ Boeckenstedt told us. Other top Iowa greyhound breeders make arguments similar to Boeckenstedt.

Our recommendation would result in 80 percent of the funds after One-Time Distributions and administrative costs being distributed based on past performance. We recommend that participants receiving funds based on performance be required to submit Form 1099s or other proof of their earnings to permit the IRGC to calculate their distribution, which would be based on the percentage of the purse winnings and Department of Agriculture awards the entity received from 2010-2014.

B. 20 Percent of Commission Fund after One-Time Payments Distributed Based on Fixed Amount

Spectrum believes it would be unfair to greyhound industry participants to distribute all moneys through a performance-based system. Allocating 20 percent of the remainder of the Commission Fund after the One-Time Distributions through a non-performance-based structure would still reward the top performers (as they would receive 80 percent) while fulfilling the intent of the statute to consider the needs of all greyhound industry participants. Spectrum recommends that direct and indirect administrative expenses of the IRGC be distributed from the Fixed-Payments basket of distributions.

¹⁹ Excerpt from Spectrum interview with Brad Boeckenstedt, November 6, 2014.

We developed the 80-20 split after reviewing the statute and the industrywide input we received. Industry participants who did not win significant purse awards made the case that they were still major players who deserve to receive a distribution that is more than a nominal amount. We also found that the top performers made a strong case for a high distribution based on the significant investments they have made over the years to produce their purse winnings. In addition, the statute suggests that we review purse awards in determining how to distribute the funds. We believe that an 80-20 split tilted toward past performance rewards the top performers but also takes into account the contributions of the greyhound breeding farms and the smaller operators. Many of the smaller farm operators say they have been unable to get their greyhounds into kennels at Iowa tracks, forcing them to race elsewhere. They contend that regardless of whether they have won significant amounts of purse awards, their operations have still had a significant impact on the Iowa economy. They note they spend the same amount of money as a top performer does in preparing a greyhound for racing.

We envision a non-performance-based structure of the Commission Fund that would pay up to \$7.0 million to greyhound industry participants, as shown in the following table:

Figure 7: Description of Fixed-Payment Awards payouts for Iowa greyhound industry participants

Payee	Number of payees	Individual distribution	Maximum distribution (M)
Greyhound farms	54 ⁽¹⁾	\$53,000	\$2.9
Iowa-registered greyhounds	8,481 ⁽²⁾	\$320	\$2.7
Trainers	15	\$40,000	\$0.6
Assistant trainers	15	\$20,000	\$0.3
IRGC administrative costs ⁽³⁾	NA	NA	\$0.5
Total			\$7.0

Source: Spectrum Gaming Group. 1. Represents the average of all farms registered from 2010-2014. 2. Reflects all dogs registered with the Iowa Department of Agriculture over the five-year period from 2010-2014. 3. The IRGC administrative costs reflect an aggressive assumption from Spectrum to cover contingencies. The actual IRGC administrative costs are likely to be less than \$500,000.

It is important to note that the distributions referenced in Figure 7 above are based on the assumption that the individual payout recipient participated in the industry for the past five calendar years. Spectrum recommends that the payouts be reduced on a pro-rata basis, when applicable, if the individual was not an industry participant for all five years. Because the IRGC, in administering the fund, would have access to more complete information and verification that the individual is entitled to a payout, the actual amounts distributed to industry

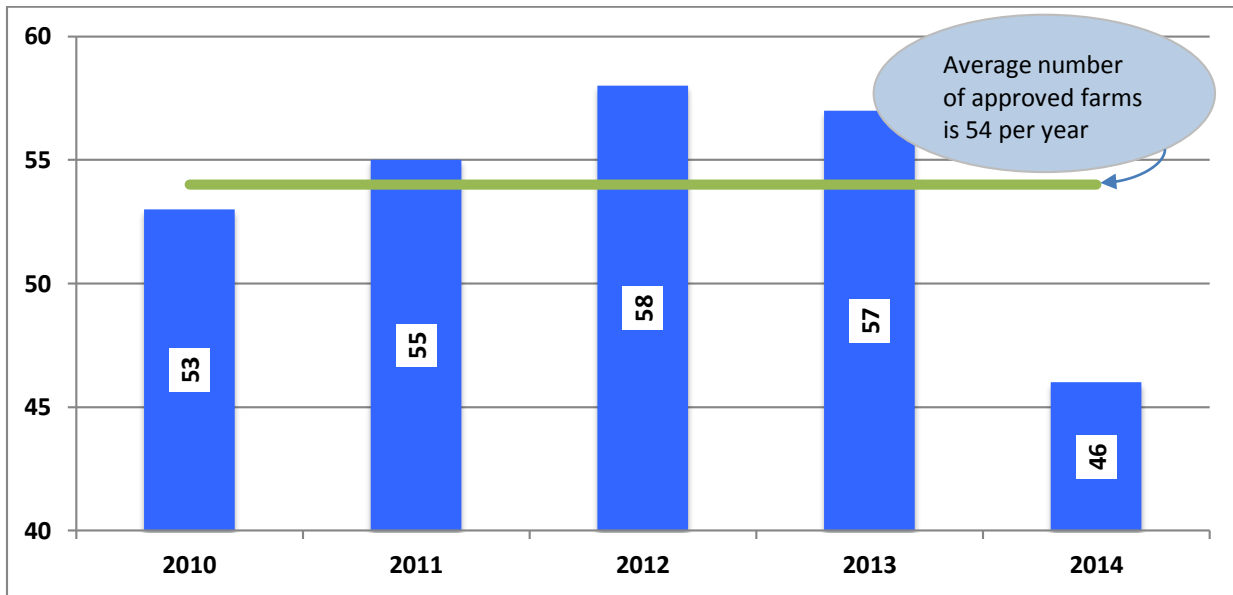
participants may differ from the Spectrum recommendations. The individual distributions would be based on years of service such that:

- Greyhound farms: \$10,600 for each year of operation from 2010-2014
- Iowa-registered greyhounds: \$320 for each greyhound registered with the Iowa Department of Agriculture and Land Stewardship from 2010-2014
- Trainers: \$8,000 for each year of employment from 2010-2014
- Assistant trainers: \$4,000 for each year of employment from 2010-2014
- IRGC administrative expenses

Our recommendation for fixed payments to a wider swath of industry participants is supported by a 2010 economic impact report prepared by Daniel Otto for the Iowa Greyhound Association concluded that the Iowa greyhound Industry is a “multi-million dollar, multi-faceted” operation. The “breeding and training of greyhound racers is a type of alternative agricultural activity in which the animals require specialized feeding, veterinary care and training facilities,” the report noted. For every dollar’s worth of economic impact at the two greyhound tracks, the report noted that the impact off the tracks was far greater: \$2.66 for every \$1 at the tracks. The 2009 economic impact of the two tracks totaled \$21.7 million while off-track activity totaled \$56 million, according to Otto’s report. Employment was also much greater off the track: 965 compared with 272 at the two tracks. Over the five-year period, there was an average of 56 farms that have been registered with the Department of Agriculture’s Animal Industry Bureau, or a total of 280 farms. Each of the licensed greyhound farms in Iowa had an average investment of nearly \$250,000 with job creation of 4.1 jobs. Each Iowa resident who operated a greyhound farm spent \$102,000. (All data cited above were for 2009).²⁰

²⁰ Daniel Otto, “The Economic Importance of the Iowa Greyhound Industry, 2010,” prepared for the Iowa Greyhound Association. <http://www.iagreyhounds.org/newsletters/EconomicImportance2010.pdf>

Figure 8: Review of greyhound farms registered and approved by the Iowa Animal Industry Bureau



Source: Iowa Department of Agriculture

It is clear from the IGA's own economic impact reports that greyhound industry participants include far more than just those who have won purses at the two tracks.

In limiting the non-performance distribution to 20 percent, Spectrum relied upon the language in the statute creating the Commission Fund. The statute suggests that purse awards be considered as objective evidence in making distributions. We believe our recommendation of dedicating 80 percent of distributions to past performance complies with legislative intent. However, to provide more than 80 percent on a past-performance basis would shut out long-time greyhound industry participants such as breeders, trainers, assistant trainers and other key stakeholders. To provide less would overlook the sizable investments made by top performers from 2010 through 2014.

We note that the top performers stand to obtain a significant distribution from one of the pools of moneys set aside for participants without regard for purse performance. The greyhound category for number of greyhounds whelped or born was also dominated by a handful of entities, and they turned out to be, for the most part, the same entities that collected the majority of purse awards.

For the five-year period from 2010-2014, 187 owners registered nearly 8,500 greyhounds with the Department of Agriculture. The state agency allows a greyhound to be registered once it confirms that the greyhound was whelped in Iowa and resided in the state for at least six months. The registered owner is sometimes different than the owner at the time of whelping.

Five of the 187 owners registered approximately 29 percent of the greyhounds during the five-year period ending 2014. One owner alone registered 8 percent of the greyhounds. The smaller participants in the Iowa greyhound industry will likely be more impacted by the closure of Bluffs Run than the larger breeders and owners because they will be less able to transition operations to Dubuque or to other greyhound tracks outside of Iowa. Spectrum recommends that the IRGC set aside \$320 per registered greyhound, or \$2,715,000, to compensate the breeders.

We recommend that participants receiving funds based on non-performance be required to provide proof of how many greyhounds were registered with the Department of Agriculture along with proof that their farm was licensed by that state agency as well during the years 2010-2014. The Animal Industry Bureau licenses greyhound breeding farms on a yearly basis. The farms are considered “commercial animal welfare establishments.”²¹

²¹ Iowa Department of Agriculture. <http://www.iowaagriculture.gov/animalIndustry/animalWelfareFAQ.asp>, (accessed December 20, 2014)

V. Public Meetings

Spectrum conducted three public meetings the first week of November 2014 in Council Bluffs, Des Moines and Dubuque to obtain input from various stakeholders concerning how the funds should be distributed. In addition, Spectrum also took into account statements offered outside of the public meetings as some industry participants were not comfortable in making comments in a public setting. Many greyhound industry participants provided input through our dedicated email inbox (greyhound@spectrumgaming.com).

Spectrum Associate Vice President of Research Michael Diamond conducted the three meetings. Council Bluffs and Dubuque were chosen as sites for the meetings as greyhound parks are located in those cities. Des Moines is the state's capital and is in the middle of the state while Council Bluffs is at the western border of the state and Dubuque is at the eastern border.

Following is a summary of the statements made at the public meetings, along with insights offered in private.

A. Council Bluffs, November 3, Horseshoe Casino

1. Trainers, Assistant Trainers

Trainers and assistant trainers stated they have worked at Bluffs Run for 10 years or more, putting in 60- to 70-hour weeks to care for the greyhounds and prepare them for racing. Many said they have no benefits. They claimed that as a group, no stakeholder will be more adversely impacted. Trainers and assistant trainers are licensed by the state.

Cathy Gubbels, an assistant trainer at Boeckenstedt Kennel, suggested paying trainers and assistant trainers a salary of one year. She noted that it will be difficult for them to find jobs related to their profession in Iowa as racing is expected to be cut by two-thirds. The trainers and assistant trainers advanced a position that would result in the trainers and assistant trainers receiving part of the buyout money based on years of employment. We were told that trainers receive roughly 5 percent of purse awards. A case could be made, they argued, that if the purse supplements continued, the trainers would have received 5 percent of those purse

supplements. Gubbels and other trainers stated that because a substantial amount of money is involved, it is only fair that some of it go to trainers and assistant trainers as a reward for making the kennels successful. “The commission needs to keep in mind that everyone was a part of this,” Gubbels said.

Beverly Yates, a breeder with an Underwood farm, suggested that trainers and assistant trainers receive a year’s salary if they worked for the past five years. Anything less than that should result in the payment being reduced by a percentage amount for each year not worked, she said.

Privately, a number of kennel owners stated they oppose the trainers receiving any of the buyout funds, noting that they undertook no financial risk, unlike owners. The kennel owners argued that the buyout agreement never envisioned employees receiving any of this money. In addition, they noted that the trainers and assistant trainers would be eligible to obtain unemployment benefits.

2. Large-Kennel Owners

Large-kennel owners called for utilization of a system based on past performance. For example, they noted if an owner won 10 percent of the purse awards, he/she should be entitled to 10 percent of the buyout funds. They argue that they made hundreds of thousands of dollars in investments to win the purses, and are, therefore, entitled to capture these funds based on a formula that uses past performance from 2010 to 2014 as a guide. Privately, they noted that had the purse supplements continued, it is highly likely they would have continued to win purses at the rate they had in the past. That fact justifies a performance-based system, they argued.

Robert Hardison, one of the larger and more successful kennel owners and breeders in the state, stated that the major stakeholders are greyhound owners, kennel owners, and breeders. “I think this is a situation that is similar to when a business closes and employees receive a severance package,” Hardison said. “Years of service and income are two things considered. Every greyhound owner and kennel owner who raced dogs at either Bluffs Run or Dubuque has received (Form) 1099s from both tracks. All purse dollars from racetracks are

1099 income. The breeders of Iowa-bred dogs also receive breeder's awards as 1099 income. I believe, as the law suggests, that the use of these 1099s is the most comprehensive and fair way to distribute the fund. This method is a natural check-and-balance method to determine the impact that the loss of racing opportunities has on each individual."

Hardison said some greyhound breeding farms in Iowa produce hundreds of dogs per year while others produce just a litter or two. Some win significant purse awards; others do not. "The impact of the loss is best determined by the past history of income earned," he said. Hardison said he would favor compensation for the licensed head trainers at the racetracks as they are "stakeholders in some capacity."

Michael Montoya, an out-of-state greyhound owner, took exception to the perception that the legislation authorizes "a soft landing" for the industry. He noted that there is no such language in the bill that was signed into law by Governor Terry Branstad. Like Hardison, Montoya urged that funds be distributed based on purse payments, which allows for consideration of "all facets of greyhound racing." Some kennels elect to expend a great deal of resources to build an extremely profitable kennel, he noted. Their purse payments reflect the same. Even though kennel owners would be compensated more than others, this method would take into consideration their investment and risk as compared to the other, he said.

Another reason to consider purses during the five-year period is to not allow someone who came into the state for only the last year or two to capture more of a distribution than someone who has been in Iowa for the full five years, Montoya said.

3. Small-Kennel Owners and Breeders

Small-kennel owners argued that a 100 percent based performance-based system would prevent them from receiving a fair distribution because they often could not place their dogs at kennels at Iowa greyhound tracks, yet their costs were the same to produce and raise a greyhound as anyone else. There are more stakeholders than just the large-kennel owners, they argued, and all stakeholders should receive distributions. They also stated that the large kennel owners will race their dogs elsewhere while the smaller operators will most likely have to shut down operations.

Melissa Schmidt, a Bellevue breeder who operates a farm, said those who have already earned purse awards should not get any distribution. The money should be used to help industry participants retire or “be used to get new training for new jobs.” She was among the breeders who suggested that distributions be based on the number of greyhounds produced, claiming that it costs the same to produce a greyhound that wins races as it does to produce one that never races. She also wants the fund to compensate trainers, assistant trainers and helpers.

Gail Shook, a breeder from Glenwood, suggested that the distributions be awarded only to Iowa-resident breeders. “We had to build the farms, pay the real estate taxes, whelp and raise the pups and then send them to be trained,” she said. “We purchase feed and supplies, all of which helps the Iowa economy. The out-of-state participants have already profited from working deals with Iowa residents.”

She said that she and other Iowa breeders have been unable to get their greyhounds into kennels at Iowa tracks, which means they earned little purse money. A performance-based structure for distributions would shut them out, she noted, yet she has made significant investments to produce Iowa-bred greyhounds.

4. Out-of-State Kennel Owners

Out-of-state kennel owners said they should be able to fully participate in the distributions. While they may live out of state, they invested heavily in the state, often leasing greyhounds from Iowans. They purchase feed and incur significant expenses in the state of Iowa to run their greyhounds, they noted.

Out-of-state kennel owner David Petzold, who operates a kennel at Bluffs Run, noted that his payroll in Iowa is more than \$130,000 a year. He spends more than \$50,000 a year on kennel supplies and incurs significant other expenses as well, he noted. All of those expenditures benefit the economy in Iowa. In addition, he noted that under current law, out-of-state owners are not discriminated against in the awarding of purses. Therefore, he said there should be no such discrimination in the distribution of funds from the Commission Fund.

5. Miscellaneous

State stewards (who work for the IRGC) at Bluffs Run contacted us by email or telephone to say they should also receive a distribution. They noted they have worked for years at the track, and it will be highly unlikely that they would be able to find similar employment elsewhere. They have bumping rights through state government and will be able to find employment elsewhere but noted that accepting such work could involve an unacceptable commute and a different line of work.

Another person who supervises the video system asked for consideration. He said he has worked at the track for more than 10 years and it is also highly unlikely that he will be able to find work.

B. Des Moines, November 5, Prairie Meadows Casino

1. Adoption of Greyhounds

REGAP (Michigan Retired Greyhounds As Pets): REGAP spokeswoman Leslie Forsys said the non-profit organization had already developed a nationwide network of 189 adoption groups that had been alerted to the impending situation in Iowa. She stated that REGAP was willing to serve as a facilitator to move the greyhounds into adopted homes. She provided a copy of a plan that was submitted in January to Caesars Entertainment (parent company of Horseshoe Council Bluffs/Bluffs Run) at Caesars' request. REGAP helped find homes for retired greyhounds when the Wisconsin Dairyland Track closed. The organization acknowledges that it has worked to bring about the end of greyhound racing. That fact was well known to the Iowa greyhound industry, some of whom spoke out later that regulations should be drawn barring anti-racing groups from receiving any of the buyout funds.

Heartland Greyhound Adoption: Spokeswoman Jorene King noted that Heartland, which is non-profit, is the official adoption agency for Bluffs Run. HGA takes in dogs primarily from Iowa tracks and breeders, placing them throughout Iowa, Nebraska and surrounding areas. Heartland works with other adoption agencies in Colorado, Minnesota, Wisconsin, Nebraska and Colorado. She provided Spectrum with a cost breakdown per greyhound of

approximately \$1,500. She was reluctant to say how many greyhounds she expected to be adopted after Bluffs Run closes but stated it would be significantly more than the 70 to 90 estimated by some kennel owners. She said Heartland is currently putting nearly 300 greyhounds a year into adoption at Bluffs Run, and would anticipate the figure to be much higher once the track closes.

Grey2K USA Worldwide: James Flannigan, spokesman for the organization whose mission is to cease greyhound racing, said that the per-greyhound cost of adoption will vary depending on the medical condition of the greyhound. It could run as high as \$600, he noted. He suggested that the estimate be on the high side as whatever money is not spent would then go back into the fund to be redistributed to other stakeholders. He suggested \$500,000 be set aside for 2015 and another \$200,000 for 2016. He said that the IRGC should have a system in place to facilitate adoptions at Bluffs Run.

2. Distribution of Funds to Stakeholders

Dean Miner of Filipelli/Miner Racing LLC presented a 40-page report that accused the Iowa Greyhound Association of attempting to freeze out kennel owners such as himself and others from receiving their fair share of the cessation funds. He said using a performance-based system would reward just a few stakeholders at the expense of the backbone of the greyhound racing industry. He urged the IRGC to not use purse awards from 2010 to 2014 as a basis to distribute the funds. He suggested a flat amount be given to various stakeholders. Following are some of Miner's recommendations. (It is important to note that his estimates were based on a \$72 million Commission Fund, not the \$36 million that is currently allocated. As a result, his numbers, cited below, should be reduced by 50 percent, he acknowledged. Nonetheless, we kept his estimates at what he presented to the IRGC during a public hearing).

- \$800,000 for each kennel owner at Bluffs and \$200,000 for each kennel owner at Dubuque
- \$10,000 for each greyhound pup registered as an Iowa-bred
- \$20,000 to each Iowa-bred greyhound less than three years old with at least one win; \$5,000 to an Iowa bred that has never won a race

- \$60,000 for trainers who have worked in Iowa for more than five years
- \$4,000 scholarships for a child attending an Iowa university who is from a greyhound family
- \$500,000 to be split among adoption agencies

Miner argued that a performance-based system allows for the top purse winners to double dip and capture these funds based on past earnings. His system rewards everyone in the industry, he said.

C. Dubuque Public Meeting, November 7, Mystique Casino

The Dubuque public meeting focused almost entirely on the fairest way to distribute the funds.

Several owners and breeders said they were opposed to a payment structure based on past performance. They also questioned a review that would only look at five years' worth of data (2010-2014). They stated that purse awards can vary widely from year to year, and that the study should go back at least 10 years to even out the variations. Using a performance-based structure would result in those that have already won the lion's share of purses to "double dip" and again collect buyout funds based on that past performance.

Dubuque breeder Tim Ertl said he has had difficulty over the years getting his dogs into kennels at Bluffs Run and Dubuque and it is not because they are not high-quality greyhounds. His greyhounds, he said, are racing at the top tracks in the country. He and others spoke of the difficulty in getting greyhounds placed at kennels in Iowa. Ertl noted that he would suffer from a performance-based system because many of his greyhounds do not race in Iowa but he has produced and raised greyhounds in Iowa, spending what everyone else does to get the greyhound to the racetrack, approximately \$2,700. On a per-dog basis, his impact is as great as any other breeder who races in Iowa in terms of what was spent in the state to get the dog ready to race, he said. He suggested a flat figure to reward every breeder for breeding a dog in Iowa whether it raced in Iowa or not.

Another owner-breeder said it would be wrong to exclude non-Iowa residents, noting that those participants made significant contributions to the Iowa economy during the time their greyhounds raced in Iowa.

1. Adoptions of Greyhounds

After the meeting, Sue Hamma, a spokeswoman for Quad Cities Greyhound Adoption of Walcott, IA, stated that an adoption agency should meet certain criteria, which would include that it physically handles the greyhound. Too many agencies are nothing more than a referral agency, referring out the adoption to another adoption agency. Hamma said the adoption agency should also be a 501 c 3 non-profit corporation, and their mission statement should indicate that they are a no-kill agency. Quad Cities, unlike other agencies, has its own kennel.

A number of kennel owners repeated what had been said at prior meetings, that most of the greyhounds at Bluffs Run will go on to other tracks. They estimated that no more than 100 greyhounds would go into adoption. They foresaw a problem at lesser tracks across the country once Bluffs Run dogs go to those tracks. They will push the dogs at those tracks into retirement, they noted, but acknowledged that it would be difficult to track how an Iowa-bred dog pushed a dog at a lesser track into adoption.

About This Report

This report was prepared by Spectrum Gaming Group, an independent research and professional services firm founded in 1993 that serves private- and public-sector clients worldwide. Our principals have backgrounds in operations, economic analysis, law enforcement, regulation and journalism.

Spectrum holds no beneficial interest in any casino operating companies or gaming equipment manufacturers or suppliers. We employ only senior-level executives and associates who have earned reputations for honesty, integrity and the highest standards of professional conduct. Our work is never influenced by the interests of past or potentially future clients.

Each Spectrum project is customized to our client's specific requirements and developed from the ground up. Our findings, conclusions and recommendations are based solely on our research, analysis and experience. Our mandate is not to tell clients what they want to hear; we tell them what they need to know. We will not accept, and have never accepted, engagements that seek a preferred result.

Our public-sector clients have included 15 US state and territory governments, six national governments, 14 Native American governments, and numerous gaming companies (national and international) of all sizes, both public and private. Of note, we completed a study in January 2015 for the West Virginia Department of Revenue that analyzed the impact of casino subsidies on the state's greyhound racing industry; the report can be accessed [here](#).

In addition, our principals have testified before the following government bodies:

- Georgia Joint Committee on Economic Development and Tourism
- Illinois Gaming Board
- Indiana Gaming Study Commission
- International Tribunal, The Hague
- Iowa Gaming and Racing Commission
- Massachusetts Joint Committee on Bonding, Capital Expenditures, and State Assets
- New Hampshire Gaming Study Commission
- New Jersey Assembly Tourism and Gaming Committee
- National Gambling Impact Study Commission
- New Jersey Senate Legislative Oversight Committee
- New Jersey Senate Wagering, Tourism & Historic Preservation Committee
- Ohio House Economic Development Committee
- Ohio Senate Oversight Committee
- Pennsylvania Gaming Control Board
- Puerto Rico Horse Racing Board
- US House Congressional Gaming Caucus

- US Senate Indian Affairs Committee
- US Senate Select Committee on Indian Gaming
- US Senate Subcommittee on Organized Crime
- World Bank

Spectrum and its sister company, Spectrum Asia, maintain a network of leading experts in all disciplines relating to the gaming industry, and we do this through our offices in Atlantic City, Bangkok, Guangzhou, Hong Kong, Las Vegas, New York and Tokyo.

Disclaimer

Spectrum Gaming Group (“Spectrum,” “we” or “our”) has made every reasonable effort to ensure that the data and information contained in this study reflect the most accurate and timely information possible. The data are believed to be generally reliable. This study is based on estimates, assumptions, and other information developed by Spectrum from its independent research effort, general knowledge of the gaming industry, and consultations with the Client and its representatives. Spectrum shall not be responsible for any inaccuracies in reporting by the Client or its agents and representatives, or any other data source used in preparing or presenting this study. The data presented in this study were collected through the cover date of this report. Spectrum has not undertaken any effort to update this information since this time.

Some significant factors that are unquantifiable and unpredictable – including, but not limited to, economic, governmental, managerial and regulatory changes; and acts of nature – are qualitative by nature, and cannot be readily used in any quantitative projections. No warranty or representation is made by Spectrum that any of the projected values or results contained in this study will actually be achieved. We shall not be responsible for any deviations in the project’s actual performance from any predictions, estimates, or conclusions contained in this study.

Possession of this study does not carry with it the right of publication thereof, or the right to use the name of Spectrum Gaming Group in any manner without first obtaining the prior written consent of Spectrum. No abstracting, excerpting, or summarizing of this study may be made without first obtaining the prior written consent of Spectrum. This study may not be used in conjunction with any public or private offering of securities or other similar purpose where it may be relied upon to any degree by any person other than the Client, without first obtaining the prior written consent of Spectrum. This study may not be used for any purpose other than that for which it is prepared or for which prior written consent has first been obtained from Spectrum.

This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions and considerations.

Appendix 1: Recommended Regulations for Distributions from Iowa Greyhound Pari-Mutuel Racing Fund

Following are Spectrum’s recommended regulations for implementing the distributions from the Iowa Greyhound Pari-Mutuel Racing Fund. The regulations effectively codify the recommendations made throughout this report.

1.0 Establishment of Greyhound Pari-Mutuel Racing Fund

- (a) Pursuant to statute, an Iowa Greyhound Pari-Mutuel Racing Fund (“Fund”) is created in the State treasury under the control of the Racing and Gaming Commission (“Commission”).
- (b) The Fund shall consist of the following moneys:
 - (1) Moneys in the Dog Racing Promotion Fund created in section 99D.12 received from a dog racetrack licensee that is no longer required to conduct live dog races pursuant to section 99D.9A.
 - (2) Moneys deposited in a Cessation Fund by Dubuque Greyhound Park at Mystique Casino (“Dubuque”) and Bluffs Run Greyhound Park at Horseshoe Council Bluffs Casino (“Horseshoe”), to be administered by the Commission.

1.1 Deposits into the Cessation Fund

- (a) Horseshoe shall make seven successive annual payments into the Cessation Fund of \$9.3 million, beginning on January 1, 2016, and continuing every January 1 until and including January 1, 2022.
- (b) Dubuque shall make seven successive annual payments of \$1.0 million into the Cessation Fund, beginning on January 1, 2015, and continuing every January 1 until and including January 1, 2021.
- (c) The deposits of money into the Cessation Fund shall be made in accordance with procedures established by the Commission, which may include electronic transfers.

2.0 Distribution of Fund – Initial

- (a) Fifty percent of the money in the Fund shall be distributed to the Iowa Greyhound Association, provided compliance with Section 2.1 is demonstrated.
- (b) The Iowa Greyhound Association shall establish an escrow account for the deposit of money received from the Fund.
- (c) The escrow account shall be established in accordance with statutory requirements.

2.1 Eligibility of Iowa Greyhound Association to Receive Distribution

- (a) The Iowa Greyhound Association is required to be licensed for the following two activities by December 15, 2014, to receive the deposited funds:
 - (1) Conduct pari-mutuel wagering on live dog races, and

- (2) Simultaneously telecast horse or dog races.
- (b) In the event that the Iowa Greyhound Association cannot demonstrate compliance with subsection (a) above and/or fails to offer live racing in any calendar year, the 50 percent of the money distributed to the Iowa Greyhound Association would revert to the Iowa Racing and Gaming Commission as incremental money and distributed in accordance with these regulations.
- (c) The additional funds should be allocated to:
 - a. One-Time Distributions
 - i. No-kill animal shelters
 - ii. Removal of kennel equipment from the racetrack in Dubuque County
 - iii. Commission to award in its discretion to greyhound industry participants who demonstrate a need to be compensated due to hardships caused by the closing of Dubuque
 - b. Fixed Payment Distributions
 - i. Incremental administrative costs
 - ii. Trainers
 - iii. Assistant trainers
 - c. Past Performance Distributions

3.0 Authority of the Commission to Distribute Money from the Fund

- (a) After the payment distribution is made pursuant to Section 2.0 to the Iowa Greyhound Association, the remaining balance in the Fund (“Discretionary Fund”) shall be distributed by the Commission.
- (b) The Commission shall exercise its discretion in distributing the remaining money from the Discretionary Fund in accordance with the guidelines set forth in these regulations.
- (c) Non-Iowa residents are eligible to receive distributions from the Discretionary Fund.
- (d) The Commission shall distribute funds on an annual basis. The annual amount distributed is to be determined based on the amount of funds received by the Commission from the remittances described in Section 1.1. Fund distributions to occur within 90 days of receipt of funds by the Commission.

3.1 Distribution of the Fund – Remainder

- (a) The distributions from the discretionary fund made pursuant to section 3.0 shall be allocated to the following categories:
 - (1) One-Time Distributions
 - (2) Past-Performance Distributions
 - (3) Fixed-payment Distributions

3.2 One-Time Distributions

- (a) \$1.17 million or 3.25 percent of the total amount in the Discretionary Fund, whichever is greater, is allocated to be paid as a one-time distribution.
- (b) The following distributions shall be made as one-time distributions:
 - (1) \$510,000 is allocated for payments to be made in the first year of the Fund to no-kill adoption agencies to administer adoptions of greyhounds retired as a result of the closure of Horseshoe.
 - (a) Adoption agencies shall be required to submit receipts to the Commission to verify expenditures.
 - (b) Adoption agencies and the greyhound owner shall certify the following in a form prescribed by the Commission:
 - i. It was the adoption agency that physically handled the greyhound to facilitate the adoption;
 - ii. The adoption agency has a no-kill policy;
 - iii. The greyhound raced in Iowa; and
 - iv. The greyhound was placed into adoption due to the cessation of racing.
 - (e) The maximum amount to be paid for each adoption is set at \$1,700.
 - (f) All requests for distribution pursuant to this section shall be made by December 31, 2016.
 - (2) \$75,000 is allocated for payments to be made in the first year of the Fund to greyhound owners to recover costs associated with the removal of equipment from the kennels at Horseshoe.
 - (a) Transporting the greyhounds away from the track shall not be an eligible expense under this section.
 - (b) Greyhound owners shall be required to certify in a form prescribed by the Commission that expenses were incurred as a result of the removal of property from Horseshoe.
 - (c) Greyhound owners shall be required to submit receipts to the Commission to verify expenditures.
 - (d) A maximum amount of \$5,000 is set for any single distribution.
 - (e) Kennel owners shall be required to make the request for payment within six months of the closing of Horseshoe.
 - (3) \$585,000 is allocated to the Commission to award in its discretion to greyhound industry participants who demonstrate a need to be compensated due to hardships caused by the closing of Horseshoe.

- (a) Applicants requesting to receive distributions under this section shall submit in writing their requests and basis for compensation.
 - (b) Applicants shall have the burden of demonstrating hardship by the closing of Horseshoe.
 - (c) Applicants shall be required to submit receipts to verify expenditures.
 - (d) The Commission shall advise all applicants of the decision in writing within sixty days of receipt of the application.
 - (e) Applicants may file applications with the commission seeking a hardship award after December 31, 2016, and until June 1, 2017.
 - (f) Payments made pursuant to this section shall be distributed after December 31, 2016.
 - (g) A maximum amount of \$29,250 is set for any single distribution.
- (c) Any money not distributed under this section as One-Time Distributions shall revert to the past-performance distributions in section 3.3.

3.3 Past-Performance Distributions

- (a) Eighty percent of that remaining in the Commission Fund, after one-time payments, shall be paid as past-performance distributions based on the percentage of purse winnings and Department of Agriculture awards the entity received from 2010-2014.
- (b) Applicant for past-performance distributions have the burden of demonstrating past earnings.
- (c) Applicants for past-performance distributions shall be required to submit documentation to verify past earnings.
- (d) Any money not distributed as one-time distributions pursuant to section 3.2 shall be added to the money allocated for past-performance distributions.
- (e) Any money not distributed as fixed-payment distributions pursuant to section 3.4 shall be added to the money allocated for past-performance distributions.
- (f) Past-performance distributions shall be made after all one-time distributions have been made pursuant to section 3.2.

3.4 Fixed-Payment Distributions

- (a) \$6.966 million shall be paid as fixed-payment distributions to greyhound industry participants without regard to purse winnings.
- (b) \$0.9 million shall be set aside for payments to trainers and assistant trainers who satisfy the eligibility requirements of this section.
- (c) Recipients of past-performance distributions shall be eligible to receive fixed-payment distributions.
- (d) A person is eligible to receive a full fixed payment distribution only if it was involved in greyhound racing during the entire five-year period ending in 2014.

- (e) A person who has not been involved in greyhound racing for the entire five-year period ending in 2014 shall be entitled to receive a partial fixed payment distribution in an amount based on the percentage of years of involvement in greyhound racing during the five-year period ending in 2014.
- (f) Applicants for fixed-payment distributions shall be required to certify in writing, in a form prescribed by the Commission, the period of involvement in greyhound racing during the five-year period ending in 2014.
- (g) Eligible candidates to receive fixed payment distributions shall include the following:
 - (1) Trainers
 - (2) Assistant trainers
 - (3) Greyhound owners
 - (4) Greyhound breeders
 - (5) Greyhound farm owners
- (h) Trainers employed at Horseshoe through the closing of the racetrack on December 31, 2015, shall receive \$8,000 for each year of service during the five-year period from 2010 through 2014.
- (i) Assistant trainers at Horseshoe through the closing of the racetrack on December 31, 2015, shall receive \$4,000 for each year of service during the five-year period from 2010 through 2014.
- (j) Any trainer or assistant trainer who is not employed at Horseshoe through the closing of the racetrack on December 31, 2015, shall be eligible for a fixed payment distribution provided:
 - (1) The kennel owner certifies in writing that their services are not needed; and
 - (2) The trainers or assistant trainers provide proof of employment for each year of employment for the period of 2010 through 2014.
- (k) Greyhound farm owners shall receive \$10,600 for each year of operation from 2010-2014, provided they submit documentation to verify the farm was licensed by the Department of Agriculture from 2010-2014.
- (l) Greyhound owners shall receive \$320 for each greyhound registered with the Iowa Department of Agriculture and Land Stewardship from 2010-2014.
- (m) Up to \$500,000 is set aside for direct and indirect administrative expenses of the IRGC incurred in administering the Fund
- (n) Any undistributed fixed-payment distributions shall be added to the past-performance distributions in section 3.3.

Appendix 2: Iowa Greyhound Pari-Mutuel Racing Fund Statute

The following is the portion of “CHAPTER 1126 Pari-Mutuel Racing and Gambling Games *S.F. 2362* (An Act relating to pari-mutuel racetracks, including by providing for live dog racing at pari-mutuel dog racetracks, providing for alternative licensure for dog racetracks, and establishing fees, and including effective date provisions)” that is relevant to this study.

Sec. 3. NEW SECTION. 99D.9B Iowa greyhound pari-mutuel racing fund.

1. An Iowa greyhound pari-mutuel racing fund is created in the state treasury under the control of the racing and gaming commission.
2. The fund shall consist of all of the following:
 - a. Moneys in the dog racing promotion fund created in section 99D.12 that were deposited in the fund from a dog racetrack licensee that is no longer required to conduct live dog races pursuant to section 99D.9A.
 - b. Moneys deposited in the fund from the live racing cessation fee established in section 99D.9A.
3.
 - a. Fifty percent of the moneys deposited in the fund shall first be distributed to the Iowa greyhound association for deposit in the escrow account established by the Iowa greyhound association pursuant to the requirements of section 99D.9C, provided the Iowa greyhound association is licensed under this chapter to conduct pari-mutuel wagering on live dog races or simultaneously telecast horse or dog races pursuant to the requirements of section 99D.9C, by December 15, 2014.
 - b. Moneys remaining in the fund following distribution to the Iowa greyhound association as provided in this subsection shall be under the sole control of the commission. The commission shall determine the method by which moneys remaining in the fund will be distributed provided, however, that the commission shall distribute a portion of the moneys in the fund to no-kill animal adoption agencies to facilitate care for and adoption of greyhounds no longer racing as a result of the discontinuance of live racing. The commission may consider objective evidence, including purse payments to greyhound industry participants for the period beginning January 1, 2010, and ending December 31, 2014, in determining the method of distribution. The commission may hire an expert to assist in the task of making distributions from the fund. The commission may distribute moneys from the fund to greyhound industry participants and to kennel owners and operators

and greyhound owners for costs incurred in removing property from the dog racetrack located in Pottawattamie County as required by section 99D.9A, subsection 2, paragraph “c”. Prior to adoption of any formula for distribution, the commission shall allow for input from greyhound industry participants. The distribution decisions of the commission shall be final. The commission may use moneys in the fund to pay its direct and indirect administrative expenses incurred in administering the fund, including the hiring of experts to assist in the commission’s distribution determination. Members of the commission, employees of the commission, and any experts hired by the commission pursuant to this section shall be held harmless against any claim of liability made by any person arising out of the distribution of moneys from the fund by the commission.

4. Section 8.33 does not apply to moneys in the fund. Notwithstanding section 12C.7, subsection 2, interest or earnings on moneys deposited in the fund shall be credited to the fund.
5. The commission shall adopt rules to administer this section.