

CHAPTER 7863

GAMBLING CONTROL BOARD

GAMBLING EQUIPMENT DISTRIBUTORS

7863.0010 DISTRIBUTORS; DISTRIBUTOR
SALESPERSONS.
7863.0020 DISTRIBUTOR OPERATIONS, ACCOUNTS,
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OPERATIONS, ACCOUNTS, AND REPORTS.

7863.0010 DISTRIBUTORS; DISTRIBUTOR SALESPERSONS.

Subpart 1. [Repealed, 29 SR 443]

Subp. 2. **License required.** No person may sell, offer for sale, or otherwise furnish gambling equipment for use in Minnesota to any organization that conducts lawful gambling without a valid distributor's or distributor salesperson's license issued by the board.

A distributor's license application and a distributor salesperson's license application must be completed on a form prescribed by the board. An application must be considered by the board pursuant to this part. The board must not issue a license to an applicant unless the requirements of Minnesota Statutes, sections 349.155, subdivision 3; and 349.161, subdivision 5, 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 applicant's board of directors;

B. "officer" means any person elected, appointed, or otherwise designated as an officer by the applicant's board of directors; and

C. "other person in a supervisory or management position" means any person employed to direct or control the personnel and activities of an applicant's department or division.

Subp. 3. [Repealed, 29 SR 443]

Subp. 4. **Restrictions.** The following restrictions apply to the licensees' activities within Minnesota, or while conducting business with organizations authorized to conduct lawful gambling in Minnesota. In addition to the prohibitions contained in Minnesota Statutes, sections 349.155, subdivision 3; and 349.161, subdivisions 1 and 5, no distributor, distributor salesperson, or any representative, agent, affiliate, or employee of a distributor may:

A. directly or indirectly give gifts, trips, prizes, loans of money, premiums, or other gratuities to gambling organizations, or their employees, other than nominal gifts not to exceed a value of \$25 per organization in a calendar year. Value means actual market value or suggested market value, whichever is less. Nothing in this item prohibits a distributor, a distributor salesperson, or a representative, agent, affiliate, or employee of a distributor from making a contribution of \$250 or less in any calendar year to an organization, or participating in a fund-raising event for an organization, provided that the contribution or fund-raising event is unrelated 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, or gambling volunteer of a licensed, exempt, or excluded organization in its conduct of lawful gambling, or represent a licensed, exempt, or excluded organization in the purchase of, or influence the purchase of, lawful gambling equipment;

D. participate directly or indirectly in the ownership or management of a bingo hall;

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 member of the board;

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. 5. [Repealed, 19 SR 1854]

Subp. 6. **Contents of application.** The distributor license and distributor salesperson license application must be on a form prescribed by the board. The distributor salesperson license application must contain the information required in subpart 7, item B. The distributor license application must contain the following information:

A. the complete name of the applicant and any other names used and the legal nature of the applicant (corporation, firm, partnership, limited liability company, or sole proprietorship);

B. the complete address of the applicant's place of business;

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

D. the telephone number of the applicant;

E. a list of all persons or entities with a direct or indirect financial interest of five percent or more in the applicant;

F. a list of the owners, partners, officers, directors, managers, supervisors, and employees eligible to make sales on behalf of the applicant. For purposes of this part, "employees eligible to make sales" means persons who represent a distributor in a transaction that results in the sale of gambling equipment in Minnesota;

G. the address of the facility where gambling equipment and supplies are unloaded in Minnesota prior to sale;

H. an acknowledgment regarding the restrictions contained in subpart 4;

I. the names, addresses, and account numbers of all business bank accounts for the applicant;

J. an acknowledgment that the distributor will file the certified physical inventory required in this subpart;

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

L. additional information may be required by the board or director to properly identify the applicant and ensure compliance with Minnesota Statutes, sections 349.11 to 349.23.

Subp. 7. **Attachments to application.** The following items must be included as attachments to a distributor's license application:

A. A distributor personnel form must be completed by all employees of a distributor, and 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 and/or supervisor of shipping, sales, personnel, governmental relations, and security;

(6) person authorized to make sales in Minnesota on behalf of the distributor, including employees or persons who represent a distributor in a transaction that results in the sale of gambling equipment in Minnesota. For purposes of this item, any or all of the following activities shall be considered a sale of gambling equipment:

(a) approving orders for gambling equipment;

(b) the promotion of gambling equipment; or

(c) the solicitation of sales of gambling equipment;

(7) person or entity with a direct or indirect financial interest of five percent or more in the applicant; and

(8) consultant.

B. The distributor personnel form, prescribed by the board, must contain the following information:

- (1) the complete name and license number, if issued, of the distributor;
- (2) the complete name, home address, date of birth, social security number, and home telephone number of the individual completing the form;
- (3) the complete name of the individual's spouse, if married;
- (4) the individual's position with the distributor, and for persons authorized to make sales on behalf of the distributor, the person must submit a recent photograph measuring one inch by 1-1/4 inches;
- (5) an employment history for the past ten years;
- (6) places of residence for past ten years;
- (7) a criminal history statement (except petty misdemeanors);
- (8) the 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;
- (9) the Minnesota tax identification number of businesses that the individual has owned for the past ten years;
- (10) an acknowledgment regarding the provisions of subpart 4;
- (11) the signature, in ink, of the person and the date signed; and
- (12) additional information to properly identify the applicant and ensure compliance with Minnesota Statutes, sections 349.11 to 349.23, which may be required by the board or director.

Subp. 8. [Repealed, 29 SR 443]

Subp. 9. **Changes in application information.** If any information submitted in the application changes during the term of the license period, the distributor must notify the board in writing no later than ten days after the change has taken effect.

Subp. 10. [Repealed, 29 SR 443]

Subp. 11. **Investigation.** Before issuing or renewing a distributor's or distributor salesperson's license, the board shall conduct or request the director of alcohol and gambling enforcement to conduct a background investigation, which may include a review of the applicant's sources of financing, ownership, and organizational structure. Actual costs in addition to the initial and renewal application fees shall be borne by the applicant.

Subp. 12. **Issuance and denial.** The following items apply to issuance and denial of a distributor's or distributor salesperson's license.

A. The board shall issue a license to a distributor or distributor salesperson who submits the information required by subparts 6 and 7, pays the fee required by Minnesota Statutes, section 349.161, subdivision 4, and who is eligible to receive a license pursuant to subpart 4, and Minnesota Statutes, section 349.161.

B. The board shall deny the application of a distributor or distributor salesperson ineligible to hold a license pursuant to subpart 4, or Minnesota Statutes, section 349.161.

C. When the board, or director if authorized to act on behalf of the board, determines that a distributor's or distributor salesperson's license application or renewal should be denied under Minnesota Statutes, section 349.155, subdivision 3 or 4, the board or director shall promptly give a written notice to the licensee or applicant stating the grounds for the action and giving reasonable notice of the rights of the licensee or applicant to request a hearing. A hearing must be held not later than 30 days after the board receives the request for the hearing, unless the licensee or applicant and the board agree on a later date. If no hearing is requested within 30 days of the service of the notice, the denial becomes final. Hearings under this item must be conducted in accordance with Minnesota Statutes, chapter 14. After the hearing, the

board may enter an order making the disposition the facts require. If the applicant fails to appear at the hearing after having been notified of it under this item, the applicant is considered in default and the proceeding may be determined against the person on consideration of the written notice of denial, the allegations of which may be considered to be true. All fees accompanying the license or renewal application are considered earned and are not refundable.

Subp. 13. [Repealed, 29 SR 443]

Subp. 14. **License effective.** A new distributor license issued by the board pursuant to this part is effective on the first day of the month after board approval.

Subp. 15. **License renewal.**

A. To renew a license at the end of the term a licensee must submit a complete renewal application on a form prescribed by the board at least 75 days before the expiration of the licensee's existing distributor's or distributor's salesperson's license. A renewal application is not complete until it contains the information required in subparts 6 and 7 and the fee required by Minnesota Statutes, section 349.161, subdivision 4. If no changes have occurred to the information required by subpart 7 after the original application was submitted, the applicant must submit an affidavit to the board, on a form prescribed by the board, stating that no changes in the information attached to the original application have occurred.

B. An application for renewal of a distributor's or distributor salesperson's license must be denied by the board if the applicant is ineligible for a license pursuant to subpart 4 or Minnesota Statutes, section 349.161.

Subp. 16. **License termination.** To terminate a distributor's license, a certified physical inventory on a form prescribed by the board must be received by the board and the commissioner of revenue prior to such proposed termination. Termination of a license may occur due to revocation by the board, voluntary relinquishment, or nonrenewal of a distributor license. The certified physical inventory must include the following information:

A. a certified physical inventory of all gambling equipment at the time the form is prepared; and

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

The distributor or designated agent shall retain all invoices and other required documentation related to the sale of gambling equipment for 3-1/2 years after cessation of business.

Subp. 17. **License suspension.** When a distributor's license is suspended pursuant to part 7865.0020, 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 349.151*

History: *16 SR 2116; 19 SR 1854; 19 SR 2380; L 1997 c 129 art 2 s 15; 23 SR 831; 29 SR 443*

7863.0020 DISTRIBUTOR OPERATIONS, ACCOUNTS, AND REPORTS.

Subpart 1. **Purchase or lease of gambling equipment.** A distributor may not purchase, lease, or otherwise obtain gambling equipment from any manufacturer unless the manufacturer selling, leasing, or otherwise providing the gambling equipment has a valid license issued by the board. A distributor may not purchase or otherwise obtain gambling equipment for use or sale in Minnesota from any other distributor.

A distributor may not purchase or lease gambling equipment from a manufacturer unless the equipment has been approved by the board and meets the requirements in part 7864.0030.

Within ten days of notification by the board of the termination or expiration of a manufacturer's license, a licensed distributor shall provide to the board a certified physical inventory, including name, form number, and quantity of all gambling equipment currently maintained in inventory or otherwise owned or leased by the distributor which was manufactured by that manufacturer.

Subp. 2. Sale or lease of gambling equipment. The following items apply to sales or leases of gambling equipment:

A. Sales or leases to organizations:

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

(2) A distributor may not sell, lease, or furnish to any organization any gambling equipment before the effective date of the organization's license. This item does not pertain to exempt or excluded organizations provided that the distributor has in its possession a copy of the exempt permit or exclusion authorization for that organization.

(3) A distributor shall not sell or otherwise provide a partial series of bingo paper sheets or bingo paper sheet packets to a licensed organization. A distributor may sell a partial series of bingo paper sheets or bingo paper sheet packets to an exempt or excluded organization.

B. The following items apply to leases or sale of pull-tab dispensing devices by distributors to lawful gambling organizations.

(1) The terms of a lease or sale of a pull-tab dispensing device must be completely set forth in a form or forms prescribed by the board.

(2) A distributor shall not enter into a lease agreement for a pull-tab dispensing device with a lawful gambling organization unless the distributor owns or has a valid lease agreement with a licensed manufacturer for that pull-tab dispensing device.

(3) If a default in the lease agreement occurs on the part of the lawful gambling organization, the credit provisions contained in Minnesota Statutes, section 349.191, subdivision 1a, shall apply.

(4) If an organization's license or authorization is suspended, revoked, not renewed, or otherwise terminated, the lease agreement must be canceled.

C. Rebates of purchase prices or discounts offered by a distributor must be separately stated on the original purchase invoice.

D. Gambling equipment sold for in-state use must be delivered only to the licensed, exempt, or excluded organization that ordered the equipment.

E. All gambling equipment designated for sale by a licensed distributor to an Indian tribe must be stored in a separate area of the distributor's warehouse, and cannot bear the symbol required by Minnesota Statutes, section 349.163, subdivision 5.

F. A distributor shall not provide any merchandise prize, as part of the sale of any game, or as a gift or sale to any licensed, exempt, or excluded organization, or employee of a licensed, exempt, or excluded organization, conducting lawful gambling.

G. A distributor shall not provide any additional keys for a pull-tab dispensing device after the pull-tab dispensing device has been leased or sold to the organization.

H. A distributor shall include a packing list inclusive of all items in the shipment for each shipment of gambling equipment to an organization.

Subp. 3. Registration of gambling equipment. The following items apply to the registration of gambling equipment:

A. A distributor shall not sell, transfer, furnish, or otherwise provide any pull-tabs, tipboards, tipboard tickets, paddletickets, or paddleticket cards to an organization unless the pull-tabs, tipboards, tipboard tickets, paddletickets, or paddleticket cards have been approved for sale in Minnesota by the board and have a Minnesota geographic symbol, as required by Minnesota Statutes, section 349.163, subdivision 5, paragraph (h), and bar code affixed to each flare.

B. Permanent gambling equipment.

(1) A distributor shall not sell, lease, transfer, furnish, or otherwise provide any permanent gambling equipment unless the equipment has been approved by the board and has a state registration stamp affixed.

(2) A distributor shall place a state registration stamp on the front of each paddlewheel, on the front of each paddlewheel table, on each bingo ball selection device, and on the front of each pull-tab dispensing device. A distributor shall not sell or lease to an organization any permanent gambling equipment that does not have a state registration stamp affixed to it.

(3) A distributor shall not transfer or furnish state registration stamps to any person, distributor, or manufacturer.

Subp. 3a. **Return of gambling equipment.** The following items pertain to the return of gambling equipment not manufactured in compliance with the standards in part 7864.0030, subpart 1.

A. Gambling equipment returned to a distributor from an organization prior to being put into play.

(1) Within seven business days of accepting return of gambling equipment from an organization pursuant to part 7861.0060, subpart 8, the distributor shall return the gambling equipment to the manufacturer. The returned equipment must be accompanied by documentation that the gambling equipment does not meet the standards in part 7864.0030, subpart 1.

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

(3) If the distributor ships replacement equipment to the organization, the distributor shall prepare a sales invoice consistent with the requirements of part 7863.0020, subpart 4, item A.

B. Gambling equipment returned to a distributor from an organization during play or after being removed from play.

(1) Within seven business days of accepting return of gambling equipment from an organization pursuant to part 7861.0060, subpart 8, the distributor shall return the gambling equipment to the manufacturer for a determination as to whether the gambling equipment was manufactured in compliance with the standards in part 7864.0030, subpart 1. After a determination has been made by the manufacturer and the game has been returned to the distributor, the game shall be returned by the distributor to the organization for retention as a played game.

(2) Within 14 business days of receiving a credit invoice and written determination from the manufacturer that the gambling equipment was not manufactured in compliance with the standards in part 7864.0030, subpart 1, the distributor shall issue a credit invoice to the organization for the cost of the equipment and any bona fide losses incurred and documented by the organization 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. 3b. **Corrective action.** The following items apply to a recall of gambling equipment.

A. Licensed distributors shall participate in a gambling equipment recall that has been mandated by the board or initiated by the manufacturer.

B. Within three business days of receiving notification from the manufacturer, or the board director pursuant to an order of the board, the distributor shall initiate the gambling equipment recall from organizations to which it has sold the recalled gambling equipment.

C. The recall must be completed by the distributor within 15 business days of initiation. The distributor shall notify the board and the commissioner of revenue in writing that it has completed the recall except for games already in play, which must be retained by the organization as played games. The notification must include the following:

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

D. Within seven business days of receiving a credit invoice from the manufacturer, the distributor shall 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 bona fide losses incurred and documented by the organization 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. 4. Records and reports required. The following items apply to records and reports of distributors:

A. Sales invoice.

(1) A distributor who sells, leases, or otherwise provides gambling equipment must record the transaction on a sales invoice that must contain the following information as required by the commissioner of revenue:

- (a) the name, address, and telephone number of the distributor;
- (b) the license number of the distributor;
- (c) the name, address, license number, or excluded or exempt authorization and premises permit number of the site where the gambling equipment was delivered to the organization. If the sale was made to an entity as permitted under Minnesota Statutes, section 349.166, subdivision 1, paragraph (b), the name and address of the entity;
- (d) the invoice number;
- (e) the name of the person who ordered the gambling equipment, and the name of the distributor's employee who sold the gambling equipment;
- (f) the date of shipment of the gambling equipment;
- (g) any applicable sales tax;
- (h) the unit price of each item or monthly lease cost, and the total dollar amount being invoiced for each item; and
- (i) any value for discount, rebate, or other incentive affecting the unit price must be separately stated on the invoice.

(2) Sales invoices for pull-tabs and tipboards must also contain the following information:

- (a) the number of deals for pull-tabs and tipboards;
- (b) a complete description of each pull-tab deal or tipboard, which includes the name of the game, the manufacturer identification, the part number, and the serial number;
- (c) the last sale amount, if any;
- (d) the total ideal gross receipts; and
- (e) the total applicable gambling tax.

(3) Sales invoices for paddleticket cards must also contain the following information:

- (a) the number of sealed groupings;
- (b) the ideal gross receipts for each sealed grouping; and
- (c) for each sealed grouping, a complete description including the name of the game, the manufacturer identification, the part number, and the serial number.

(4) Sales invoices for breakopen bingo paper sheets must also contain the following information:

- (a) the serial number and color of each set of breakopen bingo paper sheets;
- (b) whether each set is an original or trade-in set; and
- (c) the price for which the breakopen bingo paper sheet must be sold by the conducting organization.

(5) Sales invoices for bingo paper sheets and sets of bingo paper sheet packets must also contain the following information:

- (a) for each set of bingo paper sheet packets:
 - i. the color of each sheet in the packet in the order of collation;
 - ii. the number of sheets per packet (UP's);
 - iii. the number of faces per sheet (ON's);
 - iv. the series;
 - v. the price for which the bingo paper sheet packet must be sold by the organization; and
 - vi. *the 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 which is attached to the invoice, provided that the invoice clearly states that the serial number listing is attached as a separate document; and*
- (b) for bingo paper sheets (case paper);
 - i. the color;
 - ii. the number of sheets per case;
 - iii. the number of faces per sheet (ON's);
 - iv. the series;
 - v. the price for which the bingo paper sheets must be sold by the organization; and
 - vi. the serial number from the top sheet in the case.

(6) Sales invoices for permanent gambling equipment must also contain the following information:

- (a) a complete description of the equipment being sold or leased, including the manufacturer name and the make, model number, and serial number of the gambling equipment; and
- (b) the state registration stamp number affixed to the gambling equipment.

(7) Each distributor who sells, leases, or otherwise provides gambling equipment must electronically report the sales made each month to the commissioner of revenue. The report is due by the 20th of the month following the month in which the sale was completed.

B. A distributor shall maintain a registration stamp number log in which the state registration stamp numbers for permanent gambling equipment are recorded.

C. Pricing reports.

(1) A licensed distributor must submit a pricing report to the board on an annual basis that must be in a format approved by the board and at a minimum must include:

- (a) the name, license number, and complete address of the distributor;
 - (b) the date the report was prepared;
 - (c) the gambling equipment the distributor offers for sale or lease;
- and
- (d) the prices at which the distributor will sell all gambling equipment currently offered for sale by the distributor.

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

(3) Only changes or additions to the previously filed reports are required, and must be reported ten days prior to the change or addition.

D. For each item of permanent gambling equipment sold or leased in Minnesota to an organization, the distributor must provide the following information to the board by the 20th of the month following the month in which the sale or lease was made:

- (1) the name, address, and license number of the distributor;
- (2) the name, address, and license number of the manufacturer that the distributor purchased or leased the equipment from;
- (3) the name, address, and license number, exempt permit number, or exclusion authorization of the organization that purchased or leased the equipment, or the name and address of the entity purchasing or leasing the equipment as allowed by Minnesota Statutes, section 349.166, subdivision 1, paragraph (b);
- (4) the make, model number, and serial number of the gambling equipment; and
- (5) the state registration stamp number affixed to the permanent gambling equipment.

This item applies to the records and reports required for the sale and lease of permanent gambling equipment.

E. Report of delinquent organization required.

(1) Pursuant to Minnesota Statutes, section 349.191, a distributor shall notify the board in writing, by e-mail, or by facsimile if the distributor has not received payment from an organization within 35 days of the invoice date for the sale of gambling equipment. The notification must be received by the board on the 36th day, or the next business day, after the invoice date for the sale of the gambling equipment. The notification must include:

- (a) the name and license number or exempt number of the organization; and
- (b) the distributor's invoice date, the invoice number, and the total dollar amount of the invoice.

Upon receipt of the notice, the board shall notify all distributors that until further notice from the board, they may only sell gambling equipment to the delinquent organization on a cash basis. For purposes of this item, cash means a check drawn on the organization's gambling account.

(2) The board shall notify the organization of the delinquency and direct the organization to eliminate the delinquency.

(3) If a distributor who has notified the board under subitem (1) has not received payment in full from the delinquent organization within 60 days of its initial notification to the board, it must then notify the board of the continued delinquency. The notification must be received by the board on the 61st day, or the next business

day, after the distributor's initial notification to the board. Upon receipt of the second notice, the board shall notify all distributors and linked bingo game providers not to sell any gambling equipment to the delinquent organization.

(4) When the delinquency is paid, the distributor must immediately notify the board and the board shall notify all licensed distributors and linked bingo game providers. No distributor or linked bingo game provider may extend credit or sell gambling equipment to an organization in violation of an order under subitem (3) until the board has authorized such credit or sale.

F. The board, the commissioner of revenue, the commissioner of public safety, and their agents may examine the books and records of any distributor without notice at any time during normal business hours.

G. Each distributor shall maintain records of the purchase, sale, and lease of gambling equipment for 3-1/2 years.

Statutory Authority: *MS s 349.151*

History: 16 SR 2116; 17 SR 2711; 19 SR 1854; 19 SR 2380; 20 SR 2624; 23 SR 831; 29 SR 443

7863.0050 LINKED BINGO GAME PROVIDER LICENSES

Subpart 1. **License required.** No person may provide linked bingo paper, linked bingo game system equipment, or services to any licensee of the board without a linked bingo game provider license. A linked bingo game provider license application must be completed on a form prescribed by the board. An application must be considered by the board pursuant to this part. The board must not issue a linked bingo game provider license to an applicant 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 applicant's board of directors;

B. "officer" means any person elected, appointed, or otherwise designated as an officer by the applicant's board of directors; and

C. "other person in a supervisory or management position" means any person employed to direct or control the personnel and activities of an applicant's department or division.

Subp. 2. **Restrictions.** For purposes of this subpart, the following restrictions apply to the licensee's activities in Minnesota, or while conducting business with organizations licensed to conduct lawful gambling in Minnesota. In addition to the prohibitions contained in Minnesota Statutes, sections 349.155, subdivision 3, and 349.1635, subdivision 4, no linked bingo game provider licensee; person holding a financial or managerial interest in a linked bingo game provider; or agent, affiliate, or employee of a linked bingo game provider shall:

A. be an officer, director, paid employee, or gambling volunteer of a licensed, exempt, or excluded 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 the procurement of, or influence the procurement of, lawful gambling equipment for a lawful gambling 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 gambling control board employee or member of the gambling control board;

E. directly or indirectly give gifts, trips, prizes, loans of money, premiums, or other gratuities to gambling organizations, or their employees, other than nominal gifts not to exceed a fair market value of \$25 per organization in a calendar year. "Fair market value" means actual market value or suggested market value, whichever is less.

Nothing in this item prohibits a linked bingo game provider licensee or employee from making a contribution of \$250 or less in any calendar year to an organization, or participating in a fund-raising event for an organization, provided that the contribution or fund-raising event is unrelated to the organization's conduct of lawful gambling; or

F. offer to sell commercial or advertising messages to licensed organizations in conjunction with a linked bingo game.

Subp. 3. Contents of application. The application must be on a form prescribed by the board and must contain the following information:

A. the complete name of the applicant, including any name that the applicant may be "doing business as," and the legal nature of the applicant (corporation, partnership, limited liability company, or sole proprietorship);

B. the complete address and telephone number of the applicant;

C. the mailing address of the applicant, if different than the street address;

D. the complete address where the drawings for a linked bingo game will be conducted, if different than the street address;

E. the full 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 applicant;

F. an acknowledgment regarding the restrictions contained in subpart 2;

G. an acknowledgment that any linked bingo game agreement between the linked bingo game provider and a licensed organization will specifically identify any goods or services, including all costs, that the organization is required to purchase;

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

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

J. additional information to properly identify the applicant and to ensure compliance with Minnesota Statutes, sections 349.11 to 349.23, which may be required by the board or director.

Subp. 4. Attachments to application. The following items must be included as attachments to a linked bingo game provider license application:

A. A linked bingo game provider 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 personnel, sales, governmental relations, and security;

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

(7) person authorized to make sales in Minnesota on behalf of the linked bingo game provider. For purposes of this subitem, any or all of the following activities shall be considered a sale:

(a) approving orders for linked bingo paper and linked bingo game services;

(b) the promotion of linked bingo paper and linked bingo game services; and

(c) the solicitation of sales of linked bingo paper and linked bingo game services; and

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

B. The linked bingo game provider personnel form prescribed by the board must contain the following information:

- (1) the complete name and license number, if issued, of the linked bingo game provider;
- (2) the complete name, home address, home telephone number, date of birth, and Social Security number of the individual completing the form;
- (3) the complete name of the individual's spouse, if married;
- (4) the individual's position with the linked bingo game provider;
- (5) an employment history for past ten years;
- (6) places of residence for past ten years;
- (7) a criminal history statement, except petty misdemeanors;
- (8) the name, address, and license number of any licensed organization conducting lawful gambling in Minnesota of which the person is a member;
- (9) the Minnesota tax identification number of businesses that the individual has owned for the past ten years;
- (10) an acknowledgment regarding the provisions of subpart 2;
- (11) the signature, in ink, of the person completing the form and the date signed; and
- (12) additional information to properly identify the person and ensure compliance with Minnesota Statutes, sections 349.11 to 349.23, which may be required by the board or executive director.

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

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

- (1) a detailed description of the technology to be used;
- (2) the applicant's plan for linked bingo paper inventory control and distribution of linked bingo paper to licensed organizations;
- (3) the method for calling bingo numbers and letters at the host facility, and for transmitting the called bingo numbers to each participating licensed organization;
- (4) a complete description of the linked bingo game to be conducted;
- (5) a complete description of the applicant's method for the sale of linked bingo paper to licensed organizations;
- (6) complete documentation of the prize levels to be offered;
- (7) the procedure the applicant will use to verify winning linked bingo paper sheets;
- (8) a complete description of the linked bingo rules of play;
- (9) a copy of the applicant's marketing and promotion plan;
- (10) copies of all financial and inventory control forms the applicant proposes to use;
- (11) a description of the process to be used for transferring gambling funds from licensed organizations to the linked bingo game provider;
- (12) a copy of the procedure to be used to pay winners of linked bingo games;
- (13) the applicant's plans for security of the linked bingo transmission and play procedures;
- (14) a description of the applicant's plans for continuation of the game in the event of an interruption in communications; and

(15) a description of the financial capability of the applicant to provide the equipment and infrastructure necessary to operate the linked bingo game as well as manage the prize pool created for the game.

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 following requirements:

(1) have the technology necessary to determine all sales initiated through the system;

(2) have the capability of recording and printing reports detailing sales and accounting information. This information includes but is not limited to the price per face for linked bingo paper sheets, and the number of linked bingo paper sheets sold at each permitted premises participating in a linked bingo game;

(3) have a backup and archive ability to save critical data if a system failure occurs. This backup system may be an automatic function of the linked bingo game system, or it may be a manual process to be initiated by the linked bingo game system operator;

(4) be capable of detailing all financial transactions on the linked bingo game system, in addition to maintaining a log of significant events or exceptions relating to accounting and sales. The events and exceptions log must be able to be printed by the linked bingo game system upon demand;

(5) have secure access, limited to authorized persons only;

(6) allow for sales data corrections, if necessary, by authorized personnel through a password-controlled audit menu. A log of all accounting changes including the password authorized to make the changes, the date of the change, the time of the change, and the detailed items adjusted must be maintained on the linked bingo game system. The linked bingo game system must be capable of printing the audit log upon demand;

(7) have the capability of supporting remote sales units. Each remote sales unit must immediately communicate all sales directly to the main linked bingo game system computer;

(8) have a means by which the selected letters and numbers are entered into the linked bingo game system for validation purposes. This function of the linked bingo game system must not have the ability to modify sales information;

(9) have either a manual ball blower system or an electronic random number generator to determine the order of drawn letters and numbers. The linked bingo game system must be capable of correcting any input errors up to the time a valid linked bingo game winner is determined;

(10) 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 all winning serial and face numbers, determine if there is more than one bingo, and verify that each called bingo is valid. The linked bingo game system must be capable of printing a record of all drawn letters and numbers and each winning bingo face;

(11) possess a database of all bingo faces in the perm. 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;

(12) maintain an internal clock that reflects the current time in 24-hour format and date and is able to provide the following information:

(a) time stamping of significant events;

(b) reference clock for reporting; and

(c) time stamping of all sales and draw events;

(13) have a synchronization feature to ensure that all clocks are updated in all components simultaneously; and

(14) be capable of producing general accounting reports, including the information prescribed by the board.

All costs associated with testing must be paid by the linked bingo game provider.

Subp. 5. Changes in application information. If any information submitted in the application changes during the term of the license period, the linked bingo game provider must notify the board in writing no later than ten days after the change has taken effect.

Subp. 6. Investigation. Before issuing or renewing a 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 applicant's sources of financing, ownership, and organizational structure. Actual costs in addition to the initial and renewal application fees shall be borne by the applicant.

Subp. 7. Issuance and denial. The following items apply to the issuance and denial of linked bingo game provider licenses:

A. The board shall issue a license to a linked bingo game provider who submits the information required by subparts 3 and 4, pays the fee required by Minnesota Statutes, section 349.1635, subdivision 2, and is eligible to receive a license pursuant to subpart 2 and Minnesota Statutes, section 349.1635.

B. The board shall deny the application of a linked bingo game provider ineligible to hold a license pursuant to subpart 2 and Minnesota Statutes, section 349.1635.

C. When the board, or director if authorized to act on behalf of the board, determines that a linked bingo game provider license application or renewal should be denied under Minnesota Statutes, section 349.155, subdivision 3 or 4, the board or director shall promptly give a written notice to the licensee or applicant stating the grounds for the action and giving reasonable notice of the rights of the licensee or applicant to request a hearing. A hearing must be held not later than 30 days after the board receives the request, unless the licensee or applicant and the board agree on a later date. If no hearing is requested within 30 days of the service of the notice, the denial becomes final. Hearings under this item must be conducted in accordance with Minnesota Statutes, chapter 14. After the hearing, the board may enter an order making the disposition the facts require. If the applicant fails to appear at the hearing after having been notified of it under this item, the applicant is considered in default and the proceeding may be determined against the person on consideration of the written notice of denial, the allegations of which may be considered to be true. All fees accompanying the license or renewal application are considered earned and are not refundable.

Subp. 8. License effective. A new license issued by the board is effective on the first day of the month after board approval.

Subp. 9. License renewals.

A. To renew a license at the end of the term, a licensee must submit a complete renewal application on a form prescribed by the board at least 75 days before the expiration of the licensee's existing linked bingo game provider license. A renewal application is not complete until it contains the information required in subparts 3 and 4 and the fee required by Minnesota Statutes, section 349.1635, subdivision 2. If no changes have occurred to the information required by subparts 3 and 4 after the original application was submitted, the applicant must submit an affidavit to the board, on a form prescribed by the board, stating that no changes in the information attached to the original application have occurred.

B. An application for renewal of a linked bingo game provider license must be denied by the board if the applicant is ineligible for a license pursuant to subpart 2 or Minnesota Statutes, section 349.1635.

Statutory Authority: *MS s 349.151; 349.1635*

History: 29 SR 443

7863.0060 LINKED BINGO GAME PROVIDER OPERATIONS, ACCOUNTS, AND REPORTS.

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

Within ten days of notification by the board of the termination or expiration of a manufacturer's license, a licensed linked bingo game provider must provide to the board a certified physical inventory, including name, form number, and quantity of all gambling equipment currently maintained in inventory or otherwise owned or leased by the linked bingo game provider which was manufactured by that manufacturer.

Subp. 2. **Sales of linked bingo paper and sale and lease of linked bingo game system equipment and services.** The following items apply to sales of linked bingo paper or the sales and 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 a linked bingo game agreement to provide linked bingo game system equipment or services to a licensed organization must be completely set forth in a form approved by the board. The agreement must include complete details on the operation of the linked bingo game and distribution of costs and proceeds. A copy of the agreement must be provided to the board prior to the first linked bingo game conducted by the organization.

C. If an organization's license is revoked, not renewed, or otherwise terminated, or if the premises permit is revoked, the linked bingo game agreement is canceled without further obligations on the part of the organization.

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.

F. A linked bingo game provider may establish a minimum fee by premises for licensed organizations to conduct linked bingo games.

Subp. 3. **Return of linked bingo paper.** The following items pertain to the return of linked bingo paper not manufactured according to part 7864.0030, subpart 1.

A. Linked bingo paper not manufactured according to part 7864.0030, subpart 1, must be returned by the organization to the linked bingo game provider within seven business days of determining that the linked bingo paper does not meet the standards in part 7864.0030, subpart 1. The returned linked bingo paper must be accompanied by documentation from the organization that the linked bingo paper does not meet the standards in part 7864.0030, subpart 1.

B. Within 14 days of making a determination that the linked bingo paper was not manufactured according to part 7864.0030, subpart 1, the linked bingo game provider must issue a credit invoice to the organization for the cost of the linked bingo paper. A copy of the credit invoice must be filed electronically, as required by the commissioner of revenue.

C. If the linked bingo game provider ships new linked bingo paper to the organization as a replacement for the returned linked bingo paper, the linked bingo game provider shall prepare a sales invoice consistent with the requirements of subpart 5, item A.

Subp. 4. **Corrective action.** The following items apply to a board-mandated or linked bingo game provider-initiated recall of gambling equipment:

A. Pursuant to the terms of part 7864.0030, subpart 6, licensed linked bingo game providers must notify licensed organizations that a linked bingo paper recall has been mandated by the board or initiated by the linked bingo game provider.

B. Within three business days of receiving notification from the board director pursuant to an order of the board, the linked bingo game provider shall initiate the linked bingo paper recall from licensed organizations to which it has sold the linked bingo paper.

C. Within 15 business days of initiation of the recall proceeding, the recall shall be completed by the linked bingo game provider, and the linked bingo game provider shall notify the board and the commissioner of revenue that it has obtained all the recalled linked bingo paper from the licensed organizations. The notification shall include the following:

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

D. Within seven days of completing the recall of linked bingo paper, the linked bingo game provider must issue credit invoices to all organizations returning linked bingo paper under the recall. Credit invoices shall include the cost of freight paid by the organization and any bona fide losses incurred and documented by the organization 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. Records and reports required. The following items apply to records and reports of linked bingo game providers:

A. Sales invoice.

(1) A linked bingo game provider who sells or provides in any manner linked bingo paper must record the transaction on a sales invoice.

(2) A sales invoice must contain, at a minimum, the following information as prescribed by the commissioner of revenue:

- (a) the name, address, and license number of the linked bingo game provider;
- (b) the name, address, and license number of the organization to whom the sale was made;
- (c) the premises permit number of the site;
- (d) the invoice number;
- (e) the identification of the linked bingo game provider's salesperson making the sale;
- (f) the date of shipment of the linked bingo paper;
- (g) the identification of the person who ordered the linked bingo paper; and
- (h) any applicable sales tax.

(3) A linked bingo game provider who sells or otherwise provides linked bingo paper must electronically report the sales made each month to the commissioner of revenue. The report is due by the 20th of the month following the month in which the sale was completed.

B. Returned linked bingo paper report.

(1) A linked bingo game provider who accepts returns from licensed organizations of linked bingo paper not manufactured according to part 7864.0030, subpart 1, must file a monthly report with the board. The report must be in a format approved by the board, and include the following information:

- (a) for linked bingo paper, the standards in part 7864.0030, subpart 1, which were not met; and
- (b) the name and license number of the organization returning the linked bingo paper.

(2) The report covering the preceding month must be filed with the board no later than the tenth day of the following month.

C. Report of delinquent organization required.

(1) Pursuant to Minnesota Statutes, section 349.191, a linked bingo game provider shall notify the board in writing, by e-mail, or by facsimile, if the linked bingo game provider has not received payment from a licensed organization within 35 days of the invoice date for the sale of linked bingo paper. The notification must be received by the board on the 36th day, or the next business day, after the invoice date for the sale of the linked bingo paper. The notification shall include:

(a) the name and license number of the organization; and

(b) the linked bingo game provider's invoice date, the invoice number, and the total dollar amount of the invoice.

Upon receipt of the notice, the board shall notify all linked bingo game providers and distributors that until further notice from the board, they may only sell gambling equipment to the delinquent organization on a cash basis. For purposes of this unit, "cash" means a check drawn on the organization's gambling account.

(2) The board shall notify the organization of the delinquency and direct the organization to eliminate the delinquency.

(3) If a linked bingo game provider who has notified the board under subitem (1) has not received payment in full from the delinquent organization within 60 days of its initial notification to the board, it must then notify the board of the continued delinquency. The notification must be received by the board on the 61st day, or the next business day, after the linked bingo game provider's initial notification to the board. Upon receipt of the second notice, the board shall notify all linked bingo game providers and distributors not to sell any gambling equipment to the delinquent organization.

(4) When the delinquency is paid, the linked bingo game provider must immediately notify the board and the board shall notify all linked bingo game providers and distributors. No linked bingo provider or distributor may extend credit or sell gambling equipment to an organization in violation of such an order under subitem (3) until the board has authorized the credit or sale.

D. The board, the commissioner of revenue, or the commissioner of public safety or their agents may examine the books and records of a linked bingo game provider without notice at any time during normal business hours.

E. The linked bingo game provider must keep a detailed record of each linked bingo game conducted. The record must include, at a minimum, the following information for each linked bingo game:

(1) the names and license numbers of all organizations participating and the date the linked bingo game was conducted;

(2) a list of all permitted premises, including name and city;

(3) the 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;

(4) the bingo pattern played;

(5) a list of all drawn letters and numbers, in order drawn, and the letter and number called that produced the winning bingo;

(6) the jackpot amount;

(7) the winner's information, including:

(a) a complete name and address;

(b) a Social Security number;

(c) the amount of the jackpot won;

(d) the date the check was mailed to the jackpot winner and a certified mail receipt;

(e) a copy of the check; and

(f) all correspondence related to any returned, unclaimed, or voided checks;

(8) a copy of each winning bingo face;

(9) the name and city of each permitted premises where each winning bingo was won;

(10) the amount of money collected from each licensed organization for each jackpot; and

(11) the 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.

F. Each linked bingo game provider must maintain 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 for 3-1/2 years.

Statutory Authority: *MS s 349.151; 349.1635*

History: 29 SR 443