

Risk Factors Comparison 2025-03-11 to 2024-03-12 Form: 10-K

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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. Risk Factors Related to Horse Racing and Gaming Generally We may not be successful at implementing our growth strategy. In 2023, we developed a five- year strategic plan focused on growing Casino revenue. As part of our execution on the five- year strategic plan, we are actively evaluating new opportunities that would diversify and grow our business, including through potential strategic transactions and initiatives. We cannot ensure that this growth strategy will be successful either in the short- term or in the long- term, or that this overall strategy will generate a positive return on our investment. We must commit significant resources to these strategic transactions and initiatives before knowing whether our investments will result in the operational or financial results we expect or intend. The return on our investments in strategic transactions and initiatives may be lower, or may develop more slowly, than we expect. Our growth strategy may place significant demands on our financial, operational and management resources. We may not **successfully** execute ~~successfully~~ on our growth strategy because of legislative, regulatory, financial, or other hurdles that we fail to overcome in a timely fashion, or lack of appropriate resources. Additionally, we may compete with other companies for attractive strategic opportunities. The process of identifying and exploring strategic transactions and initiatives is time consuming and may result in a diversion of management' s time and attention away from existing business activities. Additionally, if we do not effectively communicate our growth strategy to our investors and stakeholders, we may not realize the full benefits that we would otherwise gain through successful execution of that strategy. If we do not achieve the benefits anticipated from our investments in our growth strategy or if the achievement of these benefits is delayed, our operating results may be adversely affected. There can be no assurance that we will develop and implement transactions and initiatives that will advance the goals of our strategic plan in a cost- effective or timely manner or at all. Our business is sensitive to reductions in discretionary consumer spending as a result of downturns in the economy and other factors outside of our control. Our business is sensitive to downturns in the economy and the associated impact on discretionary spending on entertainment, gaming, and other leisure activities. Our in- person visitors are predominately local, so we compete for more day- to- day discretionary spending as compared with destination spending. Decreases in discretionary consumer spending or consumer preferences brought about by factors such as perceived or actual general economic conditions or the economic conditions in the Twin Cities or Minnesota specifically, effects of declines in consumer confidence in the economy, any future employment and credit crisis, the impact of high and prolonged inflation, particularly with respect to housing, energy and food costs, the increased cost of travel, decreased disposable consumer income and wealth, fears of war and future acts of terrorism, or widespread illnesses or epidemics ~~, including COVID-19,~~ can have a material adverse effect on discretionary spending and other areas of economic behavior that directly impact the gaming and entertainment industries in general and could further reduce customer demand in our Casino, Racetrack and food and beverage segments, which may negatively impact our revenues and operating cash flow. We have experienced a decrease in revenue and profitability from live racing. Following the expiration of the **Cooperative Marketing Agreement ("CMA")** on December 31, 2022, we did not receive any purse enhancement, marketing payments, or other amounts under the CMA. In 2022, the SMSC paid an annual purse enhancement of \$ 7, 280, 000 and an annual marketing payment of \$ 1, 620, 000. The purse enhancement payments were paid directly to the ~~MHBPA~~ **MNHBPA** to support purse sizes and accordingly, such payments had no direct impact on the Company' s consolidated financial statements or operations. The marketing payments under the CMA offset the Company' s expense relating to certain marketing efforts, including signage, promotions, player benefits, and events. Accordingly, due to the lack of an annual purse enhancement, the purses and the number of races we were able to offer in the **2024 and** 2023 live racing ~~season~~ **seasons** were smaller than they have been in the past. These factors resulted in a decrease in wagering on live races (particularly out- of- state handle), which ultimately ~~result~~ **resulted** in a decrease in revenue from live racing in **2024 and** 2023 as compared to 2022. **10** We enter into an agreement with the horsepersons each year for the following year' s live racing season. For the 2024 live racing season, we ~~have~~ agreed with the ~~MHBPA~~ **MNHBPA** and MQHRA to a 54- day racing season and have agreed to contribute an additional share of our Casino revenue to the statutorily required purse amounts to guarantee purses for overnight races at \$ 23, 000 per race. **The parties recognized in order to ensure the there guaranteed minimum overnight was likely to be a significant financial cost to the Company in establishing a 2024 thoroughbred** purse structure **intended to average \$ 23, 000 per conducted overnight race and that to maintain that average purse structure, the Company made** an overpayment that may be repaid to ~~us~~ **the Company by the MNHBPA** through reimbursement in subsequent racing years. This ~~anticipated~~ overpayment of purses ~~is~~ **by the Company was intended to create a short- term bridge until additional purse supplements can be obtained from other sources. At the conclusion of the 2024 live race meet, the Company recorded a receivable related to the overpayment of 2024 purses in the amount of \$ 1, 597, 463, which is presented on the Company' s balance sheet as of December 31, 2024.** In the event that additional purse revenue is secured **within the five years following the 2025 live race meet** through additional forms of gaming at ~~Canterbury~~ **the Company**, new revenue streams, or legislative action ~~are obtained to fund purses and beyond the current statutory requirements,~~ we ~~the Company~~ will be eligible for reimbursement of the actual 2024 overpayment amount from those

purse supplements. This arrangement Management believes it is likely that additional purse supplements will have ultimately be obtained when considering both the effect-length of increasing time to secure such funds (five years following the 2025 average purse size per live race meet) and the fact that legislation has been introduced in both chambers of the Minnesota legislature that would provide those supplements through revenues from taxes paid by sports wagering licenses. Accordingly, management believes no allowance related to this receivable is necessary at December 31, 2024. In addition, the Company agreed to allocate approximately \$ 400, 000 to be used as recruiting and participation incentives to attract thoroughbred trainers, owners, and stables for the 2024 live meet in an effort to generate additional pari- mutuel handle through improved field size. For the year ended 2024, the Company recognized expenses of \$ 418, 000 related to these incentives. Additionally, for the 2025 live racing season, which we expect agreed with the MNHBPA and MQHRA to a 51- day racing season and have agreed to contribute an additional \$ 500, 000 above the statutorily required purse amounts to guarantee purses. In the event that additional purse revenues are secured throughout the duration of the 2025 live race agreement, the Company has agreed to provide additional purse monies of up to \$ 1, 500, 000, to a total of \$ 2, 000, 000 in potential overpayment of purses to support the 2025 live race meet. The parties recognize there is likely to be a significant financial cost to the Company in establishing this 2025 thoroughbred purse structure and that to maintain that average purse structure, the Company will be making lead to larger field sizes, an increase overpayment that may be repaid to the Company by the MNHBPA through reimbursement in wagering on subsequent racing years. This anticipated overpayment of purses by the Company is intended to create a short- term bridge until additional purse supplements can be obtained from other sources. In the event that additional purse revenue is secured within the five years following the 2025 live races- race and increased meet through additional forms of gaming at the Company, new revenue streams, or legislative action, the Company will be eligible for reimbursement of the actual 2025 overpayment amount from those purse supplements live racing as compared to 2023. However, there can be no assurance that our agreed- upon purse supplements will have the expected impact on the financial performance of live racing or that any improved financial performance of live racing will offset the amounts we contribute to purses. Further, there can be no assurance that we will receive any reimbursement of any 2024-2025 overpayment amount. Additionally, if, for any reason, we are unable to reach an annual agreement with the MHBPA- MNHBPA and the MQHRA for any future live racing season, our operations would be adversely affected by a decrease in the daily purses, potential reduction in the quality of horses, lower attendance, lower overall average handle, and substantially greater operating expenses. While we are pursuing initiatives to strengthen the financial returns of live racing at the Racetrack and to manage our marketing spend, there can be no assurance that we will identify and implement initiatives that will advance these goals in a cost- effective or timely manner or at all. 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 generally results in less wagering on our horse races , which we experienced during the 2023 live racing season. Our ability to attract adequate fields depends on several factors, including our ability to offer and fund competitive purses and overall horse population available for racing. Various factors have led to declines in the horse population in Minnesota and other areas of the country, including competition from racetracks in other areas, increased costs, 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. Our inability in the future to attract adequate fields, for whatever reason, could have a material adverse impact on our business, financial condition, and results of operations. 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 direct competition from Running Aces in Columbus Township, Anoka County, Minnesota, a racetrack and card room that is located approximately 40 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 Casino. We also compete with Native American- tribal- owned casinos. These tribal 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. 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. Internet- based interactive gaming and wagering, both legal and illegal, is growing rapidly and adversely affects all forms of wagering offered by the Company. We anticipate competition in this area will become more intense as new Internet- internet- based ventures enter our industry and as state and federal regulations on Internet- 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. Increased competition from the tribal casinos could divert customers from our Casino and Racetrack and thus adversely affect our financial condition, results of operations, and cash flows. Furthermore, the Company 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. 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. Declining interest in horse racing has had a negative impact on revenues and profitability in our horse racing business. 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. 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 smoke, could cause events to be postponed or canceled or attendance to be lower, resulting in reduced wagering. For example, in 2023-2024, the Company had one day of live racing cancelled and two other days shortened due to inclement weather. 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. While the Company maintains insurance for inclement weather conditions, if a prolonged 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.

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 HISA, 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 Casino- related taxes and fees in addition to normal federal, state, and local income taxes as well as potential costs related to HISA regulations. 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 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 ~~to, 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~~ **approximately** 10 acres of land to the second joint venture with Doran, resulting in receiving 27.4% ownership in the Doran ~~Phase II~~ joint venture. Canterbury Development will rely on Doran for the successful leasing and operation of the Triple Crown Residences. If Doran's ability to successfully lease and operate this project is impaired, it could have a material adverse effect on our business, prospects, financial condition, or results of operations. 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 (**" Greystone "**), 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. If Greystone Construction's ability to successfully develop this project is impaired, it could have a material adverse effect on our business, prospects, financial condition, or results of operations. 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. We face competition from other real estate developers. 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 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. 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 \$ 10.85 per hour for 2024. See “Regulation and Regulatory Changes” above for additional information regarding 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. Additionally, the Minnesota minimum wage annually increases at the beginning of each year by the rate of inflation with a maximum increase of up to 2.5 % per year. Multi-year increases in the Minnesota minimum wage due to sustained inflation could have a material adverse impact on the Company.~~ Our success may be affected if we are not able to attract, develop, and retain qualified personnel. Our ability to compete effectively depends on our ability to identify, recruit, develop, and retain qualified personnel. In particular, we depend upon the skills and efforts of our senior executives and management team, including Randall D. Sampson, who has served as our Chief Executive Officer since 1994. If we are unable to successfully identify, recruit, develop, and retain qualified personnel or adapt to changing worker expectations and working arrangements, it may be difficult for us to manage and grow our business, which could adversely affect our results of operations and financial condition. Additionally, our inability to retain the key members of our senior executives and management team could adversely affect our results of operations and financial condition. 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 cybersecurity risk including misappropriation of customer information or other information security incidents. 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 the applicable 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 a security incident, 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 or suffer a significant cybersecurity incident, 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. Provisions of Minnesota law, our articles of incorporation, our bylaws and other agreements may deter a change of control of our company and may have a possible negative effect on our stock price. Certain provisions of Minnesota law, our articles of incorporation, our bylaws and other agreements may make it more difficult for a third-party to acquire, or discourage a third-party from attempting to acquire, control of the Company, including: • the provisions of Minnesota law relating to business combinations and control share acquisitions; • the provisions of our bylaws regarding the business properly brought before shareholders and shareholder director nominations; • the right of our Board to establish more than one class or series of shares and to fix the relative rights and preferences of any such different classes or series; • the provisions of our articles of incorporation providing for a right, if specified events occur relating to our gaming license, to redeem all or any portion of the equity securities held by any person or group that becomes the beneficial owner of 5 % or more of any class of our equity securities or increases its beneficial ownership of any class of our equity securities by 5 % or more; • the provisions of our Stock Plan requiring or permitting the acceleration of vesting of awards granted under the Stock Plan in the event of specified events that generally would constitute a change in control; and • the provisions of our agreements provide for severance payments to our executive officers and other officers and the accelerated vesting or payment of their awards in the event of certain terminations following a "change in control." These measures could discourage or prevent a takeover of our company or changes in our management, even if an acquisition or such changes would be beneficial to our shareholders. This may have a negative effect on the price of our common stock.