

CHAPTER 7863
GAMBLING CONTROL BOARD
GAMBLING EQUIPMENT DISTRIBUTORS

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7863.0010 Subpart 1. [Repealed, 29 SR 443]

- Subp. 2. [Repealed, 31 SR 1239]
- Subp. 3. [Repealed, 29 SR 443]
- Subp. 4. [Repealed, 31 SR 1239]
- Subp. 5. [Repealed, 19 SR 1854]
- Subp. 6. [Repealed, 31 SR 1239]
- Subp. 7. [Repealed, 31 SR 1239]
- Subp. 8. [Repealed, 29 SR 443]
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- Subp. 11. [Repealed, 31 SR 1239]
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- Subp. 13. [Repealed, 29 SR 443]
- Subp. 14. [Repealed, 31 SR 1239]
- Subp. 15. [Repealed, 31 SR 1239]
- Subp. 16. [Repealed, 31 SR 1239]
- Subp. 17. [Repealed, 31 SR 1239]

7863.0020 [Repealed, 31 SR 1239]

7863.0050 [Repealed, 31 SR 1239]

7863.0060 [Repealed, 31 SR 1239]

7863.0210 DISTRIBUTORS; DISTRIBUTOR SALESPERSONS LICENSES.

Subpart 1. **Distributor or distributor salesperson license required.** A person may not sell, offer for sale, or furnish gambling equipment for use in Minnesota to any organization that conducts lawful gambling unless the person has obtained a distributor's or distributor salesperson's license or license renewal issued by the board.

Subp. 2. **Distributor or distributor salesperson licensing qualifications.** A distributor or distributor salesperson is not eligible for a license unless they have met the requirements of Minnesota Statutes, sections 349.155, subdivision 3, and 349.161, subdivision 5. For purposes of compliance with Minnesota Statutes, section 349.155, subdivision 3, the following definitions apply.

- A. "Director" means a member of the distributor's board of directors.
- B. "Officer" means any person elected, appointed, or designated as an officer by the distributor's board of directors.
- C. "Other person in a supervisory or management position" means any person employed to direct or control the personnel and activities of a distributor's department or division.

Subp. 3. **Distributor restrictions.** In addition to the prohibitions in Minnesota Statutes, section 349.161, subdivisions 1 and 5, the following restrictions apply when conducting business with organizations authorized to conduct lawful gambling in Minnesota. A distributor, distributor salesperson, or any representative, agent, affiliate, or employee of a distributor may not:

- A. contribute more than \$250 in any calendar year to an organization or participate in a fund-raising event if the contribution or fund-raising event is related to the organization's conduct of lawful gambling;
- B. lease premises to an organization for the conduct of lawful gambling;
- C. be an officer, director, paid employee, gambling volunteer, or gambling manager of an organization involved in the conduct of lawful gambling;
- D. participate directly in the determination and purchase of gambling equipment for an organization;
- E. provide or permit an affiliate or person acting on behalf of the distributor to provide any compensation, gift, gratuity, premium, contribution, or thing of value to a board employee or board member;
- F. enter into any agreement with any other distributor that restricts either of them in the sale of gambling equipment; or
- G. enter into any agreement with any other distributor to establish the price at which any gambling equipment may be sold.

Subp. 4. **Contents of distributor license application.** The distributor license application must contain the following information:

- A. distributor's legal name, any other names used, the legal nature of the business (corporation, partnership, limited liability company, or sole proprietorship), Minnesota tax identification number, and federal employer identification number;
- B. principal business address and telephone number;
- C. mailing address, if different than the business address;
- D. names and titles of the owners, partners, officers, directors, managers, supervisors, sales employees, and persons or entities with a direct or indirect financial interest of five percent or more in the distributorship;
- E. address and telephone number of all facilities where gambling equipment and supplies are unloaded in Minnesota prior to sale;
- F. acknowledgment regarding the licensing qualifications and restrictions contained in subparts 2 and 3;
- G. names, addresses, and account numbers of all business bank accounts;
- H. an acknowledgment that if the license is terminated or suspended the distributor will file the certified physical inventory required in subpart 10 or 11;
- I. date and signature, in ink, of the chief executive officer; and
- J. additional information that may be required by the board to properly identify the distributor and ensure compliance with Minnesota Statutes, sections 349.11 to 349.23.

Subp. 5. **Attachments to distributor license application.** The distributor must attach a distributor personnel form to the application for persons identified in item A.

- A. A distributor personnel form must be completed by each:
 - (1) owner;
 - (2) partner;
 - (3) member of the board of directors or board of governors;
 - (4) officer, including but not limited to president, vice-president, secretary, treasurer, controller, or general counsel;

(5) manager or supervisor of shipping, sales, personnel, governmental relations, and security;

(6) person or entity with a direct or indirect financial interest of five percent or more in the distributorship;

(7) consultant who provides advice for the sale or design of equipment for sale in Minnesota; and

(8) nonsales employee.

B. For persons identified in item A, subitems (1) to (7), the distributor personnel form must include:

(1) distributor's name and license number, if issued;

(2) name, home address, date of birth, Social Security number, and daytime telephone number of the person;

(3) person's position with the distributor;

(4) employment history and places of residence for the past ten years;

(5) criminal history statement, not including petty misdemeanors;

(6) name, address, license number, exempt permit number, or exclusion authorization of any organization conducting lawful gambling in Minnesota of which the person is a member;

(7) Minnesota tax identification number of businesses that the person has owned for the past ten years;

(8) for a person who will conduct sales:

(a) the person must submit a recent photograph measuring one inch by 1-1/4 inches; and

(b) acknowledge the licensing qualifications in subpart 2 and restrictions in subpart 3;

(9) date and signature, in ink, of the person; and

(10) additional information that may be required by the board to properly identify the person and ensure compliance with Minnesota Statutes, sections 349.11 to 349.23.

C. For nonsales employees as identified in item A, subitem (8), the distributor personnel form must include:

(1) distributor's name and license number, if issued;

(2) name, home address, date of birth, and daytime telephone number of the person;

(3) person's position with the distributor;

(4) name, address, license number, exempt permit number, or exclusion authorization of any organization conducting lawful gambling in Minnesota of which the person is a member;

(5) an acknowledgment regarding the restrictions in subpart 3;

(6) date and signature, in ink, of the person; and

(7) additional information that may be required by the board to properly identify the person and ensure compliance with Minnesota Statutes, sections 349.11 to 349.23.

Subp. 6. Contents of distributor salesperson license application. For a person who will be employed by a distributor to conduct sales, as identified in subpart 5, item A, subitems (3) to (6), a distributor salesperson license application must contain the following:

A. information required in subpart 5, item B;

B. recent photograph of the person measuring one inch by 1-1/4 inches; and

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C. acknowledgment regarding the licensing qualifications in subpart 2 and restrictions in subpart 3.

A person who is an independent contractor is not eligible for a license. A distributor salesperson license is not required for the owner or partner of a distributorship licensed by the board.

Subp. 7. **Changes in distributor or distributor salesperson license application information.** If any information submitted in the application changes during the license term, the distributor or distributor salesperson must notify the board within ten days of the change.

Subp. 8. **Issuing or denying a new or renewal distributor or distributor salesperson license.** This subpart governs a new or renewal distributor or distributor salesperson license issued or denied by the board.

A. Before issuing a new or renewal distributor license, the board must conduct or request the director of alcohol and gambling enforcement to conduct a background investigation, which may include a review of the distributor's sources of financing, ownership, and organizational structure. Actual costs in addition to the new or renewal application fee must be paid by the distributor.

B. The board must issue a license to a distributor or distributor salesperson who:

(1) submits the information required in the application and attachments and for a renewal application submits a complete application at least 75 days before the expiration of the existing license;

(2) pays the fee required by Minnesota Statutes, section 349.161, subdivision 4; and

(3) is eligible to receive a license under item A and subparts 2 and 3.

C. The board must deny a new or renewal application if a distributor or distributor salesperson:

(1) is ineligible under item A and subparts 2 and 3; and

(2) has failed to submit all information required by subparts 5 and 6.

When the board determines that an application must be denied, the board must promptly give a written notice to the distributor or distributor salesperson. The notice must contain the grounds for the action and reasonable notice of the rights of the distributor or distributor salesperson to request an appeal under part 7865.0260, subpart 2 or 4, whichever is applicable.

D. All fees submitted with a new or renewal license application are considered earned and are not refundable.

Subp. 9. **Distributor license effective date.** A distributor license issued by the board is effective on the first day of the month after board approval or as otherwise determined by the board.

Subp. 10. **Distributor license termination.** Before terminating its license, the distributor must submit to the board and commissioner of revenue a certified physical inventory in a format prescribed by the board. Termination of a license may occur due to revocation or denial of the license by the board, or the distributor voluntarily quitting its business. The certified physical inventory must include the following information:

A. an inventory of all gambling equipment when the form is prepared, including name, form number, bar code information, and quantity of all gambling equipment in the distributor's inventory; and

B. plans for disposal of all gambling equipment by the date of termination. After the date on which a license is terminated, it is illegal for a distributor to have gambling equipment in its possession.

The distributor or designated agent must keep all invoices and other required documentation related to the sale of gambling equipment for 3-1/2 years after the license has been terminated.

Subp. 11. **License suspension.** When a distributor's license is suspended under part 7865.0220, the licensee must provide to the commissioner of revenue a certified physical inventory of gambling equipment in inventory on the day the suspension begins. The certified physical inventory must include the name, form number, bar code information, and quantity of all gambling equipment in the distributor's inventory on the day the suspension begins.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

History: *31 SR 1239; 35 SR 1276*

7863.0220 DISTRIBUTOR OPERATIONS, ACCOUNTS, REPORTS, AND RECORDS.

Subpart 1. **Purchase or lease of gambling equipment.** When purchasing, leasing, or obtaining gambling equipment, the distributor must comply with Minnesota Statutes, sections 349.161 and 349.162.

A. A distributor may only purchase, lease, or obtain gambling equipment that has been approved by the board and meets the requirements in part 7864.0230.

B. Within ten days of being notified by the board that a manufacturer has terminated its license, the license has expired, or the license was revoked by the board, a licensed distributor must submit a certified physical inventory to the board. The certified inventory must include the name, form number, and quantity of all gambling equipment in inventory or gambling equipment owned or leased that was manufactured by that manufacturer.

Subp. 2. **Sale or lease of gambling equipment.** This subpart applies to the sale or lease of gambling equipment.

A. A distributor may not sell, lease, or furnish gambling equipment to an organization unless the organization has a license, exempt permit, or exclusion authorization issued by the board, or meets the requirements of Minnesota Statutes, section 349.166, subdivision 1, paragraph (b).

B. A distributor may not sell, lease, or furnish gambling equipment to an organization before the effective date of the organization's license. This item does not pertain to exempt or excluded organizations if the distributor has a copy of the organization's exempt permit or exclusion authorization.

C. Gambling equipment sold or leased for use in Minnesota must be delivered only to the licensed, exempt, or excluded organization that ordered the equipment.

D. A distributor may not provide any merchandise prize, as part of the sale of any game or as a gift or sale, to a licensed, exempt, or excluded organization or its employees.

E. A distributor must include a packing list that lists all items for each shipment of gambling equipment to an organization.

F. A distributor must not sell or provide a partial series of bingo paper sheets or bingo paper sheet packets to a licensed organization. A distributor may sell a partial series to an exempt or excluded organization.

G. A distributor must use a form prescribed by the board to document the terms of a lease or sale of a pull-tab dispensing device and comply with the following.

(1) A distributor must not enter into a lease agreement for a pull-tab dispensing device with an organization unless the distributor owns or has a lease agreement with a licensed manufacturer for that pull-tab dispensing device.

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(2) If an organization's license or authorization is suspended, revoked, lapsed, or terminated, the lease agreement must be canceled.

(3) A distributor must not provide any additional keys for a pull-tab dispensing device after the pull-tab dispensing device has been leased or sold.

H. Gambling equipment designated for sale to an Indian tribe must be stored in a separate area of the distributor's warehouse and cannot contain the Minnesota geographic symbol required by Minnesota Statutes, section 349.163, subdivision 5, paragraph (d).

I. The following apply to the lease of electronic bingo devices.

(1) A distributor may only lease electronic bingo devices to a licensed organization and is prohibited from selling electronic bingo devices to a licensed organization.

(2) The distributor may lease electronic bingo devices to more than one licensed organization at the same permitted premises.

(3) The lease agreement must contain the organization's license number, name and address of the permitted premises where the electronic bingo devices will be used, and terms of the lease agreement, including a prohibition that the electronic bingo devices must not be transferred to another permitted premises unless approved in writing by the board.

(4) The lease price of an electronic bingo device:

(a) must be based on a predetermined monthly amount or based on the per unit lease amount for the previous calendar week; and

(b) must not be based on a percentage of gross receipts.

(5) The distributor must submit a copy of the lease agreement to the board within ten days of signing or amending a lease agreement.

J. The following pertain to gambling equipment that is sold or leased on an exclusive basis.

(1) Gambling equipment with a proprietary name of an organization that owns its permitted premises may be sold or leased on an exclusive basis to that organization.

(2) Gambling equipment with a proprietary name for a leased site may not be sold or leased on an exclusive basis to an organization.

(3) A distributor may not pay a royalty to another licensed distributor for the design and manufacture of gambling equipment that is sold or leased on an exclusive basis.

Subp. 3. Registration of permanent gambling equipment. A distributor must not sell, lease, transfer, furnish, or provide any permanent gambling equipment to an organization unless the equipment has been registered in the following manner.

A. A distributor must place a state registration stamp, obtained from the board, on permanent equipment sold or leased to an organization. The distributor must place the stamp on the front of each paddlewheel, paddlewheel table, and pull-tab dispensing device, and on each bingo number selection device. This item does not pertain to an electronic bingo device or a programmable electronic device as defined under Minnesota Statutes, section 349.12, subdivision 18.

B. The distributor must keep a record of electronic bingo devices leased to a licensed organization. The record must include the organization's name, address, and license number, and the date the equipment was leased to the organization, and if returned, the date the equipment was returned by the organization to the distributor.

C. To register permanent gambling equipment with the board, the distributor must submit a report to the board, on a form prescribed by the board, that includes the information required by items A and B.

D. A distributor must not transfer or give state registration stamps to any person, distributor, linked bingo game provider, or manufacturer.

Subp. 4. **Return of defective pull-tab and tipboard game; issuing credit invoices.** This subpart pertains to the return of a pull-tab or tipboard game that was not manufactured in compliance with the standards in part 7864.0230 and was returned to the distributor according to part 7861.0260, subpart 7.

A. For a game that is returned from an organization before being put into play, the following apply.

(1) Within five business days of accepting the return of a game, the distributor must return the game to the manufacturer with documentation that the game does not meet the standards in part 7864.0230.

(2) Within five business days of receiving credit from the manufacturer, the distributor must issue a credit invoice to the organization unless the distributor notifies the commissioner of revenue in writing that there is a business dispute regarding the returned game. A copy of the credit invoice must be filed electronically, as required by the commissioner of revenue.

(3) If the distributor ships a replacement game to the organization, the distributor must prepare a sales invoice as required in subpart 6.

B. For a game returned to a distributor from an organization during play or after being removed from play, the following apply.

(1) Within five business days of accepting the return of a game, the distributor must return the game to the manufacturer for a determination as to whether the game was manufactured in compliance with the standards in part 7864.0230. After a determination has been made and the game returned to the distributor, the distributor must return the game to the organization to keep as a played game.

(2) Within five business days of receiving a credit invoice and written determination from the manufacturer, the distributor must issue a credit invoice to the organization for the cost of the game and any valid and documented losses incurred over which the organization had no control or ability to prevent. A copy of the credit invoice must be filed electronically, as required by the commissioner of revenue.

Subp. 5. **Recall of gambling equipment; issuing credit invoices.** A distributor must participate in a gambling equipment recall mandated by the board or initiated by the manufacturer.

A. Within three business days of receiving notification from the manufacturer or the board director, the distributor must initiate the recall from organizations to which it sold the gambling equipment.

B. The distributor must complete the recall within 15 business days of initiation and notify the board and the commissioner of revenue in writing that it has completed the recall. The recall does not pertain to games already in play which must be kept by the organization as played games. The notification must include the following:

- (1) an inventory of the recalled gambling equipment;
- (2) bar code information, as required by the commissioner of revenue; and
- (3) a list of all organizations, including license or exempt numbers, from which the gambling equipment was recalled.

C. Within seven business days of receiving a credit invoice from the manufacturer, the distributor must issue credit invoices to all organizations returning gambling equipment under the recall. Credit invoices must include the cost of freight paid by the organization and any valid and documented losses incurred over which the organization had no control or ability to prevent. Copies of the credit invoices must be filed electronically as required by the commissioner of revenue.

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Subp. 6. **Sales invoices.** A distributor who sells, leases, or provides gambling equipment must record the transaction on a sales invoice which must contain the following information as required by the commissioner of revenue:

- A. distributor's name, address, telephone number, Minnesota tax identification number, federal employer identification number, and license number;
- B. organization's name, address, license number or excluded or exempt authorization, and premises permit number of the site where the gambling equipment was delivered, and for a licensed organization its Minnesota tax identification number and federal employer identification number, or the name and address of an entity as allowed under Minnesota Statutes, section 349.166, subdivision 1, paragraph (b);
- C. invoice number;
- D. name of the person who ordered the gambling equipment, and name of the distributor's licensed salesperson who sold the gambling equipment;
- E. date of shipment and shipping charges, if any;
- F. any applicable sales tax;
- G. unit price or lease cost of each item and total amount being invoiced; and
- H. any value for discount, rebate, or other incentive affecting the unit price which must be separately stated.

Invoices must also contain information required for the type of gambling equipment sold, as required by subparts 7 to 12.

Subp. 7. **Sales invoice for pull-tabs and tipboards.** In addition to the requirements of subpart 6, invoices for pull-tabs and tipboards must contain the following information:

- A. number of deals;
- B. description of each deal, including the game name, manufacturer identification, part number, and serial number;
- C. last sale amount, if any;
- D. total ideal gross receipts; and
- E. total applicable gambling tax.

Subp. 7a. **Sales invoice for promotional pull-tab and tipboard tickets.** A distributor who sells promotional pull-tab and tipboard tickets, as defined in part 7861.0210, subpart 43, and Minnesota Statutes, section 349.12, subdivisions 18 and 31, must record the transaction on a sales invoice which must contain the following information as required by the commissioner of revenue:

- A. distributor's name, address, telephone number, Minnesota tax identification number, federal employer identification number, and license number;
- B. name of the business entity to whom the tickets are sold, the business entity's Minnesota tax identification number and federal employer identification number, and the address of the site where the tickets were delivered. If the tickets are sold to an individual, the sales invoice must contain the individual's name and address and the address of the site where the tickets were delivered;
- C. invoice number;
- D. name of the person who ordered the tickets, and name of the distributor's licensed salesperson who sold the tickets;
- E. description of the tickets, including name, manufacturer identification, form number, part number, and serial number;
- F. date of shipment and shipping charges, if any;
- G. any applicable sales tax; and
- H. unit price and total amount being invoiced.

Subp. 8. **Sales invoice for paddleticket cards.** In addition to the requirements of subpart 6, invoices for paddleticket cards must contain the following information:

- A. number of sealed groupings;
- B. ideal gross receipts for each sealed grouping; and
- C. for each sealed grouping, a complete description including the game name, manufacturer identification, part number, and serial number.

Subp. 9. **Sales invoice for sealed breakopen bingo paper.** In addition to the requirements of subpart 6, invoices for sealed breakopen bingo paper sheets must contain the following information:

- A. serial number and color of each set of sealed breakopen bingo paper sheets;
- B. whether each set is an original or trade-in set; and
- C. price for which the sealed breakopen bingo paper sheet must be sold by the organization.

Subp. 10. **Sales invoice for sets of bingo paper sheet packets.** In addition to the requirements of subpart 6, invoices for sets of bingo paper sheet packets must contain the following information:

- A. color of each sheet in the packet in the order of collation;
- B. number of sheets per packet (UP's);
- C. number of faces per sheet (ON's);
- D. series;
- E. price for which the packet must be sold by the organization; and
- F. serial number from each sheet in the packet if the serial numbers are not uniform throughout the packet, or the serial number from the top sheet in each packet if the serial numbers are uniform throughout the packet. The serial numbers may be recorded on a separate document if the invoice states that the document is attached.

Subp. 11. **Sales invoice for bingo paper sheets (case paper).** In addition to the requirements of subpart 6, invoices for bingo paper sheets (case paper) must contain the following:

- A. color;
- B. number of sheets per case;
- C. number of faces per sheet (ON's);
- D. series;
- E. price for which the bingo paper sheets must be sold by the organization; and
- F. serial number from the top sheet in the case.

Subp. 12. **Sales invoice for permanent gambling equipment.** In addition to the requirements of subpart 6, invoices for permanent gambling equipment must contain the following information:

- A. a description of the equipment being sold or leased, including the manufacturer name and the make, model number, and serial number; and
- B. the state registration stamp number attached to the gambling equipment, as required by subpart 3.

Subp. 13. **Monthly sales report to board required for permanent gambling equipment.** After the sale or lease of permanent gambling equipment, the distributor must provide the following information to the board by the 20th of the next month:

- A. distributor's name, address, and license number;
- B. manufacturer's name, address, and license number from which the distributor purchased or leased the gambling equipment;

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C. organization's name, address, and license number, exempt permit number, or exclusion authorization, or the name and address of the entity as allowed by Minnesota Statutes, section 349.166, subdivision 1, paragraph (b);

D. make, model number, and serial number of the gambling equipment; and

E. state registration stamp number attached to the gambling equipment, as required by subpart 3.

Subp. 14. **Monthly sales report to revenue required.** A distributor who sells, leases, or provides gambling equipment must electronically report the transactions made each month to the commissioner of revenue as required under Minnesota Statutes, section 297E.05. The report is due by the 20th of the next month.

Subp. 15. **Pricing report to director required.** A distributor must submit a pricing report to the director on an annual basis in a format approved by the director and must include:

A. distributor's name, address, and license number;

B. date the report was prepared;

C. gambling equipment the distributor offers for sale or lease; and

D. prices at which all gambling equipment currently offered for sale by the distributor will be sold.

Adjustments for transportation, discounts, and rebates must be reported separately on the annual pricing report, and are subject to review and approval by the director.

Changes or additions to the previously filed reports must be reported ten days before the change or addition.

Subp. 16. **Delinquent organization notice to board required.** This subpart pertains to the notice to the board that an organization is delinquent in payment of an invoice or lease agreement.

A. If a distributor has not received payment from an organization within 30 days of the day immediately following the date of the invoice or lease agreement, the distributor must report the delinquency to the board in writing in an electronic format authorized by the board. The distributor must ensure that the board will receive the notice by the 31st day, or the next business day, after the invoice date for the sale or lease of the gambling equipment. The notice must include:

(1) the organization's name and license or exempt number; and

(2) an invoice or lease agreement date, invoice number, and total dollar amount of the invoice or lease agreement.

B. If a distributor has not received payment in full within 60 days of its initial notice to the board, the distributor must notify the board of the continued delinquency. The distributor must ensure that the board will receive the notice on the 61st day, or the next business day, after the distributor's initial report to the board.

C. When the delinquency is paid, the distributor must notify the board immediately.

D. Upon receipt of the initial notice under item A, the board must:

(1) notify and direct the organization to eliminate the delinquency; and

(2) notify all distributors and linked bingo game providers that until further notice they may only sell or lease gambling equipment to the delinquent organization on a cash basis. "Cash" means a debit card payment, electronic transaction, or check drawn on the organization's gambling account.

E. Upon receipt of the second notice under item B, the board must notify:

(1) the organization that the sale and lease of gambling equipment to the organization will not be authorized until the delinquency is eliminated; and

(2) all distributors or linked bingo game providers that they may not sell or lease any gambling equipment to the delinquent organization.

F. When the board has been notified that the delinquency is paid in full, the board must notify all distributors and linked bingo game providers that the delinquency has been paid and that the sale or lease of gambling equipment to the organization is authorized.

G. Until authorized by the board, a distributor or linked bingo game provider may not extend credit or sell or lease gambling equipment to an organization in violation of an order under items D and E.

Subp. 17. **Records and reports maintained.** A distributor must maintain reports and records of the purchase, sale, and lease of gambling equipment as required by this part and by Minnesota Statutes, section 297E.05, for 3-1/2 years. A distributor must maintain a record of the registration of permanent gambling equipment.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

History: *31 SR 1239; 35 SR 1276; 35 SR 1528*

7863.0250 LINKED BINGO GAME PROVIDER LICENSES.

Subpart 1. **Linked bingo game provider license required.** A person may not provide linked bingo paper, linked bingo game system equipment, or services to any licensed organization unless the person has obtained a linked bingo game provider license or license renewal issued by the board.

Subp. 2. **Linked bingo game provider licensing qualifications.** A person is not eligible for a license unless the requirements of Minnesota Statutes, sections 349.155, subdivision 3, and 349.1635, have been met. For purposes of compliance with Minnesota Statutes, section 349.155, subdivision 3, the following definitions apply.

A. "Director" means a member of the linked bingo game provider's board of directors.

B. "Officer" means any person elected, appointed, or designated as an officer by the linked bingo game provider's board of directors.

C. "Other person in a supervisory or management position" means any person employed to direct or control the personnel and activities of a linked bingo game provider's department or division.

Subp. 3. **Linked bingo game provider restrictions.** In addition to the prohibitions in Minnesota Statutes, sections 349.155, subdivision 3, and 349.1635, subdivision 4, the following restrictions apply when conducting business with licensed organizations authorized to conduct lawful gambling in Minnesota. A linked bingo game provider licensee; person holding a financial or managerial interest in a linked bingo game provider; or any agent, affiliate, or employee of a linked bingo game provider may not:

A. be an officer, director, paid employee, gambling volunteer, or gambling manager of an organization involved in the conduct of lawful gambling;

B. recruit a person to become a gambling manager or an assistant gambling manager, or identify to an organization a person as a candidate to become a gambling manager or assistant gambling manager;

C. be involved in or influence the purchase of gambling equipment for an organization, except for equipment necessary to conduct linked bingo games;

D. provide or permit an affiliate or person acting on behalf of the linked bingo game provider to provide any compensation, gift, gratuity, premium, contribution, or thing of value to a board employee or board member; or

E. contribute more than \$250 in any calendar year to an organization or participate in a fund-raising event if the contribution or fund-raising event is related to the organization's conduct of lawful gambling.

Subp. 4. **Contents of linked bingo game provider license application.** The linked bingo game provider license application must contain the following:

A. the linked bingo game provider's legal name, any other names used, the legal nature of the business (corporation, partnership, limited liability company, or sole proprietorship), the Minnesota tax identification number, and the federal employer identification number;

B. business address and telephone number;

C. mailing address, if different than the business address;

D. address where the selection of bingo numbers for a linked bingo game will be conducted, if different than the business address;

E. names and titles of the owners, partners, officers, directors, managers, supervisors, sales employees, persons involved with the services provided by the linked bingo game provider, and persons or entities with a direct or indirect financial interest of five percent or more in the linked bingo game provider;

F. acknowledgment regarding the licensing qualifications in subpart 2 and restrictions in subpart 3;

G. acknowledgment that any linked bingo game agreement will identify any goods or services, including all costs, that the organization is required to buy or lease;

H. acknowledgment that the linked bingo game provider will provide all necessary game monitoring equipment and monitoring systems to the board at no cost;

I. date and signature, in ink, of the chief executive officer; and

J. additional information that may be required by the board to properly identify the linked bingo game provider and ensure compliance with Minnesota Statutes, sections 349.11 to 349.23.

Subp. 5. **Attachments to linked bingo game provider license application.** The linked bingo game provider must attach the following items to the application.

A. A linked bingo game provider personnel form, in a format prescribed by the board, must be completed by each:

(1) owner;

(2) partner;

(3) member of the board of directors or board of governors;

(4) officer, including but not limited to president, vice-president, secretary, treasurer, controller, or general counsel;

(5) manager or supervisor of personnel, sales, governmental relations, and security;

(6) person or entity with a direct or indirect financial interest of five percent or more in the linked bingo game provider;

(7) sales employee who promotes, approves orders for, and asks for sales for linked bingo paper and linked bingo game services; and

(8) person involved with the services provided by the linked bingo game provider.

B. The linked bingo game provider personnel form must include:

(1) the linked bingo game provider's name and license number, if issued;

(2) the name, home address, daytime telephone number, date of birth, and Social Security number of the person;

- (3) the person's position with the linked bingo game provider;
- (4) an employment history and places of residence for the past ten years;
- (5) a criminal history statement, not including petty misdemeanors;
- (6) the name, address, and license number of any licensed organization conducting lawful gambling in Minnesota of which the person is a member;
- (7) the Minnesota tax identification number of businesses that the person has owned for the past ten years;
- (8) an acknowledgment regarding licensing qualifications in subpart 2 and restrictions in subpart 3;
- (9) the date and signature, in ink, of the person; and
- (10) additional information that may be required by the board to properly identify the person and ensure compliance with Minnesota Statutes, sections 349.11 to 349.23.

C. An organization chart illustrating the management structure of the linked bingo game provider and the personnel involved in the conduct and administration of linked bingo games.

D. A detailed description of the management plan for operation of the linked bingo game system and linked bingo game, including:

- (1) the technology to be used, method of selecting and transmitting selected bingo numbers, security of the transmission, and plans for continuation of the game in the event of an interruption in communications;
- (2) inventory control, inventory forms, sale and distribution of linked bingo paper, and process for transferring gambling funds from licensed organizations;
- (3) the linked bingo game to be conducted, rules of play, prize levels, and procedure to verify winning linked bingo paper sheets and to pay winners;
- (4) marketing and promotion plan;
- (5) all financial forms proposed for use;
- (6) a statement describing the linked bingo game provider's financial capability to provide the equipment and infrastructure necessary to operate the linked bingo game and manage the game's prize pool; and
- (7) a proposed fee schedule for the cost of providing services and equipment to licensed organizations.

E. Evidence of the bond required by Minnesota Statutes, section 349.1635, subdivision 3.

F. A certificate from a board-approved independent testing laboratory certifying that the linked bingo game system meets the requirements contained in part 7863.0260, subpart 1a.

G. Additional information that may be required by the board to ensure compliance with Minnesota Statutes, sections 349.11 to 349.23.

Subp. 6. Changes in linked bingo game provider license application information. If any information submitted in the application changes during the license term, the linked bingo game provider must notify the board within ten days of the change.

Subp. 7. Issuing or denying a new or renewal linked bingo game provider license. This subpart applies to a new or renewal linked bingo game provider license issued or denied by the board.

A. Before issuing a new or renewal linked bingo game provider license, the board must conduct or request the director of alcohol and gambling enforcement to conduct a background investigation which may include a review of the linked bingo game provider's

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sources of financing, ownership, and organizational structure. Actual costs in addition to the new or renewal application fee must be paid by the linked bingo game provider.

B. The board must issue a new or renewal license to a linked bingo game provider who:

- (1) submits the information required in the application and attachments;
- (2) pays the fee required by Minnesota Statutes, section 349.1635, subdivision 2; and
- (3) is eligible to receive a license under item A and subparts 2 and 3.

C. The board must deny the application if a linked bingo game provider:

- (1) is ineligible under subparts 2 and 3; and
- (2) has failed to submit all information required by subparts 4 and 5.

When the board determines that an application must be denied, the board must promptly give a written notice to the linked bingo game provider. The notice must contain the grounds for the action and reasonable notice of the rights of the linked bingo game provider to request an appeal under part 7865.0260, subpart 2 or 4, whichever is applicable.

D. Fees submitted with a new or renewal license application are considered earned and are not refundable.

Subp. 8. **Linked bingo game provider license effective date.** A linked bingo game provider license issued by the board is effective on the first day of the month after board approval or as otherwise determined by the board.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

History: *31 SR 1239; 35 SR 1276*

7863.0260 LINKED BINGO GAME PROVIDER OPERATIONS, ACCOUNTS, REPORTS, AND RECORDS.

Subpart 1. **Purchase or lease of gambling equipment and linked bingo services.** A linked bingo game provider may not purchase or obtain gambling equipment or linked bingo services from any other linked bingo game provider.

Within ten days of being notified by the board that a manufacturer has terminated its license, the license has expired, or the license was revoked by the board, a licensed linked bingo game provider must submit to the board a certified physical inventory. The certified inventory must include the name, form number, and quantity of all gambling equipment currently in inventory or owned or leased by the linked bingo game provider that was manufactured by the manufacturer.

Subp. 1a. **Linked bingo game system requirements.** The linked bingo game system must meet the following requirements:

- A. be capable of recording and printing detailed sales and accounting reports, including the price per face and the number of linked bingo paper sheets or facsimiles of linked bingo sheets sold at each permitted premises;
- B. have an automatic or manual backup system to save all sales, financial, and game data;
- C. be capable of recording and printing all financial transaction reports, in addition to maintaining, and printing on demand by the board, a log of significant events or exceptions relating to accounting and sales;
- D. have secure access, limited to authorized persons only;
- E. allow for sales data corrections, if necessary, by authorized personnel through a password-controlled audit menu, and maintain and print on demand by the board, a log of

all accounting changes including the name of the person who made the changes, date and time of the change, and the items adjusted;

F. have the capability of supporting remote sales units that must immediately communicate all sales directly to the main linked bingo game system computer;

G. have either a bingo ball blower system or an electronic random number generator to select bingo numbers, have the means to enter the selected numbers into the linked bingo game system for validation purposes, and have the means to correct any input errors up to the time a valid linked bingo game winner is determined;

H. contain a means by which all bingo sheet perm numbers or electronic serial and face numbers are contained within the database for winning face identification. The linked bingo game system must be able to verify winning serial and face numbers, determine if there is more than one bingo, verify that each called bingo is valid, and print a record of all selected numbers and each winning bingo face;

I. possess a database of all bingo perms used in conjunction with the linked bingo game. The linked bingo game system must not allow changes or modifications to the bingo faces. Access to the database must be controlled by password authorization or another secure method;

J. maintain an internal clock with current synchronized time for all components in 24-hour format and date. The clock must be able to provide:

(1) time stamping of significant events, including all sales and draw events;

and

(2) reference clock for reporting;

K. be capable of producing general accounting reports, including the information prescribed by the board; and

L. be tested by a board-approved independent testing laboratory certifying that the system meets the requirements in this subpart, with all costs associated with testing paid by the linked bingo game provider.

Before being implemented, any subsequent changes in the game system must be submitted to the director for review and approval. The linked bingo game provider must modify the system as required by the director to ensure compliance with these requirements.

Subp. 2. Sales of linked bingo paper; sale and lease of linked bingo game system equipment and services. This subpart applies to the sale of linked bingo paper and the sale or lease of linked bingo game system equipment and services.

A. A linked bingo game provider may not provide any linked bingo paper or linked bingo game system equipment or services to a licensed organization before the effective date of the linked bingo game provider's license.

B. The terms and conditions of an agreement to provide linked bingo game system equipment or services to a licensed organization must be in a form approved by the board. The agreement must include details on the operation of the linked bingo game and distribution of costs and proceeds. A copy of the agreement must be submitted to the board or director before the first linked bingo game is conducted by the organization. Before being implemented, any subsequent changes to an agreement must be submitted to the director for review and approval.

C. If an organization's license is revoked, lapsed, or terminated, or if the premises permit is revoked, the linked bingo game agreement is canceled without further obligations on the part of the organization, except that all linked bingo equipment must be returned by the organization to the linked bingo game provider.

D. Linked bingo paper sold for use in Minnesota must be delivered only to the licensed organization that ordered the linked bingo paper.

E. A linked bingo game provider may not provide a merchandise prize to a licensed organization conducting linked bingo.

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F. The following apply to the lease of electronic bingo devices.

(1) A linked bingo game provider may only lease electronic bingo devices to a licensed organization and is prohibited from selling electronic bingo devices to a licensed organization.

(2) A linked bingo game provider may lease electronic bingo devices to more than one licensed organization at the same permitted premises.

(3) The lease agreement must contain the organization's license number, name and address of the permitted premises where the electronic bingo devices will be used, and terms of the lease agreement, including a prohibition that the electronic bingo devices must not be transferred to another permitted premises unless approved in writing by the board.

(4) The lease price of an electronic bingo device:

(a) must be based on a predetermined monthly amount or based on the per unit lease amount for the previous calendar week; and

(b) must not be based on a percentage of gross receipts.

(5) The linked bingo game provider must submit a copy of the lease agreement to the board within ten days of signing or amending a lease agreement.

Subp. 2a. **Conduct of linked bingo game.** When conducting a linked bingo game in conjunction with the requirements of part 7861.0270, subpart 10, a linked bingo game provider must:

A. comply with the management plan required by part 7863.0250, subpart 5, item D, and approved by the board, with any subsequent changes to be reviewed, modified if necessary, and approved by the director;

B. ensure that the linked bingo system operates as required by part 7863.0260, subpart 1a;

C. establish and maintain audio, video, and secured data transmission as necessary. At least five minutes before the first bingo number is selected, the linked bingo game provider must verify the link status between all participating organizations and the location where the bingo numbers are being selected. Before the first bingo number is selected, the linked bingo game provider must announce the jackpot amount;

D. establish and maintain an appropriate back-up system if primary transmission of audio, video, or data fails;

E. record and keep for a minimum of 60 days all activity related to the video or electronic transmission of a linked bingo game;

F. provide for all players a free player's guide that must contain information about the linked bingo game mechanics and prize structure of linked bingo games;

G. award linked bingo prizes within three business days of verification of the winning bingo. Linked bingo prizes are considered awarded when mailed payment is post-marked. If payment is transmitted in any other manner, linked bingo prizes are considered awarded upon receipt by the player. If there are multiple winners, the jackpot amount must be equally divided and awarded for each verified winning bingo face. Fractional dollars may be rounded to the nearest higher dollar; and

H. prepare and submit to the appropriate state and federal agencies all relevant tax information pertaining to winners of linked bingo game jackpots.

Subp. 3. **Return of defective linked bingo paper; issuing credit invoice.** This subpart pertains to the return of linked bingo paper that was not manufactured in compliance with the standards in part 7864.0230 and was returned to the linked bingo game provider according to part 7861.0260, subpart 8.

A. Within 14 business days of accepting the return of linked bingo paper and making a determination that the linked bingo paper was not manufactured according to part

7864.0230, subpart 4, the linked bingo game provider must issue a credit invoice to the organization. A copy of the credit invoice must be filed electronically, as required by the commissioner of revenue.

B. If the linked bingo game provider ships replacement linked bingo paper to the organization, the linked bingo game provider must prepare a sales invoice as required in subpart 5.

Subp. 4. **Recall of gambling equipment; issuing credit invoice.** A linked bingo game provider must participate in a gambling equipment recall mandated by the board or initiated by the manufacturer, or initiate a recall when it has determined that linked bingo paper does not meet the standards of part 7864.0230, subpart 4, and comply with the following requirements.

A. Within three business days of receiving notification from the manufacturer or board director, the linked bingo game provider must initiate the recall from licensed organizations to which it sold the linked bingo paper.

B. The linked bingo game provider must complete the recall within 15 business days of initiation and notify the board and the commissioner of revenue in writing that it has completed the recall. The notification must include the following:

- (1) an inventory of the recalled linked bingo paper; and
- (2) a list of all organizations, including license numbers, from which the linked bingo paper was recalled.

C. Within seven business days of receiving a credit invoice from the manufacturer, the linked bingo game provider must issue credit invoices to all organizations returning linked bingo paper under the recall. Credit invoices must include the cost of freight paid by the organization and any valid and documented losses incurred over which the organization had no control or ability to prevent. Copies of the credit invoices must be filed electronically as required by the commissioner of revenue.

Subp. 5. **Sales invoice.** A linked bingo game provider who sells, leases, or provides linked bingo equipment must record the transaction on a sales invoice that contains the following information as required by the commissioner of revenue:

A. linked bingo game provider's name, address, telephone number, Minnesota tax identification number, federal employer identification number, and license number;

B. name, address, Minnesota tax identification number, federal employer identification number, and license number of the organization to whom the sale was made, and premises permit number of the site;

C. invoice number;

D. name of the person who ordered the linked bingo paper, and name of the linked bingo game provider's salesperson who sold the linked bingo paper;

E. date of shipment and shipping charges, if any;

F. any applicable sales tax;

G. color and serial number, unit price, and total amount being invoiced;

H. unit price or lease cost of each item and total amount being invoiced;

I. any value for discount, rebate, or other incentive affecting the unit price which must be separately stated; and

J. price for which the linked bingo paper must be sold by the organization.

Subp. 6. **Monthly sales report to revenue required.** A linked bingo game provider who sells, leases, or provides gambling equipment must electronically report the transactions made each month to the commissioner of revenue as required under Minnesota Statutes, section 297E.05. The report is due by the 20th of the next month.

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Subp. 7. **Delinquent organization notice to board required.** This subpart pertains to the notice to the board that an organization is delinquent in payment of an invoice.

A. If a linked bingo game provider has not received payment from an organization within 30 days of the day immediately following the invoice date or lease agreement, the linked bingo game provider must report the delinquency to the board in writing in an electronic format authorized by the board. The linked bingo game provider must ensure that the board will receive the notice by the 31st day, or the next business day, after the invoice date for the sale or lease of the gambling equipment. The notice must include:

- (1) the organization's name and license number; and
- (2) an invoice or lease agreement date, invoice number, and total dollar amount of the invoice or lease agreement.

B. If a linked bingo game provider has not received payment in full within 60 days of its initial notice to the board, the linked bingo game provider must notify the board of the continued delinquency. The linked bingo game provider must ensure that the board will receive the notice on the 61st day, or the next business day, after the linked bingo game provider's initial report to the board.

C. When the delinquency is paid, the linked bingo game provider must notify the board immediately.

D. Upon receipt of the initial notice under item A, the board must:

- (1) notify and direct the organization to eliminate the delinquency; and
- (2) notify all linked bingo game providers and distributors that until further notice they may only sell or lease gambling equipment to the delinquent organization on a cash basis. "Cash" means a debit card payment, electronic transaction, or check drawn on the organization's gambling account.

E. Upon receipt of the second notice under item B, the board must notify:

- (1) the organization that the sale and lease of gambling equipment to the organization will not be authorized until the delinquency is eliminated; and
- (2) all linked bingo game providers and distributors that they may not sell or lease any gambling equipment to the delinquent organization.

F. When the board has been notified that the delinquency is paid in full, the board must notify all linked bingo game providers and distributors that the delinquency has been paid and that the sale or lease of gambling equipment to the organization is authorized.

G. Until authorized by the board, a linked bingo game provider or distributor may not extend credit or sell or lease gambling equipment to an organization in violation of an order under items D and E.

Subp. 8. **Linked bingo game records required.** The linked bingo game provider must keep a record of each linked bingo game conducted. The record must include, at a minimum, the following information for each linked bingo game:

A. names and license numbers of all organizations participating, the date the linked bingo game was conducted, and a list of all permitted premises, including name and city;

B. price per face for linked bingo paper sheets and the quantity of linked bingo paper sheets sold at each permitted premises, including serial numbers and face numbers;

C. bingo pattern played; a list of all selected letters and numbers, in order selected, and the letter and number called that produced the winning bingo; and a copy of each winning face;

D. jackpot amount;

E. winner's information, including:

- (1) name, address, and Social Security number;

- (2) amount of the jackpot won;
- (3) date the check was mailed to the jackpot winner and a certified mail receipt;
- (4) copy of the check; and
- (5) all correspondence related to any returned, unclaimed, or voided checks;
- F. name and city of each permitted premises where each winning bingo was won;
- G. amount of money collected from each licensed organization for each jackpot; and
- H. amount of fees collected for each linked bingo game.

All linked bingo game information, including game sales, must be recorded in a manner that allows it to be electronically transmitted to the board's computer system upon demand by the board, and at the expense of the linked bingo game provider.

Subp. 9. **Records and reports maintained.** The linked bingo game provider must maintain reports and records of the sale of linked bingo paper, the sale or lease of linked bingo game system equipment, the conduct of each linked bingo game, and linked bingo game agreements as required by this part and by Minnesota Statutes, section 297E.05, for 3-1/2 years.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

History: *31 SR 1239; 35 SR 1276; 35 SR 1528*