

CHAPTER 7863
GAMBLING CONTROL BOARD
GAMBLING EQUIPMENT DISTRIBUTORS

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 7863.0270 ELECTRONIC LINKED BINGO GAME SYSTEM STANDARDS AND REQUIREMENTS.

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 [Repealed, 29 SR 443]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 [Repealed, 31 SR 1239]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 [Repealed, 29 SR 443]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 [Repealed, 31 SR 1239]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 [Repealed, 19 SR 1854]

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Subp. 7. [Repealed, 31 SR 1239]

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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, contract employee, or independent contractor who provides advice or services for the sale or design of gambling equipment for sale or lease in Minnesota, or who is involved in the installation or maintenance of an electronic game system on behalf of a distributor; 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;
 - (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
- 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*

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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 parts 7864.0230 and 7864.0235.

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 document the terms of a lease or sale of permanent gambling equipment and comply with the following.

(1) A distributor must not enter into a lease agreement for permanent gambling equipment with an organization unless the distributor owns or has a lease agreement with a licensed manufacturer for that equipment.

(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 used for nonlinked bingo games:

(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. Electronic pull-tab system and device leases must contain:

(1) the organization's license number;

(2) the name and address of the permitted premises where the electronic pull-tab system and devices will be used;

(3) the terms of the lease agreement;

(4) a clause prohibiting electronic pull-tab devices from being transferred to another permitted premises unless prior written approval by the board is obtained; and

(5) a termination clause of not greater than six months.

K. The lease price of an electronic pull-tab system and devices:

(1) must be based on a predetermined lease amount; and

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

L. The distributor must submit a copy of the electronic pull-tab system and device lease agreement to the board within ten days of signing or amending a lease agreement.

M. 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 a programmable electronic device as defined under Minnesota Statutes, section 349.12, subdivision 18, paragraph (b), clauses (2), (3), and (5).

B. The distributor must keep a record of permanent gambling equipment 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 paper pull-tab and tipboard game; issuing credit invoices.** This subpart pertains to the return of a paper 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 this subpart and 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. 4a. Defective electronic pull-tab game.

A. If an electronic pull-tab game is found to be defective, the distributor must immediately:

- (1) suspend the defective game and remove it from play if active;
- (2) notify the Gambling Control Board; and
- (3) file with the board a report of games pulled from play.

B. For an electronic pull-tab game that is returned from an organization before being put into play, the following apply:

(1) Within five business days of returning a game, the distributor must return the game to the manufacturer with documentation that the game does not meet the standards in part 7864.0235.

(2) Within five business days of receiving credit, if applicable, from the manufacturer, the distributor must issue a credit 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 must be filed electronically, as required by the commissioner of revenue.

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

C. For an electronic pull-tab game found to be defective during play or after being removed from play, the following apply:

(1) If a determination is made that the game was not manufactured in compliance with the standards in part 7864.0235, the distributor must notify the organization to close the game and to retain it as a played game in the organization's records.

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

Subp. 4b. Defective, altered, lost, or stolen electronic pull-tab device.

A. If an organization notifies a distributor of a defective or an altered electronic pull-tab device, the distributor must immediately notify the manufacturer, or the linked bingo game provider, if applicable, and the board. If the organization has not removed the device from play, the distributor or the linked bingo game provider must immediately ensure the device is removed from play.

B. If an organization notifies a distributor of a lost or stolen electronic pull-tab device, the distributor must immediately notify the manufacturer, or the linked bingo game provider if applicable, and the board.

C. The distributor or linked bingo game provider must report to the board any removal of a defective or an altered electronic pull-tab device at a site, or any lost or stolen device, within one business day.

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.

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:

- A. distributor's name, address, telephone 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 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:

- A. distributor's name, address, telephone number, and license number;
- B. name of the business entity to whom the tickets are sold 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;
- 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 by the distributor will be sold or leased.

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; 38 SR 1613*

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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. identification of any person who or entity that develops or provides application software to the manufacturer;
- G. copies of licensing agreements with other entities for all software, except for operating system software, and hardware developed specifically for the purpose of conducting gambling on an electronic device. Operating system software agreements must be maintained by the linked bingo game provider, be current, and be available to the board upon request;
- H. acknowledgment regarding the licensing qualifications in subpart 2 and restrictions in subpart 3;
- I. 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;
- J. acknowledgment that the linked bingo game provider will provide all necessary game monitoring equipment and monitoring systems to the board at no cost;
- K. date and signature, in ink, of the chief executive officer; and
- L. 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 held ownership interest in during 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, distribution of electronic bingo devices, 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 bingos 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 including the allocation of interest earnings from funds held in trust for progressive jackpots; 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 parts 7863.0260, subparts 1 and 1a, and 7863.0270.
- 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 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. All employees, contract employees, and independent contractors working on behalf of the linked bingo game provider are subject to a background investigation as determined by the board.

C. Any entity providing application software not developed internally by the licensee is subject to a background investigation as determined by the board.

D. Any independent contractor providing application software is subject to the requirements of Minnesota Statutes, sections 349.1635; and 349.155, subdivisions 3 and 4.

E. 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.

F. 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.

G. 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; 38 SR 1613*

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

Subpart 1. Board approval; purchase or lease of gambling equipment and linked bingo services.

A. To obtain board approval for linked bingo games, a linked bingo game provider must provide the linked bingo game on its system to the director, at no charge, to be used to determine compliance with subparts 1 and 1a and part 7863.0270.

B. Electronic linked bingo games and systems approved prior to the effective date of this subpart must become compliant within 180 days of the effective date of this subpart.

C. A linked bingo game provider may not purchase or obtain gambling equipment or linked bingo services from any other linked bingo game provider.

D. Electronic linked bingo system and device leases must contain:

- (1) the organization's license number;
- (2) the name and address of the permitted premises where the electronic linked bingo system and devices will be used;
- (3) the terms of the lease agreement;
- (4) a clause prohibiting the electronic linked bingo devices from being transferred to another permitted premises unless prior written approval by the board is obtained; and
- (5) a termination clause of not greater than six months.

E. The lease price of an electronic linked bingo system and devices:

- (1) must be based on a predetermined lease amount; and
- (2) must not be based on a percentage of gross receipts.

F. 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.

G. 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 distributor or 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 distributor 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. The following apply to the lease of electronic bingo devices used for linked bingo games:

(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 subparts 1 and 1a and part 7863.0270;

C. establish and maintain audio, video, and secured data transmission as necessary. 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 or display to the players the jackpot amount;

D. if the primary transmission of audio, video, or data fails, the linked bingo game provider must have procedures in place for game reconciliation;

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

F. award linked bingo prizes of \$600 or more within three business days of verification of the winning bingo. Linked bingo prizes of less than \$600 may be awarded as determined by the linked bingo game provider and approved by the board. Linked bingo prizes are considered awarded when mailed payment is postmarked. 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

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

Subp. 2b. Seeding of progressive prize jackpots.

A. All prize money from a progressive series of games must be awarded to players once the jackpot prize is won.

(1) No portion of a player's wager may be used for supplementing the prizes offered for future progressive games.

(2) The prize amount may not be reduced for the purpose of supplementing the prizes offered for future progressive games.

B. If a progressive jackpot prize amount to be awarded exceeds the amount players have contributed toward that jackpot prize, the linked bingo game provider must fund the difference between the amount contributed by players and the amount awarded. Amounts paid by the linked bingo game provider for this purpose may not be recovered from proceeds of another current or subsequent series of progressive games.

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. 3a. Defective electronic linked bingo game.

A. If an electronic linked bingo game is found to be defective, the linked bingo game provider must immediately:

(1) remove the game from play;

- (2) notify the Gambling Control Board; and
- (3) file with the board a report of games pulled from play and removed from inventory.

B. The linked bingo game provider may resolve the defect and, if determined by the board to be a change affecting the outcome of an electronic linked bingo game, must assign the game a new form number and resubmit the game for recertification by an independent testing laboratory and board approval.

C. If the defect does not have an effect on the outcome of an electronic linked bingo game, the director must first approve the resolution of the defect.

D. If the resolution of the defect does not have an effect on the outcome of an electronic linked bingo game, the director may approve the amended game as defined in parts 7863.0260, subpart 1a, and 7863.0270, subpart 36.

Subp. 3b. Defective, altered, lost, or stolen electronic linked bingo device.

A. If an organization notifies an electronic bingo game provider of a defective or an altered electronic linked bingo device, the linked bingo game provider must immediately notify the board. If the organization has not removed the device from play, the linked bingo game provider must immediately ensure the device is removed from play.

B. If an organization notifies a linked bingo game provider of a lost or stolen electronic linked bingo device, the linked bingo game provider must immediately disable the device and notify the board.

C. The linked bingo game provider must report to the board any removal of a defective or an altered electronic linked bingo device at a site, or any lost or stolen device, within one business day.

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; linked bingo game provider of other than electronic linked bingo equipment. 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:

- A. linked bingo game provider's name, address, telephone number, and license number;
- B. name, address, and license number of the organization or distributor 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. 5a. **Sales invoice; linked bingo game provider of electronic linked bingo equipment.** A linked bingo game provider who sells, leases, or provides electronic linked bingo equipment must record the transaction on a sales invoice that contains the following:

- A. the linked bingo game provider's name, address, telephone number, and license number;
- B. the name, address, and license number of the organization or distributor to whom the sale was made, and premises permit number of the site;
- C. an invoice number;
- D. the date of shipment and shipping charges, if any;
- E. any applicable sales tax;
- F. the serial number, unit price, and total amount being invoiced;
- G. the 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.

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.

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 sell or lease gambling equipment to the delinquent organization on a cash basis only. "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. **Game records required for linked bingo conducted with linked bingo paper sheets.** The linked bingo game provider must keep a record of each linked bingo game conducted with linked bingo paper sheets. 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 and any progressive jackpot prize winnings;

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*

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7863.0270 ELECTRONIC LINKED BINGO GAME SYSTEM STANDARDS AND REQUIREMENTS.

Subpart 1. **Scope.** In addition to the provisions of parts 7861.0270 and 7863.0260, subparts 1 and 1a, and Minnesota Statutes, sections 349.12, subdivisions 12a, 25a, and 25c; 349.17, subdivisions 6, 8, and 9; and 349.211, subdivision 1a, an electronic linked bingo game system must meet the requirements contained in this part.

Subp. 2. **Activating play.** Coded entry to activate play may include manual entry or the use of a magnetic strip card or bar-coded receipt provided at the point of sale.

Subp. 3. **Initial screen.** An initial screen must appear displaying a main menu containing:

- A. the linked bingo game provider's logo;
- B. the compulsive gambling hotline telephone number; and
- C. electronic linked bingo games available for play.

Subp. 4. **Electronic monitoring by board.** Electronic monitoring of the operation of the electronic linked bingo device by the board will be limited to read-only access of transaction logs and status of devices. The board is not allowed to alter any data or game play.

Subp. 5. **Secured data transmission.** An electronic linked bingo game system must provide secured data transmission to all participating locations.

Subp. 6. **Changes in software or hardware.** If there is any change in software or hardware by a linked bingo game provider, the linked bingo game provider must assign a new version or code build number and must submit the new software version or code build number to the board for approval. The new version or code build number must be approved by a certified independent testing laboratory.

Subp. 7. **Changes in version of system or game.**

A. If there is a change in the version or code build number of a system or game, the linked bingo game provider must assign a new version or code build number for any changes or upgrades to the electronic linked bingo system or game to indicate a change of the version or code build number of the system or game.

B. Any changes to the electronic linked bingo game or system must be approved by the director before the game or system is placed into operation.

C. Any changes in a version or code build number that have an effect on the outcome of a previously approved game must be retested by a certified independent testing laboratory.

Subp. 8. **Application software.** All application software must be owned by the linked bingo game provider. Software developed by the linked bingo game provider must also meet the requirements of this subpart.

A. For purposes of this subpart, application software is developed by the linked bingo game provider if the linked bingo game provider designs the central system, database, user interface, the program architecture, and programs the source code.

B. A licensed linked bingo game provider may jointly develop application software for an electronic linked bingo system and an electronic pull-tab system with a licensed electronic pull-tab manufacturer if the jointly developed application software permits the operation of electronic linked bingo games and electronic pull-tab games on the same electronic linked bingo device or electronic pull-tab device.

C. Any application software to be used by the linked bingo game provider must be wholly owned free and clear and without any obligation or condition by any entity other than the licensed linked bingo game provider.

D. The linked bingo game provider must provide the board with documentation establishing ownership of the intellectual property rights to the entire game application software and system.

Subp. 9. **Secure communication.** Connections between all components of the electronic linked bingo game system must only be through the use of secure communication protocols which are designed to prevent unauthorized access or tampering, employing Advanced Encryption Standard (AES) specifications as defined by the National Institute of Standards and Technology (NIST).

Subp. 10. **Independent verification check.** The electronic linked bingo game system and all devices that communicate with the electronic linked bingo game system must have the ability to allow for an independent verification check of the system's software from an authorized source approved by the board. The independent verification check ability is required for all application software that the board determines may affect the integrity of the game. The verification check must provide a means for on-site and off-site field verification of the software and applicable devices to identify and validate the program. All Minnesota board-approved games must be identical to the games presented to a certified independent testing laboratory.

Subp. 11. **Electronic accounting data.** Electronic accounting data must be at least ten digits in length and must be maintained in dollars and cents.

Subp. 12. **Cash and inventory verification.** The system must record the value of bingo faces purchased and played, and prizes won.

Subp. 13. **Restricted use.**

A. Local and central servers and electronic linked bingo devices must not be capable of being used as stand-alone units for the purposes of engaging in any function or use not permitted by these standards at any time.

B. External ports on the device, if any, must be secured or disabled from unauthorized use.

Subp. 14. **Memory backup.** Local and central servers must have nonvolatile backup memory or its equivalent, which must be maintained in a secure compartment on each local and central server for the purpose of storing and preserving a redundant set of critical data which include:

A. error corrections that may have occurred on electronic linked bingo devices or local and central servers, such as an invalid PIN or a game interrupt;

B. program error check and verification and authentication of any mismatch;

C. recall of all wagers and other play information, such as electronic linked bingo face number, serial number, and permutation number of game, associated with all games in play and prior to closeout of daily activity;

D. electronic accounting data capturing the record of transactions for electronic linked bingo devices in use for each local and central server including:

(1) bingo faces purchased and prizes won;

(2) electronic devices in play for each site;

(3) software state (the last normal state or last status before interruption); and

(4) a log of all current-day transactions prior to interruption;

E. comprehensive checks of critical memory for each device in operation following game initiation including each specific bingo face in play, bingo numbers selected, and winner verification. An unrecoverable corruption of critical memory must result in an error notification and cause all electronic linked bingo devices in play to cease further function. An unrecoverable critical memory error report must be immediately generated to the board and must include the name of the authorized person who performs any recapture or memory clear of the local or central server; and

F. the ability to immediately, accurately, and securely cash out all players who have funds in the system in the event of power or communications network loss or other time of game or play interruption.

Subp. 15. **Randomization.** An electronic linked bingo game system must use randomizing procedures in the creation of games for electronic linked bingo faces that have been created using a method previously approved by the board. As used in this subpart, unless the context requires a different meaning, "face position" means the first bingo face dealt, second bingo face dealt, in sequential order, and "number position" means the first number drawn in sequential order. Any random number generation, shuffling, or randomization of outcomes used in connection with an electronic linked bingo system must be by use of a random number generation application that has successfully passed standard tests for randomness and unpredictability as defined in part 7861.0210, subpart 44.

Subp. 16. **Game information on system.** Prior to the commencement of an electronic linked bingo game, the following data must be maintained and be viewable electronically on the electronic linked bingo game system:

A. a unique serial number identifying each game or session ID and each bingo face ID;

B. a description of the game sufficient to categorize the game or session relative to other games or sessions;

C. the jackpot prize for the game or session based on the number of electronic linked bingo faces in play for each game and the cost for each face; and

D. the purchase price per electronic linked bingo face assigned to the game or session.

Subp. 17. **Game information on device.** The following data must be maintained and be viewable electronically on the electronic linked bingo device:

A. the pattern;

B. the cost;

C. confirmation that a game is active;

D. the estimated prize amount;

E. the number on the ball selected;

F. the number of balls called; and

G. the site of the winner.

Subp. 18. **Electronic linked bingo face generation.** Upon purchase initiation request from an electronic linked bingo device, the electronic linked bingo system must dispense an electronic facsimile of a bingo face. Once dispensed, such face or outcome must not be reused until the bingo permutation is exhausted.

Subp. 19. **Game status and auditing.**

A. Only upon the game termination shall the details of that game be revealed to the person performing the game audit or status check.

B. If an audit or other game determination is conducted while a game is in play, termination of the entire game must immediately occur. An audit or game determination includes a determination of the prizes won or prizes remaining to be won.

Subp. 20. **Game definition.** All games and sessions must contain the following information:

A. game ID;

B. game pattern type;

C. game version;

D. linked bingo game provider;

E. game name;

F. purchase price per electronic linked bingo face; and

G. prize payout for jackpot.

Subp. 21. **System security and access.**

A. The electronic linked bingo game system must be located in Minnesota in a secure location with limited, authorized access.

B. Any system elements that hold game data, other than the electronic linked bingo devices, must be in a locked area or in a locked case or compartment with access limited to designated personnel.

C. The linked bingo game provider must register employees having authorized system access with the board.

D. The system must be in a secure location and provide electronic security for the games against alteration, tampering, or unauthorized access.

E. The system must allow the board and other authorized state representatives real-time access to data and equipment, including all accounting for sales, prizes, and credits per device, per site.

Subp. 22. **Data alteration.** The electronic linked bingo system must not permit the alteration of any accounting or significant event log information that was communicated from the electronic linked bingo device without board-approved access controls. In the event financial data is changed, the electronic linked bingo system must be able to produce an automated audit log documenting the:

- A. data element altered;
- B. data element value prior to alteration;
- C. data element value after alteration;
- D. time and date of alteration; and
- E. user log-in of personnel that performed alteration.

Subp. 23. **Backup and recovery.**

A. An electronic linked bingo system must have a separate physical medium for securely storing required data on the computer, which must be backed up in real time by a backup medium.

B. All data required to be available or reported by this subpart must be retained for a period of not less than 3-1/2 years.

C. All storage of critical data must use error checking and be stored on a nonvolatile physical medium.

D. The database must be stored on redundant media so that no single failure of any portion of the system would result in the loss or corruption of data.

E. In the event of a catastrophic failure when the electronic linked bingo system cannot be restarted in any other way, it must be possible to reload the electronic linked bingo system from the last viable backup point and fully recover the contents of that backup, to consist of at least the following information:

- (1) all date and time indicators associated with data failure and linked bingo system reload;
- (2) all accounting information;
- (3) auditing information, including all open game schedules and the summary of completed games; and
- (4) employee files with access levels.

Subp. 24. **System access; password requirements.**

A. The linked bingo game provider must maintain password access for the linked bingo game provider; the distributor must maintain password access for the distributor; and the organization must maintain password access for the gambling manager and sellers.

B. The linked bingo game provider, the distributor, and the organization must register employees with authorized system access with the board.

C. The operating system software and application software must have multiple security access levels to control and restrict different classes of access. The accounts for the access levels must be unique when assigned to the authorized personnel and only one user per account is allowed.

D. The operating system software and application software must provide comprehensive password security or other secure means of ensuring data integrity and enforcing user permission. It is required that:

- (1) all programs and data files must only be accessible via the entry of passwords that will be known only to the linked bingo game provider and the gambling manager;
- (2) the storage of passwords must be in an encrypted, nonreversible form;
- (3) a program must be available that will list all registered users on the system including their privilege level;
- (4) the password must have a length of at least six alphanumeric characters; and
- (5) the system must automatically log out after a period of inactivity in excess of five minutes.

Subp. 25. **System log-in and log-out requirements.** System log-in and log-out requirements apply to linked bingo game providers, distributors, gambling managers, assistant gambling managers, and sellers.

A. The operating system and any local and central servers must have a password log-in with two level codes comprised of a personal identification code and a personal password.

B. The system must include log-in and log-out procedures for system and point-of-sale devices.

Subp. 26. **Electronic accounting and reporting; record of daily system transactions.**

A. One or more electronic accounting systems must perform reporting and other functions in support of the electronic linked bingo system. The electronic accounting system must not interfere with the outcome of any gaming function.

B. A permanent record of daily transactions played on the electronic linked bingo game system must be maintained by the electronic linked bingo game system on a database other than on the local server. The database and central server must be accessible to the board at all times.

Subp. 27. **Reporting requirements of electronic accounting system.** The electronic linked bingo game system must provide the following reports to the Gambling Control Board and the Department of Revenue.

A. An electronic linked bingo game report must be available to the board on demand for each game currently in play and prior to winner verification. The report must contain the following information:

- (1) a unique serial number identifying each game;
- (2) a description of the game sufficient to categorize the game relative to other games;
- (3) the total number of electronic linked bingo faces in play in the game;
- (4) the jackpot prize of the entire game;
- (5) the purchase price per electronic linked bingo face assigned to the game;

- (6) the time and date that the game became available for play; and
- (7) locations where the game is being played.

B. An electronic linked bingo game report must be available to the board on demand for each completed game. The report must contain the following information:

- (1) a unique serial number identifying each game;
- (2) a description of the game sufficient to categorize the game relative to other games;
- (3) the total number of electronic linked bingo faces played and sold;
- (4) the time and date that the game became available for play;
- (5) the time and date that the game was completed or removed from play;
- (6) the ball draw;
- (7) locations where the game was played;
- (8) the detailed accounting for each site, including total faces played, and prizes awarded;
- (9) the final payout percentage of the game when removed from play; and
- (10) the purchase price per electronic linked bingo face assigned to the game.

C. Other electronic linked bingo game reports that must be available to the board on demand are:

- (1) Active site reports:
 - (a) site name, address, and telephone number;
 - (b) licensed organization name and license number;
 - (c) premises permit number and number of devices at site; and
 - (d) must be able to distinguish sites that are not active.
- (2) Revenue reports:
 - (a) daily activity by site, by organization, and for all sites;
 - (b) site name and license number;
 - (c) premises permit number;
 - (d) number of devices in use at the site;
 - (e) bingo faces sold and the gross receipts;
 - (f) prizes awarded;
 - (g) net receipts;
 - (h) payout percentage;
 - (i) actual cash sales (dollar amount);
 - (j) actual cash redeemed (dollar amount); and
 - (k) unredeemed cash credits.

- (3) Month-end reports for each site totaling all daily sales activity, detail of all games closed during the month, and status of games remaining in play.
- (4) Inventory reports:
 - (a) current site inventory showing beginning of the day inventory, additions, faces sold, and ending inventory; and
 - (b) month-end reports for each site showing faces received, put into play, and removed from play.
- (5) Faces purchased, sold, and maintained by distributor.
- (6) Real-time site activity report with the ability to:
 - (a) view live activity at site;
 - (b) view each active device noting the device number, current credits, and game being played; and
 - (c) view each transaction with date and time stamp, including seller log-in and log-off, device load, game play, device redeemed, and any malfunction.
- (7) System user list:
 - (a) full name of sellers, assistant gambling managers, and gambling managers;
 - (b) position (seller, assistant gambling manager, gambling manager, distributor, linked bingo game provider, or Gambling Control Board investigator);
 - (c) site name, organization name, or other description;
 - (d) seller, assistant gambling manager, gambling manager, board investigator, and distributor user ID;
 - (e) access level; and
 - (f) contact telephone number and e-mail.
- (8) A seller's system access must be limited to the following information within the end of shift reports and end of day reports:
 - (a) cash in;
 - (b) cash out;
 - (c) unredeemed credits;
 - (d) gross receipts;
 - (e) prizes paid; and
 - (f) net receipts.

D. Other statistical and activity reports as required by the board and maintained by the linked bingo game provider must be provided in a format prescribed by the board upon request.

Subp. 28. Electronic game system.

A. Each component of an electronic game system must function as indicated by the communication protocol implemented by the licensed linked bingo game provider of the electronic linked bingo game system.

B. All communication between a server and the electronic linked bingo devices must use authentication and encryption protection employing Advanced Encryption Standard (AES) specifications as defined by the National Institute of Standards and Technology (NIST) to provide secure authentication of the device and the server, ensure the integrity of the data communicated, and for confidentiality.

C. The communicated data must be encrypted. The certified testing laboratory must examine each submitted electronic game system to ensure that the proposed field configuration is secure. The certified testing laboratory may provide additional security recommendations to maintain the integrity of the configuration.

D. The electronic game system must be capable of being tested by the board to verify approved product.

Subp. 29. **Electronic game system security.**

A. The electronic game system security must be designed or programmed in such a way that it may only communicate with authorized electronic devices using a nonbroadcasting encrypted system.

B. The electronic game system security must include the ability to automatically disable an electronic linked bingo device if the device goes beyond a physical property restriction at a sales location. The device must remain disabled until reactivated at the point of sale.

C. The electronic game system must be secure from all other site communication systems and users at a gambling site.

Subp. 30. **Firewall protection.** All communications must pass through at least one application-level firewall recognized by the certified testing laboratory. Alternative network paths are allowed if equally protected by a firewall. The firewall application must maintain an audit log of the following information and must disable all communications if unauthorized access is detected:

- A. all changes to configuration of the firewall;
- B. all successful and unsuccessful connection attempts through the firewall; and
- C. the source and destination IP addresses and port numbers.

Subp. 31. **Remote access.** Where permitted by the board, remote access must authenticate all computer systems based on the authorized settings or firewall application. The following are additional requirements:

- A. no unauthorized remote user administration functionality;
- B. no unauthorized access to any database other than information retrieval using existing functions;
- C. no unauthorized access to the operating system and application software; and
- D. maintenance of an activity log that includes:
 - (1) the IP address where any change originated;
 - (2) log-in name;
 - (3) time and date the connection was made;
 - (4) duration of connections;
 - (5) activity while logged in, including the specific areas accessed and changes made; and

(6) the time and date must be accurate on all components of each system at each site.

Subp. 32. **Data access by board.** The system must include on-demand remote access at all times by the board to all electronic reporting data without participation of the linked bingo game provider or the distributor.

Subp. 33. **Test system and equipment.** Linked bingo game providers must provide a test system and equipment to the Gambling Control Board, at the linked bingo game provider's expense, to test pending and approved games.

Subp. 34. **Test software.**

A. Linked bingo game providers must provide identical software to the board as part of system approval by an independent testing laboratory and must disable the ability to write to the hard drive.

B. Linked bingo game providers must allow regulatory test software to be added to an electronic game system to verify approved product.

Subp. 35. **Activation of daubing.** The system must acknowledge that a player has activated the daubing process.

Subp. 36. **Prior board approval required for electronic gambling equipment; conformance with standards for previously approved electronic gambling equipment; independent laboratory testing required for certain electronic gambling equipment.** This subpart applies to board approval of electronic gambling equipment, conformance with standards for previously approved electronic gambling equipment, and independent laboratory testing required for certain electronic gambling equipment.

A. Before the sale, lease, or distribution of any electronic gambling equipment in Minnesota, a linked bingo game provider must obtain prior board approval for the electronic gambling equipment. The linked bingo game provider must provide to the director at no charge the following:

(1) the list of proposed equipment in an electronic format or other format approved by the board;

(2) the electronic linked bingo games; and

(3) the electronic linked bingo test system and equipment to be used to determine compliance with this part.

B. Electronic gambling equipment must be received by the board on or before the 15th day of the month to ensure consideration at the board's meeting the following month.

C. The board must notify the linked bingo game provider in writing no later than five days after a board meeting of the board's decision on whether the product is approved for sale in Minnesota.

D. For changes to the payout structure for any approved game, the linked bingo game provider must assign a new game identification and submit the game to the board for approval before being offered for sale in Minnesota.

E. For changes to approved electronic gambling equipment, the linked bingo game provider must submit the changes to the director for review and, if required by the director, equipment must be submitted for review and approval by the board. Electronic gambling equipment approved prior to the effective date of this subpart must become compliant within 180 days of the effective date of this part.

F. Within 14 days of receipt of an electronic linked bingo game, the director must notify the linked bingo game provider in writing of the director's decision to recommend approval or recommend denial.

(1) The written notice of the director's recommended denial must state the basis for the director's recommendation of denial. Within 14 days of receipt of a notice of the director's recommended denial, the linked bingo game provider may request a contested case hearing under Minnesota Statutes, chapter 14.

(2) The written notice of the board's denial must state the basis for the board's denial.

G. Linked bingo game providers are in compliance if the electronic gambling equipment is approved by the board and is produced in compliance with the standards prescribed in this part. Once approved, a linked bingo game provider may not change the equipment without prior approval of the board, in compliance with this subpart and part 7863.0260, subpart 1a.

The board shall withdraw its approval if it determines that the electronic gambling equipment was not manufactured in compliance with standards in this part. If the board decides that its approval should be withdrawn, the board will notify the linked bingo game provider of its right to request a contested case hearing under Minnesota Statutes, chapter 14.

H. Independent testing requirements for electronic gambling equipment when required by the board shall include a certification from a board-approved testing laboratory that the electronic gambling equipment tested meets the electronic linked bingo standards and requirements as established in Minnesota Statutes and Minnesota Rules and in conformance with game procedures as provided by the linked bingo game provider. The certification must include:

(1) a detailed description of the equipment and related software applications that were tested, including applicable model numbers of specific equipment and the software version of the application used for testing;

(2) the specific reference to the standard being tested and a statement that the equipment meets the standard; and

(3) any additional findings or issues of concern that might affect the performance or play of the equipment.

I. Independent testing of electronic gambling equipment includes:

(1) electronic linked bingo game devices;

(2) programmable electronic devices;

(3) electronic linked bingo game systems;

(4) upgrades or changes to previously approved and tested equipment;

(5) other technical hardware devices used in conjunction with lawful gambling equipment; and

(6) software applications and version upgrades used in conjunction with lawful gambling equipment.

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