

**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, 2021

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

(State or Other Jurisdiction
of Incorporation or Organization)

47-5349765

(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, \$0.01 par value

CPHC

Nasdaq Stock Market

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 Non-accelerated filer
Accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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, 2021, the end of the registrant's most recently completed second fiscal quarter, was \$43,130,512. On March 21, 2022, the Company had 4,826,167 shares of common stock, \$0.01 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 2, 2022 and which will be filed on or before April 30, 2022, 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, 2021

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Item 1. BUSINESS

Available Information

The SEC maintains a website that contains reports, proxy and information statements, and other information regarding issuers, including Canterbury Park Holding Corporation, that file electronically with the SEC. The public can obtain any documents that the Company files with the SEC at <http://www.sec.gov>. The Company files annual reports, quarterly reports, proxy statements and other documents with the Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934 (Exchange Act).

We also make available free of charge through our website (www.canterburypark.com) our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and, if applicable, amendments to those reports filed or furnished pursuant to the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnishes it to, the SEC.

Overview

Canterbury Park Holding Corporation (the “Company,” “we,” “our,” or “us”) is the holding company for and parent company of two subsidiaries, Canterbury Park Entertainment LLC (“Canterbury Entertainment”) and Canterbury Development (“Canterbury Development”) and an indirect subsidiary Canterbury Park Concessions, Inc. which is wholly-owned by Canterbury Entertainment. As used herein, the term “Company” or “we” includes Canterbury Park Holding Corporation and its subsidiaries unless the context indicates otherwise.

We divide our business into four segments: (i) horse racing, (ii) Card Casino, (iii) food and beverage, and (iv) real estate 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. We conduct our (i) horse racing, (ii) Card Casino, and (iii) food and beverage segments through Canterbury Entertainment. We conduct our real estate development segment through Canterbury Development.

COVID-19 Impact on Racetrack Operations

The COVID-19 coronavirus had a significant impact on our 2020 operations and operating results. The COVID-19 Pandemic also had a negative impact on the Company's financial condition and operations for the first half of 2021, although to a much lesser extent than 2020.

We temporarily suspended all Card Casino, simulcast, and food and beverage operations at Canterbury Park on March 16, 2020 in response to concerns about the COVID-19 coronavirus. Our Card Casino, simulcast, and food and beverage operations remained closed until June 10, 2020 and reopened subject to Minnesota state guidelines on capacity limitations, social distancing, and cleaning protocols. In 2020, the Company conducted a 53 day live thoroughbred and quarter horse racing season at Canterbury Park, which included a limited number of spectators due to capacity restrictions.

Pursuant to subsequent Executive Orders by Minnesota's Governor, the Company's Card Casino, simulcast, and food and beverage operations at Canterbury Park were temporarily closed again from November 21, 2020 through January 10, 2021. We reopened our Card Casino, simulcast, and food and beverage operations on January 11, 2021, subject to statewide COVID-19 pandemic-related restrictions. Effective May 28, 2021, all capacity limits, restrictions on large gatherings, and other restrictions, which had been implemented in response to the impact of the COVID-19 Pandemic, were lifted and our Racetrack began operating under pre-pandemic guidelines. Our Card Casino also began operating without capacity restrictions effective May 28, 2021, but we maintained and intend to maintain certain operational changes and improvements initiated in 2020 in response to the COVID-19 Pandemic. In 2021, we conducted a 65-day live thoroughbred and quarter horse racing season at Canterbury Park, without capacity restrictions.

In the Business Section and in the Management's Discussion and Analysis Section of this Form 10-K, the Company discusses how COVID-19 affected the Company's 2020 and 2021 operations and how the Company expects it may affect 2022 operations.

While we temporarily suspended all Card Casino, simulcast, and special event operations at Canterbury Park for a total of approximately eighteen weeks in 2020 and approximately one week in 2021, we continued to conduct our real estate development operations, which were not affected by the executive orders.

Canterbury Park Entertainment

Through Canterbury Entertainment, we host pari-mutuel wagering on thoroughbred and quarter horse races and “unbanked” card games at our 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. Our 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 Card Casino has historically operated 24 hours a day, seven days a week and has historically offered both poker and table games at up to 80 tables. We also derive 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 the Minnesota Racing Commission (“MRC”). Canterbury Entertainment is the direct owner of all land, facilities, and substantially all other assets related to our pari-mutuel wagering, Card Casino, concessions and other related businesses (“Racetrack Operations”), and is subject to direct regulation by the MRC. We own approximately 320 acres of land as of December 31, 2021, in Shakopee, Minnesota where the Racetrack is located.

Traditionally, our revenues have been 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, 2021, revenues from Card Casino operations represented 63.1% of total revenues, wagering on horse races generated 26.1% of total revenues, and food and beverage revenue represented 10.8% of total revenues. These components of revenue are described in more detail below.

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. At the Racetrack, various aspects of our operations are subject to approval by the MRC and the organization that represents a majority of the owners and trainers of the horses who race at the Racetrack, which is the Minnesota Horsemen’s Benevolent and Protective Association (“MHBPA”).

All of the wagering on simulcast and live horse races at the Racetrack is pari-mutuel wagering. 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.

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 on pari-mutuel wagering depends on where the race is run and the form of wager (straight or exotic). 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 Minnesota Breeders’ Fund (“MBF”). The balance of the takeout remaining after these deductions is commonly referred to as the “retainage.”

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 governed by a Horse Association Agreement dated June 4, 2012 by and among the Company, the Shakopee Mdewakanton Sioux Community (“SMSC”), a federally recognized Indian tribe, and the horsepersons’ associations: the MHBPA, the Minnesota Thoroughbred Association (“MTA”) and the Minnesota Quarter Horse Racing Association (“MQHRA”). The MHBPA is the horseperson’s organization representing the majority of horsepersons at the Racetrack.

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.

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 2.75% 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.

Live Racing

For the years ended December 31, 2021 and 2020, the Racetrack hosted 65 days and 53 days, respectively, of live racing beginning in May (in 2021) and June (in 2020) and concluding in September. Currently, Minnesota law requires the Company to schedule a minimum of 125 days of live racing annually, unless a majority of horsepersons at the Racetrack agree to a fewer number of live racing days.

We are a party to a Cooperative Marketing Agreement (“CMA”) originally dated June 4, 2012 with the Shakopee Mdewakanton Sioux Community (“SMSC”), a federally recognized Indian tribe. 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. Pursuant to CMA, we also entered into a Horse Association Agreement with the horsepersons’ associations and SMSC in which the MHBPA agreed to waive the 125-day requirement if at least 65 days of live racing are scheduled each year beginning in 2013.

On June 1, 2020, we entered into a Fifth Amendment Agreement to the CMA, which became effective on June 8, 2020 upon MRC approval. Under the Fifth Amendment, the SMSC agreed to provide up to \$5,620,000 for the annual purse enhancement for the year 2020. This amount was calculated by multiplying the expected 52 days of 2020 live horseracing times the amount of \$108,077 per live horseracing day. Consistent with the original CMA, the Company did not receive any part of the purse enhancement amount. Under the Fifth Amendment, the SMSC also agreed to pay the \$100,000 2020 Annual Horse Association Payment payable under the Horse Association Agreement. The annual purse enhancement that the SMSC is obligated to pay under the CMA for 2021 and 2022 was not changed and remains at \$7,280,000 per year.

The Fifth Amendment also provides that the SMSC was not required to pay the Company a 2020 annual marketing payment. Instead, the First Amendment permitted the Company to use \$1,248,343 of annual marketing payments from prior years that were unspent as of January 1, 2020 for joint marketing efforts for the mutual benefit of the Company and SMSC. The Company used a portion of these funds to promote, improve, or assist in the operation of horse racing at the Racetrack upon approval by the SMSC. The annual marketing payment that the SMSC is obligated to pay under the CMA for 2021 and 2022 was not changed and remains at \$1,620,000 per year.

In connection with the Fifth Amendment, the MHBPA executed a Consent and Waiver on June 1, 2020 pursuant to the Horse Association Agreement. Under the Consent, the MHBPA waived the 125-day requirement for live racing days conducted by the Company, with no minimum number of live racing days required in 2020, provided that there are at least 65 live racing days each year beginning in 2021.

If, for any reason, the Horse Association Agreement is terminated or we otherwise cease to benefit from the Horse Association Agreement, 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.

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.

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 is able to offer 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 MRC and the MHBPA as the organization that represents a majority of the owners and trainers of the horses who race at the Racetrack. 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 2021. If either the MRC or the MHBPA do 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.

Card Casino Operations

The Card Casino may offer gaming 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 2022, 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.

The primary source of table games revenue is a percentage of the buy in 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 primary source of poker revenue the Company collects is a “rake” of 5-10%, depending on the limit of the game, of the poker pot up to a maximum of \$4 per hand. In addition, poker games offer progressive jackpots for most games. In order to fund the poker jackpot pools, the dealer withholds \$2 from each final pot in excess of the \$15 minimum.

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.

Food and Beverage Operations

We derive revenue from our food and beverage operations through sales at 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 generally 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. We are the fourth largest event space in the Twin Cities with more than 100,000 square feet of available space. Our facilities provide a variety of purposes for year-round events and other activities. Our 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. Our outdoor spaces have been used for concerts, snowmobile races, and other competitions. The infield of the Racetrack is also used as a concert and event area. In addition to event space, we offer space in our horse stable area for rent for boat storage during the winter months.

Development Operations

Beginning in 2015, we began executing our development plan for Company land that was not necessary to conduct our Racetrack Operations (grandstand, racetrack, stable area, parking areas, and land for other facilities including the expo center). Canterbury Development is not subject to direct regulation by the MRC. Originally, approximately 140 acres were considered underutilized and were targeted for real estate development by Canterbury Development complementary with our Racetrack Operations.

In 2021, Canterbury Development continued to pursue various development opportunities for the underutilized land in a project known as Canterbury Commons™. Canterbury Development continues to pursue various mixed use development opportunities, such as residential development, office, restaurants, hotel, entertainment, and retail operations. As of December 31, 2021, Canterbury Development has contributed approximately 36 acres of land to three separate joint ventures described below.

In addition, we have agreed to sell several parcels of land to third parties that will then develop the property as described below. Although we will have no continuing ownership in these land sales, we believe the future developments of this property contribute to the overall vitality of Canterbury Commons.

The following is a summary of our real estate development projects within Canterbury Commons as of December 31, 2021:

- Our first real estate development project in Canterbury Commons began in 2018 with a joint venture agreement between Canterbury Development and an affiliate of Doran Companies (“Doran”) for the development of the upscale Triple Crown Residences at Canterbury Park.
 - In September 2018, Canterbury Development contributed approximately 13 acres of land as its equity contribution in the Doran Canterbury I joint venture and became a 27.4% equity member. Construction of the 321-unit Phase I, which was developed pursuant to the first joint venture agreement, began in late 2018 with initial occupancy on part of the building in June 2020. Remaining units were completed and available for occupancy by the end of 2020.
 - In August 2020, Doran exercised its option for Phase II of the project, which will include an additional 305 residential units, and the Company entered into a second joint venture agreement with Doran. Pursuant to this second agreement, in early August 2020, the Company transferred roughly 10 acres of land to the second joint venture with Doran. In addition to receiving 27.4% ownership in the Doran Phase II joint venture, the exchange resulted in the repayment of a \$2.9 million note receivable which was on the Company’s balance sheet as a related party receivable as of June 30, 2020. Groundwork on the Doran Canterbury II site began in October 2020, paving the way for the ground-up construction of the second phase of apartments, which is expected to start in March 2022.
 - As a result of these joint ventures, Canterbury Development holds a 27.4% equity interest in Doran Canterbury I, LLC governed by an operating agreement effective as of March 1, 2018 with Doran Shakopee LLC, and Canterbury Development holds a 27.4% equity interest in Doran Canterbury II, LLC governed by an operating agreement effective as of July 30, 2020 with Doran Shakopee LLC and amended October 1, 2021.

- Development work related to the Company's joint venture with Greystone Construction ("Greystone") was also underway on the southwest portion of the Canterbury Commons site. Pursuant to this joint venture, Greystone is developing a 13-acre land parcel with potential uses expected to include hospitality, dining, residential, commercial and service-oriented retail. The land and infrastructure improvements were completed in 2021. Greystone's development work to date is primarily for a new 28,000 square foot office building, with Greystone occupying the second floor as its new corporate headquarters. The project was completed in the 2021 third quarter and a lease was executed for the majority of the space resulting in 84% building occupancy.
 - The joint venture is governed by an operating agreement with an affiliate of Greystone Construction and Canterbury Development, as the two members of a Minnesota limited liability company named Canterbury DBSV Development, LLC (Canterbury DBSV). Canterbury Development's equity contribution to Canterbury DBSV was approximately 13 acres of land, which was contributed to Canterbury DBSV on July 1, 2020. In connection with its contribution, Canterbury Development became a 61.87% equity member in Canterbury DBSV.
- In April 2020, Canterbury Development entered into two agreements to sell approximately 14 acres of land on the west side of the Racetrack to Pulte Homes of Minnesota ("Pulte") and Lifestyle Communities for total consideration of approximately \$3,500,000. Closing of the Lifestyle Communities and the first phase of the Pulte transactions occurred in April 2021, totaling approximately 9.8 acres. The closing of phase two of the Pulte transaction is subject to the satisfaction of certain conditions, and we expect this to occur in 2022.
 - Development approvals by Pulte on 109 new for sale row homes and townhome residences at Canterbury Commons was completed in late 2020. The project received its approvals from the City of Shakopee in a joint planned urban development application with Lifestyle Communities who is located adjacent to the townhome project. Ground improvements and utility work commenced in early 2021 for both projects. Lifestyle Communities is a 4-story 56-unit age restricted active senior cooperative community. The building is programmed with over 5,000 square feet of amenity spaces and outdoor spaces. Pulte has initiated ground up construction of a number of townhome buildings and its first model units were completed in the first quarter of 2022.
- In September 2021, the Company entered into a purchase agreement to sell approximately 40 acres of land on the northeast corner of the Racetrack to Minneapolis-based Swervo Development Corporation ("Swervo"). Swervo intends to construct a 19,000 seat amphitheater as part of the Canterbury Commons development. Closing of the land sale is subject to state and local regulatory approvals and is expected to occur in 2022. Pending regulatory approval of the amphitheater development, Canterbury also plans to invest in significant improvements to its horse stabling area. This multi-million dollar barn area redevelopment project will continue the Company's ongoing commitment to provide quality horse racing in the state of Minnesota as well as allow for future development of Canterbury's underutilized land.

In addition to the aforementioned projects, the Company continues to make progress with developer and partner selection for the other development opportunities within Canterbury Commons. The initial development portfolio was weighted heavily in the residential segment with nearly 900 units of multifamily and over 100 units of for sale townhomes. The Company anticipates more opportunity and focus in the entertainment, office, retail, and hospitality segments in the later phases of the Canterbury Commons development. Canterbury expects to make additional announcements of new partners for this phase in the future.

See footnote 12 of the consolidated financial statements for more detailed information on recent transactions and development activity.

Competition

The Company faces direct competition from Running Aces Harness Park ("Running Aces") in Columbus Township, Anoka County, Minnesota, a racetrack and card room that is located approximately 50 miles from Canterbury Park. Running Aces 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, Running Aces 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 both banked 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 Shakopee Mdewakanton Sioux Community (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.

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.

Canterbury Development and its joint ventures face competition from developers of other residential, mixed use, office, retail, hotel and entertainment spaces around Shakopee, Minnesota and elsewhere in Minnesota. These other developers may be larger and have more resources than Canterbury Development or than Canterbury Development and its developer partners on a combined basis. The leasing of real estate is highly competitive. The principal competitive factors are rent, location, lease term, lease concessions, services provided and the nature and condition of the property to be leased. The Canterbury Development joint ventures will directly compete with all owners, developers and operators of similar space in the areas in which our properties are located. The number of competitive multifamily properties in our particular market could adversely affect lease rates at residential properties in Canterbury Commons, as well as the rents able to be charged. In addition, other forms of residential properties, including single family housing and town homes, provide housing alternatives to potential residents of luxury apartment communities like our Triple Crown Residences at Canterbury Park. Likewise, the competition for high quality tenants for retail, office and other spaces is intense. In order to be successful, our real estate joint ventures must have high lease rates, competitive rental rates, and maintain high occupancy rates with a financially stable tenant base.

We may again in the future seek developers or other partners for joint venture arrangements or opportunities for Canterbury Development to develop our properties. We will be competing with other property owners, both around Shakopee and elsewhere, for high quality builders, commercial and residential real estate firms, and developers that share our vision for Canterbury Commons. We have in the past and may agree in the future to sell parcels of land to third parties that will then develop the properties and in that case, we will also be in competition with other sellers of properties for purchasers. Although we will have no continuing ownership in these land sales, we believe that the ability to effectively compete for tenants will be a factor in the purchasers' selection of our property over other competing properties for their developments.

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 (which is 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, 2021 and 2020, the Company paid \$172,000 and \$153,000 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, 2021 and 2020, the Company paid \$247,000 and \$265,000, 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 for the location that later became known as Running Aces (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 and Canterbury Commons 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.

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. 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 2022 is \$10.33 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 has had an adverse financial impact on the Company in 2014 through 2021 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.

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 \$1,382,000 and \$1,633,000 for the fiscal years ended December 31, 2021 and 2020, respectively. As part of the agreement, 50% of source market fees is allocated to purse accounts and the MBF.

Sports Betting

As of the date of filing this Form 10-K, the Minnesota legislature is considering a bill to legalize sports betting in Minnesota at tribal casinos and online through mobile applications operated by the tribes. It is not certain whether this bill will be adopted into law or, if so, what impact it will have on the Company. Please see Part I, Item 1A "Risk Factors – *Our CMA with SMSC contains both affirmative and negative covenants that restrict our business and limit our ability to pursue certain changes to gaming laws, even if such activities or changes would be in the best interests of our company.*"

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.

Because the Company conducted a more limited 2020 live race meet due to the COVID-19 Pandemic, the Company and SMSC entered into the Fifth Amendment Agreement ("Fifth Amendment") to the CMA effective June 8, 2020. Under the Fifth Amendment, the SMSC agreed to provide up to \$5,620,000 for the annual purse enhancement for the year 2020. The annual purse enhancement that the SMSC is obligated to pay under the CMA for 2021 and 2022 was not changed and remains at \$7,380,000 per year.

Under the CMA, as amended, 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.

As noted above and affirmed in the Fifth Amendment, SMSC is obligated to make an annual purse enhancement of \$7,380,000 and annual marketing payment of \$1,620,000 for 2022.

The purse enhancement payments to horsemen have no direct impact on the Company's consolidated financial statements or operations. See the Management's Discussion and Analysis Section of this Form 10-K and footnote 11 of the consolidated financial statements for more detailed information on the CMA.

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.

Human Capital and Team Members

Talent Management

At December 31, 2021, the Company had 237 full-time team members and 532 part-time team members. The Company adds approximately 350 team members on a seasonal basis for live racing operations from early May until early September. The impact of the COVID-19 Pandemic on the entertainment industry, and actions that we and others in the industry took in response to COVID-19 (including implementing furloughs, reduced work week schedules, temporarily pay reductions, and eliminating a number of job positions) have adversely affected our ability to attract and retain team members. As entertainment demand recovers from the lows seen in the early months of the COVID-19 Pandemic, we have seen and continue to see industry-wide labor shortages causing challenges in hiring or re-hiring for certain positions. In response, we have enhanced our recruitment and retention efforts and increased compensation where needed to maintain competitiveness in this extremely difficult market.

Our success depends in large part upon our ability to attract, retain, train, lead, and motivate skilled team members. To facilitate the recruitment, development, and retention of our valuable team members, we strive to make Canterbury Park a diverse, inclusive, and safe workplace, with opportunities for our team to grow and develop. The Company offers training and development opportunities for team members to enhance leadership and communication skills. The Company also has created various internal committees, including a specific rewards and recognition committee to support our team member recognition programs. To help retain talent, we measure team member engagement, including conducting regular engagement surveys to all team members. The most recent survey was conducted in 2019 and reflected an engagement level among our team members that exceeded the average engagement levels of benchmarked companies.

Health and Safety

During 2021, we continued to focus significant attention on the effective handling of the COVID-19 Pandemic. In 2020, we implemented new protocols and processes designed to limit the spread of the virus. These include the use of hand sanitizers and face masks, new cleaning and disinfecting regimes, the implementation of social distancing measures in restaurants, bars, gaming, recreation, and back of the house areas, and a detailed contact tracing protocol. We have made physical changes to our properties, such as the installation of thermal screening points at entrances and changes to our heating, ventilation and air conditioning (“HVAC”) systems. We have also enabled employees to work from home where possible.

Our employee guidelines and policies are founded on our cornerstones of safety, service, courtesy, cleanliness, and integrity. We are committed to equal opportunity employment and prohibit harassment or discrimination of any kind. We have adopted an open door policy to encourage an honest employer-associate relationship which includes a confidential hotline available to all employees.

Executive Officers

The executive officers of the Company, their ages and their positions with the Company at March 15, 2022 are as follows:

Name	Age	Position with Company
Randall D. Sampson	63	President, CEO, and Executive Chairman of the Board
Randy J. Dehmer	39	Senior 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.

Randy J. Dehmer was hired as Vice President of Finance and Chief Financial Officer in May 2019, and promoted to Senior Vice President of Finance in September 2021. 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 business, results of operations and financial condition and the market price of our common stock. Although we believe that we have identified and discussed below the material risk factors affecting our business, there may be additional risks and uncertainties that are not presently known or that are not currently believed to be material that may adversely affect our business, results of operations and financial condition, or the market price of our common stock.

Risks Related to Our Relationship with SMSC

As discussed above, 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 and \$5.6 million for purse enhancements for each of the years ended December 31, 2021 and 2020, respectively, with a lower amount in 2020 due to the more limited racing season and fewer races at Canterbury Park.

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 payments under the CMA will cease and the Company's future revenue from live racing and its profitability could be materially adversely affected.

Our CMA with SMSC contains both affirmative and negative covenants that restrict our business and limit our ability to pursue certain changes to gaming laws, even if such activities or changes would be in the best interests of our company.

While the CMA is in effect, we generally are required to cooperate with SMSC to oppose and lobby against legislation that seeks to authorize forms of gaming that were not authorized at the Company's facilities in 2012 (i.e. card play and pari-mutuel wagering on horse races) and to oppose and lobby against legislation that seeks to authorize forms of gaming at locations in the State of Minnesota other than at the Racetrack. Additionally, we are prohibited under the CMA from promoting or lobbying before the Minnesota legislature, in the media or in other forums for expanded gaming at the Racetrack, expanded gaming in Minnesota, or for any other changes to Minnesota law relating to gambling that would be materially adverse to the interests of SMSC.

Our efforts to expand our gaming operations in Minnesota and promote legislation for additional gaming in Minnesota will be significantly limited by the CMA, even if such changes would be in the best interests of our company. Additionally, while we are prohibited under the CMA from these promotion or lobbying activities, other competitive wagering operations (such as SMSC or other tribal casinos) are not subject to similar restrictions and may engage in these promotion or lobbying activities to promote gaming activities in Minnesota that benefit their competitive operations to the exclusion of our operations. For example, a bill has been introduced in the Minnesota legislature to legalize sports betting in the State of Minnesota, but the current version of the bill only permits sports betting at tribal casinos and online through mobile applications operated by the tribes. We are not permitted to lobby to expand this bill to include sports betting at our Racetrack while the CMA is in effect and, if sports betting were legalized in Minnesota for tribal casinos, we will experience increased competition from the tribal casinos. We compete, and will continue to compete, in a rapidly evolving and highly competitive market against an increasing number of competitors and the CMA will prevent us from competing for so long as it is in effect.

Risk Factors Related to Horse Racing and Gaming Generally

The COVID-19 Pandemic has materially adversely affected the number of visitors at our facility and disrupted our operations, and we expect this adverse impact to continue until the COVID-19 Pandemic is contained.

We expect the impact of the disruptions resulting from the impact of the COVID-19 Pandemic, including the extent of their adverse impact on our financial and operational results, may be dictated by the length of time such disruptions continue. Although our property is currently open as of this report, we cannot predict whether future closures would be appropriate or could be mandated. Even once capacity restrictions are modified or cease to be necessary, demand for gaming may remain weak for a significant length of time and we cannot predict if or when the gaming and non-gaming activities at our property will return to pre-outbreak levels of volume or pricing. In particular, future demand for gaming may be negatively impacted by the adverse changes in the perceived or actual economic climate, including higher unemployment rates, declines in income levels, and loss of personal wealth or reduced spending resulting from the impact of the COVID-19 Pandemic.

Our business would also be impacted should the disruptions from the COVID-19 Pandemic lead to prolonged changes in consumer behavior. There are certain limitations on our ability to mitigate the adverse financial impact of these matters, such as the fixed costs at our properties. The COVID-19 Pandemic also makes it more challenging for management to estimate the future performance of our business, particularly over the near to medium term. Any of these events may continue to disrupt our ability to staff our business adequately, could continue to generally disrupt our operations or development projects and, if the global response to contain the COVID-19 Pandemic escalates or is unsuccessful, would have a material adverse effect on our business, financial condition, results of operations and cash flows.

The COVID-19 Pandemic has had, and may continue to have, a material adverse effect on our results of operations and cash flows. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the COVID-19 Pandemic and around the imposition or relaxation of protective measures, we cannot reasonably estimate the impact on our future results of operations, cash flows or financial condition.

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 Running Aces in Columbus Township, Anoka County, Minnesota, a racetrack and card room that is located approximately 50 miles from Canterbury Park.

We also compete with Native American owned casinos. These Native American 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, including betting on professional sports, spectator sports, other forms of entertainment, and other racetracks throughout the country.

We expect competition for our existing and future operations to increase from Running Aces, 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 and this competition may increase if sports betting is legalized in Minnesota at tribal casinos and online through mobile applications operated by the tribes.

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.

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. Pari-mutuel handle declined more than 1% in 2020 due to the COVID-19 Pandemic, however, pari-mutuel handle returned to pre-pandemic levels in 2021. Declining interest in horse racing has had a negative impact on revenues and profitability in our racing business. 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 2022 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.

Our horse racing and gaming businesses are 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. 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.

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 horse racing, 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.

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.

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.

Risks Related to Government Regulation of our Horse Racing and Gaming Generally

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 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.

Risks Related to our Real Estate Development Efforts

We rely on the efforts of our partner Doran for the development and profitable operation of our Triple Crown Residences at Canterbury Park joint venture.

On April 2, 2018, Canterbury Development entered into an 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”) to construct an upscale apartment complex called the Triple Crown Residences. In September 2018, Canterbury Development contributed approximately 13 acres of land as its equity contribution in the Doran Canterbury I joint venture and became a 27.4% equity member. Construction of the 321-unit first phase began in late 2018 with initial occupancy on June 1, 2020. As of the end of December 2021, all 321 units were available for occupancy.

In August 2020, Doran exercised its option for Phase II of the project, which will include an additional 300 residential units, and Canterbury Development entered into a second joint venture agreement with Doran. Pursuant to this second agreement, in early August 2020, the Company transferred roughly 10 acres of land to the second joint venture with Doran. In addition to receiving 27.4% ownership in the Doran Phase II joint venture, the exchange resulted in the repayment of a \$2.9 million note receivable which was on the Company’s balance sheet as a related party receivable as of June 30, 2020.

Canterbury Development will rely on Doran for the successful leasing and operation of the Triple Crown Residences as well as completion of the second phase of the project.

We rely on the efforts of our partner Greystone Construction for a new development project.

On June 16, 2020, Canterbury Development entered into an operating agreement with an affiliate of Greystone Construction, as the two members of a Minnesota limited liability company named Canterbury DBSV Development, LLC (Canterbury DBSV). Canterbury DBSV was formed as part of a joint venture between Greystone and Canterbury Development LLC for a multi-use development on the 13-acre land parcel located on the southwest portion of the Company’s racetrack. Canterbury Development’s equity contribution to Canterbury DBSV was approximately 13 acres of land, which were contributed to Canterbury DBSV on July 1, 2020. In connection with its contribution, Canterbury Development became a 61.87% equity member in Canterbury DBSV. The Company will rely on the efforts of our partner Greystone Construction for the success of this new development project.

We may not be successful in executing our real estate development strategy.

Canterbury Development is currently pursuing other opportunities for the commercial development of its underutilized land. 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 our real estate development activities will be successful.

We are obligated to make improvements in the TIF district and will be reimbursed only to the extent of future tax revenue.

Under the Redevelopment Agreement with the City of Shakopee, the Company has agreed to undertake a number of specific public 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.

General Risk Factors

We may be adversely affected by the effects of inflation.

Inflation has the potential to adversely affect our business, results of operations, financial position and liquidity by increasing our overall cost structure. The existence of inflation in the economy has the potential to result in higher interest rates and capital costs, supply shortages, increased costs of labor and other similar effects. As a result of inflation, we have experienced and may continue to experience, increases in the costs of food and beverage supplies, labor, materials, energy, fuel, and other inputs. Although we may take measures to mitigate the impact of this inflation through pricing actions and efficiency gains, if these measures are not effective our business, results of operations, financial position and liquidity could be materially adversely affected. Even if such measures are effective, there could be a difference between the timing of when these beneficial actions impact our results of operations and when the cost inflation is incurred. Additionally, the pricing actions we take could result in a decrease in market share.

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 \$10.33 per hour for 2022. 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.

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.

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.

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.

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.

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 include racing surfaces, a grandstand, event center, barn and backside facilities, and parking. 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. In connection with the Company's general credit and security agreement, the Company's land used for business operations is subject to a mortgage with a financial institution as additional collateral on its line of credit.

Underutilized Land

In 2021, the Company sold approximately 10 acres of land on the west side of the Racetrack. As of December 31, 2021, the Company has approximately 80 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 12 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

MARKET INFORMATION

The Company's common stock trades on the Nasdaq Global Market under the symbol CPHC.

HOLDERS

At March 15, 2022, the Company had 606 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.

DIVIDENDS

On March 16, 2020, the Company announced that due to the effect of the COVID-19 coronavirus, the Company's Board of Directors had suspended declaring and paying its quarterly cash dividend until the Company's business operations return to normal. On January 10, 2022, the Company announced that it was reinstating its quarterly cash dividend. The \$0.07 per share cash dividend was paid on January 28, 2022 to shareholders of record as of the close of business on January 18, 2022.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information as of December 31, 2021 regarding our equity compensation plans:

Plan Category	(a)	(b)	(c)
	Number of shares of common stock to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	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:			
Stock Plan	—	\$ —	226,405
Employee Stock Purchase Plan	—	—	105,001
Equity compensation plans not approved by security holders:			
Total	—		331,406

Purchases of Equity Securities by the Issuer

In 2007, the Company's Board of Directors adopted a stock repurchase plan that was expanded in 2012. No shares were repurchased in 2021 or 2020, and the Company was authorized to repurchase up to 128,781 shares under the Stock Repurchase Plan as of December 31, 2021. In March 2022, the Board of Directors determined to terminate the stock repurchase plan.

Item 6. [RESERVED]

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.

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.

In 2021, Canterbury Development continued to pursue various development opportunities begun in 2015 for its underutilized land in a project known as Canterbury Commons. These development opportunities have included contributions of land to joint ventures, three as of the end of December 2021, and sales of parcels of land to third parties that will then develop the property. Our long-term strategic direction is to continue to enhance our Racetrack as a unique gaming and entertainment destination and develop the approximately 80 acres of underutilized land not needed for our Racetrack Operations.

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

<i>Financial Performance Summary</i>	2021	2020	2019	2018	2017
Net Revenues	\$ 60,400	\$ 33,140	\$ 59,227	\$ 59,142	\$ 56,953
Operating Expenses	42,882 (1)	34,882	55,591 (2)	53,866 (3)	52,432 (4)
Gain on Transfer/Sale of Land	264	2,368	—	2,371	—
Income (Loss) Before Income Taxes	15,798	(189)	3,963	7,708	4,571
Income Tax (Expense) Benefit	(3,999)	1,251	(1,244)	(1,990)	(480)
Net Income	11,798	1,062	2,718	5,718	4,091

1 During fiscal year 2021, the Company reduced operating expenses \$6,314,000 by recording an employee retention credit, a refundable tax credit.

2 During fiscal year 2019, the Company reduced operating expenses \$21,000 by recording a gain on insurance recoveries.

3 During fiscal year 2018, the Company reduced operating expenses \$141,000 by recording a gain on insurance recoveries.

4 During fiscal year 2017, the Company reduced operating expenses by \$1,465,000 by recording a gain on insurance recoveries.

COVID-19 PANDEMIC

In January 2020, an outbreak of a respiratory illness caused by a new strain of coronavirus was identified. The disease has since spread rapidly across the world, causing the World Health Organization to declare the outbreak a pandemic (the "COVID-19 Pandemic") on March 12, 2020. Since that time, governments and businesses have taken measures to limit the impact of the COVID-19 Pandemic, including the issuance of shelter-in-place orders, social distancing measures, travel bans and restrictions, and business shutdowns.

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 in response to concerns about the COVID-19 Pandemic. 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. On June 10, 2020, the Company reopened and resumed simulcast, live racing, and food and beverage operations. The Company also resumed table games and poker operations in the Company's Card Casino on June 15, 2020 and July 9, 2020, respectively. These reopenings were done in compliance with Minnesota state guidelines on capacity limitations.

On November 18, 2020, Minnesota state and regulatory bodies issued an executive order requiring closure of places of public accommodation as a measure to slow the spread of COVID-19. As a result, the Company temporarily suspended all Card Casino, simulcast, and food and beverage operations from November 21, 2020 through January 10, 2021.

In connection with reopening our pari-mutuel, food and beverage, and Card Casino operations, we adhered to social distancing requirements, which included reduced seating at table games and poker and capacity limitations to follow Minnesota state guidelines. Effective May 28, 2021, all capacity limits, restrictions on large gatherings, and other restrictions, which had been implemented in response to the impact of the COVID-19 Pandemic, were lifted and our Racetrack began operating under pre-pandemic guidelines. Our Card Casino also began operating without capacity restrictions effective May 28, 2021, but we maintained and intend to maintain certain operational changes and improvements initiated in 2020 in response to the COVID-19 Pandemic.

The disruptions arising from the COVID-19 Pandemic had a significant impact on the Company's financial condition and operations during 2020. The COVID-19 Pandemic also had a negative impact on the Company's financial condition and operations for the first half of 2021, although to a much lesser extent than 2020. However, the Company's revenues began to recover starting in the 2021 second quarter. The strong recovery we have experienced in 2021 have been a result of increased consumer confidence, reduction in capacity restrictions, and faster than anticipated vaccine roll-outs, as well as the success of initiatives begun during the COVID-19 Pandemic to increase attendance at live racing and other events, enhance the player experience, and recruit higher value players. Although the Company has currently appeared to recover from the effects of the COVID-19 Pandemic, the pandemic has caused other global issues that could have a future adverse effect on the Company. Specifically, these issues relate to supply chain issues and labor shortages, which have had some negative impact on our business and may continue to have an impact in the near future. Additionally, the spread of any new COVID-19 variants could also have an adverse effect on the Company's financial condition and results. As the impact of the COVID-19 Pandemic on the economy and our operations evolves, we will continue to assess the impact on the Company and respond accordingly.

EMPLOYEE RETENTION CREDIT

The employee retention credit ("ERC"), as originally enacted on March 27, 2020 by the CARES Act, is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages an eligible employer pays to employees after March 12, 2020, and before January 1, 2021. The Taxpayer Certainty and Disaster Tax Relief Act (the "Relief Act"), enacted on December 27, 2020, amended, and extended the ERC. The Relief Act extended and enhanced the ERC for qualified wages paid after December 31, 2020 through June 30, 2021. Under the Relief Act, eligible employers may claim a refundable tax credit against certain employment taxes equal to 70% of the qualified wages an eligible employer pays to employees after December 31, 2020 through June 30, 2021. The purpose of the ERC is to encourage employers to keep employees on the payroll, even if they are not working during the covered period because of the coronavirus outbreak.

The Company qualified for federal government assistance through the ERC provisions for the 2020 second, third, and fourth quarters, as well as the 2021 first and second quarters. We recognize government grants for which there is a reasonable assurance of compliance with grant conditions and receipt of credits. As of December 31, 2021, the Company's expected one-time refunds totaling \$6,314,468, are included on the Consolidated Balance Sheets as an employee retention credit receivable, as well as on the Consolidated Statements of Operations as a credit to salaries and benefits expense.

We expect to receive the employee retention credit payment in 2022. Upon receipt, we expect to allocate these funds towards a combination of further investment in our team members, growth investments, capital expenditures, and deferred maintenance capital spending.

OPERATIONS REVIEW

YEAR ENDED DECEMBER 31, 2021 COMPARED TO YEAR ENDED DECEMBER 31, 2020

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 for our Racetrack Operations because it is a widely used measure of performance of and basis for valuation of companies in the gaming industry. Other companies that provide EBITDA information may calculate EBITDA differently than we do. We also compute Adjusted EBITDA, a non-GAAP measure, which reflects additional adjustments to Net Income to eliminate unusual or non-recurring items, as well as items relating to our real estate development operations. For the year ended December 31, 2021, Adjusted EBITDA excluded the gain on sale of land, employee retention credit, depreciation, amortization, and interest related to equity investments, as well as \$515,000 of COVID-19 relief grants included in other revenue. For the year ended December 31, 2020, Adjusted EBITDA excluded the loss on disposal of assets, gain on transfer of land, depreciation, amortization, and interest related to equity investments.

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

SUMMARY OF EBITDA DATA

	Year Ended December 31,	
	2021	2020
NET INCOME	\$ 11,798,153	\$ 1,062,014
Interest income, net	(719,365)	(663,571)
Income tax (benefit) expense	3,999,400	(1,250,845)
Depreciation	2,844,647	2,748,514
EBITDA	17,922,835	1,896,112
Loss on disposal of assets	—	13,407
Gain on sale/transfer of land	(263,581)	(2,367,514)
Employee Retention Credit	(6,314,468)	—
Depreciation and amortization related to equity investments	1,735,883	918,571
Interest expense related to equity investments	905,729	345,379
Other revenue, COVID-19 relief grants	(515,000)	—
ADJUSTED EBITDA	\$ 13,471,398	\$ 805,955

Adjusted EBITDA increased \$12,665,000, or 1,571.5%, for 2021 compared to 2020. For 2021, Adjusted EBITDA as a percentage of net revenue, excluding \$515,000 other revenue from COVID-19 relief grants, was 22.5%.

REVENUES

Total net revenues for 2021 were \$60,400,000, an increase of \$27,259,000, or 82.3%, compared to total net revenues of \$33,140,000 for 2020. For 2021 as compared to 2020, total pari-mutuel revenue increased 28.4%, Card Casino revenue increased 91.5%, food and beverage revenue increased 160.7%, and other revenue increased 102.6%. See below for a further discussion of our sources of revenues for each of our pari-mutuel, Card Casino, food and beverage, and other revenues.

PARI-MUTUEL REVENUES

	Year Ended December 31,	
	2021	2020
Simulcast	\$ 3,959,000	\$ 2,878,000
Live racing	1,663,000	723,000
Guest fees	3,236,000	2,743,000
Other revenue	1,386,000	1,635,000
Total Pari-Mutuel Revenue	\$ 10,244,000	\$ 7,979,000
Racing Days		
Simulcast only racing days	289	187
Live and simulcast racing days	65	53
Total Number of Racing Days	354	240

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 2021 pari-mutuel revenue increased \$2,265,000, or 28.4%, compared to 2020. The increase in revenue in 2021 compared to 2020 is due to increased business levels, including the fact we returned to normalized operations and full capacity starting in the second quarter 2021 as compared to the closure of our operations for approximately 17 weeks in 2020 and operating our live racing season at a limited capacity.

CARD CASINO REVENUES

	Year Ended December 31,	
	2021	2020
Poker Games Collection	\$ 7,110,000	\$ 3,747,000
Other Poker Revenue	2,133,000	922,000
Total Poker Revenue	9,243,000	4,669,000
Table Games Collection	27,120,000	14,307,000
Other Table Games Revenue	1,728,000	910,000
Total Table Games Revenue	28,848,000	15,217,000
Total Card Casino Revenue	\$ 38,091,000	\$ 19,886,000

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 63.1% and 60.0% of the Company's net revenues for the years ended December 31, 2021 and 2020, respectively.

Total Card Casino revenue increased \$18,205,000, or 91.6%, in 2021 compared to 2020. The increase is due to increased visitation as our business recovers from the effects of the COVID-19 Pandemic described above, as well as increased table games drop from the successful marketing efforts to recruit higher value players. When the Company reopened its table games operations on June 15, 2020, this included reduced seating at table games and capacity limitations to follow Minnesota state guidelines. The Company did not resume poker operations until July 2020. Our Card Casino also began operating without capacity restrictions effective May 28, 2021, but we maintained and intend to maintain certain operational changes and improvements, which we believe is preferred by players and is contributing to increased revenue and margins.

FOOD AND BEVERAGE REVENUES

Food and beverage revenue increased \$3,813,000, or 160.7%, to \$6,186,000 for the year ended December 31, 2021 compared to 2020. The increase is due to increased visitation as our business recovers from the effects of the COVID-19 Pandemic described above. Furthermore, the increase is due to being able to host large scale events, including a three-day music festival and seven-show concert series in the 2021 third quarter, as well as the fact the Company's entire 2020 live racing season consisted of limited crowds due to capacity constraints. As noted above, all capacity limits which had been implemented as a response to the COVID-19 Pandemic were lifted on May 28, 2021.

OTHER REVENUES

Other revenue increased \$2,977,000, or 102.6%, to \$5,879,000 in 2021 compared to 2020. The increase is due to the reversal of the effects of the COVID-19 Pandemic described above, as well as hosting a three-day music festival and seven-show concert series in the 2021 third quarter. Additionally, the Company received \$515,000 of COVID-19 relief grants that the Company recorded as other revenue in the 2021 first quarter.

OPERATING EXPENSES

Total operating expenses increased \$8,000,000, or 22.9%, to \$42,882,000 in 2021, from \$34,882,000 in 2020. Total operating expenses as a percentage of net revenues decreased to 71.0% in 2021 from 105.3% in 2020.

Total purse expense increased \$3,091,000, or 62.5%, in 2021 compared to 2020. The increase is due to increases in Card Casino and pari-mutuel revenues. This also resulted in an increase in Minnesota Breeders' Fund (the "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 MBF.

	Purse Expense		Minnesota Breeders' Fund Expense	
	2021	2020	2021	2020
Card Casino	\$ 4,584,000	\$ 2,290,000	\$ 509,000	\$ 254,000
Simulcast Racing	1,463,000	1,275,000	467,000	451,000
Live Racing	1,991,000	1,382,000	85,000	37,000
Total	\$ 8,038,000	\$ 4,947,000	\$ 1,061,000	\$ 742,000

Salaries and benefits expense decreased \$821,000, or 5.2%, in 2021 compared to 2020. The decrease is due a \$6,314,000 employee retention credit claimed under the CARES Act. Excluding the employee retention credit, salaries and benefits expense increased \$5,493,000, or 34.5%, in 2021 compared to 2020. The increase is due to an increase in the number of personnel to support our resumption of normalized operations in 2021 as well as the fact that the majority of employees were placed on an unpaid furlough during the temporary shutdown of operations in 2020.

Cost of food and beverage sales increased \$1,206,000, or 98.0%, in 2021 compared to 2020. The increase is consistent with the increase in food and beverage revenues.

Advertising and marketing costs increased \$1,300,000, or 344.5%, in 2021 compared to 2020. The increase is primarily attributable to the increased expenditures that are funded by payments received under the CMA for joint marketing, as well as an increase in advertising and marketing spend to support our resumption of normalized operations in 2021.

Other operating expenses increased \$1,241,000, or 34.0% in 2021 compared to 2020. The increase is primarily attributable to the expenses associated with the three-day musical festival and seven-show concert series held in 2021, as well as a return to a more normalized live racing season in 2021.

During 2021, the Company recorded a gain on sale of land of \$264,000 as of result of the sale of approximately 9.8 acres of land for approximately \$3,500,000 in gross proceeds.

During 2020, the Company recorded a gain on transfer of land of \$2,368,000 as a result of transferring land to the Doran Canterbury II and Canterbury DBSV joint ventures.

The Company recorded a provision for income taxes of \$3,999,000 and a benefit for income taxes of \$1,251,000 for 2021 and 2020, respectively. The increase in our tax expense for 2021 compared to 2020 is due to an increase in income before taxes from operations. Our effective tax rate was 25.3% and (662.4%) for 2021 and 2020, respectively. The 2020 effective tax rate was impacted by benefits realized from the 2019 and 2020 NOL carrybacks calculated in the 2020 tax provision.

Net income for the years 2021 and 2020 was \$11,798,000 and \$1,062,000, respectively.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Consolidated Financial Statements in accordance with GAAP requires us to make estimates and judgments that are subject to an inherent degree of uncertainty. The nature of the estimates and assumptions are material due to the levels of subjectivity and judgment necessary to account for highly uncertain factors or the susceptibility of such factors to change. The development and selection of critical accounting estimates, and the related disclosures, have been reviewed with the Audit Committee of our Board of Directors. We believe the current assumptions and other considerations used to estimate amounts reflected in our Consolidated Financial Statements are appropriate. However, if actual experience differs from the assumptions and other considerations used in estimating amounts reflected in our Consolidated Financial Statements, the resulting changes could have a material adverse effect on our financial condition, results of operations and cash flows.

Estimate of the allowance for doubtful accounts - Property Tax Increment Financing "TIF" Receivable

As of December 31, 2021, the Company recorded a TIF receivable on its Consolidated Balance Sheet of approximately \$12,503,000, which represents \$11,180,000 of principal and \$1,323,000 of interest. The TIF receivable requires significant management estimates and judgement pertaining to whether an allowance for doubtful accounts is necessary. The TIF receivable was generated in connection with the Contract for Private Redevelopment, in which the City of Shakopee has agreed that a portion of the future tax increment revenue generated from the developed property around the Racetrack will be paid to the Company to reimburse it for expenses in constructing public infrastructure improvements.

The Company typically performs an annual collectability analysis of the TIF receivable in the fourth quarter of each year, or more frequently if indicators of potential uncollectability exist. The Company utilizes the assistance of a third party to assist with the projected tax increments. The quantitative analysis includes assumptions based on the market values of the completed development projects within Canterbury Commons, which derives the future projected tax increment revenue. The Company uses the analysis to determine if the future tax increment revenue will exceed the Company's development costs on infrastructure improvements. As a result of our analysis for the year ended December 31, 2021, management believes the TIF receivable will be fully collectible and no allowance related to this receivable is necessary.

COOPERATIVE MARKETING AGREEMENT

The amounts received from the marketing payments under the CMA 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, 2021, the Company recorded \$1,516,000 in other revenue and incurred \$1,391,000 in advertising and marketing expense and \$125,000 in depreciation related to the SMSC marketing payment. For the year ended December 31, 2020, the Company recorded \$900,000 in other revenue and incurred \$740,000 in advertising and marketing expense and \$160,000 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.

CONTINGENCIES

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.

Effective on December 21, 2021, the Company entered into a Contribution and Indemnity Agreement ("Indemnity Agreement") with affiliates of Doran Companies ("Doran") in connection with the debt refinancing on the Doran Canterbury I, LLC joint venture. Under the Indemnity Agreement, the Company is obligated to indemnify Doran for loan payment amounts up to \$5,000,000 only if the lender demands a loan guarantee.

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, 2021 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 2021 or 2020, and there is no liability related to this bond on the balance sheet as of December 31, 2021.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS FROM OPERATING ACTIVITIES

Cash provided by operating activities for 2021 was \$13,498,000 as a result of net income of \$11,798,000 and was increased by 2021 noncash charges from depreciation of \$2,845,000, stock-based compensation expense of \$548,000, stock-based employee match contribution of \$557,000, and loss from equity investment of \$2,703,000. Cash from operating activities in 2021 was reduced by a gain on sale of land of \$264,000. The Company also experienced an increase in Card Casino accruals of \$929,000 and a decrease in income taxes receivable of \$2,768,000 in 2021 as compared to 2020. This was partially offset by a decrease in payable to horsepersons of \$1,451,000, an increase in TIF receivable of \$614,000, and an increase in employee retention credit receivable of \$6,314,000. We expect to receive the employee retention credit payment in 2022. Upon receipt, we expect to allocate these funds towards a combination of further investment in our team members, growth investments, capital expenditures, and deferred maintenance capital spending.

Cash provided by operating activities for 2020 was \$1,130,000 as a result of net income of \$1,062,000 and was increased by 2020 noncash charges from depreciation of \$2,749,000, stock-based compensation expense of \$469,000, stock-based employee match contribution of \$371,000, deferred income taxes of \$2,943,000, and loss from equity investment of \$1,478,000. Cash from operating activities in 2020 was reduced by a gain on transfer of land of \$2,368,000. The Company also experienced an increase in payable to horsepersons of \$1,817,000 in 2020 as compared to 2019. This was partially offset by a decrease in accrued wages and payroll taxes of \$1,104,000, decrease in deferred revenue of \$1,046,000, increase in TIF receivable of \$547,000, and increase in income taxes receivable of \$4,153,000 in 2020 as compared to 2019.

CASH FLOWS FROM INVESTING ACTIVITIES

Net cash used in investing activities for 2021 of \$2,502,000 was used primarily for additions to land, buildings, and equipment, increase in related party receivable, and an equity investment contribution. This was partially offset by proceeds received from the sale of land.

Net cash used in investing activities for 2020 of \$211,000 was used primarily for additions to land, buildings, and equipment, including the costs of TIF eligible public infrastructure improvements. This was partially offset by a decrease in related party receivables when an affiliate of the controlling member of the Doran Canterbury I and II joint ventures repaid the \$2,940,000 promissory note in full on August 3, 2020 and repaid the \$268,000 of costs for preliminary grading work on parcels of land the Company had designated for Doran Canterbury II.

CASH FLOWS FROM FINANCING ACTIVITIES

Net cash provided by financing activities for 2021 was \$130,000 primarily due to proceeds from the issuance of common stock, partially offset by payments for taxes of equity awards. Given that we reinstated our quarterly cash dividend in January 2022, we expect net cash used by financing activities to increase in 2022.

Net cash used by financing activities for 2020 was \$374,000 and primarily consisted of \$329,000 cash dividend paid to shareholders prior to the suspension of dividends by our Board of Directors on March 16, 2020.

CASH AND CAPITAL RESOURCES

At December 31, 2021, we had cash, cash equivalents, and restricted cash of \$15,599,000 compared to \$4,472,000 at December 31, 2020. This \$11,127,000 increase consisted of \$13,498,000 of net cash provided by operating activities and \$130,000 of net cash provided by financing activities, offset by \$2,502,000 of net cash used in investing activities. We believe our existing cash and cash equivalents, along with cash flow from operations and availability of borrowing under our revolving line of credit agreement, will be sufficient to meet our liquidity and working capital requirements beyond the next 12 months.

The Company has a general credit and security agreement with a financial institution. This agreement was amended as of December 23, 2020 to extend the maturity date to February 28, 2021. The agreement was also amended as of February 28, 2021 to extend the maturity date to January 31, 2024 and increase its revolving credit line up to \$10,000,000. The line of credit is collateralized by all receivables, inventory, equipment, and general intangibles of the Company, as well as a mortgage on certain real property. The Company had no borrowings under the credit line during the year ended December 31, 2021. As of December 31, 2021, 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 2021.

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 \$973,000 and \$576,000 at December 31, 2021 and 2020, respectively. Additionally, the table games jackpot pool was \$675,000 and \$664,000 at December 31, 2021 and 2020, respectively.

The Company also maintains a poker promotional pool where a portion of the poker "rake" is collected and accumulated into a promotional pool to enhance the total amount paid back to poker players. The Company is required to return accumulated poker promotional pool funds to the players through poker jackpots, giveaways, promotional items, prizes or by other means. The poker promotional pool liability was \$934,000 and \$631,000 at December 31, 2021 and 2020, 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, 2021 and 2020, accrued jackpot funds totaled \$189,000 and \$186,000, 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 \$475,000 and \$253,000 at December 31, 2021 and 2020, 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 \$8,903,000 and \$2,885,000 in purse funds related to thoroughbred races for 2021 and 2020, 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, 2021 or 2020.

In March 2014, the Company entered into a seven-year agreement with a new totalizator provider, which was extended an additional year in 2021. 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, 2021 and 2020 were \$262,000 and \$181,000, 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 public 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 12 for a more detailed description of the agreement.

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:

- any short-term or long-term effect that the COVID-19 Pandemic may have on us as an entertainment venue, including reluctance from customers to visit our Racetrack or Card Casino or social distancing measures that we may voluntarily take that would limit attendance at our facilities;
- competition from other venues offering unbanked card games or other forms of wagering;
- competition from other sports and entertainment options;
- attracting a sufficient number of horses and trainers to achieve above average field sizes;
- decline in interest in wagering on horse races at the Racetrack, at other tracks, or on unbanked card games offered at the Card Casino;
- the impact of economic conditions that may affect consumer spending;
- material fluctuations in attendance at the Racetrack;
- the fact that horse racing is an inherently dangerous sport and our racetrack is subject to personal injury litigation;
- the impact of wagering products and technologies introduced by competitors;
- inclement weather and other conditions that may affect our ability to conduct live racing;
- 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;
- legislative and regulatory decisions and changes, including decision or actions related to sports betting that would adversely affect our betting environment;
- the fact that 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;
- the fact that we are subject to extensive regulation from gaming authorities that could adversely affect us;
- the fact that under the Redevelopment Agreement with the City of Shakopee, the Company has agreed to undertake a number of specific public 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 partners Doran Companies and Greystone Construction to construct, and profitably operate our development projects;
- greater-than-anticipated expenses or lower-than-anticipated return on the development of our underutilized land;
- the fact the public 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 dependence on key personnel of the Company;
- payments and amount of future dividends is subject to Board of Director discretion and to various risks and uncertainties;
- increases in compensation and employee benefit costs;
- the fact that our information technology and other systems are subject to cyber security risk including misappropriation of customer information or other breaches of information security;
- the impact of energy and fuel price increases on our operations and revenues;
- 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

Not applicable.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

(a) Financial Statements

The following financial statements of the Company are set forth on pages 34 through 59 of the Form 10-K:

	<u>Page</u>
<u>Report of Independent Registered Public Accounting Firm (PCAOB ID 344)</u>	<u>34</u>
<u>Consolidated Balance Sheets as of December 31, 2021 and 2020</u>	<u>36</u>
<u>Consolidated Statements of Operations for the years ended December 31, 2021 and 2020</u>	<u>37</u>
<u>Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2021 and 2020</u>	<u>38</u>
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2021 and 2020</u>	<u>39</u>
<u>Notes to Consolidated Financial Statements for the years ended December 31, 2021 and 2020</u>	<u>41</u>

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, 2021 and 2020, and the related consolidated statements of operations, changes in stockholders’ equity and cash flows for the years then ended 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, 2021 and 2020, and the results of its operations and its cash flows for the years then ended 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.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Collectability of Property Tax Increment Financing “TIF” Receivable

As described in Notes 1 and 12 to the consolidated financial statements, the Company recorded a TIF receivable of approximately \$12,503,000 at December 31, 2021. The TIF receivable requires significant management estimates and judgments pertaining to whether an allowance for doubtful accounts is necessary. The Company performs a collectability analysis which includes assumptions based on the market values of completed development projects, which derives the future projected tax incremental revenue. The Company uses this analysis to determine if future tax increment revenue will exceed the Company’s development costs on infrastructure improvements.

We identified the collectability of the TIF receivable as a critical audit matter because of the high degree of subjectivity in evaluating whether management's estimates and assumptions used in its collectability analysis were considered reasonable.

The primary audit procedures we performed to address this critical audit matter included:

- We evaluated the design of key controls related to the Company's collectability analysis, including controls over the precision of management's review.
- We evaluated the accuracy of the data used by management in determining the estimate, including the reasonable and supportable factors, by agreeing them to internal and external information available.
- We evaluated the reasonableness of management's forecasts on future development by comparing the following:
 - Historical results
 - Discussions with management related to the ongoing development projects.
 - Forecasted information from outside parties related to projected tax increments for the development projects.

/s/ Wipfli LLP

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

Minneapolis, Minnesota
March 21, 2022

CANTERBURY PARK HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 11,869,866	\$ —
Restricted cash	3,728,887	4,471,712
Accounts receivable, net of allowance of \$19,250 at December 31, 2021 and 2020	388,304	231,255
Employee retention credit receivable	6,314,468	—
Inventory	248,389	218,791
Prepaid expenses	580,799	498,642
Income taxes receivable	1,264,056	4,031,621
Total current assets	<u>24,394,769</u>	<u>9,452,021</u>
LONG-TERM ASSETS		
Deposits	29,500	49,500
Other prepaid expenses	66,632	—
TIF receivable	12,502,743	11,888,570
Related party receivable (Note 13)	2,178,799	1,541,910
Operating lease right-of-use assets	22,786	45,057
Equity investment (Note 12)	6,389,869	7,515,108
Land held for development	3,116,771	4,805,417
Land, buildings, and equipment, net (Note 3)	34,360,586	33,507,204
Total long-term assets	<u>58,667,686</u>	<u>59,352,766</u>
TOTAL ASSETS	<u>\$ 83,062,455</u>	<u>\$ 68,804,787</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 2,306,431	\$ 2,953,586
Card Casino accruals	3,257,277	2,327,994
Accrued wages and payroll taxes	1,769,578	1,150,102
Accrued property taxes	774,324	804,817
Deferred revenue	733,292	435,866
Payable to horsepersons	923,423	2,374,696
Current portion of finance lease obligations	27,062	25,749
Current portion of operating lease obligations	22,786	22,271
Total current liabilities	<u>9,814,173</u>	<u>10,095,081</u>
LONG-TERM LIABILITIES		
Deferred income taxes (Note 4)	7,671,015	7,347,700
Investee losses in excess of equity investment	1,205,068	—
Finance lease obligations, net of current portion	18,973	46,035
Operating lease obligations, net of current portion	—	22,786
Total long-term liabilities	<u>8,895,056</u>	<u>7,416,521</u>
TOTAL LIABILITIES	<u>18,709,229</u>	<u>17,511,602</u>
STOCKHOLDERS' EQUITY (Note 5)		
Common stock, \$.01 par value, 10,000,000 shares authorized, 4,812,085 and 4,748,012, respectively, shares issued and outstanding	48,121	47,480
Additional paid-in capital	24,894,571	23,631,618
Retained earnings	39,410,534	27,614,087
Total stockholders' equity	<u>64,353,226</u>	<u>51,293,185</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 83,062,455</u>	<u>\$ 68,804,787</u>

See notes to consolidated financial statements.

CANTERBURY PARK HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
OPERATING REVENUES:		
Card Casino	\$ 38,090,835	\$ 19,885,862
Pari-mutuel	10,243,835	7,979,336
Food and beverage	6,185,832	2,372,716
Other	5,879,196	2,902,358
Total Net Revenues	60,399,698	33,140,272
OPERATING EXPENSES:		
Purse expense	8,037,994	4,946,799
Minnesota Breeders' Fund	1,061,624	742,052
Other pari-mutuel expenses	999,654	692,060
Salaries and benefits	15,105,558	15,926,727
Cost of food and beverage and other sales	2,436,618	1,230,633
Depreciation	2,844,647	2,748,514
Utilities	1,615,901	1,212,004
Advertising and marketing	1,677,424	377,412
Professional and contracted services	4,208,622	3,340,116
Loss on disposal of assets	—	13,407
Other operating expenses	4,893,750	3,652,265
Total Operating Expenses	42,881,792	34,881,989
Gain on sale/transfer of land (Note 12)	263,581	2,367,514
INCOME FROM OPERATIONS	17,781,487	625,797
OTHER INCOME (LOSS)		
Loss from equity investment	(2,703,299)	(1,478,199)
Interest income, net	719,365	663,571
Net Other Loss	(1,983,934)	(814,628)
INCOME (LOSS) BEFORE INCOME TAXES	15,797,553	(188,831)
INCOME TAX (EXPENSE) BENEFIT (Note 4)	(3,999,400)	1,250,845
NET INCOME	\$ 11,798,153	\$ 1,062,014
Basic earnings per share	\$ 2.47	\$ 0.23
Diluted earnings per share	\$ 2.44	\$ 0.23
Weighted Average Basic Shares Outstanding	4,776,007	4,697,021
Weighted Average Diluted Shares	4,827,761	4,697,791

See notes to consolidated financial statements.

CANTERBURY PARK HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020

	Number of Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Total
Balance at December 31, 2019	4,644,522	\$ 46,445	\$ 22,733,933	\$ 26,635,732	\$ 49,416,110
Exercise of stock options	24,250	242	200,548	—	200,790
Other share retirements	(9,920)	(99)	(44,587)	(79,512)	(124,198)
Stock-based compensation	—	—	468,832	—	468,832
Dividend distribution	—	—	—	(4,147)	(4,147)
401(K) stock match	34,625	346	371,086	—	371,432
Issuance of deferred stock awards	45,865	459	(177,960)	—	(177,501)
Shares issued under Employee Stock Purchase Plan	8,670	87	79,766	—	79,853
Net income	—	—	—	1,062,014	1,062,014
Balance at December 31, 2020	4,748,012	\$ 47,480	\$ 23,631,618	\$ 27,614,087	\$ 51,293,185
Exercise of stock options	3,654	37	48,562	—	48,599
Stock-based compensation	—	—	548,282	—	548,282
Dividend distribution	—	—	—	(1,706)	(1,706)
401(K) stock match	33,998	340	557,056	—	557,396
Issuance of deferred stock awards	14,597	146	(26,094)	—	(25,948)
Shares issued under Employee Stock Purchase Plan	11,824	118	135,147	—	135,265
Net income	—	—	—	11,798,153	11,798,153
Balance at December 31, 2021	4,812,085	\$ 48,121	\$ 24,894,571	\$ 39,410,534	\$ 64,353,226

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Operating Activities:		
Net income	\$ 11,798,153	\$ 1,062,014
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,844,647	2,748,514
Stock-based compensation expense	548,282	468,832
Stock-based employee match contribution	557,396	371,432
Deferred income taxes	323,315	2,943,400
Loss on disposal of assets	—	13,407
Loss from equity investment	2,703,299	1,478,199
Gain on sale/transfer of land	(263,581)	(2,367,514)
Changes in operating assets and liabilities:		
Accounts receivable	(157,049)	70,782
Employee retention credit receivable	(6,314,468)	—
Increase in TIF receivable	(614,173)	(546,591)
Other current assets/deposits	(158,387)	174,178
Income taxes receivable/payable	2,767,565	(4,152,581)
Operating lease right-of-use assets	22,271	29,775
Operating lease liabilities	(22,271)	(29,775)
Accounts payable	(901,150)	(886,060)
Deferred revenue	297,426	(1,046,264)
Card Casino accruals	929,283	160,938
Accrued wages and payroll taxes	619,476	(1,104,277)
Accrued property taxes	(30,493)	(75,292)
Payable to horsepersons	(1,451,273)	1,817,000
Net cash provided by operating activities	<u>13,498,268</u>	<u>1,130,117</u>
Investing Activities:		
Additions to land, buildings, and equipment	(3,780,759)	(1,536,948)
Proceeds from sale of land	2,288,952	—
Additions for TIF eligible improvements	—	(765,316)
(Increase) decrease in related party receivable	(636,889)	1,987,017
Equity investment contribution	(372,992)	—
Sale of investments	—	103,886
Net cash used in investing activities	<u>(2,501,688)</u>	<u>(211,361)</u>
Financing Activities:		
Proceeds from issuance of common stock	183,864	156,446
Borrowings on line of credit	—	5,866,416
Payments against line of credit	—	(5,866,416)
Cash dividend paid to shareholders	(1,706)	(328,587)
Payments for taxes related to net share settlement of equity awards	(25,948)	(177,501)
Principal payments on finance lease	(25,749)	(24,500)
Net cash provided by (used in) financing activities	<u>130,461</u>	<u>(374,142)</u>
Net increase in cash, cash equivalents, and restricted cash	11,127,041	544,614
Cash, cash equivalents, and restricted cash at beginning of year	<u>4,471,712</u>	<u>3,927,098</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 15,598,753</u>	<u>\$ 4,471,712</u>

CANTERBURY PARK HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020 (CONTINUED)

Schedule of non-cash investing and financing activities			
Additions to land, buildings, and equipment funded through accounts payable	\$	254,000	\$ 344,000
Transfer of future TIF reimbursed costs from land, buildings, and equipment		—	1,633,000
Transfer of assets to Doran Canterbury II		—	1,633,000
Transfer of assets to Canterbury DBSV		—	2,195,000
		<u> </u>	<u> </u>
Supplemental disclosure of cash flow information:			
Income taxes paid	\$	1,220,000	\$ 80,000
Interest paid		3,000	40,000

See notes to consolidated financial statements.

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 Holding Corporation) and its direct and indirect subsidiaries Canterbury Park Entertainment, LLC, Canterbury Park Concessions, Inc., and Canterbury Development, LLC, after elimination of intercompany accounts and transactions.

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.

Reclassifications - Certain amounts in prior period financial statements have been reclassified to conform to current period presentations.

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 Sheets. 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.

We evaluate our on-track revenue (live racing), export revenue (simulcast), and import revenue (guest fees) 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.

Employee Retention Credit ("ERC") – The Company qualified for federal government assistance through ERC provisions of the CARES Act passed in 2020, for the 2020 second, third, and fourth quarters, as well as the 2021 first and second quarters. The purpose of the ERC is to encourage employers to keep employees on the payroll, even if they are not working during the covered period because of the coronavirus outbreak. We recognize government grants for which there is a reasonable assurance of compliance with grant conditions and receipt of credits. As of December 31, 2021, the Company's expected one-time refunds totaling \$6,314,468, are included on the Consolidated Balance Sheets as an employee retention credit receivable, as well as on the Consolidated Statements of Operations as a credit to salaries and benefits expense.

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") and First Amendment to the Contract for Private Redevelopment (the "First Amendment") between the City of Shakopee Economic Development Authority and Canterbury Development LLC signed in August 2018 and amended in September 2021, 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 public 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 is 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 \$8,903,000 and \$2,885,000 for the years ended December 31, 2021 and 2020, 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.

Checks Written in Excess of Cash Balance - For the year ended December 31, 2020, the Company included approximately \$970,000 of checks written in excess of cash balance within accounts payable on the Consolidated Balance Sheet. There were no checks written in excess of cash balance as of December 31, 2021.

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 2021 and 2020, 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.

Land Held for Development – Land held for development consists of land owned for potential real estate development.

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, 2021 and 2020, 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 and unvested deferred stock awards.

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.

3. LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment, at cost, consist of the following at December 31, 2021 and 2020:

	2021	2020
Land	\$ 2,813,239	\$ 2,680,158
Buildings and building improvements	42,931,835	41,081,689
Furniture and equipment	23,073,308	23,515,215
Construction in progress	1,900,305	1,677,547
	<u>70,718,687</u>	<u>68,954,609</u>
Accumulated depreciation	(36,358,101)	(35,447,405)
	<u>\$ 34,360,586</u>	<u>\$ 33,507,204</u>

The Company has included land held for development as a separate line on the consolidated balance sheet. This amount represents land owned for potential real estate development and totaled approximately \$3,117,000 and \$4,805,000 at December 31, 2021 and 2020, respectively.

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, 2021 and 2020 is as follows:

	2021	2020
Federal tax (benefit) expense at statutory rates	\$ 3,317,500	\$ (40,000)
Nondeductible lobbying expense	11,300	13,000
State expense, net of federal impact	747,700	3,000
Stock option expense	15,400	—
Long term incentive and restricted stock unit expense	(600)	(14,000)
Federal rate difference on NOL carrybacks	—	(1,213,000)
Other	(91,900)	155
	<u>\$ 3,999,400</u>	<u>\$ (1,250,845)</u>

Income tax expense (benefit) for the years ended December 31, 2021 and 2020 consists of the following:

	2021	2020
Current		
Federal	\$ 3,228,800	\$ (4,110,000)
State	447,300	(84,000)
	<u>3,676,100</u>	<u>(4,194,000)</u>
Deferred, Federal	(175,800)	2,860,155
Deferred, State	499,100	83,000
	<u>\$ 3,999,400</u>	<u>\$ (1,250,845)</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, 2021 and 2020 are as follows:

	2021	2020
Deferred tax assets:		
Vacation accrual	\$ 60,500	\$ 55,700
Player rewards program accrual	112,200	166,900
Stock options	149,000	86,200
Long-Term Incentive Plan	38,100	32,500
Lease obligations	13,200	20,600
Charitable contribution carryovers	—	15,300
State net operating loss	—	374,000
Other	5,685	15,500
Total net deferred tax assets	<u>378,685</u>	<u>766,700</u>
Deferred tax liabilities:		
Land, building and equipment - cost and depreciation	(4,341,400)	(4,381,600)
Investment in joint ventures	(3,202,500)	(3,387,200)
Prepaid Expenses	(125,500)	(144,900)
TIF receivable accrued interest	(380,300)	(200,700)
Total net deferred tax liabilities	<u>(8,049,700)</u>	<u>(8,114,400)</u>
Net long-term deferred tax liabilities	<u>\$ (7,671,015)</u>	<u>\$ (7,347,700)</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 2018.

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 of one share of common stock at the beginning or end of each stock purchase period or phase. Employees purchased 11,824 and 8,670 shares in 2021 and 2020, respectively. As of December 31, 2021, a total of 344,999 shares have been issued from the 450,000 shares 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, 2021 and 2020 totaled approximately \$557,000 and \$371,000, 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 2021 or 2020, 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 approximately \$548,000 and \$469,000 for the years ended December 31, 2021 and 2020, respectively.

Stock Options:

The Company's 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 226,405 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, 2021 and 2020 is summarized below:

	2021		2020	
	Number of Options	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of year	9,000	\$ 13.30	33,250	\$ 9.64
Granted	—	—	—	—
Exercised	(3,654)	13.30	(24,250)	8.28
Expired/Forfeited	(5,346)	13.30	—	—
Outstanding at end of year	—	\$ —	9,000	\$ 13.30
Options exercisable at end of year	—	\$ —	9,000	\$ 13.30

The grant-date fair value of options outstanding and exercisable at December 31, 2021 and 2020 was \$0 and \$56,000, respectively. As of December 31, 2021, there are no options outstanding.

There were no options granted in 2021 or 2020. The total fair value of options exercised during the years ended December 31, 2021 and 2020 was \$23,000 and \$96,000, respectively. The total intrinsic value of options exercised during 2021 and 2020 was \$0 and \$104,000, respectively.

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 a granting opportunity in 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 8,915 shares of deferred stock in the 2022 first quarter, related to the Performance Period ended December 31, 2021.

As a result of the COVID-19 Pandemic, the Company temporarily suspended the granting of performance awards under its LTI Plan until there is more certainty about the Company's future operations, and instead granted other awards designed to retain NEOs and other Senior Executives as described below under "Employee Deferred Stock Awards."

The Company recorded a Compensation expense of \$108,000 and Compensation benefit of \$32,000 related to the LTI plan for 2021 and 2020, respectively.

Board of Directors Stock Option, Deferred Stock Awards, 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 deferred stock:

	Deferred Stock	Weighted Average Fair Value Per Share
Non-Vested Balance, December 31, 2020	20,073	\$ 11.17
Granted	10,710	14.00
Vested	(20,073)	11.17
Forfeited	—	—
Non-Vested Balance, December 31, 2021	<u>10,710</u>	<u>\$ 14.00</u>

Employee Deferred Stock Awards

In 2021, the Company granted employees deferred stock awards totaling 27,900 shares of common stock, with a vesting term of approximately three years and a fair value of \$13.33 per share. During 2020, the Company granted employees deferred stock awards totaling 47,000 shares of common stock with a fair value of \$11.07 per share. The vesting schedule of the awards is as follows: (i) 60% vesting and being issued in December 2020, (ii) 20% vesting and being issued in March 2022, and (iii) 20% vesting and being issued in March 2023. The compensation cost associated with these grants of deferred stock awards are recorded in "Salaries and benefits" on the Consolidated Statements of Operations.

A summary of the changes in employee unvested deferred stock award grants as of December 31, 2021, is as follows:

	Deferred Stock	Weighted Average Fair Value Per Share
Non-Vested Balance, December 31, 2020	18,800	\$ 11.07
Granted	27,900	13.33
Vested	—	—
Forfeited	(3,300)	11.69
Non-Vested Balance, December 31, 2021	<u>43,400</u>	<u>\$ 12.48</u>

At December 31, 2021, there was approximately \$375,000 of total unrecognized stock-based compensation expense related to unvested employee and board of director deferred stock awards that is expected to be recognized over a period of approximately 1.3 years.

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, 2021 and 2020.

	Year Ended December 31,	
	2021	2020
Net income (numerator) amounts used for basic and diluted per share computations:	\$ 11,798,153	\$ 1,062,014
Weighted average shares (denominator) of common stock outstanding:		
Basic	4,776,007	4,697,021
Plus dilutive effect of stock options	51,754	770
Diluted	4,827,761	4,697,791
Net income per common share:		
Basic	\$ 2.47	\$ 0.23
Diluted	2.44	0.23

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, 2020 because the exercise price of the options exceeded the market price of the Company's common stock at December 31, 2020. There were no out-of-the money stock options at December 31, 2021.

7. GENERAL CREDIT AGREEMENT

The Company has a general credit and security agreement with a financial institution. This agreement was amended as of December 23, 2020 to extend the maturity date to February 28, 2021. The agreement was also amended as of February 28, 2021 to extend the maturity date to January 31, 2024 and increase its revolving credit line up to \$10,000,000. The line of credit is collateralized by all receivables, inventory, equipment, and general intangibles of the Company, as well as a mortgage on certain real property. The Company had no borrowings under the credit line during the year ended December 31, 2021. As of December 31, 2021, the outstanding balance on the line of credit was \$0. The credit agreement contains covenants requiring the Company to maintain certain financial ratios.

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 \$22,339 and \$31,333 for the years ended December 31, 2021 and 2020, respectively. 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 \$490,851 and \$360,902 for the years ended December 31, 2021 and 2020, respectively.

Lease costs included in depreciation and amortization related to our finance leases were \$23,795 for each of the years ended December 31, 2021 and 2020. 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	Year Ended December 31,	
		2021	2020
Assets			
Finance	Land, buildings and equipment, net (1)	\$ 46,035	\$ 71,784
Operating	Operating lease right-of-use assets	22,786	45,057
Total Leased Assets		\$ 68,821	\$ 116,841

1 – Finance lease assets are net of accumulated amortization of \$79,524 and \$53,853 for the years ended December 31, 2021 and 2020, respectively.

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

	Year Ended December 31,	
	2021	2020
Weighted average remaining lease term (in years):		
Finance	1.7	2.7
Operating	0.4	0.8
Weighted average discount rate (%):		
Finance	5.0%	5.0%
Operating	5.5%	5.5%

The maturity of operating leases and finance leases for the year ended December 31, 2021 are as follows:

	Year Ended December 31, 2021	
	Operating leases	Finance leases
2022	\$ 23,100	\$ 28,743
2023	—	19,332
Total minimum lease obligations	23,100	48,075
Less: amounts representing interest	(314)	(2,040)
Present value of minimum lease payments	22,786	46,035
Less: current portion	(22,786)	(27,062)
Lease obligations, net of current portion	\$ —	\$ 18,973

Purchase Obligations

In March 2014, the Company entered into a seven-year agreement with a 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, 2021 and 2020 were \$262,000 and \$181,000, respectively. In March 2022, the Company entered into a five-year agreement with a new totalizator provider. Under the new agreement, \$166,400 will be charged to operations in year one. The future minimum purchase obligations under the new agreement are \$166,400 per year for each of the next five years.

9. CONTINGENCIES

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, 2018, and in June 2020 (as described below in Note 12). 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.

Effective on December 21, 2021, the Company entered into a Contribution and Indemnity Agreement ("Indemnity Agreement") with affiliates of Doran Companies ("Doran") in connection with the debt refinancing on the Doran Canterbury I, LLC joint venture. Under the Indemnity Agreement, the Company is obligated to indemnify Doran for loan payment amounts up to \$5,000,000 only if the lender demands the loan guarantee.

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, 2021 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 2021 or 2020, and there is no liability related to this bond on the balance sheet as of December 31, 2021.

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. Starting in 2020, the food and beverage segment has not paid a commission to the horse racing segment subsequent to the Company's first temporary shutdown of operations starting March 16, 2020.

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, 2021				
	Horse Racing	Card Casino	Food and Beverage	Development	Total
Net revenues from external customers	\$ 15,753	\$ 38,092	\$ 6,530	\$ 25	\$ 60,400
Intersegment revenues	26	—	811	—	837
Net interest income	—	—	719	—	719
Depreciation	2,567	75	203	—	2,845
Segment income (loss) before income taxes	1,878	13,774	1,580	(1,967)	15,265
Segment tax expense (benefit)	610	3,487	400	(498)	3,999

	At December 31, 2021				
Segment Assets	\$ 50,647	\$ 2,726	\$ 27,091	\$ 26,183	\$ 106,647

	Year Ended December 31, 2020				
	Horse Racing	Card Casino	Food and Beverage	Development	Total
Net revenues from external customers	\$ 10,722	\$ 19,886	\$ 2,489	\$ 43	\$ 33,140
Intersegment revenues	74	—	430	—	504
Net interest (expense) income	(37)	—	—	701	664
Depreciation	2,309	226	214	—	2,749
Segment (loss) income before income taxes	(1,610)	953	(709)	1,319	(47)
Segment tax (benefit) expense	(253)	(108)	(3)	(887)	(1,251)

	At December 31, 2020				
Segment Assets	\$ 35,620	\$ 3,027	\$ 24,862	\$ 29,475	\$ 92,984

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, 2021 and 2020 (in 000's):

	Year Ended December 31,	
	2021	2020
Revenues		
Total net revenue for reportable segments	\$ 61,237	\$ 33,644
Elimination of intersegment revenues	(837)	(504)
Total consolidated net revenues	\$ 60,400	\$ 33,140

<u>Income (loss) before income taxes</u>					
Total segment income (loss) before income taxes	\$	15,265	\$	(47)	
Elimination of intersegment income (loss) before income taxes		533		(142)	
Total consolidated income (loss) before income taxes	\$	<u>15,798</u>	\$	<u>(189)</u>	
		December 31,		December 31,	
		2021		2020	
<u>Assets</u>					
Total assets for reportable segments	\$	106,647	\$	92,984	
Elimination of intercompany balances		(23,585)		(24,179)	
Total consolidated assets	\$	<u>83,062</u>	\$	<u>68,805</u>	

11. 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.

Because the Company conducted a more limited 2020 live race meet due to the COVID-19 Pandemic, the Company and SMSC entered into the Fifth Amendment Agreement ("Fifth Amendment") to the CMA effective June 8, 2020. Under the Fifth Amendment, the SMSC agreed to provide up to \$5,620,000 for the annual purse enhancement for the year 2020. The annual purse enhancement that the SMSC is obligated to pay under the CMA for 2021 and 2022 was not changed and remains at \$7,380,000 per year.

Under the CMA, as amended, 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.

As noted above and affirmed in the Fifth Amendment, SMSC is obligated to make an annual purse enhancement of \$7,380,000 and annual marketing payment of \$1,620,000 for 2022.

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, 2021, the Company recorded \$1,516,000 in other revenue and incurred \$1,391,000 in advertising and marketing expense and \$125,000 in depreciation related to the SMSC marketing payment. For the year ended December 31, 2020, the Company recorded \$900,000 in other revenue and incurred \$740,000 in advertising and marketing expense and \$160,000 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.

12. REAL ESTATE DEVELOPMENT

Equity Investments

Doran Canterbury I, LLC

On April 2, 2018, the Company's subsidiary Canterbury Development LLC entered into an 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. Doran Canterbury has developed Phase I of the project, which includes approximately 300 units, a heated parking ramp, and a clubhouse.

On September 27, 2018, Canterbury Development LLC contributed approximately 13 acres of land as its equity contribution in the Doran Canterbury I 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 accounts for the joint venture as an equity method investment. For the year ended December 31, 2021 and 2020, the Company recorded \$2,693,000 and \$1,558,000, respectively, in loss on equity method investments. In accordance with U.S. GAAP, since we are committed to provide future capital contributions to Doran Canterbury I, we also present as a liability in the accompanying Consolidated Balance Sheets the net balance recorded for our share of Doran Canterbury I's losses in excess of the amount funded into Doran Canterbury I, which was \$1,205,000 and \$0 at December 31, 2021 and 2020, respectively.

Doran Canterbury II, LLC

In connection with the execution of the amended operating agreement for Doran Canterbury I, 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. Phase II will include an additional 300 apartment units. Canterbury Development's equity contribution to Doran Canterbury II for Phase II was approximately 10 acres of land, which were contributed to Doran Canterbury II on July 30, 2020. In connection with its contribution, Canterbury Development became a 27.4% equity member in Doran Canterbury II with Doran owning the remaining 72.6%. As the Company is able to assert significant influence, but not control, over Doran Canterbury II's operational and financial policies, the Company accounts for the joint venture as an equity method investment. As of December 31, 2021, the proportionate share of Doran Canterbury II's earnings was immaterial.

Canterbury DBSV Development, LLC

On June 16, 2020, Canterbury Development, entered into an operating agreement with an affiliate of Greystone Construction, as the two members of a Minnesota limited liability company named Canterbury DBSV Development, LLC ("Canterbury DBSV"). Canterbury DBSV was formed as part of a joint venture between Greystone and Canterbury Development LLC for a multi-use development on the 13-acre land parcel located on the southwest portion of the Company's racetrack. Canterbury Development's equity contribution to Canterbury DBSV was approximately 13 acres of land, which were contributed to Canterbury DBSV on July 1, 2020. In connection with its contribution, Canterbury Development became a 61.87% equity member in Canterbury DBSV. As the Company is able to assert significant influence, but not control, over Canterbury DBSV's operational and financial policies, the Company accounts for the joint venture as an equity method investment. For the year ended December 31, 2021, the Company recorded \$63,000 in loss on equity investment related to this joint venture. For the year ended December 31, 2020, the Company recorded \$80,000 in income from equity investment related to this joint venture.

Tax Increment Financing

On August 8, 2018, the City Council of the City of Shakopee, Minnesota approved a Contract for Private Redevelopment (“Original 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 Original Agreement, the Company agreed to undertake a number of specific infrastructure improvements within the TIF District and the City agreed that a portion of the tax revenue generated from the developed property will be paid to the Company to reimburse it for its expense in constructing these improvements. Under the Original Agreement, the total estimated cost of TIF eligible improvements to be borne by the Company was \$23,336,500.

On January 25, 2022, the Company received the fully executed First Amendment to the Contract for Private Redevelopment (the “First Amendment”) among the Company, the City of Shakopee, and the Shakopee EDA, which is effective as of September 7, 2021. Under the First Amendment and as part of the authorized changes regarding the responsibilities of the Company and the City, improvements on Unbridled Avenue will be primarily constructed by the City of Shakopee. As a result, the total estimated cost of TIF eligible improvements to be borne by the Company will be reduced by \$5,744,000 to an amount not to exceed \$17,592,881. In order to reimburse the Company for the qualified costs related to constructing the developer improvements, the Authority will issue and the Company will receive a TIF Note in the maximum principal amount of \$17,592,881. The First Amendment also memorialized that the Company completed the Shenandoah Drive improvements as required prior to December 31, 2019. The City is obligated to issue bonds to finance the portion of the improvements required to be constructed by the City.

A detailed Schedule of the Public Improvements under the First Amendment, the timeline for their construction and the source and amount of funding is set forth in Exhibit 10.1 of the Form 8-K filed on January 31, 2022. The Company expects to substantially complete the remaining Developer Improvements by July 17, 2027 and will be reimbursed for costs of the Developer Improvements incurred by no later than July 17, 2027. The total amount of funding that the Company will be paid as reimbursement under the TIF program for these improvements is not guaranteed, however, and will depend in part on future tax revenues generated from the developed property.

As of December 31, 2021, the Company recorded a TIF receivable of approximately \$12,503,000, which represents \$11,180,000 of principal and \$1,323,000 of interest. Management believes future tax revenues generated from current development activity will exceed the Company's development costs and thus, management believes no allowance related to this receivable is necessary. As of December 31, 2020, the Company recorded a TIF receivable of approximately \$11,889,000, which represented \$11,191,000 of principal and \$698,000 of interest.

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.

Recently Closed Transactions Under Real Estate Agreements

On April 7, 2020, the Company entered into an agreement to sell approximately 11.3 acres of land on the west side of the Racetrack to a third party for total consideration of approximately \$2,400,000. The Company closed on the first phase of this transaction in April 2021, which totaled approximately 7.4 acres of land for proceeds of approximately \$1,200,000. The closing of phase two is subject to the satisfaction of certain conditions, and we expect this to occur in 2022.

On April 15, 2020, the Company entered into an agreement to sell approximately 2.4 acres of land on the west side of the Racetrack to a third party for total consideration of approximately \$1,100,000. The Company closed on this transaction in April 2021.

As a result of these two land sales, the Company recorded a gain of approximately \$264,000 on the Consolidated Statements of Operations for the year ended December 31, 2021.

13. RELATED PARTY RECEIVABLES

In 2019, 2020, and 2021, the Company loaned money to the Doran Canterbury I and II joint ventures in member loans totaling approximately \$2,027,000. These member loans bear interest at the rate equal to the Prime Rate plus two percent per annum and totaled \$130,000 as of December 31, 2021. The Company expects to be fully reimbursed for these member loans when the joint ventures achieve positive cash flow.

The Company has also recorded related party receivables of approximately \$21,000 as of December 31, 2021, for various related costs incurred by the Company. The Company expects to be fully reimbursed for these costs by the related parties in 2022.

14. SUBSEQUENT EVENTS

As noted in footnote 12, on January 25, 2022, the Company received the fully executed First Amendment to the Contract for Private Redevelopment (the "First Amendment") among the Company, the City of Shakopee, and the Shakopee EDA, which is effective as of September 7, 2021. Under the First Amendment and as part of the authorized changes regarding the responsibilities of the Company and the City, improvements on Unbridled Avenue will be primarily constructed by the City of Shakopee. As a result, the total estimated cost of TIF eligible improvements to be borne by the Company will be reduced by \$5,744,000 to an amount not to exceed \$17,592,881. The First Amendment did not impact or reduce the amount the Company recorded as a TIF receivable as of December 31, 2021 or 2020.

On January 10, 2022, the Company announced that it was reinstating its quarterly cash dividend. The \$0.07 per share cash dividend was paid on January 28, 2022 to shareholders of record as of the close of business on January 18, 2022.

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.

(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; and (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, 2021. 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, 2021.

(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, 2021, that have materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. OTHER INFORMATION

Not Applicable.

Item 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.

Not Applicable.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information Incorporated by Reference.

Except as noted below, the information required by this Item concerning directors and corporate governance is hereby incorporated by reference to the Company's definitive proxy statement for the Annual Meeting of Shareholders to be held on June 2, 2022 (the "Proxy Statement") to be filed with the Commission within 120 days of December 31, 2021. Information required by this Item regarding executive officers is presented under Part I, Item 1. Business of this Annual Report on Form 10-K.

Code of Ethics

The Company has adopted a Code of Conduct and Ethics applicable to all directors, officers, employees of and consultants to the Company. A copy of the Code of Conduct and Ethics 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 this Item is hereby incorporated by reference to the Proxy Statement.

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

Information required under this Item is hereby incorporated by reference to the Proxy Statement.

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

Information required under this Item is hereby incorporated by reference to the Proxy Statement.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information required under this Item is hereby incorporated by reference to the Proxy Statement.

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 34-59:
- Reports of Independent Registered Public Accounting Firm
 - Consolidated Balance Sheets as of December 31, 2021 and 2020
 - Consolidated Statements of Operations for the years ended December 31, 2021 and 2020
 - Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2021 and 2020
 - Consolidated Statements of Cash Flows for the years ended December 31, 2021 and 2020
 - Notes to Consolidated Financial statements

- (b) Exhibits

Exhibit Table Reference	Title of Document
3.1	<u>Restated Articles of Incorporation, filed as Exhibit 3.1 to Form 8-K dated June 30, 2016 and incorporated herein by reference.</u>
3.2	<u>Bylaws, filed as Exhibit 3.2 to Form 8-K dated June 30, 2016 and incorporated herein by reference.</u>
3.3	<u>Amendments effective April 17, 2020 to Bylaws of Canterbury Park Holding Corporation, filed as Exhibit 3.2 to Current Report on Form 8-K dated April 17, 2020 and incorporated herein by reference.</u>
4.1	<u>Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934, filed as Exhibit 4.1 to the Annual Report on Form 10-K for the year ended December 31, 2019.</u>
10.1	<u>Horse Association Agreement dated June 4, 2020, by and between the Minnesota Horsemen's Benevolent and Protective Association, the Minnesota Thoroughbred Association, the Minnesota Quarter Horse Racing Association, the Equine Development Coalition of Minnesota, Canterbury Park Holding Corporation, and Shakopee Mdewakanton Sioux Community, is filed herewith.</u>
10.2	<u>Consent and Waiver dated as of June 1, 2020 by Minnesota Horsemen's Benevolent and Protection Association pursuant to Horse Association Agreement dated June 4, 2020, filed as Exhibit 10.3 to the Form 8-K dated June 1, 2020 and incorporated herein by reference.</u>
10.3*	<u>Canterbury Park Holding Corporation Stock Plan, as amended through June 7, 2017, filed as Exhibit 10.5 to the Form 8-K dated June 7, 2017 and incorporated herein by reference.</u>

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

**Exhibit Table
Reference****Title of Document**

10.4	<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>
10.4.1	<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>
10.4.2	<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>
10.4.3	<u>Fourth Amendment made as of September 30, 2020, 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, 2020 and incorporated herein by reference.</u>
10.4.4	<u>Fifth Amendment made as of December 23, 2020, 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 December 23, 2020 and incorporated herein by reference.</u>
10.4.5	<u>Sixth Amendment made as of February 28, 2021, 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 February 28, 2021 and incorporated herein by reference.</u>
10.4.6	<u>Mortgage, Security Agreement, Fixture Financing Statement and Assignment of Leases and Rents dated February 28, 2021 by and among Canterbury Park Entertainment LLC and Bremer Bank, National Association filed as Exhibit 10.2 to Form 8-K dated February 28, 2021 and incorporated herein by reference.</u>
10.5	<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 for the quarter ended June 30, 2018 and incorporated herein by reference.</u>
10.5.1	<u>First Amendment dated as of September 7, 2021 to the Contract for Private Redevelopment dated August 10, 2018 by and among Canterbury Park Holding Corporation, Canterbury Development LLC, the City of Shakopee, Minnesota, and the Economic Development Authority for the City of Shakopee, Minnesota. Filed as Exhibit 10.1 to the Form 8-K dated January 25, 2022 and incorporated herein by reference.</u>
10.6	<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 for the quarter ended June 30, 2012 and incorporated herein by reference.</u>
10.7	<u>Fifth Amendment made as of June 1, 2020 between Canterbury Park Holding Corporation and Shakopee Mdewakanton Sioux Community, filed as Exhibit 10.1 to Form 8-K dated June 1, 2020 and incorporated herein by reference.</u>
10.8	<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>
10.9	<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>

10.10	<u>Canterbury Park Holding Corporation 1995 Employee Stock Purchase Plan, incorporated by reference from Exhibit 4.1 to Form S-8 Registration Statement No. 333-150037, filed April 2, 2008.</u>
10.10.1	<u>Canterbury Park Holding Corporation Employee Stock Purchase Plan, as amended through March 23, 2021, incorporated by reference from Appendix A to the Company's definitive proxy statement for its 2021 Annual Meeting of Shareholders held on June 3, 2021 and incorporated herein by reference.</u>
21	<u>Subsidiaries of the Registrant</u>
23.1	<u>Consent of Independent Registered Public Accounting Firm</u>
24	<u>Power of Attorney, Included in Signature Page</u>
31.1	<u>Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.2	<u>Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32	<u>Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
99.1	<u>Press Release dated March 21, 2022 announcing 2021 Fourth Quarter and Year-End Results</u>

- 101 The following financial information from Canterbury Park Holding Corporation's Annual Report on Form 10-K for the period ended December 31, 2021, formatted in eXtensible Business Reporting Language Inline XBRL: (i) Consolidated Balance Sheets as of December 31, 2021 and December 31, 2020, (ii) Consolidated Statements of Operations for the years ended December 31, 2021 and December 31, 2020, (iii) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2021 and December 31, 2020, (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2021 and December 31, 2020, and (v) Notes to Financial Statements.
- 104 Cover Page Interactive Data File (embedded within the Inline XBRL and contained in Exhibit 101)

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

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 21, 2022

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 RANDY J. DEHMER 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.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Randall D. Sampson</u> Randall D. Sampson	Chief Executive Officer and President (principal executive officer) and Executive Chairman of the Board	March 21, 2022
<u>/s/ Carin J. Offerman</u> Carin J. Offerman	Director	March 21, 2022
<u>/s/ Dale H. Schenian</u> Dale H. Schenian	Vice Chairman Emeritus; Director	March 21, 2022
<u>/s/ Mark Chronister</u> Mark Chronister	Director	March 21, 2022
<u>/s/ Maureen H. Bausch</u> Maureen H. Bausch	Director	March 21, 2022
<u>/s/ John S. Himle</u> John S. Himle	Director	March 21, 2022
<u>/s/ Randy J. Dehmer</u> Randy J. Dehmer	Chief Financial Officer (principal financial officer and principal accounting officer)	March 21, 2022

HORSE ASSOCIATION AGREEMENT

This Horse Association Agreement ("Agreement") is entered into this 4th day of June, 2012 by and between the Minnesota Horsemen's Benevolent and Protective Association ("MHBPA"), the Minnesota Thoroughbred Association ("MTA"), the Minnesota Quarter Horse Racing Association ("MQHRA"), the Equine Development Coalition of Minnesota ("EDCOM") (together, the "Horse Associations"), Canterbury Park Holding Corporation ("CPHC"), and Shakopee Mdewakanton Sioux Community ("SMSC"). The Horse Associations, CPHC, and SMSC are sometimes referred to herein collectively as the "Parties" or individually as a "Party."

RECITALS

WHEREAS, CPHC conducts live and simulcast pari-mutuel horse racing at its facility in Shakopee, Minnesota, card play (as defined in Minn. Stat. § 240.01, Subd. 25) at its card room and other activities (herein collectively the "Racetrack");

WHEREAS, SMSC conducts live card table and video gaming, hotel operations, and other activities at its Mystic Lake Casino Hotel and Little Six Casino facilities (collectively, "Mystic Lake");

WHEREAS, the MHBPA is the horsepersons' organization representing the majority of horsepersons at the Racetrack, as contemplated by Chapter 240 of Minnesota Statutes;

WHEREAS, EDCOM derives its funding from the other Horse Associations and will thereby benefit from this Agreement;

WHEREAS, the Parties desire to cooperate for the purpose of strengthening purses paid for live horse races conducted at the Racetrack in order to encourage and sustain Minnesota's horse breeding and horse training industries and related agri-businesses;

WHEREAS, each Party believes it is in its best interest to cooperate with the other with respect to lobbying efforts and the enhancement of racing purses; and

NOW, THEREFORE, in consideration of the above premises, the representations and covenants set forth herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound hereby, the Parties agree as follows:

ARTICLE I

Horse Associations Obligations

Section 1.1 Cooperative Marketing Agreement. The Horse Associations acknowledge the Cooperative Marketing Agreement between CPHC and SMSC entered into on the 4th day of June, 2012 (the "Cooperative Marketing Agreement"). The Horse Associations agree that:

(1) CPHC and SMSC may amend, modify, terminate, renew or waive any and all provisions regarding the Cooperative Marketing Agreement without the consent of the Horse Associations, and the Horse Associations agree that this Agreement will continue following any such event; provided, however, that if the Cooperative Marketing Agreement is amended to decrease the Annual Purse Enhancement by 10% or more, then the MHBPA may terminate this Agreement unless the MHBPA has consented to the decreased Annual Purse Enhancement;

(2) the Annual Purse Enhancement (as defined in the Cooperative Marketing Agreement) payments will solely be applied to purses pursuant to the conditions set forth in the Cooperative Marketing Agreement unless other uses are consented to in writing by CPHC and SMSC; and

(3) at least 15% of the amounts in the SMSC Purse Enhancement Account (as defined in the Cooperative Marketing Agreement) will be used in purses for stakes, handicaps, or invitational races.

The Horse Associations acknowledge that if any of the Horse Associations breach this Agreement, then SMSC may terminate this Agreement, the Cooperative Marketing Agreement and cease any and all of SMSC's obligations under this Agreement and the Cooperative Marketing Agreement. In addition, any Horse Association that breaches this Agreement shall repay all of the Horse Association Payments (as defined below) made to such Horse Association.

Section 1.2 Telecast and Simulcast Horse Racing. Pursuant to Minn. Stat. § 240.13, Subd. 9, the Horse Associations approve CPHC's transmission of telecasts of races CPHC conducts and simulcasts upon which CPHC accepts wagers to Mystic Lake Casino Hotel, Little Six Casino, and any other property owned or operated by SMSC, subject to all necessary approvals under federal and state law and subject to MHBPA's approval of any specific simulcast transmission, which approval will not be unreasonably withheld.

Section 1.3 Live Horse Racing Days. Pursuant to Minn. Stat. § 240.13, Subd. 1(d), the Horse Associations agree to reduce the number of live racing days CPHC is required to conduct in order to conduct simulcasting or telerec simulcasting. The MHBPA waives the 125-day requirement for live racing days conducted by CPHC, provided that there are at least 65 days of live racing each year beginning in 2013.

Section 1.4 Lobbying. Each of the Horse Associations agrees that it, as an association:

(1) will not promote or lobby (or assist others in such efforts) before the Minnesota legislature, in the media, or in other forums for: (i) expanded gaming at the Racetrack including but not limited to authority to install video slot machines and other video gaming technology at the Racetrack; (ii) expanded gaming in Minnesota; or (iii) any other changes to Minnesota law relating to gambling that would be materially adverse to the interests of SMSC (any such expansion or changes referred to herein as "Expanded Gaming Authority"); and

(2) will support SMSC's lobbying efforts against Expanded Gaming Authority to the extent reasonably requested to do so by SMSC.

Notwithstanding the foregoing, nothing in paragraphs 1.4(1) and 1.4(2) above shall limit or restrict the Horse Associations from (i) lobbying for changes in the laws governing pari-mutuel wagering on horse races at the Racetrack; (ii) seeking approval from the Minnesota Racing Commission (the "MRC") for changes in CPHC's gaming operations to the extent such changes are within the authority conferred on the MRC by Minnesota Statutes Chapter 240 as such statute exist as of the date this Agreement is executed; and (iii) implementing any changes in the laws governing pari-mutuel wagering on horse races at the Racetrack that are enacted into law or any changes that are approved by the MRC that are within the authority conferred on the MRC by Minnesota Statutes Chapter 240 as of the date this Agreement is executed.

Section 1.5 No Contrary Agreements. For the avoidance of doubt, each of the Horse Associations agree that it will not enter into any agreement with the CPHC or any other party that (i) limits or expands the use of the Annual Purse Enhancement amounts or the SMSC Purse Account for the purposes set forth in this Agreement and the Cooperative Marketing Agreement or (ii) prevents or hinders the ability of CPHC to perform its obligations under the Cooperative Marketing Agreement.

Section 1.6 Majority Horseperson's Association. At such time as the MHBPA is no longer the horsepersons' organization representing the majority of horsepersons at the Racetrack, as contemplated by Chapter 240 of Minnesota Statutes, the Horse Associations and CPHC will assist SMSC in securing an agreement with similar terms and provisions as this Agreement with the horsepersons' organization representing the majority of horsepersons at the Racetrack.

ARTICLE II
SMSC and CPHC Obligations

Section 2.1 Horse Association Lobbying Breach. If SMSC determines that a Horse Association breaches paragraph 1.4(1), then:

- (1) SMSC shall notify MHBPA of the breach; and
- (2) upon receipt of notice of the breach, MHBPA shall take reasonable action to counteract the breach.

Section 2.2 Horse Association Payments. Each year on the Annual Payment Date (as defined in the Cooperative Marketing Agreement) during the term of this Agreement, SMSC shall pay to the Horse Associations the amount equal to the Horse Association Payments; provided, however, SMSC will not make any annual Horse Association Payments to any Horse Association (i) that is in default of its obligations under this Agreement, or (ii) that no longer represents horsemen at the Racetrack. The Horse Association Payments are set forth on Schedule 1 and begin in 2013. SMSC will notify CPHC of each annual Horse Association Payment made and such notice will occur within 45 days of such payment.

ARTICLE III
Term

Section 3.1 Conditions to Effectiveness. This Agreement shall be effective, and will be of no force or effect prior to, the Effective Date (as defined in the Cooperative Marketing Agreement).

Section 3.2 Initial Term. The initial term hereof shall commence on the Effective Date and shall terminate upon the termination of the Cooperative Marketing Agreement.

Section 3.3 Renewal Term. This Agreement shall automatically renew upon the renewal of the Cooperative Marketing Agreement.

ARTICLE IV
Miscellaneous

Section 4.1 Notices. All notices or other communications required to be given hereunder will be in writing and will be (a) delivered by hand, (b) sent by first class mail, (c) sent by recognized overnight delivery service for next available business day delivery, or (c) sent by email, in each case as follows:

(1) if to MHBPA to:
Minnesota Horsemen's Benevolent and Protective Association
1100 Canterbury Road
Shakopee, MN 55379
Attn: Tom Metzen, President
Email: mnhbpa@yahoo.com

With a copy to:
Patrice Underwood, Executive Director
1100 Canterbury Road
Shakopee, MN 55379

(2) if to MTA to:
Minnesota Thoroughbred Association
1100 Canterbury Road
Shakopee, MN 55379
Attn: Scott Rake, President
Email: scottrake@hotmail.com

With a copy to:
Kay King, Executive Director
1100 Canterbury Road
Shakopee, MN 55379

(3) if to MQHRA to:
Minnesota Quarter Horse Racing Association
5735 Dunkirk Lane North
Plymouth, MN 55446
Attn: Kelvin Childers
Email: kelvin@solutionsinprintllc.com

With a copy to:
Claire Lundgren
Executive and Recording Secretary
5735 Dunkirk Lane North
Plymouth, MN 55446

(4) if to EDCOM to:
Equine Development Coalition of Minnesota
3826 Cherry Avenue
Orono, MN 55364
Attn: Jeff Hilger, President
Email: jhilger.edcom@presenter.com

With a copy to:
Carin Offeman, Treasurer
3826 Cherry Avenue
Orono, MN 55364

(5) if to CPHC to:
Canterbury Park Holding Corporation
1100 Canterbury Road
Shakopee, MN 55379
Attn: Randall Sampson, CEO
Email: rsampson@canterbury.com

With a copy to:
Lindquist and Vennum
4200 IDS Center
80 South 86 St.
Minneapolis, MN 55402
Attn: Richard Primuth and Managing Partner

(6) if to SMSC to:
Shakopee Mdewakanton Sioux Community
2330 Sioux Trail N.W.
Prior Lake, MN 55372
Attn: Stanley R. Crooks, Chairman

With a copy to:
BlueDog, Paulson and Small, P.L.L.P.
Southgate Office Plaza, Suite 500
5001 American Boulevard West
Minneapolis, MN 55437
Attn: Kurt V. BlueDog

Such notices or communications will be deemed given (A) if so delivered by hand, when so delivered, (B) if so sent by first class mail, five business days after being deposited in the mail, postage prepaid, (C) if so sent by recognized overnight delivery service, one business day after delivery to such service and (D) if so sent by email, on the day such email is sent. A Party may change the address to which such notices and other communications are to be given by giving each other Party notice in the foregoing manner.

Section 4.2 Expenses. Except as is expressly stated otherwise herein, each Party will bear its own costs and expenses incurred in connection with the transactions contemplated herein.

Section 4.3 Parties in Interest; No Third-Party Beneficiaries. There is no third party beneficiary hereof and nothing in this Agreement (whether express or implied) will or is intended to confer any right or remedy under or by reason of this Agreement on any Person, except each Party and their respective permitted successors and assigns.

Section 4.4 Governing Law. This Agreement will be construed and enforced in accordance with the substantive laws of the State of Minnesota, United States, without reference to principles of conflicts of law.

Section 4.5 Arbitration. The Horse Associations and CPHC irrevocably and unconditionally agree that SMSC may in its sole discretion and election submit any controversy, claim, suit or other action between or among the Parties arising out of or relating to this Agreement or the enforcement of rights thereunder, to binding arbitration. Any such arbitration shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA"). Any controversy concerning whether an issue is arbitrable shall be determined by the arbitrators in accordance with the AAA Commercial Arbitration Rules. The Horse Associations and CPHC agree that judgment upon the arbitration award may be entered in any court having jurisdiction. The institution and maintenance of an action for judicial relief or pursuit of a provisional or ancillary remedy will not constitute a waiver of the right of SMSC to submit the controversy or claim to arbitration if any other party contests such action for judicial relief. Any arbitration undertaken pursuant to this Agreement will take place in the City of Minneapolis, Minnesota.

Section 4.6 Sovereign Immunity. SMSC does not consent to any suit, arbitration, legal process, enforcement proceeding or any dispute resolution method. The Parties agree that SMSC has not waived its sovereign immunity, and nothing in this Agreement shall be deemed to be a waiver of SMSC's sovereign immunity.

Section 4.7 Notice of Default. The Horse Associations shall give CPHC and SMSC prompt notice of any default by any of the Horse Associations of any terms of this agreement.

Section 4.8 Entire Agreement; Amendment; Waiver. Upon effectiveness of this Agreement, this Agreement constitutes the entire agreement between the Parties pertaining to the subject matter herein and supersedes any other existing representation, warranty, covenant, agreement or similar assurance (whether direct or indirect, written or oral, or statutory, express or implied) of any Party regarding such subject matter. No supplement, modification or amendment hereof will be binding unless expressed as such and executed in writing by each Party. Except to the extent as may otherwise be stated herein, no waiver of any term hereof will be binding unless expressed as such in a document executed by the Party making such waiver (and then only to the extent so expressed). No waiver of any term hereof will be a waiver of any other term hereof, whether or not similar, nor will any such waiver be a continuing waiver beyond its stated terms. Except to the extent as may otherwise be stated herein, failure to enforce strict compliance with any term hereof will not be a waiver of, or estoppel with respect to, any existing or subsequent failure to comply.

Section 4.9 Assignment; Binding Effect. Neither this Agreement nor any right or obligation hereunder will be assigned, delegated or otherwise transferred (by operation of law or otherwise) by any Party without the prior written consent of each other Party. This Agreement will be binding on and inure to the benefit of the respective permitted successors and assigns of the Parties. Any purported assignment, delegation or other transfer not permitted by this Section is void.

Section 4.10 Counterparts. This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument. Such counterparts may be executed and delivered by facsimile or other electronic means by any of the Parties, and the receiving Party may rely on the receipt of such document so executed and delivered as if the original had been received.

IN WITNESS WHEREOF, each Party has executed this Horse Association Agreement effective as of the date first written above.

Minnesota Horsemen's Benevolent and Protective Association

/s/ Thomas F. Metzen
By: Thomas F. Metzen
Its: President

Minnesota Thoroughbred Association

/s/ Scott Rake
By: Scott Rake
Its: President

Minnesota Quarter Horse Racing Association

/s/ Randal Weidner
By: Randal Weidner
Its: President

Equine Development Coalition of Minnesota

/s/ Jeff Hilger
By: Jeff Hilger
Its: President

Canterbury Park Holding Corporation

/s/ Randall D. Sampson
By: Randall D. Sampson
Its: Chief Executive Officer

Shakopee Mdewakanton Sioux Community

/s/ Stanley R. Crooks
By: Stanley R. Crooks
Its: Chairman

Schedule 1

Horse Association Payments

Horse Association	Amount
Minnesota Horsemen's Benevolent and Protective Association	\$50,000
Minnesota Thoroughbred Association	\$25,000
Minnesota Quarter Horse Racing Association	\$25,000
Equine Development Coalition of Minnesota	\$0

SUBSIDIARIES OF CANTERBURY PARK HOLDING CORPORATION

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

Canterbury Development LLC and Canterbury Park Entertainment LLC are 100%-owned directly by Canterbury Park Holding Corporation. Canterbury Park Concessions, Inc. is an indirect subsidiary to Canterbury Park Holding Corporation and is 100%-owned directly by Canterbury Park Entertainment LLC. The financial statements of such subsidiaries are included in the Consolidated Financial Statements of Canterbury Park Holding Corporation.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated March 18, 2022, 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, 2021 and 2020. We hereby consent to the incorporation by reference of said report in the Registration Statements of Canterbury Park Holding Corporation on Forms 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 S-3 (File No. 333-234156).

/s/ Wipfli LLP

Minneapolis, Minnesota
March 21, 2022

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 21, 2022

/s/ Randall D. Sampson

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

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 21, 2022

/s/ Randy J. Dehmer

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

**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, 2021, (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 21, 2022

/s/ Randall D. Sampson

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

Date: March 21, 2022

/s/ Randy J. Dehmer

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



**CANTERBURY PARK HOLDING CORPORATION REPORTS
RECORD 2021 FOURTH QUARTER RESULTS**

Shakopee, MN – March 21, 2022 – Canterbury Park Holding Corporation ("Canterbury" or the "Company") (NASDAQ: CPHC), today reported record financial results for the fourth quarter and full year ended December 31, 2021.

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

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2021	2020	Increase(3)	2021	2020	Increase
Net revenues	\$ 13,955	\$ 6,123	128%	\$ 60,400	\$ 33,140	82%
Net income (1)	\$ 6,620	\$ 139	NM	\$ 11,798	\$ 1,062	1,011%
Adjusted EBITDA(2)	\$ 3,360	\$ (27)	NM	\$ 13,471	\$ 806	1,572%
Basic EPS	\$ 1.38	\$ 0.03	NM	\$ 2.47	\$ 0.23	974%
Diluted EPS	\$ 1.37	\$ 0.03	NM	\$ 2.44	\$ 0.23	961%

- (1) Net income for the twelve month period ended December 31, 2021 includes a \$6.3 million credit to salaries and benefits expense related to the Employee Retention Credit ("ERC"), a refundable tax credit recorded in accounts receivable. The ERC assisted business owners and their employees by providing an incentive to keep workers on the payroll and eligible businesses received a tax credit for a percentage of each eligible employee's wage. Net income for the twelve month period ended December 31, 2020 includes a benefit of a \$2.4 million gain related to transfers of land to the Doran Canterbury II and Canterbury DBSV joint ventures.
- (2) Adjusted EBITDA, a non-GAAP measure, excludes certain items from net income, a GAAP measure. Non-GAAP financial measures are not intended to be considered in isolation from, a substitute for, or superior to GAAP results. Definitions, disclosures, and reconciliations of non-GAAP financial information are included later in the release.
- (3) Amounts referred to as "NM" are defined as not meaningful.

Financial results for the twelve months ended December 31, 2021 include the impact of the state-mandated closure of Canterbury Park which ended January 10, 2021 as well as the impact of capacity restrictions from January 11, 2021 to May 28, 2021. Financial results for the three and twelve months ended December 31, 2020 reflect the impact of the onset of the COVID-19 pandemic and closure of the Card Casino, simulcast, and special events operations at Canterbury Park from March 16, 2020 to June 9, 2020, after which the Company reopened in a limited capacity, as well as the state-mandated closure of Canterbury Park from November 21, 2020 through the end of 2020.

Management Commentary

"Canterbury Park finished 2021 with strong fourth quarter financial results that further demonstrate our ongoing recovery since we fully reopened our business late in the second quarter. Revenue grew 128% year over year to \$14.0 million, while adjusted EBITDA reached \$3.4 million compared to a slight loss a year ago," said Randy Sampson, President and Chief Executive Officer of Canterbury. "In particular, our fourth quarter performance benefited from strong Card Casino results as visitation and spend per customer continue to improve across our customer base. In this regard, our targeted marketing efforts and expanded special events and tournaments calendar are attracting new customers and driving additional visits and spend from existing customers. In addition, the return of some of our traditional in-person events, including our annual craft show in November and a large poker tournament in December, contributed to the strong results and overall performance in the fourth quarter 2021.

"As our top-line performance has rebounded, we've taken a measured approach to managing operating expenses, allowing us to maintain profitability and strong margins. To that end, Adjusted EBITDA as a percentage of total revenue was a record 24% for the second consecutive quarter. The steady recovery in our business has increased our forward free cash flow visibility, which allowed us to reinstate our quarterly cash dividend in January 2022. Further, during the quarter we recognized a one-time \$6.3 million benefit from the ERC program created during the pandemic to help businesses retain employees on their payroll. We are grateful that we were able to qualify for the ERC and believe this is a direct result of our efforts to care for all of our employees throughout the pandemic. Upon receipt of the ERC refund, expected later in 2022, we expect to allocate these funds towards a combination of further investment in our team members, growth investments, capital expenditures, and deferred maintenance capital spending. Going forward, while the availability and the cost of labor remain headwinds, our team is actively managing expenses across the business and we believe we will be able to continue to drive continued strong margin performance.

"Progress on the development of Canterbury Commons™ continued in the 2021 fourth quarter and in the first months of 2022. Late last month, we announced the proposed sale of approximately 40 acres of land to Swervo Development Corporation ("Swervo") for use in the development of a state-of-the-art, 19,000-seat amphitheater. This is a significant step in our long-term vision of creating a leading regional destination that offers a combination of residential, hospitality, commercial, retail and entertainment attractions and experiences. Swervo is an accomplished developer that we believe will create a world-class entertainment venue which complements Canterbury Park and highlights Shakopee and Canterbury Commons as the best place to live, work, stay and play in the greater Minneapolis region.

"As we enter 2022, we are pleased to be able to again return capital to our shareholders through our quarterly dividend while simultaneously evaluating strategic transactions where we can leverage our financial discipline and operating expertise. We are excited by the opportunities we have to continue transforming our business and believe we remain well positioned to deliver strong long-term growth for our shareholders. At the same time, momentum for Canterbury Commons continues to build, and we believe the announcement of flagship projects like the planned amphitheater will serve to attract additional high-profile tenants and exciting land uses. Canterbury Park remains a strong company, our future has never been brighter, and we look forward to the year ahead and the promise of continued growth across our business."

Canterbury Commons Development Update

Occupancy of Phase I of the upscale Triple Crown Residences at Canterbury Park is now approximately 80% leased. Doran Companies expects to begin construction of the 305 apartments in Phase II of the project this Spring.

Greystone Construction and Canterbury Park, via their joint venture, continue to make progress on securing additional partners for the balance of their collective 13-acre site, with ongoing interest from potential hospitality and dining uses. The Greystone headquarters office building was completed in July 2021 and a certificate of occupancy was obtained in December 2021 for the majority of the buildings first floor. The office building is currently 84% leased. In March 2022, the joint venture contributed approximately 3.5 acres of land to a development partnership to build 156 units of senior market rate apartments. Construction of the apartments is expected to commence this Spring.

Pulte Homes of Minnesota is in the process of completing the first phase of its 63 new row homes and townhome residences and the first model units were completed in March 2022. In addition, Lifestyle Communities expects to begin construction of its development of a new cooperative community featuring a 56-unit, four-story building with over 5,000 square feet of amenity spaces in the second half of 2022.

Subsequent to the end of the quarter, the Company announced plans to sell approximately 40 acres in the northeast corner of the property – along Canterbury Road and Unbridled Avenue – to Minneapolis-based Swervo for use in the development of a state-of-the-art, 19,000-seat amphitheater, subject to state and local regulatory approvals. Further, should this planned development move forward, the Company plans to invest in a redevelopment of its horse stabling area, including the renovation of existing facilities, the addition of new barns, stables and domes, and a reconfiguration of the existing training track. The Company and Swervo expect the regulatory approval process for the amphitheater project to be complete this Summer.

Developer and partner selection for the remaining 40 acres of Canterbury Commons continues. The primary focus for future projects will be on entertainment, office, retail, hotel, and restaurant uses. Canterbury expects to make additional new partner announcements in the future.

Summary of 2021 Fourth Quarter Operating Results

The 2020 fourth quarter results and year over year comparisons detailed below reflect the impact of the COVID-19 pandemic, which included a state-mandated limit on capacity of no more than 250 guests per designated area at any one time for the period between October 1, 2020 and November 20, 2020 and the temporary closure of all operations (except for development work on Canterbury Commons) from November 21, 2020 through the end of 2020.

Net revenues for the three months ended December 31, 2021 increased 127.9% to \$14.0 million, compared to \$6.1 million for the same period in 2020. This year-over-year increase reflects improved performance across the Company's operations, the success of targeted marketing efforts, and expanded events and tournaments in the 2021 fourth quarter.

Operating expenses for the three months ended December 31, 2021 were \$4.9 million, a decrease of \$1.8 million, or 27.0%, compared to operating expenses of \$6.7 million for the same period in 2020. Operating expenses in the 2021 fourth quarter included a \$6.3 million credit to salaries and benefits expense related to the ERC. Excluding the ERC, operating expenses for the 2021 period increased \$4.5 million, or 66.7%, compared to the 2020 period. The year-over-year increase in operating expenses reflects a full quarter of normal operations compared to the prior year period which was impacted by the temporary shutdown of operations starting November 21, 2020 as well as active efforts to reduce expenses in order to preserve cash in 2020.

The Company recorded a loss from equity investment of \$739,000 and \$817,000 for the three months ended December 31, 2021 and 2020, respectively, primarily related to its share of depreciation, amortization, and interest expense from the Doran Canterbury joint ventures that are developing the Triple Crown Residences.

The Company recorded income tax expense of \$1.9 million for the three months ended December 31, 2021. The Company recorded an income tax benefit of \$1.3 million for the three months ended December 31, 2020, driven by the provisions in the CARES Act which allowed the Company to carry back its net operating loss to a year with a higher corporate tax rate.

The Company recorded net income and diluted earnings per share of \$6.6 million and \$1.37, respectively, for the three months ended December 31, 2021. The Company recorded net income and diluted earnings per share of \$139,000 and \$0.03, respectively, for the three months ended December 31, 2020.

Adjusted EBITDA, a non-GAAP measure, was \$3.4 million in the 2021 fourth quarter compared to a loss of \$27,000 in the same period in 2020.

Summary of 2021 Full Year Operating Results

Net revenues for the twelve months ended December 31, 2021 increased 82.3% to \$60.4 million, compared to \$33.1 million for 2020. This year-over-year increase reflects improved performance across the Company's operations, the success of targeted marketing efforts, and expanded events and tournaments after a return to normalized operations and full capacity in the third and fourth quarters of 2021.

Operating expenses for the twelve months ended December 31, 2021 were \$43.0 million, an increase of \$8.0 million, or 22.9%, compared to operating expenses of \$35.0 million for the same period in 2020. Operating expenses in 2021 included a \$6.3 million credit to salaries and benefits expense related to the ERC. Excluding the ERC, operating expenses for the 2021 period increased \$14.3 million, or 41.0%, compared to 2020. This year-over-year increase in operating expenses is a result of a return to normalized operations and full capacity in the 2021 third and fourth quarters as compared to COVID-related operating impacts described above.

During 2021, the Company recorded a \$264,000 gain related to the sale of approximately 9.7 acres of land to Pulte Homes of Minnesota and Lifestyle Communities for \$2.5 million. In 2020, the Company recorded a \$2.4 million gain related to the transfers of land to the Doran Canterbury II and Canterbury DBSV joint ventures.

The Company recorded a loss from equity investment of \$2.7 million and \$1.5 million for the twelve months ended December 31, 2021 and 2020, respectively. These losses from equity investments were primarily related to the Company's share of depreciation, amortization, and interest expense from the Doran Canterbury joint ventures.

The Company recorded income tax expense of \$4.0 million for the twelve months ended December 31, 2021. The Company recorded an income tax benefit of \$1.3 million for the twelve months ended December 31, 2020.

The Company recorded net income and diluted earnings per share of \$11.8 million and \$2.44, respectively, for the twelve months ended December 31, 2021. The Company recorded net income and diluted earnings per share of \$1.1 million and \$0.23, respectively, for the twelve months ended December 31, 2020. The increase in net income and diluted earnings per share for 2021 was the result of revenue increases that significantly exceeded increases in operating expense, particularly taking into account the reduction in fourth quarter 2021 operating expenses from the ERC.

Adjusted EBITDA was \$13.5 million for the twelve months ended December 31, 2021 compared to adjusted EBITDA of \$806,000 in the same period of 2020.

Additional Financial Information

Further financial information for the fourth quarter and full year ended December 31, 2021 is presented in the accompanying tables at the end of this press release. Additional information will be provided in the Company's Annual Report on Form 10-K that will be filed with the Securities and Exchange Commission.

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, which excludes certain items from net income a GAAP measure. We define EBITDA as earnings before interest, taxes, depreciation and amortization. We define Adjusted EBITDA as earnings before interest income, income tax expense (benefit), depreciation and amortization, as well as excluding gains on sale/transfer of land, loss on disposal of assets, depreciation and amortization related to equity investments, grant money received from the Minnesota COVID-19 relief package, Employee Retention Credit, and interest expense related to equity investments. Neither EBITDA nor adjusted EBITDA is a measure of performance 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. 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 have presented Adjusted EBITDA as a supplemental disclosure because it enables investors to understand our results excluding the effect of these items.

About Canterbury Park

Canterbury Park Holding Corporation (Nasdaq: CPHC) 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 generally offers live racing from May to December. The Card Casino 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 also pursuing a strategy to enhance shareholder value by the ongoing development of approximately 140 acres of underutilized land surrounding the Racetrack that was originally designated for a project known as Canterbury Commons™. The Company is pursuing several mixed-use development opportunities for the remaining underutilized land, directly and through joint ventures. For more information about the Company, please visit 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 Annual Report on Form 10-K filed with the SEC and subsequently filed Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. They include, but are not limited to: the effect that the COVID-19 coronavirus pandemic and resulting precautionary measures 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 during portions of 2020 and 2021 and may be required to do so again in 2022, that we were required to limit visitors and engage in new cleaning protocols, social distancing measures and other changes to our racetrack and card casino operations to comply with state law and health protocols and reductions in the number of visitors due to their COVID-19 concerns; 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 dependence on the Cooperative Marketing Agreement with the Shakopee Mdewakanton Sioux Community for purse enhancement payments and marketing payments, which may not continue after 2022; our ability to successfully develop our real estate, including the effect of competition on our real estate development operations and our reliance on our current and future development partners; 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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- Financial tables follow -

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

	Three months ended		Twelve months ended	
	December 31,		December 31,	
	2021	2020	2021	2020
Net Operating Revenues	\$ 13,955,004	\$ 6,123,444	\$ 60,399,698	\$ 33,140,272
Operating Expenses	4,924,088	6,742,892	42,881,792	34,881,989
Gain on Sale/Transfer of Land	-	92,056	263,581	2,367,514
Income (Loss) from Operations	9,030,916	(527,392)	17,781,487	625,797
Other Loss, net	(544,370)	(654,973)	(1,983,934)	(814,628)
Income Tax (Expense) Benefit	(1,866,368)	1,321,343	(3,999,400)	1,250,845
Net Income	\$ 6,620,178	\$ 138,978	\$ 11,798,153	\$ 1,062,014
Basic Net Income Per Common Share	\$ 1.38	\$ 0.03	\$ 2.47	\$ 0.23
Diluted Net Income Per Common Share	\$ 1.37	\$ 0.03	\$ 2.44	\$ 0.23

RECONCILIATION OF NET INCOME TO EBITDA AND ADJUSTED EBITDA

	Three months ended		Twelve months ended	
	December 31,		December 31,	
	2021	2020	2021	2020
NET INCOME	\$ 6,620,178	\$ 138,978	\$ 11,798,153	\$ 1,062,014
Interest income, net	(194,608)	(161,971)	(719,365)	(663,571)
Income tax benefit (expense)	1,866,368	(1,321,343)	3,999,400	(1,250,845)
Depreciation	730,730	683,018	2,844,647	2,748,514
EBITDA	9,022,668	(661,318)	17,922,835	1,896,112
Loss on disposal of assets	—	—	—	13,407
Gain on sale/transfer of land	—	(92,056)	(263,581)	(2,367,514)
Employee Retention Credit	(6,314,468)	—	(6,314,468)	—
Depreciation and amortization related to equity investments	452,025	464,979	1,735,883	918,571
Interest expense related to equity investments	199,936	261,827	905,729	345,379
Other revenue, COVID-19 relief grants	—	—	(515,000)	—
ADJUSTED EBITDA	\$ 3,360,161	\$ (26,568)	\$ 13,471,398	\$ 805,955