

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K**

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2019

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-37858

**CANTERBURY PARK HOLDING CORPORATION**

(Exact Name of Registrant as Specified in its Charter)

Minnesota

47-5349765

(State or Other Jurisdiction  
of Incorporation or Organization)

(I.R.S. Employer  
Identification No.)

1100 Canterbury Road  
Shakopee, MN 55379

(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (952) 445-7223

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

Title of Each Class	Symbol	Name of Exchange on which Registered
Common Stock, \$.01 par value	CPHC	NASDAQ

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES ☐ NO ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

YES ☐ NO ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES ☒ NO ☐

Indicate by check mark whether the Registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files).

YES ☒ NO ☐

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

Large accelerated filer	<input type="checkbox"/>	Non-accelerated filer	<input type="checkbox"/>
Accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

YES ☐ NO ☒

The aggregate market value of the shares of voting and non-voting common equity held by non-affiliates based on the price at which the Company's common stock was last sold on the NASDAQ Global Market, on June 30, 2019, the end of the registrant's most recently completed second fiscal quarter, was \$29,985,225.

On March 26, 2020, the Company had 4,676,959 shares of common stock, \$.01 par value, outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Company's definitive Proxy Statement for its Annual Meeting of Shareholders, to be held on June 25, 2020 and which will be filed on or before April 29, 2020, are incorporated by reference into Part III of this Form 10-K.

CANTERBURY PARK HOLDING CORPORATION  
FORM 10-K ANNUAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2019

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## Item 1. BUSINESS

### Recent Development

On March 16, 2020, Canterbury Park Holding Corporation (the “Company”) announced that, based on the advice of Minnesota state and regulatory bodies, it was temporarily suspending all card casino, simulcast, and special events operations at Canterbury Park at noon on March 16, 2020 in response to concerns about the COVID-19 coronavirus. Canterbury Park determined this voluntary suspension of activities was in the best interest of the health and safety of its guests and team members and would provide the Company an opportunity to review and update operational best practices and strategies based on what was currently known about this public health situation and future developments. The Company will continue to monitor developments with respect to the COVID-19 coronavirus and provide updated information on its website, or in press releases.

In a separate press also issued on March 16, 2020, the Company announced that in conjunction with its determination to temporarily shut down operations due to concerns and uncertainty about the effect of the COVID-19 coronavirus, the Company’s Board of Directors had suspended declaring and paying its \$0.07 quarterly cash dividend, that would normally be paid in April 2020.

### *(a) General Development of the Business*

*Recent Reorganization* - Canterbury Park Holding Corporation (the “Company”) was incorporated as a Minnesota corporation in October 2015. The Company is a successor corporation to another corporation, also named Canterbury Park Holding Corporation, that was incorporated in 1994 (“CPHC”). Effective as of the close of business on June 30, 2016 CPHC’s business and operations were reorganized into a holding company structure (the “Reorganization”) pursuant to an Agreement and Plan of Merger dated as of March 1, 2016 that was approved by CPHC’s shareholders on June 28, 2016. Pursuant to the Reorganization:

- The Company replaced CPHC as the public company owned by CPHC’s shareholders, with each shareholder at June 30, 2016 owning the same number of shares and having the same percentage ownership in the Company (and, indirectly, in all property and other assets then owned by CPHC) immediately after the Reorganization as that shareholder had in CPHC immediately before the Reorganization.
- The Company became the holding company for and parent company of two subsidiaries, Canterbury Park Entertainment LLC (“EntertainmentCo”) and Canterbury Development LLC (“DevelopmentCo”).
- EntertainmentCo was the surviving business entity in a merger with CPHC pursuant to the Reorganization and it became the direct owner of all land, facilities, and substantially all other assets related to the CPHC’s pari-mutuel wagering, Card Casino, concessions and other related businesses (“Racetrack Operations”), and EntertainmentCo continues to conduct these businesses consistent with CPHC’s past practices and the Racetrack operations continue to be subject to direct regulation by the Minnesota Racing Commission (“MRC”), a state regulatory commission whose board members are appointed by the Minnesota Governor and confirmed by the Minnesota State Senate.
- DevelopmentCo continues CPHC’s efforts prior to June 30, 2016 to commercially develop approximately 140 acres of Company land that is not needed for Racetrack Operations. DevelopmentCo is not subject to direct regulation by the MRC.
- On July 1, 2016, the shares of the Company’s common stock began trading on the NASDAQ Global Market under the symbol “CPHC.”

For purposes of this Report on Form 10-K, when the term “Company” is used with reference to information covering or related to periods up to and including June 30, 2016, the term refers to the operations of CPHC prior to the Reorganization.

*Business Overview* - Canterbury Park Holding Corporation (the “Company,” “we,” “our,” or “us”) hosts pari-mutuel wagering on horse races and “unbanked” card games at its Canterbury Park Racetrack and Card Casino facility (the “Racetrack”) in Shakopee, Minnesota. The Company’s pari-mutuel wagering operations include both wagering on thoroughbred and quarter horse races during live meets at the Racetrack and year-round wagering on races held at out-of-state racetracks that are televised simultaneously at the Racetrack (“simulcasting”). Unbanked card games, in which patrons compete against each other, are hosted in the Card Casino at the Racetrack. The Company also derives revenues from related services and activities, such as food and beverage, parking, advertising signage, publication sales, and catering and events held at the Racetrack. The ownership and operation of the Racetrack and the Card Casino are significantly regulated by MRC.

The Company acquired the Racetrack on March 29, 1994, commenced seven day a week simulcast operations on May 6, 1994, and, beginning in May 1995, launched live horse racing and related pari-mutuel wagering on a seasonal basis, generally from early May to early September. The Card Casino opened on April 19, 2000 and, with authority to host card games at up to 80 tables, the Company currently hosts live play on approximately 70 tables on a daily basis.

The Company’s website is [www.canterburypark.com](http://www.canterburypark.com). Our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q and our periodic reports on Form 8-K (and any amendments to these reports) are available free of charge on our website.

### ***(b) Financial Information About Segments***

The Company divides its business into four segments: horse racing, Card Casino, food and beverage, and development. The horse racing segment represents our pari-mutuel wagering operations on simulcast and live horse races; the Card Casino segment represents our unbanked card operations; the food and beverage segment includes concessions, catering, and events services provided at the Racetrack; and the development segment represents our real estate development operations.

### ***(c) Narrative Description of Business***

#### ***(i) Horse Racing Operations***

The Company’s horse racing operations consist of year-round simulcasting of horse races from around the U.S. and internationally, and wagering on live thoroughbred and quarter horse races (“live meets”) held on a seasonal basis beginning in May and generally concluding in September each year.

##### *Live Racing*

For the years ended December 31, 2019 and 2018, the Racetrack hosted 66 days and 69 days, respectively, of live racing beginning in early May and concluding in September. Currently, Minnesota law requires the Company to schedule a minimum of 125 days of live racing annually, unless the Minnesota Horsemen’s Benevolent and Protective Association (the “MHBPA”) agrees to a fewer number of live racing days. Since 1995, the MHBPA has agreed to waive the 125-day requirement and has allowed the Company to run a live meet of at least 50 days each year. Pursuant to the CMA, the MHBPA entered into a Horse Association Agreement with the Company in which the MHBPA agreed to waive the 125-day requirement if at least 65 days of live racing are scheduled each year during the term of the agreement. If, for any reason, the MHBPA ceases to be bound by its obligations under the Horse Association Agreement, and the Company and the MHBPA are unable to agree on a live meet shorter than 125 days, the Company’s operations could be adversely affected by a decrease in the daily purses, potential reduction in the quality of horses, lower attendance, lower overall average amount wagered (“handle”), and substantially greater operating expenses.

### *Simulcasting*

Simulcasting is the process by which live horse races held at one facility (the “host track”) are transmitted simultaneously to other locations to allow patrons at each receiving location (the “guest track”) to place wagers on races transmitted from the host track. Monies are collected at the guest track and the information with respect to the total amount wagered is electronically transmitted to the host track. All of the amounts wagered at guest tracks are combined into the appropriate pools at the host track with the final odds and payouts based upon all the monies in the respective pools.

The Company offers simulcast racing from up to 20 racetracks per day, seven days a week, 364 days per year, including Churchill Downs, Santa Anita, Gulfstream Park, Belmont Park, and Saratoga Racecourse. In addition, races of national interest, such as the Kentucky Derby, the Preakness Stakes, the Belmont Stakes, and the Breeders’ Cup supplement the regular simulcast program. The Company regularly evaluates its agreements with other racetracks to offer the most popular simulcast signals of live horse racing that are reasonably available.

Under federal and state law, in order to conduct simulcast operations either as a host or guest track, the Company must obtain the consent of the state’s regulatory authority and the organization that represents a majority of the owners and trainers of the horses who race at the Racetrack. In Minnesota, these consents must be obtained from the MRC and the MHBPA, respectively. As these consents are obtained annually, no assurance can be given that the MRC and the MHBPA will allow the Company to conduct simulcast operations either as a host or guest track after 2019. If either the MRC or the MHBPA does not consent, the Company’s operations could be adversely affected by a decrease in pari-mutuel revenue, potential reduction in the quality of horses, lower attendance, and lower overall handle.

### **(ii) Card Casino Operations**

The Card Casino is typically open 24 hours per day, seven days per week, and offers two forms of unbanked card games: poker and table games.

Poker games, including Texas Hold ‘Em, Stud, and Omaha, with betting limits per hand ranging between \$2 and \$100, are currently offered in the poker room. A dealer employed by the Company regulates the play of the game at each table and deals the cards but does not participate in play. In poker games, the Company is allowed to deduct a percentage from the accumulated wagers and impose other charges for hosting the activity but does not have an interest in the outcome of a game. The Company may add additional prizes, awards or money to any game for promotional purposes.

As of March 2020, the Card Casino was offering the following table games: Blackjack, Mississippi Stud, Fortune Pai Gow, Three Card Poker, Ultimate Texas Hold ‘Em, EZ Baccarat, Criss Cross Poker, Free Bet Blackjack, and I Luv Suits. The Company has the option to offer banked games under the Minnesota law governing Card Casino operations but currently only offers “unbanked” games. “Unbanked” refers to a wagering system or game where wagers lost in card games are accumulated into a player pool liability for purposes of enhancing the total amount paid back to winning players. The Company can only serve as custodian of the player pool, may not have an active interest in any card game, and does not recognize amounts that dealers “win” or “lose” during the course of play as revenue.

Under Minnesota law, the Company is required to pay 10% of the first \$6 million of gross Card Casino revenues towards purses for live horse racing at the Racetrack. After meeting the \$6 million threshold, the Company must pay 14% of gross Card Casino revenues as purse monies. Of funds allocated for purses, the Company pays 10% of the purse monies to the Minnesota Breeders’ Fund (the “MBF”), which is a fund apportioned by the MRC among various purposes related to Minnesota’s horse breeding and horse racing industries. The remaining 90% of purse monies are divided between thoroughbred (90%) and quarter horse (10%) purse funds. Effective for 2019 only, the \$6 million threshold was eliminated and the Company was required to pay 14% of gross Card Casino revenue as purse monies. Of funds allocated for purses, the Company paid 10% of the purse monies to the MBF and the remaining 90% of purse monies were divided between thoroughbred (91%) and quarter horse (9%) purse funds.

**(iii) Food and Beverage Operations**

The Company's food and beverage operations consist of concession stands, restaurant and buffet, bars, and other food venues. The Company currently offers two, year-round café style restaurants and full service bars within the Card Casino and simulcast area. The Card Casino offers tableside menu service 24 hours a day. Our Triple Crown Club offers lounge services along with a buffet restaurant. During live racing, a wide variety of concession style food and beverage options are available to our guests.

The food and beverage operations also include our catering and events services. The Company is the fourth largest event space in the Twin Cities with more than 100,000 square feet of available space. The Company's facilities provide a variety of purposes for year-round events and other activities. The Company's event space has been used for craft shows, trade shows, pool and poker tournaments, automobile and other utility vehicle shows, major art shows, and fundraisers. The Company's outdoor spaces have been used for concerts, snowmobile races, and other competitions. In 2016, the Company completed construction of a redesign of the infield of the Racetrack to use the space as a concert and event area. In addition to event space, the Company rents space in its horse stable area for boat storage during the winter months.

**(iv) Development Operations**

The Company owns approximately 373 acres of land in Shakopee, Minnesota where the Racetrack is located. Approximately 269 acres of this land is specifically designated as being subject to MRC regulation as part of the Company's Class A license. The amount of land currently needed to conduct Racetrack operations (grandstand, racetrack, stable area, parking areas, and land for other facilities including the expo center) is approximately 243 acres. As a result, approximately 130 acres are considered underutilized (the "Underutilized Land"). This land is available for real estate development compatible with the Company's Racetrack Operations.

For the past several years, the Company has explored various ways to develop the Underutilized Land. The Company has reported on its plans to develop the Underutilized Land from time to time in reports to Securities and Exchange Commission and in press releases. The Company continues to pursue various mixed use development opportunities, such as residential development, office, restaurants, hotel, entertainment, and retail operations. See footnote 13 of the consolidated financial statements for more detailed information on recent transactions.

**(v) Sources of Revenue**

*General*

The Company's revenues are principally derived from three activities: Card Casino operations, wagering on live and simulcast horse races, and food and beverage sales. For the year ended December 31, 2019, revenues from Card Casino operations represented 58.1% of total revenues, wagering on horse races generated 26.0% of total revenues, and food and beverage revenue represented 15.9% of total revenues.

*Card Casino Operations*

The Company currently receives collection revenue from poker and table games wagering in its Card Casino, which operates 24 hours per day, seven days per week. The primary source of Card Casino revenue is a percentage of the wagers received from the players, aggregated up to 20% per day, as defined by the MRC regulations, as compensation for providing the Card Casino facility and services, referred to as "collection revenue." In addition, several table games offer a progressive jackpot. The player has the option of playing the jackpot with the opportunity to win some or the entire jackpot amount, depending upon the player's hand. The Company collects a "rake" of 5%-10%, depending on the limit of the game, of each addition to the "pot" up to a maximum of \$5 per hand as its collection revenue. In addition, poker games offer progressive jackpots for most games. In order to fund the jackpot pools, the dealer withholds \$1 from each final pot in excess of the \$15 minimum.

### *Pari-Mutuel Wagering – General*

In pari-mutuel wagering, bettors wager against each other in a pool, rather than against the operator of the facility or with preset odds. From the total handle wagered, the Minnesota Pari-Mutuel Horse Racing Act (the “Minnesota Racing Act”) specifies the maximum percentage, referred to as the “takeout,” that may be withheld by the Racetrack, with the balance returned to the winning bettors. From the takeout, funds are set aside for purses and paid to the State of Minnesota for pari-mutuel taxes and to the MBF. The balance of the takeout remaining after these deductions is commonly referred to as the “retainage.”

Pari-mutuel wagering can be divided into two categories: straight wagering pools and multiple wagering pools, which are also referred to as “exotic” wagering pools. Examples of straight wagers include: “win,” “place,” and “show.” Examples of exotic wagers include: “daily double,” “exacta,” “trifecta,” and “pick four.”

The amount of takeout earned by the Company depends on where the race is run and the form of wager (straight or exotic). Net revenues from pari-mutuel wagering on live races run at the Racetrack consist of the total amount wagered, less the amounts paid (i) to winning patrons, (ii) for purses, (iii) to the MBF and (iv) for pari-mutuel taxes to the State of Minnesota. Net revenues from pari-mutuel wagering on races being run at out-of-state racetracks and simulcast to the Racetrack have similar expenses but also include a host fee payment to the host track. The host fee, which is calculated as a percentage of monies wagered (generally 3.0% to 10.0%), is negotiated with the host track and must comply with state laws governing the host track. Pari-mutuel revenues also include commission and breakage revenues on live on-track and simulcast racing, fees received from out-of-state racetracks for wagering on our live races and proceeds from unredeemed pari-mutuel tickets.

Additionally, Minnesota Advanced Deposit Wagering (“ADW”) legislation allows Minnesota residents to engage in pari-mutuel wagering on out-of-state horse races online with a prefunded account through an ADW provider. The Company collects a percentage of monies wagered (generally 3.25% to 5.0%) by Minnesota residents through the ADW provider as a source market fee. The Company pays 28% of the collected revenues to another Minnesota-based horse track, and records the remaining 72% as revenues and records expenses of at least 50% for purses and breeders’ awards.

### *Wagering on Live Races*

The Minnesota Racing Act establishes the maximum takeout that may be deducted from the handle. The takeout percentage on live races depends on the type of wager. The total maximum takeouts are 17% from straight wagering pools and 23% from exotic wagering pools. From this takeout, Minnesota law requires deductions for purses, pari-mutuel taxes, and payments to the MBF.

While the Minnesota Racing Act regulates that a minimum of 8.4% of the live racing handle be paid as purses to the owners of the horses, purse contributions from other sources are subject to an agreement with the MHBPA and the Minnesota Quarter Horse Association (the “horsepersons’ associations”). In addition, the MBF receives 1% of the handle. The current pari-mutuel tax applicable to wagering on all simulcast and live races is 6% of takeout in excess of \$12 million during the twelve-month period beginning July 1 and ending the following June 30.

### *Food and Beverage Revenue*

The Company earns revenue from sales in its restaurant, catering areas, and numerous concession stands located throughout the facility. Food and beverage sales are also offered in the card room during live and simulcast racing and during events.

### *Other Revenue*

The Company generates cash revenues from the receipt of reserved seating charges, preferred and valet parking, and the sales of various daily pari-mutuel publications. Additional revenues are derived from special events and other space rentals. The Company also generates revenue from providing advertising signage space.

**(vi) Competition**

The Company faces direct competition from North Metro Harness Initiative, LLC (“NMHI”), which operates the Running Aces Harness Park in Columbus Township, Anoka County, Minnesota, a racetrack and card room that is located approximately 50 miles from Canterbury Park. NHMI offers pari-mutuel wagering on live races of standardbred (“harness”) horses on a seasonal basis and year round wagering on simulcasting of all breeds of horse races. In addition to pari-mutuel wagering, NHMI operates a card room that directly competes with the Company’s Card Casino.

The Company operates in a highly competitive wagering and gaming environment with a large number of participants. The Company competes with competitive wagering operations and activities that include tribal casinos, state-sponsored lotteries and other forms of legalized gaming in the U.S. and other jurisdictions. The Company competes with a number of tribal casinos in the State of Minnesota that offer video slot machines, table games, and unbanked card games, including Minnesota’s largest casino, Mystic Lake, which is located approximately four miles from the Racetrack and which is owned by the SMSC.

Additionally, Internet-based interactive gaming and wagering is growing rapidly and adversely affects all forms of wagering offered by the Company. Legislation became effective November 1, 2016 in Minnesota that allowed the Company to begin collecting source market fees from companies that offer ADW wagering. These companies provide legal simulcast horse wagering over the internet. The legislation now allows the Company to recoup a percentage of all simulcast horse racing wagers made by Minnesota residents over the internet on out-of-state races; however, the legal clarification of this type of wagering will significantly intensify the competition in the marketplace.

The Company also faces indirect competition from a variety of sources for discretionary consumer spending including spectator sports and other entertainment and gaming options. In the Minneapolis-Saint Paul metropolitan area, competition includes a wide range of live and televised professional and collegiate sporting events. In addition, live horse racing competes with a wide variety of summer attractions, including amusement parks, sporting events, and other local activities.

Finally, the Company competes with racetracks located throughout the United States in securing horses to run at the Racetrack. Attracting owners and trainers that can bring high quality horses to our Racetrack is largely dependent on our ability to offer competitive purses. The Company experiences significant competition for horses from racetracks located near Des Moines, Iowa and Chicago, Illinois. We expect this competition to continue for the foreseeable future.

**(vii) Regulation**

*General*

The ownership and operation of the Racetrack in Minnesota is subject to significant regulation by the MRC under the Minnesota Racing Act and the rules adopted by the MRC. The Minnesota Racing Act governs the allocation of each wagering pool to winning bettors, the Racetrack, purses, pari-mutuel taxes, and the MBF, and empowers the MRC to license and regulate substantially all aspects of horse racing in the State. The MRC, among other things, grants operating licenses to racetracks after an application process and public hearings, licenses all racetrack employees, jockeys, trainers, veterinarians, and other participants, regulates the transfer of ownership interests in licenses, allocates live race days and simulcast-only race days, approves race programs, regulates the conduct of races, sets specifications for the racing ovals, animal facilities, employee quarters and public areas of racetracks, regulates the types of wagers on horse races, and approves significant contractual arrangements with racetracks, including management agreements, simulcast arrangements, and totalizator contracts.

A federal statute, the Interstate Horse Racing Act of 1978, also requires that a racetrack must obtain the consent of the group representing the horsepersons (owners and trainers) racing the breed of horses that race a majority of the time at the racetrack (the MHBPA), and the consent of the state agency regulating the racetrack (in Minnesota, the MRC), in order to transmit simulcast signals of its live races or to receive and use simulcast signals from other racetracks.



#### *Issuance of Class A and Class B Licenses to the Company*

The Company holds a Class A License, issued by the MRC, that allows the Company to own and operate the Racetrack. The Class A License is effective until revoked, suspended by the MRC or relinquished by the licensee. Currently, the fee for a Class A License is \$252,000 per fiscal year.

The Company also holds a Class B License, issued by the MRC, that allows the Company to sponsor and manage horse racing on which pari-mutuel wagering is conducted at its Class A licensed racetrack and on other horse races run at out-of-state locations as authorized by the MRC. The Class B License is renewable each year by the MRC after a public hearing (if required by the MRC). Currently, the fee for the Class B License is \$500 for each assigned race day on which live racing is actually conducted and \$100 for each day on which simulcasting is authorized and actually takes place.

In addition, the law requires that the Company reimburse the MRC for actual costs, including stewards, state veterinarians and drug testing, related to the regulating of live racing. For fiscal years ended December 31, 2019 and 2018, the Company paid \$643,000 and \$628,000 respectively, to the MRC as reimbursement for costs of regulating live racing operations.

The MRC is also authorized by the Racing Act to regulate Card Casino operations. The law requires that the Company reimburse the MRC for its actual costs, including personnel costs, of regulating the Card Casino. For fiscal years ended December 31, 2019 and 2018, the Company paid \$245,000 and \$224,000, respectively, to the MRC as reimbursement for costs of regulating Card Casino operations.

On January 19, 2000, the MRC issued an additional Class B License to the Company that authorized the Company to host unbanked card games. The Class B License is renewable each year by the MRC after a public hearing (if required by the MRC). Currently, the Class B License fee of \$10,000 per calendar year is included in the Class A License fee of \$252,000 per calendar year.

#### *Limitation on the Number of Class A and Class B Licenses*

Pursuant to the Racing Act, so long as the Racetrack maintains its Class A License, no other Class A License may be issued to allow an entity to own and operate a racetrack in the seven county metropolitan area where thoroughbred and quarter horses are raced. However, the Racing Act provides that the MRC may issue an additional Class A License within the seven-county metropolitan area, if the additional license is issued for a facility that, among other conditions, is located more than 20 miles from the Racetrack, contains a track no larger than five-eighths of a mile in circumference, and is used exclusively for harness racing. In January 2005, this additional Class A license was issued to NMHI (see "Competition" above).

#### *Limitation on Ownership and Management of an Entity that holds a Class A or Class B License*

The Racing Act requires prior MRC approval of all officers, directors, 5% shareholders or other persons having a present or future direct or indirect financial or management interest in any person applying for a Class A or Class B license, and if a change of ownership of more than 5% of the licensee's shares is made after an application is filed or the license issued, the applicant or licensee must notify the MRC of the changes within five days of this occurrence and provide the information required by the Racing Act.

#### *Local Regulation*

The Company's operations are subject to state and local laws, regulations, ordinances, and other provisions affecting zoning, public health, and other matters that may have the effect of restricting the uses to which the Company's land and other assets may be used. Also, any development of the Racetrack site is, among other things, subject to applicable zoning ordinances and requires approval by the City of Shakopee and other authorities. There can be no assurance these approvals will be obtained for any future development the Company proposes.

**(viii) Recent Legislation***Minimum Wage Legislation*

In 2014, Minnesota legislation enacted into law an increase in the minimum wage that must be paid to most Company employees. On January 1, 2018, the minimum wage was set to increase at the beginning of each year by the rate of inflation with a maximum increase of up to 2.5% per year. The minimum wage for 2020 will be \$10.00 per hour. Prior to August 1, 2014, the Company employed a large number of individuals who received an hourly wage equal to or slightly above \$7.25 per hour. As a result, this legislation had an adverse financial impact in 2014 through 2019, and will continue to have an adverse impact. We have implemented measures to partially mitigate the impact of this increase by raising our prices and reducing our employee count. These measures could themselves have an adverse effect because higher prices and diminished service levels may discourage customers from visiting the Racetrack.

*Advanced Deposit Wagering Legislation*

Minnesota ADW legislation that became effective November 1, 2016, requires ADW providers to be licensed by the MRC and established licensing criteria and regulatory oversight of ADW providers doing business in the State of Minnesota. The law allows licensed racetracks to negotiate separate agreements with the ADW providers to remit source market fees to those racetracks. The ADW source market revenue to the Company totaled approximately \$941,000 and \$878,000 for the fiscal years ended December 31, 2019 and 2018, respectively. As part of the agreement, 50% of source market fees is allocated to purse accounts and the MBF.

**(ix) Cooperative Marketing Agreement**

On June 4, 2012, the Company entered into the CMA with the SMSC. The primary purpose of the CMA is to increase purses paid during live horse racing at Canterbury Park's Racetrack in order to strengthen Minnesota's thoroughbred and quarter horse through horse industry. Under the CMA, as amended, this is achieved through "Purse Enhancement Payments to Horsemen" paid directly to the MHBPA. These payments have no direct impact on the Company's consolidated financial statements or operations.

Under the CMA, as amended, the SMSC paid the horsemen \$7.3 million for purse enhancements for each of the years ended December 31, 2019 and 2018.

Under the CMA, the SMSC also agreed to make "Marketing Payments" to the Company relating to joint marketing efforts for the mutual benefit of the Company and the SMSC, including signage, joint promotions, player benefits and events. Under the CMA, the SMSC paid the Company \$1.6 million for marketing purposes for each of the years ended December 31, 2019 and 2018.

The CMA was amended in January 2015, January 2016, January 2018, and March 2018 to adjust the payment amounts between the "Purse Enhancement Payments to Horsemen" and "Marketing Payments to Canterbury Park." Under the CMA as most recently amended, the SMSC has agreed to make the following purse enhancement and marketing payments for 2020 through 2022:

Year	Purse Enhancement Payments to Horsemen (1)	Marketing Payments to Canterbury Park
2020	\$ 7,380,000	\$ 1,620,000
2021	7,380,000	1,620,000
2022	7,380,000	1,620,000

1 - Includes \$100,000 each year payable to various horsemen associations

The amounts received from the marketing payments are recorded as a component of other revenue and the related expenses are recorded as a component of advertising and marketing expense and depreciation in the Company's consolidated statements of operations. For the year ended December 31, 2019, the Company recorded \$1,114,000 in other revenue and incurred \$888,000 in advertising and marketing expense and \$226,000 in depreciation related to the SMSC marketing payment. For the year ended December 31, 2018, the Company recorded \$1,275,000 in other revenue and incurred \$1,049,000 in advertising and marketing expense and \$226,000 in depreciation related to the SMSC marketing payment. The excess of amounts received over revenue is reflected as deferred revenue on the company's consolidated balance sheets.

Under the CMA, the Company agreed for the term of the CMA that it would not promote or lobby the Minnesota legislature for expanded gambling authority and will support the SMSC's lobbying efforts against expanding gambling authority.

If the Company breaches its obligations under the terms of the agreement, the Company is obligated to repay (1) all amounts paid by SMSC pursuant to the agreement; (2) pay to the SMSC an amount equal to all Horse Association Payments paid by SMSC; and (3) pay to SMSC any additional amounts for any other damages SMSC incurs. The Company has not violated and does not intend to violate its obligations with respect to the agreement. The Company believes the likelihood of a breach of obligations is remote.

**(x) Marketing**

The Company's primary market is the seven-county Minneapolis-Saint Paul metropolitan area (Hennepin, Ramsey, Anoka, Washington, Dakota, Scott, and Carver) plus the two counties to the south of the Racetrack and Card Casino (Le Sueur and Rice). The City of Shakopee, located in the southwestern portion of the metropolitan area, is one of the fastest growing communities in the region, and Scott County is one of the fastest growing counties in the country.

To support its pari-mutuel horse racing, Card Casino, and catering and events businesses, the Company conducts year-round marketing efforts to maintain the loyalty of existing customers and attract new players to the property. The Company uses radio, television, digital advertising, social media, print advertising, and direct marketing to communicate to its audiences. In addition to its regular advertising and communication program, the Company conducts numerous special promotions, handicapping contests, and poker tournaments to attract incremental visits. The Company also uses a robust player rewards and database marketing program to enhance the loyalty of its guests.

The Company continues to focus on creating a premier guest experience as the core element of its marketing efforts. This includes delivering great customer service, developing new food and beverage offerings, creating fan education programs, and providing entertainment opportunities that go beyond the traditional pari-mutuel wagering and card playing activities.

**(xi) Employees**

At December 31, 2019, the Company had 281 full-time employees and 649 part-time employees. The Company adds approximately 350 employees on a seasonal basis for live racing operations from early May until early September. The Company's management believes its employee relations are good.

**(xii) Executive Officers**

The executive officers of the Company, their ages and their positions with the Company at March 15, 2020 are as follows:

<b>Name</b>	<b>Age</b>	<b>Position with Company</b>
Randall D. Sampson	61	President, CEO, and Executive Chairman of the Board
Randy J. Dehmer	37	Vice President of Finance and CFO

Randall D. Sampson has been President and Chief Executive Officer since the formation of the Company in March 1994. Mr. Sampson was also named Executive Chairman of the Board on October 3, 2019. He has been active in horse industry associations, currently serving as Director of the Thoroughbred Racetracks of America and is a past Vice President of the Thoroughbred Racetracks of America and past President of the Minnesota Thoroughbred Association. Mr. Sampson also currently serves as a director of Communications Systems, Inc. (NASDAQ:JCS), a manufacturer of telecommunications and data communications products based in Minnetonka, Minnesota. Mr. Sampson is the son of Curtis A. Sampson, who is the Company's non-executive Chairman of the Board and the beneficial owner of approximately 20% of the Company's common stock.

Randy J. Dehmer was hired as Vice President of Finance and Chief Financial Officer in May 2019. Mr. Dehmer worked for the Company from December 2007 to August 2013, most recently serving as controller from March 2012 to August 2013. Prior to rejoining the Company, he served as the financial controller for Clearfield, Inc, a public company located in the Twin Cities.

#### **Item 1A. RISK FACTORS**

In addition to risks and uncertainties in the ordinary course of business that are common to all businesses, important factors that are specific to our industry and us could materially affect our future performance and results. Management believes the factors described below are the most significant risks that could have a material impact on our business.

*Our business is sensitive to economic conditions that may affect consumer confidence, consumer discretionary spending, or our access to credit in a manner that adversely affects our operations.*

Economic trends can affect consumer confidence and consumers' discretionary spending:

- Negative economic conditions and the persistence of elevated levels of unemployment can affect consumers' disposable incomes and, therefore, affect the demand for entertainment and leisure activities.
- Declines in the residential real estate market, increases in individual tax rates and other factors that we cannot accurately predict may reduce the disposable income of our customers.
- Decreases in consumer discretionary spending could affect us even if these decreases occur in other markets. For example, reduced wagering levels and profitability at racetracks to which we provide our live-racing signal or from which we receive simulcast signals could adversely affect, respectively, simulcast revenues or the content we provide to our customers.

Lower consumer confidence or reductions in consumer discretionary spending could result in fewer patrons spending money at our racetrack. Our access to and cost of credit may be affected to the extent global and U.S. credit markets are affected by downward economic trends. Our ability to respond to periods of economic contraction may be limited, as some of our costs remain fixed or even increase when revenue declines.

*Forces beyond our control could affect our business.*

Consumer demand for card casino and racetrack properties such as ours is particularly sensitive to downturns in the economy and the associated effect on discretionary spending on leisure activities. Changes in discretionary consumer spending or consumer preferences resulting from factors such as perceived or actual general economic conditions, declines in consumer confidence in the economy, decreased disposable consumer income and wealth, widespread illnesses or epidemics, including the coronavirus pandemic (COVID -19) that result in people avoiding public places could significantly reduce customer demand for the amenities that we offer.

*We face significant competition, both directly from other racing and gaming operations and indirectly from other forms of entertainment and leisure time activities, which could have a material adverse effect on our operations.*

We face intense competition in our market, particularly competition from NMHI, which offers unbanked card games similar to those we offer. We also compete with Native American owned casinos. These facilities have the advantage of being exempt from some state and federal taxes and state regulation of indoor smoking, and have the ability to offer a wider variety of gaming products. Internet-based interactive gaming and wagering, both legal and illegal, is growing rapidly and we anticipate competition in this area will become more intense as new Internet-based ventures enter our industry and as state and federal regulations on Internet-based activities are clarified. Additionally, we compete with other forms of gambling, spectator sports, other forms of entertainment, and other racetracks throughout the country as we discussed under “Competition” above.

We expect competition for our existing and future operations to increase from NMHI, existing tribal casinos, and racetracks that are able to subsidize their purses with alternative gaming revenues. Competition for simulcasting customers will be intense given the 2016 legalization of online internet wagering on horse racing in Minnesota, through ADW providers. In addition, several of our tribal gaming competitors in Minnesota have substantially larger marketing and financial resources than we do. We are unable to predict with any certainty the effects of existing and future competition on our operating results.

*A lack of confidence in the integrity of our core businesses could affect our ability to retain our customers and engage with new customers.*

The integrity of horseracing, casino gaming, and pari-mutuel wagering industries must be perceived as fair to patrons and the public at large. To prevent cheating or erroneous payouts, oversight processes must be in place to ensure that these activities cannot be manipulated. A loss of confidence in the fairness of our industries could have a material adverse impact on our business.

*Nationally the popularity of horse racing has declined.*

There has been a general decline in the number of people wagering on live horse races at North American racetracks, either in person or via simulcasting, due to a number of factors, including increased competition from other wagering and entertainment alternatives as discussed above. According to industry sources, pari-mutuel handle declined 27% from 2007 to 2011 and has been relatively stable since 2011, experiencing less than a 1% decline between 2011 and 2019. Declining interest in horse racing has had a negative impact on revenues and profitability in our racing business. Our business plan anticipates a slight reduction in attendance and pari-mutuel wagering during our 2020 live meet due to a reduction in the number of racing days. However, as a result of the purse enhancement payments and marketing payments we receive under the CMA, we still expect to outperform the industry as it relates to field size, live handle, and simulcast handle in 2020 and beyond. Regardless, we recognize that a general decline in interest in horse racing and pari-mutuel wagering could have a material adverse impact on our business, financial condition and results of operations in future years.

*We may not be able to attract a sufficient number of horses and trainers to achieve above average field sizes.*

We believe that patrons prefer to wager on races with a number of horses in the race (the “field”) at or above the national average. A failure to offer races with adequate fields results in less wagering on our horse races. Our ability to attract adequate fields depends on several factors. First, it depends on our ability to offer and fund competitive purses. Second, it depends on the overall horse population available for racing. Various factors have led to declines in the horse population in some areas of the country, including competition from racetracks in other areas, increased costs, and changing economic returns for owners and breeders, and the spread of various debilitating and contagious equine diseases. If our racetrack is faced with a sustained outbreak of a contagious equine disease, it could have a material impact on our profitability. Finally, if we are unable to attract horse owners to stable and race their horses at our racetrack by offering a competitive environment, including high-quality facilities, a well-maintained racetrack, comfortable conditions for backstretch personnel involved in the care and training of horses stabled at our racetrack, and a competitive purse structure, our profitability could also decrease. We also face increased competition for horses and

trainers from racetracks that are licensed to operate slot machines and other electronic gaming machines that provide these racetracks an advantage in generating new additional revenues for race purses and capital improvements. While our ability to offer adequate fields to patrons during our live meets has been substantially strengthened by the purse enhancement payments that are scheduled to be made under the CMA through 2022, our inability to attract adequate fields, for whatever reason, could have a material adverse impact on our business, financial condition and results of operations.

*We are subject to changes in the laws that govern our business, including the possibility of an increase in gaming taxes, which would increase our costs, and changes in other laws may adversely affect our ability to compete.*

Our operations and oversight by the MRC are ultimately subject to the laws of Minnesota including, but not limited to, the Minnesota Racing Act, and there exists the risk that these laws may be amended in ways adverse to our operations. In particular, we are required to pay special racing-related and Card-Casino-related taxes and fees in addition to normal federal, state, and local income taxes. These taxes and fees are subject to increase at any time. From time to time, state and local legislators and officials have proposed changes in tax laws, or in the administration of laws affecting our industry, such as the allocation of each wagering pool to winning bettors, the Racetrack, purses, and the MBF. In addition, poor economic conditions could intensify the efforts of state and local governments to raise revenues through increases in gaming taxes. It is not possible to predict with certainty the likelihood of changes in tax laws or in the administration of these laws. These changes, if adopted, could have a material adverse effect on our operations.

We are also subject to federal and Minnesota laws that affect businesses generally. Some of these laws, such as laws pertaining to immigration, have severe penalties for law violations. In addition, it is possible, as a result of the legislative process, that legislation directly or indirectly adverse to the Company may be enacted into law.

*We depend on key personnel.*

Our continued success and our ability to maintain our competitive position is largely dependent upon, among other things, the skills and efforts of our senior executives and management team including Randall D. Sampson, our Chief Executive Officer. We have no employment agreements with our senior executives and key personnel, and we cannot guarantee that these individuals will remain with us. Their retention is affected by the competitiveness of our terms of employment and our ability to compete effectively against other gaming companies. Our inability to retain key personnel could have a material adverse impact on our business, financial condition, and results of operations.

*Our CMA with the SMSC may be terminated by the SMSC prior to December 31, 2022 under certain circumstances.*

The CMA grants to the SMSC the right to terminate the CMA without cause if the SMSC determines, in its sole discretion that a change of circumstance adverse to its interests with respect to gaming in the State of Minnesota has occurred. If the SMSC exercises this right, the Company would be entitled to substantial wind-down payments approximately equal to 2.5 times the average annual payment due under the CMA in the three years following the year it gives notice of termination. While any wind-down payments would cushion the impact of the SMSC's exercise of this right to terminate the CMA, a termination of the CMA prior to the expiration of its term in 2022 could have a material adverse effect on the Company.

If the Company breaches its obligations under the terms of the agreement, the Company is obligated to repay (1) all amounts paid by SMSC pursuant to the agreement; (2) pay to the SMSC an amount equal to all Horse Association Payments paid by SMSC; and (3) pay to SMSC any additional amounts for any other damages SMSC incurs. The Company has not violated and does not intend to violate its obligations with respect to the agreement. The Company believes the likelihood of a breach of obligations is remote.

*Purse Enhancement Payments and Marketing Payments under our CMA with SMSC may not continue after 2022.*

The term of the CMA with SMSC ends December 31, 2022, and there is no certainty the CMA can be extended or renegotiated on terms that are mutually acceptable to SMSC, the horsepersons' associations, and the Company. In particular, there can be no assurance that, after December 31, 2022, SMSC's purse enhancement payments to the horsepersons' associations and marketing payments to the Company will continue at the levels currently being paid, if at all. If, by December 31, 2022, the CMA is not extended or renegotiated on economic terms substantially similar to those currently in effect or due to the parties being unable to mutually agree on other terms, the Company's future revenue from live racing and its profitability could be materially adversely affected.

*We are subject to extensive regulation from gaming authorities that could adversely affect us.*

We are subject to significant regulation by the MRC under the Racing Act and the rules adopted by the MRC. The MRC has the authority to increase the Class A and Class B license fees. In addition, the Minnesota Racing Act requires that we reimburse the MRC for its actual costs of regulating the Card Casino, including personnel costs. Increases in these licensing and regulatory costs could adversely affect our results of operations.

Amendments to the Minnesota Racing Act or decisions by the MRC in regard to any one or more of the following matters could also adversely affect the Company's operations: the granting of operating licenses to Canterbury Park and other racetracks after an application process and public hearings; the licensing of all track employees, jockeys, trainers, veterinarians, and other participants; regulating the transfer of ownership interests in licenses; allocating live race days and simulcast-only race days; approving race programs; regulating the conduct of races; setting specifications for the racing ovals, animal facilities, employee quarters, and public areas of racetracks; changes to the types of wagers on horse races; and approval of significant contractual agreements.

*Uncertainty regarding the success of a possible real estate development project.*

The Company is currently pursuing the commercial development of its Underutilized Land. See discussion above titled "Development Operations." The development of residential and commercial real estate involves many risks, including, but not limited to, the selection of development partners; building design and construction; obtaining government permits; financing; securing and retaining tenants; and the volatility of real estate market conditions. Accordingly, there can be no assurance that the Company's real estate development activities will be successful.

*Uncertainty regarding Tax Increment Financing.*

Under the Redevelopment Agreement with the City of Shakopee, the Company has agreed to undertake a number of specific infrastructure improvements within the TIF District. The funding that the Company will be paid as reimbursement under the TIF program for these improvements is not guaranteed, but will depend on future tax revenues generated from the developed property.

*We process, store, and use personal information and other data, which subjects us to governmental regulation and other legal obligations related to privacy, and our actual or perceived failure to comply with such obligations could harm our business.*

We receive, store and process personal information and other customer data. There are numerous federal, state, and local laws regarding privacy and the storing, sharing, use, processing, disclosure and protection of personal information and other data. Any failure or perceived failure by us to comply with our privacy policies, our privacy-related obligations to customers or other third parties, or our privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other player data, may result in governmental enforcement actions, litigation or public statements against us by consumer advocacy groups or others and could cause our customers to lose trust in us, which could have an adverse effect on our business.

While we maintain insurance coverage specific to cyber-insurance matters, any failure on our part to maintain adequate safeguards may subject us to significant liabilities.



Additionally, if third parties we work with, such as vendors, violate applicable laws or our policies, these violations may also put our customers' information at risk and could in turn have an adverse effect on our business. The Company is also subject to payment card association rules and obligations under its contracts with payment card processors. Under these rules and obligations, if information is compromised, the Company could be liable to payment card issuers for the associated expense and penalties. In addition, if the Company fails to follow payment card industry security standards, even if no customer information is compromised, the Company could incur significant fines or experience a significant increase in payment card transaction costs.

*Energy and fuel price increases may adversely affect our costs of operations and our revenues.*

Our facility uses significant amounts of electricity, natural gas, and other forms of energy. Increases in the cost of electricity or natural gas negatively affect our results of operations. In addition, energy and fuel price increases could negatively affect our operations by reducing disposable income of potential customers and decreasing visits to our facility.

*Inclement weather and other conditions may affect our ability to conduct live racing.*

Since horse racing is conducted outdoors, unfavorable weather conditions, including extremely high and low temperatures, high winds, storms, tornadoes and hurricanes, could cause events to be postponed or canceled or attendance to be lower, resulting in reduced wagering. Our operations, as well as the racetracks from which we receive simulcast signals, are subject to reduced patronage, disruptions, or complete cessation of operations due to weather conditions, natural disasters, and other casualties. If a business interruption were to occur due to inclement weather and continue for a significant length of time at our racetrack, it could have a material adverse impact on our business, financial condition, and results of operations. The Company maintains insurance for incremental weather conditions that would help mitigate the financial impact on our business.

*Horse racing is an inherently dangerous sport and our racetrack is subject to personal injury litigation.*

Although we carry jockey accident insurance at our racetrack to cover personal jockey injuries that may occur during races or daily workouts, there are certain exclusions to our insurance coverage, and we are still subject to litigation from injured participants. We renew our insurance policies on an annual basis. The cost of coverage may become so high that we may need to further reduce our policy limits or agree to certain exclusions from our coverage. Our results may be affected by the outcome of litigation, as this litigation could be costly and time consuming and could divert our management and key personnel from our business operations.

*Our business depends on using totalizator services.*

Our customers use information provided by a third party vendor that accumulates wagers, records sales, calculates payoffs, and displays wagering data in a secure manner to patrons who wager on our horse races. Any failure to keep this technology current could limit our ability to serve patrons effectively or develop new forms of wagering or affect the security of the wagering process, thus affecting patron confidence in our product. A perceived lack of integrity in the wagering systems could result in a decline in bettor confidence and could lead to a decline in the amount wagered on horse racing. In addition, a totalizator system failure could cause a considerable loss of revenue if betting machines are unavailable for a significant period of time or during an event with high betting volume.



*An increase in the minimum wage mandated under Federal or Minnesota law could have a material adverse effect on our operations and financial results.*

The Company employs a large number of individuals at an hourly wage equal to or slightly above the current state mandated wage of \$9.86 per hour for 2019. See “Recent Legislation” above for additional information regarding recently enacted minimum wage legislation. Most of these employees are either high school or college students employed on a seasonal basis or tipped employees, many of whom receive, on average, tip income that is significantly higher than the current minimum wage. From time to time legislation is introduced in the U.S. Congress or the Minnesota legislature that would substantially increase the minimum wage. Passage of legislation that would substantially increase the minimum wage could have a material adverse impact on the Company.

*The payment and amount of future dividends is subject to Board of Director discretion and to various risks and uncertainties.*

The payment and amount of future quarterly dividends is within the discretion of the Board of Directors and will depend on factors the Board deems relevant at each time it considers declaring a dividend. These factors include, but are not limited to: available cash; management’s expectations regarding future performance and free cash flow; alternative uses of cash to fund capital expenditures and real estate development; and the effect of various risks and uncertainties described in this “Risk Factors” section.

*Our information technology and other systems are subject to cyber security risk including misappropriation of customer information or other breaches of information security.*

We rely on information technology and other systems to maintain and transmit customers’ personal and financial information, credit card information, mailing lists and other information. We have taken steps designed to safeguard our customers’ personal and financial information and have implemented systems designed to meet all requirements of the Payment Card Industry standards for data protection. However, our information and processes are subject to the ever-changing threat of compromised security, in the form of a risk of potential breach, system failure, computer virus, or unauthorized or fraudulent access or use by unauthorized individuals. The steps we take to deter and mitigate these risks may not be successful, and any resulting compromise or loss of data or systems could adversely impact operations or regulatory compliance and could result in remedial expenses, fines, litigation and loss of reputation, potentially impacting our financial results. Although we have invested in and deployed security systems and developed processes that are designed to protect all sensitive data, prevent data loss and reduce the impact of any security breach, such measures cannot provide absolute security.

#### **Item 1B. UNRESOLVED STAFF COMMENTS**

*Not Applicable.*

#### **Item 2. PROPERTIES**

##### *General*

The Company’s facilities, which are owned and operated under the name “Canterbury Park,” are a modern complex of buildings and grounds that generally compare favorably to other major racetracks located throughout the country. The Racetrack’s grandstand has a patron capacity of approximately 10,000 within enclosed areas and a maximum patron capacity of over 30,000 including outside areas around the grandstand. The grandstand and most public outdoor areas contain numerous pari-mutuel windows, odds information boards, video monitors, food and beverage stands, and other amenities.

The Racetrack is located approximately 25 miles southwest of downtown Minneapolis. The area immediately surrounding the Racetrack consists of retail, commercial and industrial buildings, farmland, and residential areas. The Racetrack is close to a number of major entertainment destinations including: Valleyfair, an amusement park about two miles from the Racetrack that annually attracts visitors during the spring and summer; the Renaissance Festival, a seven-weekend late summer annual event located about five miles from the Racetrack; and Mystic Lake Casino, located about four miles from the Racetrack, which draws thousands of visitors daily. The Mall of America, the largest enclosed shopping mall in the United States, which attracts more than 40 million visitors per year, is approximately 17 miles from the Racetrack.

#### *Racing Surfaces*

The racing surfaces consist of a one-mile oval dirt/limestone track and a 7/8-mile oval turf course. The dirt track includes a one and one-quarter mile front stretch chute, a 6-1/2 furlong backstretch chute, and a 3-1/2 furlong chute and is lighted for night racing.

#### *Grandstand*

The grandstand is a modern, air-conditioned enclosed structure of approximately 275,000 square feet with a variety of facilities on six levels. The lower level contains space for support functions such as jockey quarters, administrative offices, Racing Commission offices, first aid, mechanical rooms, and electrical rooms. The track level includes pari-mutuel windows, restrooms, a variety of concession stands and other services as well as the Card Casino, which occupies 22,000 square feet. The mezzanine level contains 1,320 fixed seats in a glass-enclosed, air-conditioned area and an additional 3,000 seats located outside. The mezzanine level also contains pari-mutuel windows, restrooms, concession stands, and other guest facilities. A portion of the mezzanine level is currently being used as a simulcast center during live racing, and for banquets and other events during the off-season. The kitchen level is an intermediate level located between the mezzanine and clubhouse floors. It contains a full-service kitchen that supports a full dining menu for the track-side dining terraces on the clubhouse level and food preparation for the other concession areas. The clubhouse level is a multi-purpose area that includes a simulcast center for wagering on televised races, a full-service dining area during the live racing season, and a year-round banquet facility. The clubhouse level includes 325 trackside tables, each equipped with a television set, with a total seating capacity of 1,200 patrons and an additional 1,000 seats are located in lounges located throughout the area. The press box and officials' level is located in the roof trusses over the clubhouse and contains work areas for the press, racing officials, closed-circuit television, photo finish, and the track announcer. In addition, the grandstand was structurally built to accommodate skyboxes under the press box/officials' level, although none have yet been constructed. Escalators and elevators are available to move patrons among the various levels within the grandstand.

#### *Expo Center*

In 2014, the Company added an Expo Center, which is a 30,000 square foot structure designed for year-round special events, trade shows, and exhibits. The facility features 24,000 square feet of open event space and another 6,000 square feet containing an entry area, offices, restrooms and storage. Canterbury Park now offers the fourth largest event space in the Twin Cities with more than 100,000 total square feet of available space.

#### *Barn and Backside Facilities*

The stable area consists of 33 barns with a total of approximately 1,650 stalls. In the stable area, there are 240 dormitory rooms for the grooms and others working at the Racetrack. The stable area also contains a combination racing office and cafeteria/recreation building for stable personnel, two blacksmith buildings, and a 5/8 mile training track.

#### *Parking*

Approximately 5,500 paved parking spaces are available for patron and employee vehicles at the Racetrack, including parking spaces that are reserved for handicapped patrons. The Racetrack also has unpaved areas available for overflow parking for approximately 3,000 additional automobiles.

*Underutilized Land*

In 2018, the Company transferred approximately 13 acres of land to the Doran Canterbury I joint venture as part of its equity contribution in the first phase of the apartment complex. The Company has approximately 130 acres of land remaining that are owned or controlled by the Company that are not currently used for its business operations, and could be developed or sold, in whole or in part. See discussion above titled “Development Operations” and footnote 13 to the consolidated financial statements for more information.

**Item 3. LEGAL PROCEEDINGS**

There are no material legal proceedings pending against the Company. From time to time, the Company is party to ordinary and routine litigation or claims incidental to our business. We do not expect the outcome of any such litigation or claims pending at this time to have a material adverse effect on our consolidated financial position or results of operations.

**Item 4. MINE SAFETY DISCLOSURES**

*Not Applicable.*

**PART II**

**Item 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

**(a) MARKET INFORMATION**

The Company’s common stock trades on the NASDAQ Global Market under the symbol CPHC.

**(b) HOLDERS**

At March 15, 2020, the Company had 649 shareholders of record of its common stock. Since many holders’ shares are listed under their brokerage firms’ names, the actual number of shareholders is estimated by the Company to be over 2,000.

**(c) DIVIDENDS**

The Company has a dividend policy to pay regular quarterly cash dividends to its shareholders based on the Company’s earnings, projected future earnings and cash requirements. In 2018 under this policy, the Company paid a \$.06 per share dividend in January and \$.07 per share dividend in April, July, and October. In 2019, the Company paid a \$.07 per share dividend in January, April, July, and October.

On March 16, 2020, the Company announced that in conjunction with its determination to temporarily shut down operations due to concerns and uncertainty about the effect of the COVID-19 coronavirus, the Company’s Board of Directors had suspended declaring and paying its \$0.07 quarterly cash dividend that would normally be paid in April 2020.

**(d) SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

The following table sets forth information as of December 31, 2019 regarding our equity compensation plans:

**Securities Authorized for Issuance Under Equity Compensation Plans**

Plan Category	(a) Number of shares of common stock to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of shares of common stock remaining available for future issuance under equity compensation plans (excluding shares in column (a))
Equity compensation plans approved by security holders:			
1994 Stock Plan	33,250	\$ 9.64	364,928
1995 Employee Stock Purchase Plan	—	—	25,496
Equity compensation plans not approved by security holders:			
Stock Option Plan for Non-Employee Consultants and Advisors			
(1)	—	—	162,500
Total	33,250		552,924

- (1) Adopted by the Company's Board of Directors in 1997, the purpose of the Stock Option Plan for Non-Employee Consultants and Advisors is to attract and retain the services of experienced and knowledgeable non-employee consultants and advisors to assist in projects having strategic significance for the Company, to provide an alternative form of cash compensation to such persons and to provide such persons with the opportunity to participate in the Company's long term progress and success.

**(e) REGULATION S-K, ITEM 201(e) INFORMATION**

*Not Applicable for Smaller Reporting Companies.*

**(f) RECENT SALE OF UNREGISTERED SECURITIES**

*Not Applicable.*

**(g) PURCHASES OF EQUITY SECURITIES BY THE ISSUER**

In 2007, the Company's Board of Directors adopted a plan that authorized the repurchase of up to 250,000 shares of the Company's common stock pursuant to Exchange Act Rule 10b-18 in open market transactions or block purchases of privately negotiated transactions (the "Stock Repurchase Plan"). The Company repurchased 216,543 shares under the 2008 Stock Repurchase Plan and in 2012, authorized the repurchase of an additional 100,000 shares of the Company's common stock. No shares were repurchased in 2019 or 2018, and currently the Company is authorized to repurchase up to 128,781 shares under the Stock Repurchase Plan.

## Item 6. SELECTED FINANCIAL DATA

The following table sets forth selected consolidated financial data for each of the five fiscal years ended December 31, 2019. The operating and balance sheet data for the years ended and as of December 31, 2019, 2018, 2017, 2016, and 2015 are derived from our audited consolidated financial statements. The following information should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and with our consolidated financial statements and the related notes thereto included elsewhere in this report.

(In thousands except for per share amounts)

OPERATING DATA	Year Ended December 31,				
	2019	2018	2017	2016	2015
Net Revenues	\$ 59,227	\$ 59,142	\$ 56,953	\$ 52,460	\$ 52,263
Operating Expenses	55,591 (5)	51,495 (4)	52,432 (3)	45,319 (2)	47,649 (1)
Income Before Income Taxes	3,963	7,708	4,571	7,120	4,617
Income Tax Expense	(1,244)	(1,990)	(480)	(2,924)	(1,890)
Net Income	2,718	5,718	4,091	4,196	2,727
Basic Net Income per Share	\$ 0.59	\$ 1.28	\$ 0.93	\$ 0.98	\$ 0.65
Diluted Net Income per Share	0.59	1.26	0.93	0.97	0.64
Dividends Declared per Share	0.28	0.28	0.23	0.35	0.25
Cash Flows from Operating Activities	\$ 6,738	\$ 6,333	\$ 7,086	\$ 4,941	\$ 4,429
BALANCE SHEET DATA	At December 31,				
	2019	2018	2017	2016	2015
Land, Buildings and Equipment, Net	\$ 43,834	\$ 38,131	\$ 36,962	\$ 35,379	\$ 34,118
Total Assets	65,413	61,426	54,537	49,625	45,341
Total Stockholders’ Equity	\$ 49,416	\$ 46,734	\$ 40,717	\$ 36,551	\$ 33,097
Number of Common Shares Outstanding at Year End		4,645	4,528	4,414	4,325
				4,325	4,238

- During fiscal year 2015, the Company reduced operating expenses \$1,502,000 by recording a \$495,000 gain on insurance recoveries, a \$347,000 gain on sale of its Shakopee Valley RV Park, and a \$660,000 gain on sale of land.
- During fiscal year 2016, the Company reduced operating expenses \$5,311,000 by recording a \$1,465,000 gain on insurance recoveries and a \$3,846,000 gain on sale of land.
- During fiscal year 2017, the Company reduced operating expenses \$141,000 by recording a gain on insurance recoveries.
- During fiscal year 2018, the Company reduced operating expenses \$2,392,000 by recording a \$21,000 gain on insurance recoveries, a \$129,580 gain on sale of land, and a \$2,241,000 gain on transfer of land.
- During fiscal year 2019, the Company reduced operating expenses \$211,000 by recording a \$199,000 gain on insurance recoveries and a \$12,000 gain on sale of assets.

## Item 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) is intended to help the reader understand Canterbury Park Holding Corporation, our operations, our financial results and financial condition, and our present business environment. This MD&A is provided as a supplement to and should be read in conjunction with our consolidated financial statements and the accompanying notes to the consolidated financial statements (the “Notes”). Our actual results could differ materially from those anticipated in the forward-looking statements included in this discussion as a result of certain factors, including, but not limited to, those discussed in “Risk Factors” and “Forward-Looking Statements” included elsewhere in this Annual Report on Form 10-K.

## **RECENT DEVELOPMENT**

As previously disclosed, on March 16, 2020, the Company announced that, based on the advice of Minnesota state and regulatory bodies, it was temporarily suspending all card casino, simulcast, and special events operations at Canterbury Park at noon on March 16, 2020 in response to concerns about the COVID-19 coronavirus. Canterbury Park determined this voluntary suspension of activities was in the best interest of the health and safety of its guests and team members and would provide the Company an opportunity to review and update operational best practices and strategies based on what was currently known about this public health situation and future developments. The Company will continue to monitor developments with respect to the COVID-19 coronavirus and provide updated information on its website, or in press releases.

In a separate press also issued on March 16, 2020, the Company announced that in conjunction with its determination to temporarily shut down operations due to concerns and uncertainty about the effect of the COVID-19 coronavirus, the Company's Board of Directors had suspended declaring and paying its \$0.07 quarterly cash dividend that would normally be paid in April 2020.

## **STRATEGIC OVERVIEW**

Canterbury Park Holding Corporation (the "Company," "we," "our," or "us") hosts pari-mutuel wagering on thoroughbred and quarter horse races and "unbanked" card games at its Canterbury Park Racetrack and Card Casino facility (the "Racetrack") in Shakopee, Minnesota, which is approximately 25 miles southwest of downtown Minneapolis. The Racetrack is the only facility in the State of Minnesota that offers live pari-mutuel thoroughbred and quarter horse racing.

The Company's pari-mutuel wagering operations include both wagering on thoroughbred and quarter horse races during live meets at the Racetrack each year from May through September, and year-round wagering on races primarily held at out-of-state racetracks that are televised simultaneously at the Racetrack ("simulcasting"). Unbanked card games, in which patrons compete against each other, are hosted in the Card Casino at the Racetrack. The Card Casino operates 24 hours a day, seven days a week. The Card Casino offers both poker and table games at up to 80 tables. The Company also derives revenues from related services and activities, such as food and beverage, parking, advertising signage, publication sales, and from other entertainment events and activities held at the Racetrack.

The following summarizes our financial performance for the last five years (in 000's):

<i>Financial Performance Summary</i>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Net Revenues	\$ 59,227	\$ 59,142	\$ 56,953	\$ 52,460	\$ 52,263
Operating Expenses	55,591 <sup>(5)</sup>	51,495 <sup>(4)</sup>	52,432 <sup>(3)</sup>	45,319 <sup>(2)</sup>	47,649 <sup>(1)</sup>
Income Before Income Taxes	3,963	7,708	4,571	7,120	4,617
Income Tax Expense	(1,244)	(1,990)	(480)	(2,924)	(1,890)
Net Income	2,718	5,718	4,091	4,196	2,727

- 1 During fiscal year 2015, the Company reduced operating expenses \$1,502,000 by recording a \$495,000 gain on insurance recoveries, a \$347,000 gain on sale of its Shakopee Valley RV Park, and a \$660,000 gain on sale of land.
- 2 During fiscal year 2016, the Company reduced operating expenses \$5,311,000 by recording a \$1,465,000 gain on insurance recoveries and a \$3,846,000 gain on sale of land.
- 3 During fiscal year 2017, the Company reduced operating expenses \$141,000 by recording a gain on insurance recoveries.
- 4 During fiscal year 2018, the Company reduced operating expenses \$2,392,000 by recording a \$21,000 gain on insurance recoveries, a \$129,580 gain on sale of land, and a \$2,241,000 gain on transfer of land.
- 5 During fiscal year 2019, the Company reduced operating expenses \$211,000 by recording a \$199,000 gain on insurance recoveries and a \$12,000 gain on sale of assets.

Our management team has extensive knowledge of the horse racing, Card Casino, and food and beverage operations, and our staff has demonstrated a commitment to enhancing the customer experience. The Company believes that management has a good relationship with our workforce and is able to retain qualified personnel as demonstrated by our low turnover rate.

Our facilities are modern by racetrack industry standards, and we have invested heavily in the past few years to update and upgrade them to meet the needs of our customers and horsemen. Our site, in a prime location on the edge of the Minneapolis–St. Paul metropolitan area in one of the fastest-growing counties in Minnesota, provides us with great long-term growth and development opportunities, and our Board of Directors regularly considers additional uses for underutilized portions of our property. Our long-term strategic direction is to continue to enhance our Racetrack as a unique gaming and entertainment destination and develop approximately 130 acres of underutilized land not needed for our current business uses.

## **OPERATIONS REVIEW**

### **YEAR ENDED DECEMBER 31, 2019 COMPARED TO YEAR ENDED DECEMBER 31, 2018**

EBITDA represents earnings before interest income, income tax expense, depreciation and amortization. EBITDA is not a measure of performance or liquidity calculated in accordance with generally accepted accounting principles in the United States of America ("GAAP"), and should not be considered an alternative to, or more meaningful than, net income as an indicator of our operating performance or cash flows from operating activities as a measure of liquidity. We present EBITDA as a supplemental disclosure because it is a widely used measure of performance and basis for valuation of companies in our industry. Other companies that provide EBITDA information may calculate EBITDA differently than we do. We also compute Adjusted EBITDA, which reflects additional adjustments to Net Income to eliminate unusual or non-recurring items. For the year ended December 31, 2019, Adjusted EBITDA excluded the loss on disposal of assets, gain on insurance recoveries, and gain on sale of assets. For the year ended December 31, 2018, Adjusted EBITDA excluded the loss on disposal of assets, gain on insurance recoveries, gain on sale of assets, and gain on transfer of land.

The following table sets forth a reconciliation of net income, a GAAP financial measure, to EBITDA and Adjusted EBITDA (defined above), which is also a non-GAAP measure, for the years ended:

### **SUMMARY OF EBITDA DATA**

	<b>Year Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
NET INCOME	\$ 2,718,274	\$ 5,718,444
Interest income, net	(326,773)	(61,515)
Income tax expense	1,244,263	1,990,000
Depreciation	2,679,728	2,563,579
EBITDA	6,315,492	10,210,508
Gain on insurance recoveries	(198,874)	(21,064)
Loss on disposal of assets	261,728	120,940
Gain on sale of assets	(12,141)	(129,580)
Gain on transfer of land	—	(2,241,206)
ADJUSTED EBITDA	\$ 6,366,205	\$ 7,939,598

Adjusted EBITDA decreased \$1,573,000, or 19.8%, and decreased as a percentage of net revenues to 10.7% from 13.4% for 2019 compared to 2018.

## REVENUES

Total net revenues for 2019 were \$59,227,000, an increase of \$85,000, or 0.1%, compared to total net revenues of \$59,142,000 for 2018. Total pari-mutuel revenue decreased 7.6%, Card Casino revenue increased 1.4%, food and beverage revenue increased 10.9%, and other revenue decreased 7.2% in 2019 compared to 2018. See below for a further discussion of our sources of revenues.

### PARI-MUTUEL REVENUES

	Year Ended December 31,	
	2019	2018
Simulcast	\$ 5,364,000	\$ 5,821,000
Live racing	2,151,000	2,295,000
Guest fees	1,203,000	1,483,000
Other revenue	1,115,000	1,040,000
<b>Total Pari-Mutuel Revenue</b>	<b>\$ 9,833,000</b>	<b>\$ 10,639,000</b>
<b>Racing Days</b>		
Simulcast only racing days	298	295
Live and simulcast racing days	66	69
<b>Total Number of Racing Days</b>	<b>364</b>	<b>364</b>

Simulcast and Live Racing pari-mutuel revenues include commission and breakage revenues from on-track live and simulcast wagering. We receive guest fees from out-of-state racetracks and ADW companies for out-of-state wagering on our live races. Other revenues include source market fees paid by ADW companies for wagers made by Minnesota residents on out-of-state races and proceeds from unredeemed pari-mutuel tickets.

Total 2019 pari-mutuel revenue decreased \$806,000, or 7.6%, compared to 2018. Simulcast revenue decreased \$457,000, or 7.9%, in 2019 compared to 2018. This is partially due to the temporary shutdown of Santa Anita during the 2019 second quarter, one of the most popular horse tracks in the country in terms of simulcast wagering. Guest fees decreased \$280,000, or 18.9%, primarily due to the temporary loss in 2019 of a high-volume wagering company due to a contractual dispute between Churchill Downs, the Company's content provider, and Monarch Content Management. Live Racing revenue also decreased \$144,000, or 6.3%, primarily due to three less live racing days in 2019 compared to 2018.

### CARD CASINO REVENUES

	Year Ended December 31,	
	2019	2018
Poker Games	\$ 7,501,000	\$ 8,290,000
Table Games	23,206,000	22,486,000
<b>Total Collection Revenue</b>	<b>30,707,000</b>	<b>30,776,000</b>
Other Revenue	3,699,000	3,144,000
<b>Total Card Casino Revenue</b>	<b>\$ 34,406,000</b>	<b>\$ 33,920,000</b>

The primary source of Card Casino revenue is a percentage of the wagers received from the players as compensation for providing the Card Casino facility and services, referred to as "collection revenue." Other Revenue presented above includes fees collected for the administration of tournaments and amounts earned as reimbursement of the administrative costs of maintaining jackpot funds. Card Casino revenue represented 58.1% and 57.4% of the Company's net revenues for the years ended December 31, 2019 and 2018, respectively.



Total Card Casino revenue increased \$486,000, or 1.4%, in 2019 compared to 2018. Poker revenue decreased \$789,000, or 9.5%, in 2019 compared to 2018. The decrease in poker revenue is partially due to a rate structure change in 2019 which shifted a higher percentage of wagers to other revenue, as well as a continuing industry decline in the popularity of poker. Table games collection revenue increased \$720,000, or 3.2%, in 2019 compared to 2018. This is partially due to a higher revenue percentage that was held by the Company in 2019, as well as an increase in volume attributed to our enhanced marketing promotions.

## FOOD AND BEVERAGE REVENUES

Food and beverage revenue increased \$877,000, or 10.9%, to \$8,895,000 for the year ended December 31, 2019 compared to 2018. This increase is primarily attributable to hosting a three-day music festival in the 2019 third quarter, as well as the opening of the Trifecta Café and remodeled Card Casino in March 2019. This was slightly offset by a reduction in live racing days in 2019 compared to 2018.

## OTHER REVENUES

Other revenue decreased \$472,000, or 7.2%, to \$6,093,000 in 2019 compared to 2018. This decrease is primarily due to a short-term customer rental agreement in the first quarter of 2018 related to the Super Bowl held in Minneapolis, as well as decreased advertising revenue payments for RiverSouth, an area wide marketing initiative. A portion of these revenue payments were reimbursed costs based on the terms of the CMA agreement and are included as an expense in our Consolidated Statement of Operations.

## OPERATING EXPENSES

Total operating expenses increased \$4,096,000, or 8.0%, to \$55,591,000 in 2019, from \$51,495,000 in 2018. Total operating expenses as a percentage of net revenues increased to 93.9% in 2019 from 87.1% in 2018. Excluding the reduction in operating expenses from all gains and losses from both years, total operating expenses increased \$1,775,000, or 3.3% in 2019 compared to 2018.

Total purse expense decreased \$202,000, or 2.8%, in 2019 compared to 2018. The decrease is due to a decrease in pari-mutuel revenue, as well as a change in the purse payment structure related to changes in our horsemen contract effective January 1, 2019. The purse expense decrease was primarily a timing difference that resulted in a higher purse expense in the 2019 first quarter. Although pari-mutuel revenue decreased, the increase in Card Casino revenues resulted in a higher MBF expense (shown below). As discussed in greater detail in Item 1 above, Minnesota law requires us to allocate a portion of Card Casino revenues, wagering handle on simulcast and live horse races, and ADW source market fees for future payment as purses for live horse races and other authorized uses. While most of these amounts were paid into the purse funds for thoroughbred and quarter horse races, Minnesota law requires that a portion of the amounts allocated for purses be paid into the Minnesota Breeders' Fund (the "MBF").

	Purse Expense		Minnesota Breeders' Fund Expense	
	2019	2018	2019	2018
Card Casino	\$ 4,335,000	\$ 4,058,000	\$ 482,000	\$ 451,000
Simulcast Racing	1,678,000	1,793,000	465,000	472,000
Live Racing	967,000	1,330,000	106,000	116,000
Total	\$ 6,980,000	\$ 7,181,000	\$ 1,053,000	\$ 1,039,000

Salaries and benefits expense increased \$1,205,000, or 5.0%, in 2019 compared to 2018. The increase is due to the State of Minnesota mandated increase of \$0.21 in the minimum wage effective January 1, 2019, and increases relating to the Card Casino construction in January and February and re-opening in March 2019. Furthermore, the Company added several new exempt level positions to support its strategic growth initiatives.

Cost of food and beverage sales increased \$489,000, or 13.6%, in 2019 compared to 2018. The increase is primarily due to higher food and beverage revenues.

Advertising and marketing costs decreased \$347,000, or 13.9%, in 2019 compared to 2018. The decrease is primarily attributable to the decreased expenditures related to RiverSouth, an area wide marketing initiative that is designed to increase visitors to Shakopee's entertainment, hospitality, and retail businesses.

Professional and contracted services increased \$492,000, or 11.0%, in 2019 compared to 2018. The increase is primarily due to professional fees for its development initiatives, legal and consulting costs, as well as increased contracted services for the three-day music festival held in July 2019.

During 2019, the Company recorded a loss on disposal of assets totaling \$262,000. Included in this amount is the write-off of assets disposed of in remodeling the Card Casino. The Company also recorded a loss on disposal of assets related to development site work costs. Additionally, the Company disposed of assets related to its RV Park as a result of developing the property around the Racetrack.

During 2019, the Company recorded a gain on insurance recoveries of \$199,000 as a result of insurance proceeds related to water damage incurred at the Racetrack.

On October 6, 2015, the Company sold six acres of land adjacent to the Racetrack for \$1,459,000 and recorded a gain of \$660,000, reported on the Consolidated Statements of Operations – Gain on sale of land. This transaction was structured as a “deferred exchange using a qualified intermediary” pursuant to Internal Revenue Code (IRC) Section 1031 exchange (“1031 Exchange”) for income tax purposes. Under the agreement, the Company had the option to repurchase up to one acre within three years from closing date at the sale price of approximately \$240,000 per acre. According to ASC 360-20-40-38 - Derecognition, the Company recorded the repurchase option acre as a deferred gain liability in the amount of \$240,000 on the Consolidated Balance Sheets. Since the risks and rewards were not completely transferred to the buyer based on the repurchase option the Company maintained the asset on our financials in the amount of \$110,000. In October 2018, the repurchase option expired and the Company did not repurchase the land. Therefore, the Company recognized the gain of \$130,000 on the Consolidated Statement of Operations for the year ended December 31, 2018.

In 2018, the Company recorded a \$2,241,000 gain on transfer of land as a result of transferring approximately 13 acres of land to the Doran Canterbury I joint venture.

Net Income for the years 2019 and 2018 was \$2,718,000 and \$5,718,000, respectively.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Our financial statements have been prepared in conformity with U.S. GAAP and are based upon certain critical accounting policies. These policies may require management to make estimates, judgments and assumptions that we believe are reasonable based on our historical experience, contract terms, observance of known trends in our Company and the industry as a whole, and information available from other outside sources. Our estimates affect the reported amounts of assets and liabilities and related disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results may differ from those initial estimates.

Our critical accounting policies are:

- revenue recognition;
- property and equipment; and
- income tax expense.

Our significant accounting policies and recently adopted accounting policies are more fully described in Note 2 to the Notes to Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

*Revenue recognition* - Racing revenue is generated by pari-mutuel wagering on live and simulcast racing content. Additionally, we also generate revenue through sponsorships, admissions, concessions, and publications. Our racing revenue and income are influenced by our racing calendar. Therefore, revenue and operating results for any interim quarter are not generally indicative of the revenue and operating results for the year and may not be comparable with results for the corresponding period of the previous year. We recognize pari-mutuel revenue upon occurrence of the live race that is presented for wagering after that live race is made official by the respective state's racing regulatory body. We recognize other operating revenue such as sponsorships, admissions, concessions, and publication revenue once delivery of the product or service has occurred. Card Casino revenue is a percentage of the wagers received from the players as compensation for providing the Card Casino facility and services, referred to as "collection revenue."

*Property and Equipment* - We have significant capital invested in our property and equipment, which represents approximately 66% of our total assets at December 31, 2019. We use our judgment in various ways including: determining whether an expenditure is considered a maintenance expense or a capital asset; determining the estimated useful lives of assets; and determining if or when an asset has been impaired or has been disposed. Management periodically reviews the carrying value of property and equipment for potential impairment by comparing the carrying value of these assets with their related expected undiscounted future net cash flows. If the sum of the related expected future net cash flows is less than the carrying value, we will determine whether an impairment loss should be recognized. An impairment loss would be measured by the amount by which the carrying value of the asset exceeds the fair value of the asset. As of December 31, 2019, we have determined that no impairment of these assets exists.

*Income taxes* - We use estimates and judgments for financial reporting to determine our current tax liability and deferred taxes. In accordance with the liability method of accounting for income taxes, we recognize the amount of taxes payable or refundable for the current year and deferred tax assets and liabilities for the future tax consequences of events that have been recognized in our consolidated financial statements or tax returns. Adjustments to deferred taxes are determined based upon changes in differences between the book basis and tax basis of our assets and liabilities and measured by enacted tax rates we estimate will be applicable when these differences are expected to reverse. Changes in current tax laws, enacted tax rates or the estimated level of taxable income or non-deductible expense could change the valuation of deferred tax assets and liabilities and affect the overall effective tax rate and tax provision.

#### **MINIMUM WAGE LEGISLATION**

In 2014, Minnesota legislation enacted into law an increase in the minimum wage that must be paid to most Company employees. Beginning January 1, 2018, the minimum wage was set to increase at the beginning of each year by the rate of inflation with a maximum increase of up to 2.5% per year. The minimum wage for 2020 is \$10.00 per hour. Prior to August 1, 2014, the Company employed a large number of individuals who received an hourly wage equal to or slightly above \$7.25 per hour. As a result, this legislation had an adverse financial impact on the Company in 2014 through 2019, and will continue to have an adverse impact on the Company. We have implemented measures to partially mitigate the impact of this increase by raising our prices and reducing our employee count. These measures could themselves have an adverse effect because higher prices and diminished service levels may discourage customers from visiting the Racetrack.

**COOPERATIVE MARKETING AGREEMENT**

On June 4, 2012, the Company entered into the CMA with the SMSC. The primary purpose of the CMA is to increase purses paid during live horse racing at Canterbury Park's Racetrack in order to strengthen Minnesota's thoroughbred and quarter horse industry. Under the CMA, this is achieved through "Purse Enhancement Payments to Horsemen" paid directly to the MHBPA. These payments have no direct impact on the Company's consolidated financial statements or operations.

Under the terms of the CMA, the SMSC paid the horsemen \$7.3 million for purse enhancements for the years ended December 31, 2019 and 2018.

Under the CMA, the SMSC also agreed to make "Marketing Payments" to the Company relating to joint marketing efforts for the mutual benefit of the Company and SMSC, including signage, joint promotions, player benefits and events. Under the CMA, the SMSC paid the Company \$1,620,000 for marketing purposes for 2019 and 2018.

The CMA was amended in January 2015, January 2016, January 2018, and March 2018 to adjust the payment amounts between the "Purse Enhancement Payments to Horsemen" and "Marketing Payments to Canterbury Park." Under the CMA as most recently amended, the SMSC has agreed to make the following purse enhancement and marketing payments for 2020 through 2022:

<b>Year</b>	<b>Purse Enhancement Payments to Horsemen (1)</b>	<b>Marketing Payments to Canterbury Park</b>
2020	\$ 7,380,000	\$ 1,620,000
2021	7,380,000	1,620,000
2022	7,380,000	1,620,000

**1** - Includes \$100,000 each year payable to various horsemen associations

The amounts received from the marketing payments are recorded as a component of other revenue and the related expenses are recorded as a component of advertising and marketing expense and depreciation in the Company's consolidated statements of operations. For the year ended December 31, 2019, the Company recorded \$1,114,000 in other revenue and incurred \$888,000 in advertising and marketing expense and \$226,000 in depreciation related to the SMSC marketing payment. For the year ended December 31, 2018, the Company recorded \$1,275,000 in other revenue and incurred \$1,049,000 in advertising and marketing expense and \$226,000 in depreciation related to the SMSC marketing payment. The excess of amounts received over revenue is reflected as deferred revenue on the company's consolidated balance sheets.

The Company has agreed for the term of the CMA that it would not promote or lobby the Minnesota legislature for expanded gambling authority and would support the SMSC's lobbying efforts against expanding gambling authority.

**CONTINGENCIES**

In accordance with an Earn Out Promissory Note given to the prior owner of the Racetrack as part of the consideration paid by the Company to acquire the Racetrack in 1994, if (i) off-track betting becomes legally permissible in the State of Minnesota and (ii) the Company begins to conduct off-track betting with respect to or in connection with its operations, the Company would be required to pay to the IMR Fund, L.P. the greater of (a) \$700,000 per operating year, as defined, or (b) 20% of the net pretax profit, as defined for each of five operating years. At this time, management believes that the likelihood that these two conditions will be met and that the Company would be required to pay these amounts is remote. If these two conditions are met, the five minimum payments would be discounted back to their present value and the sum of those discounted payments would be capitalized as part of the purchase price in accordance with generally accepted accounting principles. The purchase price would be further increased if payments become due under the "20% of Net Pretax Profit" calculation. The first payment is to be made 90 days after the end of the third operating year in which off-track betting is conducted by the Company. Remaining payments would be made within 90 days of the end of each of the next four operating years.

The Company entered into a CMA with the Shakopee Mdewakanton Sioux Community that became effective on June 4, 2012 and has been amended, as discussed above. The CMA contains certain covenants that, if breached, would trigger an obligation to repay a specified amount related to such covenant. At this time, management believes that the likelihood that the breach of a covenant will occur and that the Company will be required to pay the specified amount related to such covenant is remote.

The Company is periodically involved in various claims and legal actions arising in the normal course of business. Management believes that the resolution of any pending claims and legal actions at December 31, 2019 and as of the date of this report will not have a material impact on the Company's consolidated financial position or results of operations.

The Company has committed to payment of statutory distributions under a \$500,000 bond issued to the MRC as required under Minnesota law. The Company was not required to make any payments related to this bond in 2019 or 2018, and there is no liability related to this bond on the balance sheet as of December 31, 2019.

## **LIQUIDITY AND CAPITAL RESOURCES**

### ***CASH FLOWS FROM OPERATING ACTIVITIES***

Cash provided by operating activities for 2019 was \$6,738,000 as a result of net income of \$2,718,000 and was increased by noncash charges from depreciation of \$2,680,000, stock-based compensation expense of \$235,000, stock-based employee match contribution of \$689,000, and a loss on disposal of assets of \$262,000. Cash from operating activities was reduced by a gain on insurance recoveries of \$199,000. The Company also experienced an increase in deferred revenue of \$503,000. This was partially offset by a decline in accounts payable of \$1,384,000.

Cash provided by operating activities for 2018 was \$6,333,000 primarily as a result of net income of \$5,718,000. Cash from operating activities was increased by noncash charges from depreciation of \$2,564,000, stock-based compensation expense of \$346,000, and a stock-based employee match contribution of \$525,000. Cash from operating activities was reduced by a gain on transfer of land of \$2,241,000 and gain on sale of land of \$130,000. This was partially offset by a decline in Card Casino accruals of \$1,190,000.

### ***CASH FLOWS FROM INVESTING ACTIVITIES***

Net cash used in investing activities for 2019 of \$13,037,000 was used primarily for additions to land, buildings, and equipment, including the costs of TIF eligible public infrastructure improvements, and the issuance of a note receivable to a related party. This was partially offset by a decrease in notes receivable.

Net cash used in investing activities for 2018 of \$6,628,000 was used primarily for additions to land, buildings, and equipment, and the issuance of a note receivable to a related party. This was partially offset by a decrease in notes receivable and proceeds received from insurance recoveries.

### ***CASH FLOWS FROM FINANCING ACTIVITIES***

Net cash used by financing activities for 2019 was \$978,000 and primarily consisted of \$1,281,000 cash dividend paid to shareholders, partially offset by proceeds from issuance of common stock of \$383,000.

Net cash used by financing activities for 2018 was \$526,000 and primarily consisted of \$1,206,000 cash dividend paid to shareholders, partially offset by proceeds from issuance of common stock of \$686,000.

## CASH AND CAPITAL RESOURCES

At December 31, 2019, we had cash, cash equivalents, and restricted cash of \$3,927,000 compared to \$11,204,000 at December 31, 2018. This \$6,747,000 decrease consisted of \$6,738,000 of net cash provided by operating activities, offset by \$13,037,000 of net cash used in investing activities and \$978,000 of net cash used in financing activities.

The Company has a general credit and security agreement with a financial institution. This agreement was amended as of September 30, 2019 to extend the maturity date to September 30, 2020. The line of credit is collateralized by all receivables, inventory, equipment, and general intangibles of the Company. The Company had borrowings of \$5,933,000 under the credit line during the year ended December 31, 2019. As of December 31, 2019, the outstanding balance on the line of credit was \$0. The credit agreement contains covenants requiring the Company to maintain certain financial ratios. The Company was in compliance with these requirements at all times throughout 2019.

Our three largest sources of revenue: pari-mutuel wagering, Card Casino operations, and food and beverage, are all based on cash transactions. Consequently, we have significant inflows of cash on a daily basis. We designate cash balances that will be required to satisfy certain short-term liabilities such as progressive jackpots, the player pool, and amounts due horsemen for purses and awards as “restricted” as a separate balance sheet item.

The Company offers unbanked table games that refer to a wagering system or game where wagers “lost” or “won” by the host are accumulated into a “player pool” to enhance the total amount paid back to players in any other card game. The Company is required to return accumulated player pool funds to the players through giveaways, promotional items, prizes or by other means. The player pool liability was \$640,000 and \$983,000 at December 31, 2019 and 2018, respectively. Additionally, the table games jackpot pool was \$670,000 and \$385,000 at December 31, 2019 and 2018, respectively.

The Card Casino offers progressive jackpots for poker games. Amounts collected for these jackpot funds are accrued as liabilities until paid to winners. At December 31, 2019 and 2018, accrued jackpot funds totaled \$134,000 and \$24,000, respectively. The MRC regulates the operation of the player pool and progressive jackpot pools. These liabilities have the potential for significant fluctuation on a daily basis.

All games in the Card Casino are played using chips. The value of chips issued and outstanding, referred to as the “outstanding chip liability,” was \$963,000 and \$398,000 at December 31, 2019 and 2018, respectively. This liability has the potential for significant fluctuation on a daily basis depending upon the demand for chip redemptions and sales.

Our second largest individual operating expense item is purse expense. Pursuant to an agreement with the MHBPA, we transferred into a trust account or paid directly to the MHBPA, approximately \$6,314,000 and \$6,442,000 in purse funds related to thoroughbred races for 2019 and 2018, respectively. Minnesota law provides that amounts transferred into this trust account are the property of the trust and not the Company. There were no unpaid purse fund obligations due to the MHBPA at December 31, 2019 or 2018.

## RECENT DEVELOPMENT

As previously disclosed, on March 16, 2020, the Company announced that, based on the advice of Minnesota state and regulatory bodies, it was temporarily suspending all card casino, simulcast, and special events operations at Canterbury Park at noon on March 16, 2020 in response to concerns about the COVID-19 coronavirus. Canterbury Park determined this voluntary suspension of activities was in the best interest of the health and safety of its guests and team members and would provide the Company an opportunity to review and update operational best practices and strategies based on what was currently known about this public health situation and future developments. The Company will continue to monitor developments with respect to the COVID-19 coronavirus and provide updated information on its website, or in press releases. In a separate press also issued on March 16, 2020, the Company announced that in conjunction with its determination to temporarily shut down operations due to concerns and uncertainty about the effect of the COVID-19 coronavirus, the Company’s Board of Directors had suspended declaring and paying its \$0.07 quarterly cash dividend that would normally be paid in April 2020.

As a result of the temporary suspension of operations, the Company's three main sources of income and cash flow, revenues from simulcasting, its card casino, and food and beverage ceased operating on March 16, 2020. In the second quarter ended June 30, 2019, the Company had revenue of \$2,546,000 from live racing and simulcasting, \$8,891,000 from the Card Casino and \$2,544,000 from food and beverage. The Company cannot currently predict when it will be able to resume simulcasting or reopen its Card Casino, or whether it will be able to commence live racing on its projected May 15, 2020 date. The Company's food and beverage revenue is drive primarily by it simulcasting, live racing and its card casino guests.

The Company believes that unrestricted funds available in its cash accounts, amounts available under its revolving line of credit, along with funds generated from operations, will be sufficient to satisfy its liquidity and capital resource requirements for regular operations for the foreseeable future, unless it is unable to. In a separate press also issued on March 16, 2020, the Company announced that in conjunction with its determination to temporarily shut down operations due to concerns and uncertainty about the effect of the COVID-19 coronavirus, the Company's Board of Directors had suspended declaring and paying its \$0.07 quarterly cash dividend that would normally be paid in April 2020.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company currently has no off-balance sheet arrangements and has no intent to enter into any such agreements in the near future.

#### **RELATED PARTY TRANSACTIONS**

For a description of the nature and extent of related party transactions, see Note 15.

#### **COMMITMENTS AND CONTRACTUAL OBLIGATIONS**

In March 2014, the Company entered into a seven-year agreement with a new totalizator provider. Pursuant to the agreement, the vendor provides totalizator equipment and related software that records and processes all wagers and calculates odds and payoffs. The amounts charged to operations for totalizator expenses for the years ended December 31, 2019 and 2018 were \$233,000 and \$230,000, respectively.

In August 2018, the Company entered into a Contract for Private Redevelopment with the City of Shakopee in connection with a Tax Increment Financing District ("TIF District"). The Company is obligated to construct certain infrastructure improvements within the TIF District, and will be reimbursed by the City of Shakopee by future tax increment revenue generated from the developed property. See Note 13 for a more detailed description of the agreement.

Subsequent to December 31, 2019, there have been no material changes outside the ordinary course of business to our contractual obligations as set forth above. As of December 31, 2019, we had no borrowings pursuant to our line of credit and were not party to finance lease obligations, significant purchase obligations or other long-term obligations, other than described above.

#### **FORWARD-LOOKING STATEMENTS**

From time-to-time, in reports filed with the Securities and Exchange Commission, in press releases, and in other communications to shareholders or the investing public, we may make forward-looking statements concerning possible or anticipated future financial performance, prospective business activities or plans that are typically preceded by words such as "believes," "expects," "anticipates," "intends" or similar expressions. For these forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in federal securities laws. Shareholders and the investing public should understand that these forward-looking statements are subject to risks and uncertainties that could affect our actual results and cause actual results to differ materially from those indicated in the forward-looking statements. These risks and uncertainties include, but are not limited to:



- material fluctuations in attendance at the Racetrack;
- any effect that the coronavirus (COVID-19) may have on us as an entertainment venue or on the economy generally;
- decline in interest in wagering on horse races at the Racetrack, at other tracks, or on unbanked card games offered at the Card Casino;
- competition from other venues offering unbanked card games or other forms of wagering;
- greater-than-anticipated expenses or a lower-than-anticipated return on the development of our underutilized land, including our joint venture to develop a luxury apartment complex;
- competition from other sports and entertainment options;
- increases in compensation and employee benefit costs;
- increases in the percentage of revenues allocated for purse fund payments;
- higher-than-expected expenses related to new marketing initiatives;
- the impact of wagering products and technologies introduced by competitors;
- legislative and regulatory decisions and changes, including decision or actions related to sports betting that would adversely affect our betting environment;
- any legal, judicial, legislative or regulatory action or event that would adversely affect our ten-year Cooperative Marketing Agreement with the Shakopee Mdewakanton Sioux Community, which enhances the purses for daily racing at Canterbury Park and supports cooperative marketing programs for the two organizations, benefiting the stability and quality of live horse racing;
- our ability to obtain, on acceptable terms, an extension to the ten-year Cooperative Marketing Agreement with the Shakopee Mdewakanton Sioux Community, which expires in 2022;
- the fact that under the Redevelopment Agreement with the City of Shakopee, the Company has agreed to undertake a number of specific infrastructure improvements within the TIF District, and the funding that Canterbury Park will be paid as reimbursement under the TIF program for these improvements is not guaranteed, but will depend in part on future tax revenues generated from the developed property;
- the success of the Company's Canterbury Commons real estate development, including our reliance upon our joint venture partner Doran Companies to construct, and profitably operate the upscale apartment complex;
- the fact that 2019 first quarter construction activity in our Card Casino resulted in a decline in Card Casino revenues and any future construction activity may result in a similar decline;
- the fact the infrastructure improvements that we are making pursuant to the Redevelopment Agreement with the City of Shakopee together with improvements we are making to our parking facilities may disrupt traffic flow in a manner that discourages customers from visiting our facilities, thereby affecting our revenue and profitability;
- our ability to develop and maintain high-quality food and beverage offerings that we can market and sell to our Racetrack and Card Casino patrons, as well as future residents of the new Triple Crown Apartments at Canterbury that are being developed by the Doran-Canterbury joint ventures;
- the general health of the gaming sector; and
- other factors that are beyond our ability to control or predict.

**Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Pursuant to Item 3.05(e) of Regulation S-K, Canterbury Park Holding Company is not required to provide the information requested by this Item as it qualifies as a smaller reporting company.



**Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

(a) Financial Statements

The following financial statements of the Company are set forth on pages 33 through 55 of the Form 10-K:

	<u>Page</u>
<a href="#">Report of Independent Registered Public Accounting Firm</a>	34
<a href="#">Consolidated Balance Sheets as of December 31, 2019 and 2018</a>	35
<a href="#">Consolidated Statements of Operations for the years ended December 31, 2019 and 2018</a>	36
<a href="#">Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2019 and 2018</a>	37
<a href="#">Consolidated Statements of Cash Flows for the years ended December 31, 2019 and 2018</a>	38
<a href="#">Notes to Consolidated Financial Statements for the years ended December 31, 2019 and 2018</a>	40

## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders  
Canterbury Park Holding Corporation

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Canterbury Park Holding Corporation and Subsidiaries (the Company) as of December 31, 2019 and 2018, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the years in the two-year period ended December 31, 2019, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

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

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

/s/ Wipfli LLP

We have served as the Company's auditor since 2014.

Minneapolis, Minnesota  
March 26, 2020

**CANTERBURY PARK HOLDING CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2019 AND 2018**

	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 355,399	\$ 4,895,359
Restricted cash	2,308,955	5,058,639
Short-term investments	103,886	206,545
Accounts receivable, net of allowance of \$19,250 for both periods	302,037	241,743
Current portion of notes receivable	—	1,063,650
Inventory	390,118	297,209
Prepaid expenses	501,493	625,025
Income taxes receivable	—	417,003
Total current assets	3,961,888	12,805,173
<b>LONG-TERM ASSETS</b>		
Deposits	49,500	49,500
Restricted cash - long-term portion	1,262,744	1,250,000
TIF receivable	9,708,856	1,908,065
Notes receivable - long-term portion	—	1,078,861
Related party receivable (Note 15)	3,528,927	3,208,400
Operating lease right-of-use assets	74,832	—
Equity investment (Note 13)	2,992,633	2,995,010
Land, buildings and equipment, net (Note 3)	43,833,702	38,131,052
<b>TOTAL ASSETS</b>	<b>\$ 65,413,082</b>	<b>\$ 61,426,061</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	3,495,238	3,587,328
Card Casino accruals	2,167,056	1,740,926
Accrued wages and payroll taxes	2,254,379	2,268,351
Cash dividend payable	324,439	316,938
Accrued property taxes	1,019,658	1,001,200
Deferred revenue	1,482,130	979,358
Payable to horsepersons	557,696	706,122
Income taxes payable	120,960	—
Current portion of finance lease obligations	24,500	23,216
Current portion of operating lease obligations	29,776	—
Total current liabilities	11,475,832	10,623,439
<b>LONG-TERM LIABILITIES</b>		
Deferred income taxes (Note 4)	4,404,300	3,970,000
Finance lease obligations, net of current portion	71,784	98,272
Operating lease obligations, net of current portion	45,056	—
Total long-term liabilities	4,521,140	4,068,272
<b>TOTAL LIABILITIES</b>	<b>15,996,972</b>	<b>14,691,711</b>
<b>STOCKHOLDERS' EQUITY (Note 5)</b>		
Common stock, \$.01 par value, 10,000,000 shares authorized, 4,644,522 and 4,527,685, respectively, shares issued and outstanding	46,445	45,277
Additional paid-in capital	22,733,933	21,420,886
Retained earnings	26,635,732	25,268,187
Total stockholders' equity	49,416,110	46,734,350
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 65,413,082</b>	<b>\$ 61,426,061</b>

See notes to consolidated financial statements.

**CANTERBURY PARK HOLDING CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF OPERATIONS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
<b>OPERATING REVENUES:</b>		
Pari-mutuel	\$ 9,832,945	\$ 10,639,029
Card Casino	34,406,195	33,919,928
Food and beverage	8,894,985	8,017,747
Other	6,092,732	6,564,866
Total Net Revenues	59,226,857	59,141,570
<b>OPERATING EXPENSES:</b>		
Purse expense	6,979,508	7,181,683
Minnesota Breeders' Fund	1,052,682	1,039,452
Other pari-mutuel expenses	1,332,321	1,423,980
Salaries and benefits	25,527,560	24,322,840
Cost of food and beverage and other sales	4,075,313	3,586,617
Depreciation	2,679,728	2,563,579
Utilities	1,531,029	1,527,942
Advertising and marketing	2,152,260	2,499,345
Professional and contracted services	4,983,587	4,491,719
Loss on disposal of assets	261,728	120,940
Gain on insurance recoveries	(198,874)	(21,064)
Gain on sale of assets	(12,141)	(129,580)
Gain on transfer of land (Note 13)	—	(2,241,206)
Other operating expenses	5,226,392	5,128,394
Total Operating Expenses	55,591,093	51,494,641
INCOME FROM OPERATIONS	3,635,764	7,646,929
<b>OTHER INCOME</b>		
Interest income, net	326,773	61,515
Net Other Income	326,773	61,515
INCOME BEFORE INCOME TAXES	3,962,537	7,708,444
INCOME TAX EXPENSE (Note 4)	(1,244,263)	(1,990,000)
NET INCOME	\$ 2,718,274	\$ 5,718,444
Basic earnings per share	\$ 0.59	\$ 1.28
Diluted earnings per share	\$ 0.59	\$ 1.26
Weighted Average Basic Shares Outstanding	4,594,118	4,481,667
Weighted Average Diluted Shares	4,607,809	4,534,936
Cash dividends declared per share	0.28	0.28

See notes to consolidated financial statements.

**CANTERBURY PARK HOLDING CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	Number of Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Total
Balance at December 31, 2017	4,414,492	\$ 44,145	\$ 19,865,273	\$ 20,807,679	\$ 40,717,097
Exercise of stock options	67,440	674	569,194	—	569,868
Stock-based compensation	—	—	345,626	—	345,626
Dividend distribution	—	—	—	(1,257,936)	(1,257,936)
401(K) stock match	34,383	344	527,325	—	527,669
Issuance of deferred stock awards	2,788	28	(28)	—	—
Shares issued under Employee Stock Purchase Plan	8,582	86	113,496	—	113,582
Net income	—	—	—	5,718,444	5,718,444
Balance at December 31, 2018	4,527,685	\$ 45,277	\$ 21,420,886	\$ 25,268,187	\$ 46,734,350
Exercise of stock options	41,310	413	272,869	—	273,282
Other share retirements	(5,863)	(59)	(27,915)	(62,048)	(90,022)
Stock-based compensation	—	—	235,105	—	235,105
Dividend distribution	—	—	—	(1,288,681)	(1,288,681)
401(K) stock match	52,089	521	687,979	—	688,500
Issuance of deferred stock awards	10,968	110	(55,044)	—	(54,934)
Shares issued under Employee Stock Purchase Plan	18,333	183	200,053	—	200,236
Net income	—	—	—	2,718,274	2,718,274
Balance at December 31, 2019	4,644,522	\$ 46,445	\$ 22,733,933	\$ 26,635,732	\$ 49,416,110

See notes to consolidated financial statements.

**CANTERBURY PARK HOLDING CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
Operating Activities:		
Net income	\$ 2,718,274	\$ 5,718,444
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,679,728	2,563,579
Stock-based compensation expense	235,105	345,626
Stock-based employee match contribution	688,500	525,100
Deferred income taxes	434,300	968,000
Loss on disposal of assets	261,728	120,940
Loss from equity investment	2,377	—
Gain on insurance recoveries	(198,874)	(21,064)
Gain on sale of assets	(12,141)	(129,580)
Gain on transfer of land	—	(2,241,206)
Changes in operating assets and liabilities:		
Decrease in accounts receivable	(60,294)	24,346
Decrease (increase) in other current assets	30,623	(97,611)
Decrease (increase) in income taxes payable/receivable	537,963	(420,833)
Decrease in operating lease right-of-use assets	28,914	—
Decrease in operating lease liabilities	(28,914)	—
Decrease in accounts payable	(1,364,430)	(133,802)
Increase in deferred revenue	502,772	184,328
Increase (decrease) in Card Casino accruals	426,130	(1,190,279)
Decrease in accrued wages and payroll taxes	(13,972)	(22,910)
Increase in accrued property taxes	18,458	64,638
(Decrease) increase in payable to horsepersons	(148,426)	75,201
Net cash provided by operating activities	<u>6,737,821</u>	<u>6,332,918</u>
Investing Activities:		
Additions to land, buildings, and equipment	(15,165,716)	(5,501,468)
Issuance of related party note receivable	(320,527)	(3,208,400)
Decrease in notes receivable	2,142,511	1,048,655
Proceeds from insurance recoveries	204,174	1,033,264
Sale (purchase) of investments	102,659	(540)
Net cash used in investing activities	<u>(13,036,899)</u>	<u>(6,628,489)</u>
Financing Activities		
Proceeds from issuance of common stock	383,496	686,019
Borrowings on line of credit	5,932,532	—
Payments against line of credit	(5,932,532)	—
Cash dividend paid to shareholders	(1,281,180)	(1,206,111)
Payments for taxes related to net share settlement of equity awards	(54,934)	—
Principal payments on finance lease	(25,204)	(5,892)
Net cash used in financing activities	<u>(977,822)</u>	<u>(525,984)</u>
Net decrease in cash, cash equivalents, and restricted cash	(7,276,900)	(821,555)
Cash, cash equivalents, and restricted cash at beginning of year	11,203,998	12,025,553
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 3,927,098</u>	<u>\$ 11,203,998</u>

**CANTERBURY PARK HOLDING CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018 (continued)**

Schedule of non-cash investing and financing activities		
Additions to buildings and equipment funded through accounts payable	\$ 1,272,000	\$ 867,000
Transfer of future TIF reimbursed costs from PP&E	7,801,000	1,908,000
Dividend declared	324,000	317,000
ROU assets obtained in exchange for operating lease obligations	104,000	127,000
Expiration of buyback option on land	—	110,000
Transfer of assets to Doran Canterbury I	—	754,000
Supplemental disclosure of cash flow information:		
Income taxes paid	\$ 740,000	\$ 1,356,000
Interest paid	42,000	12,000

See notes to consolidated financial statements.

**CANTERBURY PARK HOLDING CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED December 31, 2019 AND 2018**

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**1. OVERVIEW AND BASIS OF PRESENTATION**

*Business* – The Company’s Racetrack operations are conducted at facilities located in Shakopee, Minnesota, approximately 25 miles southwest of downtown Minneapolis. In May 1994, the Company commenced year-round horse racing simulcast operations and hosted the first annual live race meet during the summer of 1995. The Company’s live racing operations are a seasonal business as it hosts live race meets each year from May until September. The Company earns additional pari-mutuel revenue by televising its live racing to out-of-state racetracks around the country. Canterbury Park’s Card Casino operates 24 hours a day, seven days a week and is limited by Minnesota State law to conducting card play on a maximum of 80 tables. The Card Casino currently offers a variety of poker and table games. The Company’s three largest sources of revenues include: Card Casino operations, pari-mutuel operations and food and beverage sales. The Company also derives revenues from related services and activities, such as admissions, advertising signage, publication sales, and from other entertainment events and activities held at the Racetrack. Additionally, the Company is redeveloping approximately 140 acres of underutilized land surrounding the Racetrack in a project known as Canterbury Commons. The Company is pursuing several mixed-use development opportunities for this land, directly and through joint ventures.

*Basis of Presentation* - The consolidated financial statements include the accounts of the Company, Canterbury Park Concessions, Inc. (CPC) and Canterbury Development LLC after elimination of intercompany accounts and transactions.

Effective January 1, 2019, we adopted the requirements of Accounting Standards Updated (“ASU”) No. 2016-02, *Leases* as discussed in Note 2. All amounts and disclosures set forth in this Form 10-K have been updated to comply with the new standards.

*Estimates* – The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**2. ACCOUNTING STANDARDS AND SIGNIFICANT ACCOUNTING POLICIES*****Summary of Significant Accounting Policies***

*Revenue Recognition* – The Company’s primary revenues with customers consist of Card Casino operations, pari-mutuel wagering on simulcast and live horse races, and food and beverage transactions. We determine revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligation in the contract
- Recognition of revenue when, or as, we satisfy a performance obligation



The transaction price for a Card Casino contract is a set percentage of wagers and is recognized at the time that the wagering process is complete. The transaction price for pari-mutuel wagering is the commission received on a wager, exclusive of any track fees and is recognized upon occurrence of the live race that is presented for wagering and after that live race is made official by the respective state's racing regulatory body. The transaction price for food and beverage contracts is the net amount collected from the customer for these goods. Food and beverage services have been determined to be separate, stand-alone performance obligations and the transaction price is recorded as revenue as the good is transferred to the customer when delivery is made.

Contracts for Card Casino operations and pari-mutuel wagering involve two performance obligations for those customers earning points under the Company's loyalty program and a single performance obligation for customers who do not participate in the program. The Company applies a practical expedient by accounting for its gaming contracts on a portfolio basis as these wagers have similar characteristics and the Company reasonably expects the effects on the financial statements of applying the revenue recognition guidance to the portfolio will not differ materially from that which would result if applying the guidance to an individual wagering contract. For purposes of allocating the transaction price in a wagering contract between the wagering performance obligation and the obligation associated with the loyalty points earned, the Company allocates an amount to the loyalty point contract liability based on the stand-alone redemption value of the points earned, which is determined by the value of a point that can be redeemed for a cash voucher, food and beverage voucher, racing admission, valet parking, or racing forms. Based on past experience, the majority of customers redeem their points for cash vouchers.

We have two general types of liabilities related to Card Casino contracts with customers: (1) our MVP Loyalty Program and (2) outstanding chip liability. These are included in the line item Card Casino accruals on the consolidated balance sheet. We defer the full retail value of these complimentary reward items until the future revenue transaction occurs.

The Company offers certain promotional allowances at no charge to patrons who participate in its player rewards program. The retail value of these promotional items is included as a deduction from pari-mutuel revenues and no longer shown as a separate line item on the Company's consolidated statements of operations.

We evaluate our on-track revenue, export revenue, and import revenue contracts to determine whether we are acting as the principal or as the agent when providing services, which we consider in determining if revenue should be reported gross or net. An entity is a principal if it controls the specified service before that service is transferred to a customer.

The revenue we recognize for on-track revenue and import revenue is the commission we are entitled to retain for providing a wagering service to our customers. For these arrangements, we are the principal as we control the wagering service; therefore, any charges, including simulcast fees, we incur for delivering the wagering service are presented as operating expenses.

For export revenue, our customer is the third party wagering site such as a race track, OTB, or advance deposit wagering provider. Therefore, the revenue we recognize for export revenue is the simulcast host fee we earn for exporting our racing signal to the third party wagering site.

*Cash and Cash Equivalents* – Cash and cash equivalents include all investments with original maturities of three months or less or which are readily convertible into known amounts of cash and are not legally restricted. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

*Restricted Cash* – Restricted cash represents refundable deposits and amounts due to horsemen for purses, stakes and awards, and amounts accumulated in card game progressive jackpot pools, the player pool, and poker promotional fund to be used to repay card players in the form of promotions, giveaways, prizes, or by other means. Restricted cash also includes a deposit related to its development operations. In 2018, the Company recorded a deposit with a bank with the purpose of assisting Doran Canterbury I in completing financing for a construction loan. The bank will release the deposit back to the Company when the construction loan is repaid by Doran

Canterbury I and converted into a term loan. As this is expected to occur in 2021 or 2022, the Company classified this as long term restricted cash on the consolidated balance sheet.

*Short-term Investments* – Securities are classified as held to maturity when the Company has the positive intent and ability to hold them to maturity, and are measured at amortized cost. At December 31, 2019 and 2018, all investments were classified as held-to-maturity. The Company continually reviews its investments to determine whether a decline in fair value below the cost basis is other than temporary. If the decline in fair value is judged to be other than temporary, the cost basis of the security is written down to fair value and the amount of the write-down is included in earnings. Short-term investments consist of certificates of deposit at December 31, 2019 and 2018. Amortized cost approximated fair value for both periods.

*Accounts Receivable* – Accounts receivable are initially recorded for amounts due from other tracks for simulcast revenue, net of amounts due to other tracks, and for amounts due from customers related to catering and events. Credit is granted in the normal course of business without collateral. Accounts receivable are stated net of allowances for doubtful accounts, which represent estimated losses resulting from the inability of customers to make the required payments. Accounts that are outstanding longer than the contractual terms are considered past due. When determining the allowances for doubtful accounts, the Company takes several factors into consideration including the overall composition of the accounts receivable aging, its prior history of accounts receivable write-offs, the type of customers and its day-to-day knowledge of specific customers. The Company writes off accounts receivable when they become uncollectible. Changes in the allowances for doubtful accounts are recorded as bad debt expense and are included in other operating expenses in the Company's consolidated statements of operations.

*Property Tax Increment Financing (TIF) Receivable* – In connection with the Contract for Private Redevelopment ("Redevelopment Agreement") between the City of Shakopee Economic Development Authority and Canterbury Development LLC signed in August 2018, the City of Shakopee has agreed that a portion of the tax increment revenue generated from the developed property will be paid to the Company to reimburse it for expenses in constructing infrastructure improvements. The interest rate on the TIF Receivable is 6%.

*Inventory* – Inventory consists primarily of food and beverages, small wares and supplies and retail goods and is recorded at the lower of cost (first-in, first-out) or net realizable value.

*Unredeemed Pari-mutuel Tickets* – The Company records a liability for winning tickets and vouchers upon the completion of a race and when a voucher is printed, respectively. As uncashed winning tickets and vouchers are redeemed, this liability is reduced for the respective cash payment. The Company recognizes revenue associated with the uncashed winning tickets and vouchers when the likelihood of redemption, based on historical experience, is remote. While the Company continues to honor all winning tickets and vouchers presented for payment, management may determine the likelihood of redemption to be remote due to the length of time that has elapsed since the ticket was issued. In these circumstances, if management also determines there is no requirement for remitting balances to government agencies under unclaimed property laws, uncashed winning tickets and vouchers may then be recognized as revenue in the Company's Consolidated Statement of Operations.

*Deferred Revenue* – Deferred revenue includes advance sales related to racing, events and corporate partnerships. Revenue from these advance billings are recognized when the related event occurs or services have been performed. Deferred revenue also includes advanced Cooperative Marketing Agreement ("CMA") promotional funds, and revenue is recognized when expenses are incurred.

*Due to Minnesota Horsemen's Benevolent and Protective Association, Inc. ("MHBPA")* – The Minnesota Pari-mutuel Horse Racing Act specifies that the Company is required to segregate a portion of funds (recorded as purse expense in the statements of operations), received from Card Casino operations and wagering on simulcast and live horse races, for future payment as purses for live horse races or other uses of the horsepersons' associations. Pursuant to an agreement with the MHBPA, the Company transferred into a trust account or paid directly to the MHBPA, approximately \$6,314,000 and \$6,442,000 for the years ended December 31, 2019 and 2018, respectively, related to thoroughbred races. Minnesota Statutes specify that amounts transferred into the trust account are the property of the trust and not of the Company.

*Impairment of Long-Lived Assets* – The Company reviews its long-lived assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In the event that facts and circumstances indicate that the carrying value of any long-lived assets may be impaired, an evaluation of recoverability would be performed. If the sum of the expected undiscounted cash flows is less than the carrying value of the related asset or group of assets, a loss is recognized for the difference between the fair value and carrying value of the asset or group of assets. During 2019 and 2018, the Company determined that no evaluations of recoverability were necessary.

*Advertising and Marketing* – Advertising and marketing costs are charged to expense as incurred. The related amounts are presented separately in the Company's consolidated statements of operations.

*Land, Buildings, and Equipment* – Land, buildings, equipment, and building improvements are capitalized at a level of \$2,000 or greater and are recorded at cost. Repair and maintenance costs are charged to operations when incurred. Furniture, fixtures, and equipment are depreciated using the straight-line method over estimated useful lives ranging from 5 – 7 years, while buildings are depreciated over 15 – 39 years. Building improvements are amortized using the straight-line method over the useful life of the assets.

Pre-development costs are incurred prior to vertical construction and for certain land held for development during the due diligence phase. This includes legal, engineering, architecture, and other professional fees incurred in pursuit of new development opportunities for which we believe future development is probable. Future development is dependent upon various factors, including zoning and regulatory approval, rental market conditions, construction costs and availability of capital. Pre-development costs incurred for which future development is not yet considered probable are expensed as incurred.

The Company capitalizes property taxes incurred on its land held for development during periods in which activities necessary to get the property ready for its intended use are in progress. Costs incurred after the property is substantially complete and ready for its intended use are charged to expense as incurred.

*Card Casino Accruals* – Minnesota law allows the Company to collect amounts from patrons to fund progressive jackpot pools in the Card Casino. These amounts, along with amounts earned by the player pool, promotional pools, and the outstanding chip liability, are accrued as short-term liabilities at each balance sheet date.

*Income Taxes* – Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to reverse.

The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority.

Interest and penalties associated with uncertain income tax positions are presented in income tax expense. For the years ended December 31, 2019 and 2018, the Company did not recognize any expense related to interest and penalties.

*Net Income Per Share* – Basic net income per common share is based on the weighted average number of common shares outstanding during each year. Diluted net income per common share takes into effect the dilutive effect of potential common shares outstanding. The Company's only potential common shares outstanding are stock options.

*Fair Values of Financial Instruments* – Due to the current classification of all financial instruments and given the short-term nature of the related account balances, carrying amounts reported in the consolidated balance sheets approximate fair value.

**Stock-Based Employee Compensation** – The Company accounts for share-based compensation awards on a fair value basis. The estimated grant date fair value of each stock-based award is recognized as expense over the requisite service period (generally the vesting period). The estimated fair value of each option is calculated using the Black-Scholes option-pricing model. For more information on the Company’s stock-based compensation plans, see Note 5.

### **Recently Adopted Accounting Standards**

#### *ASU No. 2014-09*

In February 2016, the FASB issued ASU No. 2016-02 codified as Accounting Standards Codification (“ASC”) 842, Leases, (“ASC 842”) which addresses the recognition and measurement of leases. Under the new guidance, for all leases (with the exception of short-term leases), at the commencement date, lessees will be required to recognize a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis, and a right-of-use (“ROU”) asset, which is an asset that represents the lessee’s right to control the use of a specified asset for the lease term. The effective date for this update is for the annual and interim periods beginning after December 15, 2018 with early adoption permitted. ASC 842 requires a transition adoption election using either (1) a modified retrospective approach with periods prior to the adoption date being recast or (2) a prospective adoption approach with a cumulative-effect adjustment recognized to the opening balance of retained earnings on the adoption date with prior periods continuing to be reported under previous lease accounting guidance.

The Company adopted ASC 842 on January 1, 2019 using the prospective adoption approach, and therefore, comparative periods will continue to be reported under previous lease accounting guidance consistent with previously issued financial statements. The Company also elected to adopt the package of practical expedients permitted under the transition guidance within ASC 842, which among other things, allows us to carry forward the historical lease identification, lease classification and treatment of initial direct costs for leases entered into prior to January 1, 2019. We have also made an accounting policy election to not record short-term leases with an initial term of 12 months or less on the balance sheet for all classes of underlying assets. The adoption of ASC 842 did not have a material impact on our consolidated financial statements. Refer to Note 8 for further detail.

### **3. LAND, BUILDINGS AND EQUIPMENT**

Land, buildings and equipment, at cost, consist of the following at December 31, 2019 and 2018:

	2019	2018
Land	\$ 2,507,298	\$ 2,507,926
Land held for development	9,191,107	8,164,589
Buildings and building improvements	38,858,798	34,439,339
Furniture and equipment	22,821,447	22,097,711
Construction in progress	3,174,664	2,113,226
	76,553,314	69,322,791
Accumulated depreciation	(32,719,612)	(31,191,739)
	<u>\$ 43,833,702</u>	<u>\$ 38,131,052</u>

Land held for development represents land owned for potential real estate development.

#### 4. INCOME TAXES

A reconciliation between income taxes computed at the statutory federal income tax rate and the effective tax rate for the years ended December 31, 2019 and 2018 is as follows:

	2019	2018
Federal tax expense at statutory rates	\$ 928,000	\$ 1,618,800
Nondeductible lobbying expense	15,100	15,100
State expense, net of federal impact	316,000	615,300
Stock option expense	(14,200)	(74,200)
Federal deferred remeasurement	—	(175,600)
Other	(637)	(9,400)
	<u>\$ 1,244,263</u>	<u>\$ 1,990,000</u>

On December 22, 2017, the U.S. Tax Cuts and Jobs Act ("TCJA") was signed into law. U.S. GAAP requires that the impact of tax legislation be recognized in the period in which the law was enacted. The Tax Act significantly revised the U.S. corporate income tax regime by, among other things, lowering the highest U.S. corporate tax rate of 35% to a flat 21% effective for tax years starting after December 31, 2017. As a result, we recorded a tax benefit of \$175,600 in the fourth quarter of 2018 as a result of a revaluation of the net deferred tax liabilities due to the corporate tax rate change from 34% to 21% starting in 2018.

Income tax expense for the years ended December 31, 2019 and 2018 consists of the following:

	2019	2018
Current		
Federal	\$ 449,000	\$ 290,000
State	361,000	732,000
	<u>810,000</u>	<u>1,022,000</u>
Deferred, Federal	479,263	1,164,000
Deferred, State	(45,000)	(196,000)
	<u>\$ 1,244,263</u>	<u>\$ 1,990,000</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of the Company's deferred tax assets and liabilities as of December 31, 2019 and 2018 are as follows:

	2019	2018
Deferred tax assets (liabilities)		
Vacation accrual	\$ 72,800	\$ 62,500
Player rewards program accrual	143,200	136,200
Stock options	75,100	37,400
Long-Term Incentive Plan	114,300	126,800
Other	5,500	5,600
Land, building and equipment - cost and depreciation	(4,062,800)	(3,507,500)
Investment in JV	(729,000)	(729,000)
Prepaid Expenses	(7,700)	(102,000)
TIF receivable accrued interest	(43,600)	—
Lease Obligations	27,900	—
Net long-term deferred tax liabilities	<u>\$ (4,404,300)</u>	<u>\$ (3,970,000)</u>

The Company is subject to U.S. and Minnesota taxation. The Company is no longer subject to U.S. federal, state, or local examinations by tax authorities for years before 2016.

## 5. STOCKHOLDERS' EQUITY AND STOCK-BASED COMPENSATION

### ***Stockholders' Equity***

#### *Employee Stock Purchase Plan:*

The Company offers an Employee Stock Purchase Plan (the "ESPP") that is open to all employees working more than 15 hours per week. Shares of the Company's common stock may be purchased by employees at six-month intervals at 85% of the fair market value on the last trading day of each six-month period. Employees purchased 18,333 and 8,582 shares in 2019 and 2018, respectively. As of December 31, 2019, a total of 324,504 shares have been issued from the 350,000 shares originally authorized.

#### *KSOP:*

The Company offers a KSOP Plan (the "KSOP") that includes the Employee Stock Ownership Plan (the "ESOP") and the 401(k) Plan. The KSOP allows the Company to use Company stock to match contributions from its employees should it so choose. The KSOP is available to eligible employees who had completed six months of service. Beginning January 1, 2016, the matching of employee contributions were issued in Company stock. Employer contributions charged to operations for stock matching of employee contributions for the year ended December 31, 2019 and 2018 totaled \$688,000 and \$527,000, respectively.

#### *Stock Repurchase Plan:*

In 2007, the Company's Board of Directors adopted a plan that authorized the repurchase of up to 250,000 shares of the Company's common stock in open market transactions or block purchases of privately negotiated transactions. The Company repurchased 216,543 shares under the 2008 Stock Repurchase Plan and in 2012, authorized the repurchase of an additional 100,000 shares of the Company's common stock. No shares were repurchased in 2019 or 2018, and currently the Company is authorized to repurchase up to 128,871 shares under the Stock Repurchase Plan

### ***Stock-Based Compensation***

Stock-based compensation is recorded at fair value as of the date of grant, is included in the salaries and benefits expense line item on the consolidated statements of operations and amounted to \$235,000 and \$346,000 for the years ended December 31, 2019 and 2018, respectively.

#### *Stock Options:*

The Company's 1994 Stock Plan, as amended, (the "Plan") provides for the granting of awards in the form of stock options, restricted stock, stock appreciation rights, and deferred stock to key employees and non-employees, including directors of and consultants to the Company and any subsidiary, to purchase up to a maximum of 1,650,000 shares of common stock. The Company currently has 364,928 shares available for grant under the Plan. The Plan is administered by the Board of Directors which determines the persons who are to receive awards under the Plan, the type of award to be granted, the number of shares subject to each award and, if an option, the exercise price of each option.

The Plan provides that payment of the exercise price may be made in the form of unrestricted shares of common stock already owned by the optionee. The Company calculates the fair market value of unrestricted shares as the average of the high and low sales prices on the date of the option exercise. The Company's common stock is purchased upon the exercise of stock options, and restricted stock awards are settled in shares of the Company's common stock.

Stock option activity related to the Plan during the years ended December 31, 2019 and 2018 is summarized below:

	2019		2018	
	Number of Options	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of year	75,062	\$ 7.95	142,502	\$ 8.19
Granted	—	—	—	—
Exercised	(41,310)	6.62	(67,440)	8.45
Expired/Forfeited	(502)	6.00	—	—
Outstanding at end of year	33,250	\$ 9.64	75,062	\$ 7.95
Options exercisable at end of year	33,250	\$ 9.64	75,062	\$ 7.95

The grant-date fair value of options outstanding and exercisable at December 31, 2019 and 2018 was \$148,000 and \$224,000, respectively. The weighted average remaining contractual term of these options is 0.4 years.

There were no options granted in 2019 or 2018. The total fair value of options exercised during the years ended December 31, 2019 and 2018 was \$75,000 and \$183,000, respectively. The total intrinsic value of options exercised during 2019 and 2018 was \$313,000 and \$494,000, respectively.

The following table summarizes information concerning all options outstanding and options exercisable as of December 31, 2019:

Range of Exercise Price	Options Outstanding				Options Exercisable		
	Number Outstanding	Weighted Average Life (Years) Remaining	Weighted Average Exercise Price	Aggregate Intrinsic Value	Number Exercisable	Weighted Average Exercise Price	Aggregate Intrinsic Value
\$ 6.00 - 8.00	—	—	\$ —	\$ —	—	\$ —	\$ —
\$ 8.01 - 11.00	24,250	0.2	\$ 8.28	99,910	24,250	\$ 8.28	99,910
\$ 11.01 - 14.00	9,000	2.1	\$ 13.30	—	9,000	\$ 13.30	—
Total	33,250	0.9	\$ 9.64	\$ 99,910	33,250	\$ 9.64	\$ 99,910

### *Board of Directors Stock Option and Restricted Stock Grants*

The Company's Stock Plan was amended to authorize annual grants of restricted stock, deferred stock, stock options, or any combination of the three, to non-employee members of the Board of Directors at the time of the Company's annual shareholders' meeting as determined by the Board prior to each such meeting. Options granted under the Plan generally expire 10 years after the grant date. Restricted stock and deferred stock grants generally vest 100% one year after the date of the annual meeting at which they were granted, are subject to restrictions on resale for an additional year, and are subject to forfeiture if a board member terminates his or her board service prior to the shares vesting.

Below is a summary of changes in Board of Directors unvested restricted and deferred stock:

	Restricted/ Deferred Stock	Weighted Average Fair Value Per Share
Non-Vested Balance, December 31, 2017	11,264	\$ 10.65
Granted	7,456	16.10
Vested	(11,264)	10.65
Forfeited	—	—
Non-Vested Balance, December 31, 2018	7,456	\$ 16.10
Granted	12,604	12.69
Vested	(7,456)	16.10
Forfeited	—	—
Non-Vested Balance, December 31, 2019	12,604	\$ 12.69

At December 31, 2019, there was approximately \$75,000 of total unrecognized stock-based compensation expense related to unvested deferred stock awards the Company expects to recognize in 2020.

### *Long Term Incentive Plan and Award of Deferred Stock*

In 2016, the Board of Directors of the Company approved a new plan for long-term incentive compensation of the Company's named executive officers (NEOs) and other Senior Executives called the Canterbury Park Holding Corporation Long Term Incentive Plan (the "LTI Plan"). The LTI Plan authorizes the grant of Long Term Incentive Awards that provide an opportunity to NEOs and other Senior Executives to receive a payment in cash or shares of the Company's common stock to the extent of achievement at the end of a period greater than one year (the "Performance Period") as compared to Performance Goals established at the beginning of the Performance Period. The Company uses three years as the Performance Period. The LTI is a sub-plan of the Company's Stock Plan which authorizes the grant of Deferred Stock awards that represent the right to receive Company common stock if conditions specified in the awards are satisfied.

The Board has approved granting opportunities in 2017, 2018, and 2019 to Company officers and key employees to earn long-term incentive compensation under the LTI Plan. Each officer and key employee was granted an Incentive Award (that was also a Deferred Stock Award under the Stock Plan) which provided an opportunity to receive a payout of shares of the Company's common stock to the extent of achievement compared to Performance Goals at the end of the three year Performance Period. The Company expects to pay out 24,681 shares of deferred stock in the 2020 first quarter, related to the Performance Period ended December 31, 2019. The number of shares to be paid out for the Performance Period ending December 31, 2020 and 2021 will be determined based on actual achievement compared to Performance Goals. Compensation expense related to the LTI plan for 2019 and 2018 was \$100,000 and \$216,000, respectively.



## 6. NET INCOME PER SHARE COMPUTATIONS

The following is a reconciliation of the numerator and denominator of the net income per common share computations for the years ended December 31, 2019 and 2018

	Year Ended December 31,	
	2019	2018
Net income (numerator) amounts used for basic and diluted per share computations:	\$ 2,718,274	\$ 5,718,444
Weighted average shares (denominator) of common stock outstanding:		
Basic	4,594,118	4,481,667
Plus dilutive effect of stock options	13,691	53,269
Diluted	4,607,809	4,534,936
Net income per common share:		
Basic	\$ 0.59	\$ 1.28
Diluted	0.59	1.26

Options to purchase 9,000 shares of common stock at an average price of \$13.30 per share were outstanding but not included in the computation of diluted net income per share for the year ended December 31, 2019 because the exercise price of the options exceeded the market price of the Company's common stock at December 31, 2019.

There were no out of the money options at December 31, 2018, thus, all outstanding options to purchase shares of common stock were included in the computation of diluted net income per share.

## 7. GENERAL CREDIT AGREEMENT

The Company has a general credit and security agreement with a financial institution, which provides a revolving credit line of up to \$8,000,000 and allows for a letter of credit in the aggregate amount of up to \$2,000,000 to be issued under the credit agreement. This agreement was amended as of September 30, 2019 to extend the maturity date to September 30, 2020. The line of credit is collateralized by all receivables, inventory, equipment, and general intangibles of the Company. The Company had borrowings of \$5,933,000 under the credit line during the year ended December 31, 2019. As of December 31, 2019, the outstanding balance on the line of credit was \$0. The credit agreement contains covenants requiring the Company to maintain certain financial ratios. The Company was in compliance with these requirements as of December 31, 2019.

## 8. LEASES AND COMMITMENTS

The Company determines if an arrangement is a lease or contains a lease at inception. The Company leases certain office equipment under finance leases. We also lease equipment related to our horse racing operations under operating leases. For lease accounting purposes, we do not separate lease and nonlease components, nor do we record operating or finance lease assets and liabilities for short term leases.

As our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date to determine the present value of lease payments. We recognize expense for operating leases on a straight-line basis over the lease term. The Company's lease agreements do not contain any variable lease payments, material residual value guarantees or any restrictive covenants.

Lease costs related to operating leases were \$33,519 for the year ended December 31, 2019. The total lease expenses for leases with a term of twelve months or less for which the Company elected not to recognize a lease asset or liability was \$558,233 for the year ended December 31, 2019.

Lease costs included in depreciation and amortization related to our finance leases were \$23,795 for the year ended December 31, 2019. Interest expense related to our finance leases was immaterial.

The following table shows the classification of the right of use assets on our consolidated balance sheets:

	Balance Sheet Location	December 31, 2019
<b>Assets</b>		
Finance	Land, buildings and equipment, net (1)	96,284
Operating	Operating lease right-of-use assets	74,832
Total Leased Assets		<u>\$ 171,116</u>

1 – Finance lease assets are net of accumulated amortization of \$23,795 for the year ended December 31, 2019.

The following table shows the lease terms and discount rates related to our leases:

	December 31, 2019
Weighted average remaining lease term (in years):	
Finance	3.7
Operating	1.3
Weighted average discount rate (%):	
Finance	5.0%
Operating	5.4%

The maturity of operating leases and finance leases for the year ended December 31, 2019 are as follows:

Year Ended December 31, 2019	Operating leases	Finance leases
2020	31,349	28,743
2021	23,100	28,743
2022	23,100	28,743
2023	—	19,331
Total minimum lease obligations	77,549	105,560
Less: amounts representing interest	(2,717)	(9,276)
Present value of minimum lease payments	74,832	96,284
Less: current portion	(29,776)	(24,500)
Lease obligations, net of current portion	<u>\$ 45,056</u>	<u>\$ 71,784</u>

#### *Purchase Obligations*

In March 2014, the Company entered into a seven-year agreement with a new totalizator provider. Pursuant to the agreement, the vendor provides totalizator equipment and related software which records and processes all wagers and calculates odds and payoffs. The amounts charged to operations for totalizator expenses for the years ended December 31, 2019 and 2018 were \$233,000 and \$230,000, respectively.

Future minimum purchase obligations are as follows:

Obligations	Payment due by period	
	Total Amount Committed	2020
Purchases	235,000	\$ 235,000

## 9. CONTINGENCIES

Canterbury Park Holding Corporation was incorporated on March 24, 1994. On March 29, 1994, the Company acquired all the outstanding securities of Jacobs Realty, Inc. (“JRI”) from Irwin Jacobs and IMR Fund, L.P. (an investment fund for various pension plans and trusts). JRI was merged into the Company, and the acquisition was accounted for under the purchase method of accounting whereby the acquired assets and liabilities have been recorded at the Company’s cost. The primary asset of JRI was Canterbury Downs Racetrack and the 325 acres of surrounding land.

On May 20, 1994, the Company adopted a plan of Reorganization pursuant to which the sole shareholder of Canterbury Park Concessions, Inc. (“CPC”), and majority shareholder of the Company, agreed to exchange his shares of CPC stock for 198,888 shares of the Company’s common stock concurrent with the closing of a public offering. Pursuant to the Plan of Reorganization, CPC became a wholly-owned subsidiary of the Company in August 1994 when the Company completed the initial public offering of its common stock. This reorganization was treated in a manner similar to a pooling of interests. Net proceeds received by the Company from the public offering were approximately \$4,847,000, which along with additional borrowings under the Company’s line of credit with the majority shareholder, were used to pay off the remaining notes payable from the acquisition of JRI.

In connection with the purchase of the Racetrack, the Company entered into an Earn Out Promissory Note dated March 29, 1994. In accordance with the Earn Out Note, if (i) off-track betting becomes legally permissible in the State of Minnesota and (ii) the Company begins to conduct off-track betting with respect to or in connection with its operations, the Company will be required to pay to the IMR Fund, L.P. the greater of \$700,000 per operating year, as defined, or 20% of the net pretax profit, as defined for each of five operating years. At this time, management believes that the likelihood that these two conditions will be met and that the Company will be required to pay these amounts is remote. At the date (if any) that these two conditions are met, the five minimum payments will be discounted back to their present value and the sum of those discounted payments will be capitalized as part of the purchase price in accordance with generally accepted accounting principles. The purchase price will be further increased if payments become due under the “20% of Net Pretax Profit” calculation. The first payment is to be made 90 days after the end of the third operating year in which off-track betting is conducted by the Company. Remaining payments would be made within 90 days of the end of each of the next four operating years.

Effective on June 15, 2012, the Company entered into a Cooperative Marketing Agreement (the “CMA”) with the Shakopee Mdewakanton Sioux Community (“SMSC”). The CMA was amended in January 2015, 2016, 2017, and 2018. The CMA contains certain covenants which, if breached, would trigger an obligation to repay a specified amount related to such covenant. At this time, management believes that the likelihood that the breach of a covenant will occur and that the Company will be required to pay the specified amount related to such covenant is remote.

The Company is periodically involved in various claims and legal actions arising in the normal course of business. Management believes that the resolution of any pending claims and legal actions at December 31, 2019 and as of the date of this report will not have a material impact on the Company’s consolidated financial positions or results of operations.

The Company has committed to payment of statutory distributions under a \$500,000 bond issued to the Minnesota Racing Commission as required by Minnesota statute. The Company was not required to make any payments related to this bond in 2019 or 2018, and there is no liability related to this bond on the balance sheet as of December 31, 2019.

## 10. OPERATING SEGMENTS

The Company has four reportable operating segments: horse racing, Card Casino, food and beverage, and development. The horse racing segment primarily represents simulcast and live horse racing operations. The Card Casino segment represents operations of Canterbury Park's Card Casino, the food and beverage segment represents food and beverage operations provided during simulcast and live racing, in the Card Casino, and during special events, and the development segment represents our real estate development operations. The Company's reportable operating segments are strategic business units that offer different products and services. They are managed separately because the segments differ in the nature of the products and services provided as well as process to produce those products and services. The Minnesota Racing Commission regulates the horse racing and Card Casino segments.

Depreciation, interest expense, and income taxes are allocated to the segments but no allocation is made to food and beverage for shared facilities. However, the food and beverage segment pays approximately 25% of gross revenues earned on live racing and special event days to the horse racing segment for use of the facilities.

The following tables represent a disaggregation of revenues from contracts with customers along with the Company's operating segments (in 000's):

	Year Ended December 31, 2019				
	Horse Racing	Card Casino	Food and Beverage	Development	Total
Net revenues from external customers	\$ 15,370	\$ 34,406	\$ 9,430	\$ 21	\$ 59,227
Intersegment revenues	999	—	1,425	—	2,424
Net interest (expense) income	(38)	—	—	365	327
Depreciation	2,262	186	232	—	2,680
Segment (loss) income before income taxes	(2,695)	6,400	715	65	4,485
Segment tax expense (benefit)	(1,011)	2,009	225	21	1,244
	At December 31, 2019				
	\$ 31,618	\$ 3,327	\$ 25,430	\$ 29,074	\$ 89,449
Segment Assets					
	Year Ended December 31, 2018				
	Horse Racing	Card Casino	Food and Beverage	Development	Total
Net revenues from external customers	\$ 16,764	\$ 33,920	\$ 8,458	\$ —	\$ 59,142
Intersegment revenues	806	—	1,393	—	2,199
Net interest income	25	—	—	37	62
Depreciation	2,371	5	188	—	2,564
Segment income before income taxes	279	7,195	1,197	2,350	11,021
Segment tax expense (benefit)	(784)	1,858	309	607	1,990
	At December 31, 2018				
	\$ 35,992	\$ 623	\$ 23,680	\$ 24,647	\$ 84,942
Segment Assets					

The following are reconciliations of reportable segment revenues, income before income taxes, and assets, to the Company's consolidated totals for the years ended December 31, 2019 and 2018 (in 000's):

	Year Ended December 31, 2019	
	2019	2018
<b>Revenues</b>		
Total net revenue for reportable segments	\$ 61,651	\$ 61,341
Elimination of intersegment revenues	(2,424)	(2,199)
Total consolidated net revenues	\$ 59,227	\$ 59,142

<b>Income before income taxes</b>			
Total segment income before income taxes	\$	4,485	\$ 11,021
Elimination of intersegment income before income taxes		(522)	(3,313)
Total consolidated income before income taxes	\$	3,963	\$ 7,708
		<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b>Assets</b>			
Total assets for reportable segments	\$	89,449	\$ 84,942
Elimination of intercompany balances		(24,036)	(23,516)
Total consolidated assets	\$	65,413	\$ 61,426

# 11. SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

	2019 Quarter Ended			
	March 31	June 30	September 30	December 31
Net revenues	\$ 11,590,798	\$ 16,433,177	\$ 18,600,641	\$ 12,602,241
Operating expenses	11,613,559	15,128,423	17,127,279	11,721,832
Net income	56,572	957,757	1,150,485	553,460
Basic net income per share	0.01	0.21	0.25	0.12
Diluted net income per share	0.01	0.21	0.25	0.12

	2018 Quarter Ended			
	March 31	June 30	September 30	December 31
Net revenues	\$ 12,219,946	\$ 16,512,724	\$ 18,370,511	\$ 12,038,389
Operating expenses	10,863,193	15,513,258	16,338,866	8,779,324
Net income	989,690	725,351	1,632,845	2,370,558
Basic net income per share	0.22	0.16	0.36	0.52
Diluted net income per share	0.22	0.16	0.36	0.52

# 12. COOPERATIVE MARKETING AGREEMENT

On June 4, 2012, the Company entered into the CMA with the SMSC. The primary purpose of the CMA is to increase purses paid during live horse racing at Canterbury Park's Racetrack in order to strengthen Minnesota's thoroughbred and quarter horse industry. Under the CMA, as amended, this is achieved through "Purse Enhancement Payments to Horsemen" paid directly to the MHBPA. Such payments have no direct impact on the Company's consolidated financial statements or operations. Under the terms of the CMA, as amended, the SMSC paid the horsemen \$7.3 million for purse enhancements for each of the years ended December 31, 2019 and 2018.

Under the CMA, SMSC also agreed to make "Marketing Payments" to the Company relating to joint marketing efforts for the mutual benefit of the Company and SMSC, including signage, joint promotions, player benefits and events. Under the CMA, the SMSC paid the Company \$1,620,000 for marketing purposes for each of the years ended December 31, 2019 and 2018.

The CMA was amended in January 2015, January 2016, January 2018, and March 2018 to adjust the payment amounts between the "Purse Enhancement Payments to Horsemen" and "Marketing Payments to Canterbury Park." Under the CMA as most recently amended, the SMSC has agreed to make the following purse enhancement and marketing payments for 2020 through 2022:

Year	Purse Enhancement Payments to Horsemen (1)	Marketing Payments to Canterbury Park
2020	\$ 7,380,000	\$ 1,620,000
2021	7,380,000	1,620,000
2022	7,380,000	1,620,000

(1) - Includes \$100,000 each year payable to various horsemen associations

The amounts earned from the marketing payments are recorded as a component of other revenue and the related expenses are recorded as a component of advertising and marketing expense and depreciation in the Company's condensed consolidated statements of operations. For the year ended December 31, 2019, the Company recorded \$1,114,000 in other revenue and incurred \$888,000 in advertising and marketing expense and incurred \$226,000 in depreciation related to the SMSC marketing funds. For the year ended December 31, 2018, the Company recorded \$1,275,000 in other revenue and incurred \$1,049,000 in advertising and marketing expense and \$226,000 in depreciation related to the SMSC marketing funds.

Under the CMA, the Company agreed for the term of the CMA that it would not promote or lobby the Minnesota legislature for expanded gambling authority and will support the SMSC's lobbying efforts against expanding gambling authority.

### 13. REAL ESTATE DEVELOPMENT

#### *Land Sale and Repurchase*

On October 6, 2015, the Company sold six acres of land adjacent to the Racetrack for \$1,459,000 and recorded a gain of \$660,000 on the *Consolidated Statements of Operations – Gain on sale of land*. Under the agreement with the buyer, the Company had the option to repurchase up to one acre within three years from closing date at the sale price of approximately \$240,000 per acre. According to ASC 360-20-40-38 - *Derecognition*, the Company recorded the repurchase option acre as a deferred gain liability in the amount of \$240,000 on the Consolidated Balance Sheets. Since the risks and rewards were not completely transferred to the buyer based on the repurchase option, the Company maintained the asset on our financials in the amount of \$110,000. The repurchase option lapsed on October 6, 2018, and the Company did not repurchase the one acre of land. Therefore, a gain on sale of land of \$129,500 was recognized on the Consolidated Statements of Operations for the year ended December 31, 2018.

#### *Equity Investment*

On April 2, 2018, the Company's subsidiary Canterbury Development LLC entered into an Operating Agreement ("Operating Agreement") with an affiliate of Doran Companies ("Doran"), a national commercial and residential real estate developer, as the two members of a Minnesota limited liability company named Doran Canterbury I, LLC ("Doran Canterbury I"). Doran Canterbury I was formed as part of a joint venture between Doran and Canterbury Development LLC to construct an upscale apartment complex on land adjacent to the Company's Racetrack (the "Project"). Doran Canterbury is developing Phase I of the Project, which will include approximately 300 units, a heated parking ramp, and a clubhouse.

In connection with the execution of the Amended Doran Canterbury I Agreement, on August 18, 2018, Canterbury Development LLC entered into an Operating Agreement with Doran Shakopee, LLC as the two members of a Minnesota limited liability company entitled Doran Canterbury II, LLC ("Doran Canterbury II"). Under the Doran Canterbury II Operating Agreement, Doran Canterbury II will pursue development of Phase II of the Project, which is expected to begin upon rental stabilization of Phase I. Phase II will include an additional 300 apartment units. Canterbury Development's equity contribution to Doran Canterbury for Phase II will be approximately 10 acres of land. In connection with its contribution, Canterbury Development will become a 27.4% equity member in Doran Canterbury II with Doran owning the remaining 72.6%.

On September 27, 2018, Canterbury Development LLC contributed approximately 13 acres of land as its equity contribution in the joint venture and became a 27.4% equity member. On December 20, 2018, financing for Doran Canterbury I was secured. As the Company is able to assert significant influence, but not control, over Doran Canterbury I's operational and financial policies, the Company will account for the joint venture as an equity method investment. In accordance with ASC 610-20, we determined that we do not have a controlling financial interest in the joint venture and the arrangement meets the criteria to be accounted for as a contract. Therefore, we derecognized the land and recognized a full gain (approximately \$2,241,000) between the carrying amount of the land and the estimated fair value of the land transferred. The Company recognize its proportionate share of Doran Canterbury I's earnings (after the effect of basis differences) as an increase or decrease in its Investment in Doran Canterbury I and as Income or Loss from Investment in Doran Canterbury I.

#### *Tax Increment Financing*

On August 8, 2018, the City Council of the City of Shakopee, Minnesota approved a Contract for Private Redevelopment ("Redevelopment Agreement") between the City of Shakopee Economic Development Authority ("Shakopee EDA") and Canterbury Park Holding Corporation and its subsidiary Canterbury Development LLC in connection with a Tax Increment Financing District ("TIF District") that the City had approved in April 2018. The City of Shakopee, the Shakopee EDA and the Company entered into the Redevelopment Agreement on August 10, 2018.

Under the Redevelopment Agreement, the Company has agreed to undertake a number of specific infrastructure improvements within the TIF District, including the development of public streets, utilities, sidewalks, and other public infrastructure. More specifically, the Company is obligated to construct improvements on Shenandoah Drive and Barescheer Boulevard with these improvements required to be substantially complete on or before December 31, 2019 and December 31, 2020, respectively. As of December 31, 2019, improvements to Shenandoah Drive were substantially complete.

Under the Redevelopment Agreement, the City of Shakopee has agreed that a portion of the tax increment revenue generated from the developed property will be paid to the Company to reimburse it for its expense in constructing infrastructure improvements. The total estimated cost of TIF eligible improvements to be borne by the Company is \$23,336,500. A detailed Schedule of the Public Improvements under the Redevelopment Agreement, the timeline for their construction and the source and amount of funding is set forth on Exhibit C of the Redevelopment Agreement, which was filed as Exhibit 10.1 to the Company's Form 10-Q for the quarter ended June 30, 2018. The total amount of funding that Canterbury will be paid as reimbursement under the TIF program for these improvements is not guaranteed, however, and will depend on future tax revenues generated from the developed property. As of December 31, 2019, the Company recorded a TIF receivable of \$9,709,000, which represents \$9,557,000 of principal and \$152,000 of interest. Management believes no allowance for doubtful accounts is necessary. As of December 31, 2018, the Company recorded a TIF receivable of \$1,909,000, which represented only principal.

The Company expects to finance its improvements under the Redevelopment Agreement with funds from its current operating resources and existing credit facility and, potentially, third-party financing sources.

#### 14. NOTES RECEIVABLE

During May 2016, the Company sold approximately 24 acres of land adjacent to the Racetrack for a total consideration of approximately \$4.3 million. Promissory notes receivable consisted of two promissory notes totaling \$3,191,000 bearing interest at the mid-term applicable federal rate, which equaled 1.43%. On November 1, 2019, the Company received a final payment of \$982,639, which represented \$975,363 of principal and \$7,276 in interest related to the note receivable. This resulted in an increase to Cash and cash equivalents of \$982,639 and a decrease to our Current portion of notes receivable for the same amount. The remaining difference between the Current portion of notes receivable balance and payment received was recorded as a loss on disposal of assets.

#### 15. RELATED PARTY RECEIVABLES

On December 20, 2018, the Company entered into a loan agreement with Doran Family Holdings, a related party that is the controlling partner in the Doran Canterbury I joint venture. The Company loaned Doran Family Holdings \$2,910,000 and received a promissory note totaling \$2,940,000 bearing interest at 5%. The note will mature at the earliest of (i) the date of closing by Doran Canterbury II, LLC on Phase II Project Financing; (ii) the closing on any purchase of the Phase II Land by Doran Shakopee, LLC pursuant to its option under Section 3.9(a) of the Operating Agreement; (iii) the date of final determination that the Phase II Project will not be developed by either Doran Canterbury II, LLC; or (iv) three (3) years following the date of the note. The promissory note is fully and unconditionally guaranteed by Doran Family Holdings. Management believes no allowance for doubtful accounts is necessary. For the year ended December 31, 2019, the Company recorded \$147,000 of interest income related to this note.

In 2018, the Company incurred \$269,000 of costs for preliminary grading work on parcels of land the Company has designated for Doran Canterbury II. The Company will be fully reimbursed for these costs upon the commencement of the Doran Canterbury II project and thus, recorded the amount as a receivable for the year ended December 31, 2018 and 2019. Although there is a possibility Doran Canterbury II will not materialize, the Company currently believes the likelihood of that is remote.

In 2019, the Company contributed two member loans to the Doran Canterbury I joint venture totaling \$178,100 and \$137,000, respectively. The member loans bears interest at the rate equal to the Prime Rate plus two percent annum. The Company expects to be fully reimbursed for the member loans upon positive cash flow from the joint venture. For the year ended December 31, 2019, the Company recorded \$5,000 of interest income related to these loans.

#### 16. SUBSEQUENT EVENTS

On March 16, 2020, the Company announced that, based on the advice of Minnesota state and regulatory bodies, it was temporarily suspending all card casino, simulcast, and special events operations at Canterbury Park at noon on March 16, 2020 in response to concerns about the COVID-19 coronavirus. Canterbury Park determined this voluntary suspension of activities was in the best interest of the health and safety of its guests and team members and would provide the Company an opportunity to review and update operational best practices and strategies based on what was currently known about this public health situation and future developments. The Company will continue to monitor developments with respect to the COVID-19 coronavirus and provide updated information on its website, or in press releases.

As a result of the temporary suspension of operations, the Company's three main sources of income and cash flow, revenues from simulcasting, card casino, and food and beverage ceased operating on March 16, 2020. In the second quarter ended June 30, 2019, the Company had revenue of \$2,546,000 from live racing and simulcasting, \$8,891,000 from the Card Casino and \$2,544,000 from food and beverage. The Company cannot currently predict when it will be able to resume simulcasting or reopen its Card Casino, or whether it will be able to commence live racing on its projected May 15, 2020 date. The Company's food and beverage revenue is driven primarily by its simulcasting, live racing, and card casino guests.



In a separate press also issued on March 16, 2020, the Company announced that in conjunction with its determination to temporarily shut down operations due to concerns and uncertainty about the effect of the COVID-19 coronavirus, the Company's Board of Directors had suspended declaring and paying its \$0.07 quarterly cash dividend, that would normally be paid in April 2020.

**Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

*Not Applicable.*

**Item 9A. CONTROLS AND PROCEDURES**

(a) Evaluation of Disclosure Controls and Procedures:

The Company's Chief Executive Officer, Randall D. Sampson, and Chief Financial Officer Randy J. Dehmer, have reviewed the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based upon this review, these officers have concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that the Company files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that the disclosure controls are also effective to ensure that information required to be disclosed in the Company's Exchange Act reports is accumulated and communicated to management, including the chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure.

(b) Management's annual report on internal control over financial reporting:

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting of the Company. This system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

The Company's internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting can only provide reasonable assurance and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an evaluation of the effectiveness of the system of internal control over financial reporting as of December 31, 2019. In making this evaluation, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control — Integrated Framework (2013)*. Based on management's evaluation and those criteria, management concluded that the Company's system of internal control over financial reporting was effective as of December 31, 2019.

(c) Changes in Internal Control Over Financial Reporting:

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) under the Securities Exchange Act of 1934) that occurred during our fiscal quarter ended December 31, 2019, that have materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. OTHER INFORMATION**

*Not Applicable.*

**PART III**

**Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Information Incorporated by Reference.

Information required under Item 401 (except as noted below), 405, 406, and 407 (c) (3), (d) (4), and (d) (5) of Regulation S-K to the extent applicable to the Company will be set forth in the Company's Proxy Statement for the Annual Meeting of Shareholders to be held on June 25, 2020 (the "Proxy Statement"), a definitive copy of which will be filed with the Commission within 120 days of the close of the 2019 fiscal year, which information is incorporated herein by reference. Information required under Item 402 of Regulation S-K regarding executive officers is presented under Item 1(c)(x) herein.

Code of Ethics

The Company has adopted a code of ethics applicable to all employees of and consultants to the Company. A copy of the Code of Conduct can be obtained free of charge upon written request directed to the Company's Secretary at the executive offices of the Company.

**Item 11. EXECUTIVE COMPENSATION**

Information required under Item 402 of Regulation S-K to the extent applicable to the Company will be set forth in the Company's Proxy Statement, which information is incorporated herein by reference.

**Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

Information required under Item 201(d) and 403 of Regulation S-K to the extent applicable to the Company will be set forth in the Company's Proxy Statement, which information is incorporated herein by reference.

**Item 13. CERTAIN RELATIONSHIPS, RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

Information, if any, required by Item 404 of Regulation S-K to the extent applicable to the Company will be set forth in the Company's Proxy Statement which information is incorporated herein by reference.

**Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

Information required by Item 14 of this Form 10-K and Item 9(e) of Schedule 14A will be set forth in a section entitled "The Company's Auditors" in the Company's Proxy Statement which information is incorporated herein by reference.

## **PART IV**

### **Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

- (a). The following Consolidated Financial Statements of Canterbury Park Holding Corporation and subsidiaries are included in Part II, Item 8 pages 33-55:
- Reports of Independent Registered Public Accounting Firm
- Consolidated Balance Sheets as of December 31, 2019 and 2018
- Consolidated Statements of Operations for the years ended December 31, 2019 and 2018
- Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2019 and 2018
- Consolidated Statements of Cash Flows for the years ended December 31, 2019 and 2018
- Notes to Consolidated Financial statements
- (b). Exhibits

Exhibit Table Reference	Title of Document
3 Articles of Incorporation and Bylaws:	
3.1	<a href="#">Restated Articles of Incorporation, filed as Exhibit 3.1 to Form 8-K dated June 30, 2016 and incorporated herein by reference</a>
3.2	<a href="#">Bylaws, filed as Exhibit 3.2 to Form 8-K dated June 30, 2016 and incorporated herein by reference</a>
4.1	<a href="#">Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934, Filed herewith.</a>
10 Material contracts and management compensation plans and arrangements:	
10.1	Letter dated April 4, 1994 from the Minnesota Horsemen's Benevolent and Protective Association, Inc. to Minnesota Racing Commission waiving 125 day racing minimum, filed as Exhibit 10.7 to the SB-2 Registration Statement (File 33-81262C0) and incorporated herein by reference
10.2*	<a href="#">Stock Option Plan, as amended, filed as Exhibit 10.5 to the Form 8-K dated June 7, 2017 and incorporated herein by reference</a>

\* Denotes an exhibit that covers management contracts or compensatory plans or arrangements.

<b>Exhibit Table Reference</b>	<b>Title of Document</b>
10.3	<a href="#"><u>General Credit and Security Agreement dated as of November 11, 2016 between Canterbury Park Holding Corporation and Bremer Bank N.A., filed as Exhibit 10.10 to 2017 Form 10-K and incorporated herein by reference.</u></a>
10.3.1	<a href="#"><u>Credit Amendment Agreement, dated as of September 30, 2018, between and among Canterbury Park Holding Corporation and Bremer Bank N.A., filed as Exhibit 10.1 to Form 10-Q dated November 14, 2018 and incorporated herein by reference.</u></a>
10.3.2	<a href="#"><u>Third Amendment made as of September 30, 2019, by and among to the General Credit and Security Agreement between Canterbury Park Holding Corporation and Bremer Bank N.A., filed as Exhibit 10.1 to Form 8-K dated September 30, 2019 and incorporated herein by reference.</u></a>
10.4	<a href="#"><u>Contract for Private Redevelopment dated August 10, 2018 between the City of Shakopee, Minnesota, Economic Development Authority for the City of Shakopee, Minnesota, Canterbury Development LLC, and Canterbury Park Holding Corporation. Filed as Exhibit 10.1 to the Form 10-Q dated August 14, 2018 and incorporated herein by reference.</u></a>
10.5	<a href="#"><u>Cooperative Marketing Agreement dated as of June 4, 2012 between Canterbury Park Holding Corporation and Shakopee Mdewakanton Sioux Community. Filed as Exhibit 99.1 to Form 10-Q dated August 14, 2012 and incorporated herein by reference.</u></a>
10.6	<a href="#"><u>Canterbury Park Holding Corporation Annual Incentive Plan filed as Exhibit 99.1 to Form 8-K dated April 5, 2016 and incorporated herein by reference.</u></a>
10.7	<a href="#"><u>Canterbury Park Holding Corporation Long Term Annual Incentive Plan filed as Exhibit 99.2 to Form 8-K dated April 5, 2016 and incorporated herein by reference.</u></a>

Filed herewith, in addition to items, if any, specifically identified above:

21	<a href="#"><u>Subsidiaries of the Registrant</u></a>
23.1	<a href="#"><u>Consent of Independent Registered Public Accounting Firm</u></a>
24	Power of Attorney, Included in Signature Page
31.1	<a href="#"><u>Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
31.2	<a href="#"><u>Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
32	<a href="#"><u>Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>
99.1	<a href="#"><u>Press Release dated March 25, 2020 announcing 2019 Fourth Quarter and Year-End Results</u></a>

- 101        The following financial information from Canterbury Park Holding Corporation's Annual Report on Form 10-K for the period ended December 31, 2019, formatted in eXtensible Business Reporting Language XBRL; (i) Consolidated Balance Sheets as of December 31, 2019 and December 31, 2018, (ii) Consolidated Statements of Operations for the years ended December 31, 2019 and December 31, 2018, (iii) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2019 and December 31, 2018, (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2019 and December 31, 2018, and (v) Notes to Financial Statements.

\*\*\*Pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, certain information has been deleted from this exhibit, as filed, and separately filed with the SEC subject to a confidential treatment request on the basis that disclosure of this information would cause the Company competitive harm is not necessary for the protection of investors.

- (c).      No financial statement schedules are required by Item 8 and Item 15(c) of Form 10-K.

The exhibits referred to in this Exhibit will be supplied to a shareholder at a charge of \$.25 per page upon written request directed to the Company's Secretary at the executive offices of the Company.

**Item 16. FORM 10-K SUMMARY**

None.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: March 26, 2020

CANTERBURY PARK HOLDING CORPORATION

By /s/ Randall D. Sampson

Randall D. Sampson

President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, the following persons on behalf of the Registrant and in the capacities and the dates indicated have signed this report below.

### Power of Attorney

Each person whose signature appears below constitutes and appoints CURTIS A. SAMPSON, DALE H. SCHENIAN and RANDALL D. SAMPSON as his or her true and lawful attorneys-in-fact and agents, each acting alone, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any of all amendments to this Annual Report on Form 10-K and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, each acting alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all said attorneys-in-fact and agents, each acting alone, or his or her substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

Signature	Title	Date
<u>/s/ Randall D. Sampson</u> Randall D. Sampson	Chief Executive Officer, President, Treasurer, and Executive Chairman of the Board	March 26, 2020
<u>/s/ Carin J. Offerman</u> Carin J. Offerman	Lead Director	March 26, 2020
<u>/s/ Curtis A. Sampson</u> Curtis A. Sampson	Chairman Emeritus; Director	March 26, 2020
<u>/s/ Dale H. Schenian</u> Dale H. Schenian	Vice Chairman Emeritus; Director	March 26, 2020
<u>/s/ Burton F. Dahlberg</u> Burton F. Dahlberg	Director	March 26, 2020
<u>/s/ Carin J. Offerman</u> Carin J. Offerman	Director	March 26, 2020
<u>/s/ Maureen H. Bausch</u> Maureen H. Bausch	Director	March 26, 2020
<u>/s/ John S. Himle</u> John S. Himle	Director	March 26, 2020
<u>/s/ Randy J. Dehmer</u> Randy J. Dehmer	Chief Financial Officer* and Secretary	March 26, 2020

\* Principal Accounting Officer



## SUBSIDIARIES OF CANTERBURY PARK HOLDING CORPORATION

Subsidiaries	Jurisdiction of Incorporation
Canterbury Park Concessions, Inc.	Minnesota
Canterbury Development LLC	Minnesota
Canterbury Park Entertainment LLC	Minnesota

The subsidiaries are 100%-owned directly by Canterbury Park Holding Corporation. The financial statements of such subsidiaries are included in the Consolidated Financial Statements of Canterbury Park Holding Corporation.

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**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We have issued our report dated March 26, 2020, with respect to the consolidated financial statements included in the Annual Report of Canterbury Park Holding Corporation on Form 10-K for the years ended December 31, 2019 and 2018. We hereby consent to the incorporation by reference of said report in the Registration Statements of Canterbury Park Holding Corporation on Form S-8 (File No. 333-224111, File No. 333-120377, File No. 333-97537, File No. 333-97533, File No. 333-34509, File No. 333-91591, File No. 333-150037, File No. 33-96582 and File No. 33-96580 and Form S-3 (333-234156).

/s/ Wipfli LLP

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Minneapolis, Minnesota  
March 26, 2020

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**Certification**

I, Randall D. Sampson certify that:

1. I have reviewed this annual report on Form 10-K of Canterbury Park Holding Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a. all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: March 26, 2020

/s/ Randall D. Sampson

Randall D. Sampson  
 President and Chief Executive Officer  
 Canterbury Park Holding Corporation

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*Certification*

I, Randy J. Dehmer certify that:

1. I have reviewed this annual report on Form 10-K of Canterbury Park Holding Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a. all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: March 26, 2020

/s/ Randy J. Dehmer

Randy J. Dehmer

Vice President and Chief Financial Officer

Canterbury Park Holding Corporation

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***CERTIFICATION PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002***

Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, we the undersigned Chief Executive Officer and Chief Financial Officer, respectively, of Canterbury Park Holding Corporation (the “Company”), hereby certify that:

- (1) The Annual Report of the Company on Form 10-K for the period ended December 31, 2019, (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 26, 2020

/s/ Randall D. Sampson

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Randall D. Sampson  
President and Chief Executive Officer  
Canterbury Park Holding Corporation

Date: March 26, 2020

/s/ Randy J. Dehmer

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Randy J. Dehmer  
Vice President and Chief Financial Officer  
Canterbury Park Holding Corporation

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**DESCRIPTION OF THE REGISTRANT'S SECURITIES  
REGISTERED PURSUANT TO SECTION 12 OF THE  
SECURITIES EXCHANGE ACT OF 1934**

Canterbury Park Holding Corporation ("CPHC," "we," "our," or "us") has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: our common stock.

**DESCRIPTION OF CAPITAL STOCK**

The following summary of the general terms and provisions of our capital stock does not purport to be complete and is based upon and qualified by reference to our articles of incorporation and bylaws, which are either filed as exhibits to our Annual Report on Form 10-K or are incorporated by reference to our Annual Report on Form 10-K. We encourage you to read our articles of incorporation, our bylaws and the applicable provisions of the Minnesota Business Corporation Act, or MBCA, for additional information.

**Authorized Shares of Capital Stock**

The aggregate number of shares of capital stock that the Company has authority to issue is as follows:

10,000,000 shares of common stock, par value \$.01.

**Preferred Stock**

We have no preferred stock outstanding.

**Common Stock**

Holders of the Company's common stock are entitled to one vote for each share held of record on all matters submitted to a vote of the shareholders and do not have cumulative voting rights. Except as otherwise provided by law, our articles of incorporation or our bylaws, matters will generally be decided by the vote of the holders of a majority of the voting power present in person or represented by proxy. Our bylaws provide that the authorized number of directors will be fixed by the shareholders at each annual meeting and that either the shareholders or the board of directors may increase or decrease the number of directors. Our board of directors is not classified.

Holders of our common stock are entitled to receive dividends declared by our board of directors out of funds legally available for the payment of dividends. In the event of any liquidation, dissolution or winding-up of our affairs, holders of common stock will be entitled to share ratably in our assets that are remaining after payment or provision for payment of all of our debts and obligations.

Holders of common stock have no preemptive, conversion or subscription rights, and there are no redemption provisions applicable to the common stock.

All outstanding shares of our common stock are fully paid and nonassessable.

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The transfer agent and registrar for our common stock is Equiniti Trust Company, 1110 Centre Pointe Curve, Suite 101, South St. Paul, Minnesota 55120-4100.

Our common stock is currently listed on The NASDAQ Stock Market LLC under the trading symbol “CPHC.”

### **Anti-Takeover Effects of Provisions of our Articles of Incorporation, our Bylaws and Minnesota Law**

Specific provisions of Minnesota law, our articles of incorporation and our bylaws may be deemed to have an anti-takeover effect.

The Company’s Bylaws of the Company establish an advance notice procedure with regard to (i) certain business to be brought before an annual meeting of shareholders of the Company and (ii) the nomination by shareholders of candidates for election as directors.

### **Properly Brought Business**

The Bylaws provide that at the annual meeting only such business may be conducted as is of a nature that is appropriate for consideration at an annual meeting and has been either specified in the notice of the meeting, otherwise properly brought before the meeting by or at the direction of the Board of Directors, or otherwise properly brought before the meeting by a shareholder who has given timely written notice to the Secretary of the Company of the shareholder’s intention to bring the business before the meeting. To be timely, the notice must be given by such shareholder to the Secretary of the Company not less than 45 days or more than 75 days prior to a meeting date corresponding to the previous year’s annual meeting. Notice relating to the conduct of such business at an annual meeting must contain certain information as described in Section 2.9 of the Company’s Bylaws, which are available for inspection by shareholders at the Company’s principal executive offices pursuant to Section 302A.461, subd. 4 of the Minnesota Statutes. Nothing in the Bylaws precludes discussion by any shareholder of any business properly brought before the annual meeting in accordance with the Company’s Bylaws.

### **Shareholder Nominations**

The Bylaws provide that a notice of proposed shareholder nominations for the election of directors must be timely given in writing to the Secretary of the Company prior to the meeting at which directors are to be elected. To be timely, the notice must be given by the shareholder to the Secretary of the Company not less than 45 days or more than 75 days prior to a meeting date corresponding to the previous year’s annual meeting. The notice to the Company from a shareholder who intends to nominate a person at the meeting for election as a director must contain certain information as described in Section 3.7 of the Company’s Bylaws, which are available for inspection by shareholders as described above. If the presiding officer of a meeting of shareholders determines that a person was not nominated in accordance with the foregoing procedure, that person will not be eligible for election as a director.

### **Shareholder Meetings**

Under our bylaws, regular meetings of our shareholders may be called by our board of directors. If the Board fails to designate a time for a regular meeting for any consecutive period of

15 months, the board must cause such regular meeting to be called within 90 days of receipt of the written demand of any shareholder owning one percent or more of all voting shares of the corporation.

Under our bylaws, special meetings of our shareholders may be called by the Chairman, the president, or by the Secretary upon the written request of two or more directors, or upon request by shareholders holding ten percent or more of the voting power of the shareholders. except that a special meeting for the purpose of considering any action to directly or indirectly facilitate or effect a business combination, including any action to change or otherwise affect the composition of the board of directors for that purpose, must be called by 25 percent or more of the voting power of all shares entitled to vote. Provisions of Minnesota Law.

The following provisions of the MBCA may have an effect of delaying, deterring or preventing an unsolicited takeover of the Company or make an unsolicited takeover of the Company more difficult.

MBCA Section 302A.553 [**Power to acquire shares**] subd 3, [**limitation on share purchases**] prohibits a publicly held corporation such as CPHC from purchasing shares entitled to vote for more than market value from a person that beneficially owns more than 5% of the voting power of the corporation if the shares have been beneficially owned for less than two years unless the purchase or agreement to purchase is approved at a meeting of shareholders by the affirmative vote of the holders of a majority of the voting power of all shares entitled to vote or the corporation makes an offer, of at least equal value per share, to all shareholders for all other shares of that class or series and any other class or series into which they may be converted.

MBCA Section 302A.671 [**Control share acquisitions**] provides that shares of an “issuing public corporation,” acquired by an “acquiring person” in a “control share acquisition” that exceed the threshold of voting power of any of the three ranges identified below will not have voting rights, unless the issuing public company’s shareholders vote to accord these shares the voting rights normally associated with these shares. A “control share acquisition” is an acquisition, directly or indirectly, by an “acquiring person” (as defined in the MBCA) of beneficial ownership of shares of an issuing public corporation that, but for Section 302A.671, would, when added to all other shares of the issuing public corporation beneficially owned by the acquiring person, entitle the acquiring person, immediately after the acquisition, to exercise or direct the exercise of a new range of voting power of the issuing public corporation with any of the following three ranges: (i) at least 20 percent but less than 33-1/3 percent; (ii) at least 33-1/3 percent but less than or equal to 50 percent; and (iii) over 50 percent. The issuing public company also has an option to call for redemption all, but not less than all, shares acquired in the control share acquisition that exceed the threshold of voting power of any of the specified ranges at a price equal to the fair market value of the shares at the time the call is given if (i) the acquiring person fails to deliver the information statement to the issuing public company by the tenth day after the control share acquisition; or (ii) shareholders have voted not to accord voting rights to the shares acquired in the control share acquisition.

MBCA Section 302A.673 [**Business combinations**] prohibits a public Minnesota corporation, from engaging in a business combination with an interested shareholder for a period of four years after the date of the transaction in which the person became an interested shareholder, unless either



(i) the business combination or (ii) the acquisition by which the person becomes an interested shareholder is approved in a prescribed manner before the person became an interested shareholder. The term “business combination” includes mergers, asset sales and other transactions resulting in a financial benefit to the interested shareholder. An “interested shareholder” is a person who is the beneficial owner, directly or indirectly, of 10% or more of a corporation’s voting stock, or who is an affiliate or associate of the corporation, and who, at any time within four years before the date in question, was the beneficial owner, directly or indirectly, of 10% or more of the corporation’s outstanding voting stock.

If a takeover offer is made for our stock, MBCA Section 302A.675 [**Takeover offer; fair price**] precludes the offeror from acquiring additional shares of stock (including in acquisitions pursuant to mergers, consolidations or statutory share exchanges) within two years following the completion of the takeover offer, unless shareholders selling their shares in the later acquisition are given the opportunity to sell their shares on terms that are substantially the same as those contained in the earlier takeover offer. A “takeover offer” is a tender offer that results in an offeror who owned ten percent or less of a class of our shares acquiring more than ten percent of that class, or that results in the offeror increasing its beneficial ownership of a class of our shares by more than ten percent of the class, if the offeror owned ten percent or more of the class before the takeover offer. Section 302A.675 does not apply if a committee of our board of directors formed in accordance with Section 302A.675 approves the proposed acquisition before any shares are acquired pursuant to the earlier tender offer.



**CANTERBURY PARK HOLDING CORPORATION REPORTS RECORD  
FOURTH QUARTER 2019 NET REVENUE OF \$12.6 MILLION**

**Reports Fourth Quarter Net Income of \$0.7 Million and  
Record Adjusted EBITDA of \$1.7 Million**

**Shakopee, MN – March 25, 2020** – Canterbury Park Holding Corporation (“Canterbury Park” or “the Company”) (NASDAQ: CPHC) today reported financial results for the fourth quarter and full year ended December 31, 2019.

*(\$ in thousands, except per share data and percentages)*

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Net revenues	\$ 12,602	\$ 12,038	4.7 %	\$ 59,227	\$ 59,142	0.1 %
Adjusted EBITDA <sup>(1)</sup>	1,718	1,577	8.9 %	6,366	7,940	(19.8)%
Net income <sup>(2)</sup>	\$ 553	\$ 2,371	(76.7)%	\$ 2,718	\$ 5,718	(52.5)%
Basic EPS <sup>(2)</sup>	\$ 0.12	\$ 0.52	(76.9)%	\$ 0.59	\$ 1.28	(53.9)%
Diluted EPS <sup>(2)</sup>	\$ 0.12	\$ 0.52	(76.9)%	\$ 0.59	\$ 1.26	(53.2)%

(1) Definitions, disclosures and reconciliations of non-GAAP financial information are included later in the release.

(2) Net income for the three month and twelve-month periods ended December 31, 2018 include the benefit of a \$2.2 million gain related to the transfer of land to the Doran Canterbury I joint venture that was accounted for as a reduction in operating expenses. The diluted earnings per share benefit from this gain for the three month and twelve-month periods ended December 31, 2018 was \$0.35.

As previously reported, based on the advice of Minnesota state and regulatory bodies, on March 16, 2020, the Company temporarily suspended all card casino, simulcast, and special events operations at Canterbury Park in response to concerns about the COVID-19 coronavirus. The overall discussion of historical 2019 results in this release may not reflect future results due to the uncertainty caused by the COVID-19 coronavirus.

**Management Commentary**

“The fourth quarter concluded a productive year for Canterbury as we generated record fourth quarter revenue of \$12.6 million and adjusted EBITDA of \$1.7 million, reflecting year-over-year growth of 5% and 9%, respectively,” said Randy Sampson, President and Chief Executive Officer of Canterbury Park. “The improved fourth quarter performance was primarily driven by initiatives we implemented in our Card Casino that we believe will help deliver consistent future growth in a normalized operating environment. At the same time, we made noteworthy progress on the development and monetization of our extensive real estate holdings as the first phase of the new Triple Crown Apartments remains on-track for completion and initial occupancy in the 2020 second quarter.

“Card Casino revenue growth for the 2019 fourth quarter and full year periods was driven by recent floor enhancements and game-mix updates, as well as the more aggressive player development and promotional programs we implemented in the second half of 2019. In addition, we have been seeing positive results from the expansion of our food and beverage program in and around the Card Casino. Pari-mutuel revenues decreased by 5% in the fourth quarter on lower simulcast revenue, and by 8% for the full year, reflecting both lower simulcast and live racing revenue. In addition, pre-leasing for

the 321-unit first phase at the Triple Crown Apartments in our Canterbury Commons™ development is now underway and has generated strong interest to-date. We expect that residents will begin to take occupancy of these rental units during the second quarter of 2020, and, at present, we continue to expect the first phase of the Triple Crown Apartments project will be complete by year-end.

“Our operating performance in the 2020 first quarter continued to demonstrate momentum with strong revenue increases prior to the temporary suspension of all operations on March 16, 2020. However, our upcoming results will reflect this disruption to our operations. The temporary suspension of our operations at this time is critical to our ability to ensure the safety and well being of our team members and guests. We are closely monitoring developments and relying on information and advice from the Minnesota Department of Health and other government resources, and will make a decision on reopening Canterbury Park at the appropriate time.

“We are confident we have the balance sheet and liquidity to support the Company through this challenging operating environment as we have no outstanding long-term debt and an \$8 million credit line. We have also taken precautionary measures to preserve cash, including suspending our quarterly cash dividend, aggressively reducing operating expenses, and suspending or delaying our 2020 planned capital expenditure plans across the enterprise. In addition, and notwithstanding the temporary suspension of operations, we continue to make further progress on our efforts to monetize additional parcels of land at Canterbury Park through sales to third party developers that will generate cash flow and further the vision of the Canterbury Commons development project. We are looking forward to the return to a normalized operating environment as soon as practicable. At such time, we will resume our focus on implementing a range of initiatives across our Card Casino, pari-mutuel and hospitality operations and deriving value from our significant real estate holdings to return to stability and consistent, profitable growth and enhanced shareholder value.”

### **Canterbury Commons Development Update**

Construction on Phase One of the Triple Crown Apartments development project continued in the fourth quarter of 2019 as the Company’s joint venture development partner, Doran Companies (“Doran”), completed work on the community clubhouse and opened its on-site leasing office. Pre-leasing activity for the 300 units in the first building is now underway and initial demand is strong. Doran is working to finish the first 321-unit building and its associated parking structure and expects initial occupancy in the second quarter of 2020.

The Company continues to make progress with developer and partner selection for the balance of the approximately 50-acre first phase of development. Development partners for the remaining land uses including townhomes, senior housing, pre-school, office, and hotel are being selected and the Company expects to make related announcements later this year.

In addition, the Company expects road work to begin on newly renamed Unbridled Avenue on the north side of Canterbury Park. The Company expects Unbridled Avenue to provide significantly improved access to Canterbury Park, with the construction expected to conclude by November.

### **Summary of 2019 Fourth Quarter Operating Results**

Net revenues for the three months ended December 31, 2019 increased 4.7% to \$12.6 million compared to \$12.0 million for the same period in 2018. The increase reflects a \$532,000 rise in Card Casino revenue related to an increase in table games revenue, as well as a \$102,000 improvement in food and beverage revenue related to an expansion of food and beverage offerings, primarily in the Card Casino. These increases were partially offset by a decrease in pari-mutuel revenues of \$82,000 due to a decline in simulcast wagering.

Operating expenses for the three months ended December 31, 2019 were \$11.7 million, an increase of \$2.9 million, or 33.5%, compared to operating expenses of \$8.8 million for the same period in 2018. Operating expenses in the 2018 fourth quarter include the benefit of a \$2.2 million gain on the transfer of land related to the Doran Canterbury I joint venture that was accounted for as a reduction in operating expenses. Excluding this gain in the 2018 fourth quarter as well as additional gains on sale of assets and losses on disposal of assets recorded in operating expenses for the 2019 fourth quarter (a net loss of \$145,000) and 2018 fourth quarter (a net gain of \$2.3 million) periods, operating expenses for the 2019 fourth quarter increased \$448,000, or 4.0%, compared to the same period in 2018, primarily due to an increase in salaries and benefits, cost of food and beverage sales, and professional and contracted services.

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Net income and diluted earnings per share for the three months ended December 31, 2019 were \$553,000 and \$0.12, respectively. Net income and diluted earnings per share for the three months ended December 31, 2018 were \$2.4 million and \$0.52, respectively, inclusive of the \$2.2 million, or \$0.35 per share, benefit for the gain on the transfer of land related to the Doran Canterbury I joint venture.

EBITDA for the three months ended December 31, 2019 was \$1.6 million compared to EBITDA of \$3.9 million in the prior-year period, which included the \$2.2 million gain on transfer of land to the Doran Canterbury I joint venture. Adjusted EBITDA was \$1.7 million for the 2019 fourth quarter compared to \$1.6 million for the 2018 fourth quarter.

#### **Summary of 2019 Full Year Operating Results**

Net revenues for 2019 were \$59.2 million, an increase of 0.1% compared to 2018 net revenues of \$59.1 million. The increase reflects Card Casino revenue growth of \$486,000 and an \$877,000 improvement in food and beverage revenues due primarily to expanded food and beverage offerings as well as revenue from the three-day Twin Cities Summer Jam festival in July 2019. These increases were offset by an \$806,000 decline in pari-mutuel revenues due to lower simulcast, guest fees, and live racing wagering, a \$472,000 decline in other revenues reflecting the benefit to other revenues in 2018 from a one-time, short-term agreement related to the 2018 Super Bowl in Minneapolis, and a decrease in RiverSouth advertising revenues that were offset by a reduction in advertising expense.

Operating expenses for the 2019 full year period were \$55.6 million, an increase of \$4.1 million, or 8.0%, from \$51.5 million in 2018. Operating expenses in 2018 included the benefit of a \$2.2 million gain on transfer of land related to the Doran Canterbury I joint venture that was accounted for as a reduction in operating expenses. Excluding this gain in 2018 as well as additional gains on sale of assets and losses on disposal of assets recorded in operating expenses for the 2019 (a net loss of \$51,000) and 2018 (a net gain of \$2.3 million) full year periods, operating expenses for 2019 increased \$1.8 million, or 3.3%, compared to 2018. The increase is primarily due to an increase in salaries and benefits, cost of food and beverage sales, and professional and contracted services.

Net income and diluted earnings per share for 2019 were \$2.7 million and \$0.62, respectively. Net income and diluted earnings per share for 2018 were \$5.7 million and \$1.26, respectively, inclusive of the \$2.2 million, or \$0.35 per share, benefit from the gain on the transfer of land related to the Doran Canterbury I joint venture.

The Company's 2019 EBITDA decreased to \$6.3 million compared to \$10.2 million in 2018. Adjusted EBITDA, which excludes the gains and losses included in operating expenses, was \$6.4 million in 2019 compared to \$7.9 million in 2018.

#### **Additional Financial Information**

Further financial information for the fourth quarter and full year ended December 31, 2019 is presented in the accompanying table. Additional information will be provided in the Company's Form 10-K Report that will be filed with the Securities and Exchange Commission on or about March 30, 2020.

#### **Annual Shareholders Meeting**

The Company will hold its Annual Meeting of Shareholders on Thursday, June 25, 2020 at 10 a.m. The Annual Meeting is currently scheduled to take place at Canterbury Park in Shakopee, Minnesota. The record date for shareholders entitled to vote at the Annual Meeting is May 5, 2020.

#### **Use of Non-GAAP Financial Measures**

To supplement our financial statements, we also provide investors with information about our EBITDA and Adjusted EBITDA, each of which is a non-GAAP measure. We define EBITDA as earnings before interest, taxes, depreciation and amortization. EBITDA is not a measure of performance or liquidity calculated in accordance with generally accepted accounting principles ("GAAP"), and should not be considered an alternative to, or more meaningful than, net income as an indicator of our operating performance, or cash flows from operating activities as a measure of liquidity. We have presented EBITDA as a supplemental disclosure because it is a widely used measure of performance and basis for valuation of companies in our industry. Other companies that provide EBITDA information may calculate EBITDA differently than we do. We define Adjusted EBITDA as earnings before interest income, income tax expense, depreciation and amortization and loss from disposal of assets, gain on sale of assets, gain on transfer of land, and gain from insurance recoveries. We have presented Adjusted EBITDA as a supplemental disclosure because it enables investors to understand our results excluding the effect of these four items.

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### **About Canterbury Park**

Canterbury Park Holding Corporation owns and operates Canterbury Park Racetrack and Card Casino in Shakopee, Minnesota, the only thoroughbred and quarter horse racing facility in the State. The Company offers live racing from May to September. The Card Casino typically hosts card games 24 hours a day, seven days a week, dealing both poker and table games. The Company also conducts year-round wagering on simulcast horse racing and hosts a variety of other entertainment and special events at its Shakopee facility. The Company is redeveloping 140 acres of underutilized land surrounding the Racetrack in a project known as Canterbury Commons. The Company is pursuing several mixed-use development opportunities for this land, directly and through joint ventures. For more information about the Company, please visit [www.canterburypark.com](http://www.canterburypark.com).

### **Cautionary Statement**

From time to time, in reports filed with the Securities and Exchange Commission, in press releases, and in other communications to shareholders or the investing public, we may make forward-looking statements concerning possible or anticipated future financial performance, business activities or plans. These statements are typically preceded by the words “believes,” “expects,” “anticipates,” “intends” or similar expressions. For these forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in federal securities laws. Shareholders and the investing public should understand that these forward-looking statements are subject to risks and uncertainties which could affect our actual results and cause actual results to differ materially from those indicated in the forward-looking statements. We report these risks and uncertainties in our Form 10-K Report to the SEC. They include, but are not limited to: any effect that the coronavirus (COVID-19) may have on us as an entertainment venue or on the economy generally, including the fact that we temporarily suspended all card casino, simulcast, and special events operations at Canterbury Park on March 16, 2020; material fluctuations in attendance at the Racetrack; material changes in the level of wagering by patrons; any decline in interest in the unbanked card games offered in the Card Casino; competition from other venues offering unbanked card games or other forms of wagering; competition from other sports and entertainment options; increases in compensation and employee benefit costs; increases in the percentage of revenues allocated for purse fund payments; higher than expected expense related to new marketing initiatives; the impact of wagering products and technologies introduced by competitors; the general health of the gaming sector; legislative and regulatory decisions and changes; our ability to successfully develop our real estate; temporary disruptions or changes in access to our facilities caused by ongoing infrastructure improvements; and other factors that are beyond our ability to control or predict.

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### **Investor Contact:**

Randy Dehmer  
Vice President and Chief Financial Officer  
Canterbury Park Holding Corporation  
952-233-4828 or [investorrelations@canterburypark.com](mailto:investorrelations@canterburypark.com)

Richard Land, Jim Leahy  
JCIR  
212-835-8500 or [cpch@jcir.com](mailto:cpch@jcir.com)

- Financial tables follow -

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**CANTERBURY PARK HOLDING CORPORATION'S  
SUMMARY OF OPERATING RESULTS**

	Three months ended December 31,		Twelve months ended December 31,	
	2019	2018	2019	2018
Net Operating Revenues	\$ 12,602,241	\$ 12,038,389	\$ 59,226,857	\$ 59,141,570
Operating Expenses	(11,721,832)	(8,779,324)	(55,591,093)	(51,494,641)
Income from Operations	880,409	3,259,065	3,635,764	7,646,929
Non-Operating Revenues, net	122,150	35,492	326,773	61,515
Income Tax Expense	(449,098)	(924,000)	(1,244,263)	(1,990,000)
Net Income	\$ 553,460	\$ 2,370,558	\$ 2,718,274	\$ 5,718,444
Basic Net Income Per Common Share	\$ 0.12	\$ 0.52	\$ 0.62	\$ 1.28
Diluted Net Income Per Common Share	\$ 0.12	\$ 0.52	\$ 0.62	\$ 1.26

**RECONCILIATION OF NET INCOME TO EBITDA AND ADJUSTED EBITDA**

	Three months ended December 31,		Twelve months ended December 31,	
	2019	2018	2019	2018
NET INCOME	\$ 553,460	\$ 2,370,558	\$ 2,718,274	\$ 5,718,444
Interest income, net	(122,150)	(35,492)	(326,773)	(61,515)
Income tax expense	449,098	924,000	1,244,263	1,990,000
Depreciation	692,661	667,857	2,679,728	2,563,579
EBITDA	1,573,069	3,926,923	6,315,492	10,210,509
Loss on disposal of assets	147,316	21,006	261,728	120,940
Gain on sale of assets	(2,698)	(129,580)	(12,141)	(129,580)
Gain on transfer of land	-	(2,241,206)	-	(2,241,206)
Gain on insurance recoveries	-	-	(198,874)	(21,064)
ADJUSTED EBITDA	\$ 1,717,687	\$ 1,577,143	\$ 6,366,205	\$ 7,939,599