

1 Gambling Control Board

2

3 Adopted Permanent Rules Relating to Lawful Gambling

4

5 Rules as Adopted

6 GENERAL PROVISIONS

7 7861.0010 DEFINITIONS.

8 Subpart 1. **Scope.** The terms used in this chapter have the
9 meaning given them in this part. Where not otherwise defined in
10 this chapter, terms have the meaning given them in Minnesota
11 Statutes, sections 349.11 to 349.23.

12 Subp. 2. **Compensation.** "Compensation" means wages,
13 salaries, and all other forms of remuneration for services
14 rendered.

15 Subp. 3. **Fraternal organization.** "Fraternal organization"
16 means a nonprofit organization which is a branch, lodge, or
17 chapter of a national or state organization and exists for the
18 common business, brotherhood, or other interests of its
19 members. The term does not include college and high school
20 fraternities and sororities.

21 Subp. 4. **Lawful gambling.** "Lawful gambling" is the
22 operation, conduct, or sale of bingo, raffles, paddlewheels,
23 tipboards, and pull-tabs. Lawful gambling does not include the
24 conduct of a combination of any of the five activities listed in
25 this subpart where the outcome of one of the activities is
26 dependent on the outcome of one of the other activities. Lawful
27 gambling does not include betting related to the outcome of an
28 athletic event.

29 Subp. 5. **Leased premises.** "Leased premises" means a
30 building or place of business, or a portion of a building or
31 place of business not owned by a gambling organization, that is
32 leased in its entirety by a gambling organization for the sole
33 purpose of conducting lawful gambling.

34 Subp. 6. **Master flare.** "Master flare" is used in
35 conjunction with sealed groupings of up to 100 paddleticket

1 cards. The master flare must describe the paddletickets in the
2 group, have a list of all the paddleticket card numbers in that
3 group, and have a state registration stamp affixed to it bearing
4 the number of the first paddleticket card in the group.

5 Subp. 7. Net receipts. "Net receipts" are gross receipts
6 less prizes actually paid out.

7 Subp. 8. Other nonprofit organization. "Other nonprofit
8 organization" means one of the following:

9 A. an organization other than a fraternal, religious,
10 or veterans organization, whose nonprofit status is evidenced by
11 a current letter of exemption from the Internal Revenue Service
12 recognizing it as a nonprofit organization exempt from payment
13 of income taxes or which is incorporated as a nonprofit
14 corporation and registered with the secretary of state under
15 Minnesota Statutes, chapter 317A; or

16 B. an affiliate, subordinate, or chapter of a
17 statewide parent organization that meets the criteria of item A.
18 This type of other nonprofit organization is recognized only for
19 purposes of conducting lawful gambling pursuant to Minnesota
20 Statutes, section 349.166.

21 Subp. 9. Paddleticket. "Paddleticket" is a preprinted
22 ticket on a paddleticket card that has printed on it a
23 paddleticket card number and one or more numbers corresponding
24 to the numbers on a paddlewheel.

25 Subp. 10. Paddleticket card. "Paddleticket card" means a
26 card to which is attached paddletickets bearing all the numbers
27 on a paddlewheel. A paddleticket card must have a stub attached
28 that has preprinted on it a paddleticket card number, the cost
29 per paddleticket, space for the date played, a facsimile of a
30 state registration stamp which has the distributor's license
31 number printed in place of the paddleticket card number, and a
32 space in which the winning number is written.

33 Subp. 11. Paddleticket card number. "Paddleticket card
34 number" means the unique number preprinted by the manufacturer
35 on a paddleticket card and its paddletickets.

36 Subp. 12. Religious organization. "Religious organization"

1 means a nonprofit organization, church, body of communicants, or
2 group gathered in common membership for mutual support and
3 edification in piety, worship, and religious observances.

4 Subp. 13. **Veterans organization.** "Veterans organization"
5 means any congressionally chartered organization within this
6 state, or any branch, lodge, or chapter of a nonprofit national
7 or state organization within this state, the membership of which
8 consists of individuals who were members of the armed services
9 or forces of the United States.

10 7861.0020 LICENSED ORGANIZATION.

11 Subpart 1. **License required.** No person shall engage in
12 the conduct of lawful gambling without having obtained a license
13 under this part. An organization shall make application to the
14 board to be licensed to conduct lawful gambling. An application
15 shall be considered by the director pursuant to the provisions
16 of this part.

17 Subp. 2. **Licensing qualifications.** In addition to the
18 qualifications contained in Minnesota Statutes, section 349.16,
19 subdivision 2, the director shall not issue a license to:

20 A. an organization that has not been licensed to
21 conduct lawful gambling within the preceding 12 months if its
22 current chief executive officer and individual who will be its
23 gambling manager have not completed a gambling manager seminar;

24 B. an organization which has not established a
25 permanent location in Minnesota where the gambling records
26 required to be maintained by this chapter will be kept and which
27 has not established a gambling bank account within Minnesota ~~for~~
28 ~~each-gambling-premises;~~

29 C. an organization which has as an officer or member
30 of its governing body who (i) within the last five years has
31 been convicted in federal or state court of a felony or gross
32 misdemeanor, (ii) has ever been convicted of a crime involving
33 gambling, or (iii) has had a license issued by the board revoked
34 for a violation of law or rule;

35 D. an organization whose conduct of lawful gambling

1 is or would be inconsistent with Minnesota Statutes, sections
2 349.11 to 349.23, as indicated by (i) lack of financial
3 responsibility, (ii) demonstrated lack of control of lawful
4 gambling, or (iii) consent order requirements that have not been
5 completed;

6 E. an organization that does not have a gambling
7 manager who will be licensed by the board at the time the
8 organization obtains its license; or

9 F. an organization that will not obtain at least one
10 premises permit at the time the organization obtains its license.

11 Subp. 3. Contents of organization application. The
12 application must contain the following information with respect
13 to the applicant:

14 A. the official legal name of the organization and
15 any other names used;

16 B. the business address and telephone number of the
17 organization;

18 C. a Minnesota tax identification number, if any;

19 D. the full names, titles, dates of birth, and
20 business telephone numbers of the organization's chief executive
21 officer, treasurer, and other members of the organization's
22 governing body;

23 E. the home address of the organization's chief
24 executive officer;

25 F. a designation of whether the organization is a
26 fraternal, veterans, religious, or other nonprofit organization
27 and the number of years the organization has been in existence;

28 G. the name and home or business address of the
29 gambling manager;

30 H. the class of license for which application is
31 made;

32 I. the number of active members in the organization;

33 J. the current status of the organization's license,
34 if any;

35 K. a list of lawful purpose expenditures for which
36 the organization proposes to expend net gambling funds;

1 L. a list of the organization's other sources of
2 income and income activities;

3 M. the day and time of the regular meetings of the
4 organization;

5 N. an acknowledgment that a membership list of the
6 organization will be available within seven days after it is
7 requested by the board;

8 O. an acknowledgment that the organization will file
9 an appropriate license termination plan in the event the
10 organization terminates lawful gambling; and

11 P. such additional information as is necessary to
12 properly identify the applicant and to ensure compliance with
13 Minnesota Statutes, sections 349.11 to 349.23.

14 Subp. 4. **Attachments to application.** The applicant must
15 attach the following to the application:

16 A. a copy of its internal control system on a form
17 provided by the board;

18 B. proof of Minnesota or Internal Revenue Service
19 income tax exempt status or a current certificate of nonprofit
20 status from the secretary of state;

21 C. a copy of a charter of the parent organization, if
22 chartered;

23 D. a compensation schedule identifying duties and
24 rate of compensation for each duty in the conduct of lawful
25 gambling on a form provided by the board;

26 E. a registration form and current photograph for
27 each employee receiving compensation for the conduct of lawful
28 gambling;

29 F. a statement listing the permanent location within
30 Minnesota of the organization's gambling records and the bank in
31 Minnesota where the organization will maintain a separate
32 gambling account; and

33 G. a signed, notarized affidavit of the chief
34 executive officer, treasurer, and members of the governing body
35 of the organization on a form provided by the board.

36 Subp. 5. **Changes in application information.** If any

1 information submitted in the application changes, the
2 organization must notify the board within ten days of the change.

3 Subp. 6. Fees. There is no application fee for an
4 organization license.

5 Subp. 7. Issuance and denial. The following items apply
6 to the issuance and denial of licenses:

7 A. The director ~~may~~ shall issue a license to an
8 organization which submits the information required by subparts
9 3 and 4 and is eligible to receive a license pursuant to subpart
10 2 and Minnesota Statutes, section 349.16. The license must be
11 issued at the same time as ~~the-gambling-manager's-license-and~~
12 any premises permits being renewed or applied for at the time
13 the organization is applying for a license. Licenses issued by
14 the director pursuant to this part are effective on the first
15 day of a month.

16 B. The director shall deny the application of an
17 organization ineligible to hold a license pursuant to subpart 2
18 or Minnesota Statutes, section 349.16.

19 C. An organization that has never been licensed to
20 conduct lawful gambling or an organization whose application for
21 renewal of its license was submitted after the expiration of its
22 license may appeal the denial of a license application by
23 notifying the board within 15 days of the date it receives
24 notice that its application has been denied. The appeal must be
25 made in writing and must contain a complete copy of the
26 application and a statement describing the reasons the license
27 should not be denied. The appeal is not a contested case under
28 Minnesota Statutes, chapter 14.

29 The board ~~may~~ shall refer the appeal to the executive
30 committee which shall review the appeal within ten days of
31 receipt. The executive committee shall issue a written decision
32 within ten days of its consideration of the appeal. If the
33 committee reverses the director's decision, it shall instruct
34 the director to issue a license to the organization effective
35 the first day of the month following the committee's written
36 decision. The executive committee's decision is a final agency

1 decision.

2 Subp. 8. **Renewals.** The following items apply to license
3 renewals:

4 A. To renew a license at the end of a term, an
5 organization must submit to the board a complete renewal
6 application on a form prescribed by the board at least 75 days
7 before the expiration of the organization's existing license. A
8 renewal application is not complete until it contains the
9 information required by subparts 3 and 4 and a completed expense
10 calculation on a form prescribed by the board.

11 Complete applications received by the board less than 75
12 days before the expiration of the applicant's existing license
13 will be considered pursuant to this part but, if the applicant
14 is entitled to a renewed license, the license need will not be
15 renewed by the director until the first day of the month
16 following the expiration of 75 days after the board has received
17 the complete application. An organization shall not continue
18 gambling after the expiration of its license unless and until it
19 receives a renewed license.

20 B. An application for renewal of a license must be
21 denied if:

22 (1) the applicant is ineligible for a license
23 pursuant to subpart 2 or Minnesota Statutes, section 349.16,
24 subdivision 2;

25 (2) the applicant has expended a greater portion
26 of its gross profits from lawful gambling on allowable expenses
27 than is permitted by Minnesota Statutes, section 349.15;

28 (3) the director determines that the organization
29 applying for renewal is:

30 (a) not in compliance with a law or rule
31 governing lawful gambling; or

32 (b) delinquent in filing tax returns or
33 paying taxes required by Minnesota Statutes, chapter 349; or

34 (4) it remains incomplete for more than 90 days
35 after its initial submission.

36 C. An organization that has had its application

1 denied pursuant to item B may reapply for renewal of its license
 2 once it has remedied that portion of its renewal application
 3 which resulted in the denial. In the case of a renewal
 4 application that has been denied because the organization has
 5 expended a greater portion of its gross profits from gambling on
 6 allowable expenses than is permitted by Minnesota Statutes,
 7 section 349.15, the organization may remedy the problem by
 8 transferring sufficient nongambling funds into its gambling
 9 account to bring it into compliance with Minnesota Statutes,
 10 section 349.15. Nothing in this subpart prevents the board from
 11 pursuing disciplinary action against a licensee for violations
 12 of law or rule which warranted the denial of a renewal
 13 application but were subsequently remedied in a sufficient
 14 manner to allow renewal of the organization's license.

15 D. An organization that the director determines has
 16 failed to submit a complete renewal application at least 75 days
 17 before the expiration of its existing license may appeal that
 18 determination by filing a written request for a contested case
 19 hearing with the board before the expiration of the
 20 organization's existing license. The director shall schedule a
 21 contested case hearing before an administrative law judge
 22 pursuant to Minnesota Statutes, chapter 14. ~~When possible, The~~
 23 hearing must be held less than 30 days after the service of a
 24 Notice and Order for Hearing ~~pursuant to part 1400.5600, subpart~~
 25 ~~3. In any event, all practicable efforts must be made to hold a~~
 26 ~~hearing, receive the administrative law judge's recommendation,~~
 27 ~~and make a final agency decision before the expiration of the~~
 28 ~~licensee's existing license~~ if allowed by the chief
 29 administrative law judge pursuant to part 1400.5600, subpart 3.
 30 The board must issue its final decision within 30 days after
 31 receipt of the administrative law judge's report and subsequent
 32 exceptions and argument under Minnesota Statutes, section
 33 14.61. The sole issue at the hearing is whether the applicant
 34 submitted a complete application at least 75 days before the
 35 expiration of the applicant's existing license.

36 An organization whose renewal application has been denied

1 may appeal that denial by requesting a contested case hearing
 2 pursuant to Minnesota Statutes, chapter 14. The request must be
 3 made in writing and received by the board no later than ten days
 4 after the organization receives the denial of its renewal
 5 application. Upon receipt of the request, the director shall
 6 schedule a contested case hearing before an administrative law
 7 judge pursuant to Minnesota Statutes, chapter 14. ~~When~~
 8 ~~possible,~~ The hearing must be held less than 30 days after the
 9 service of Notice and Order ~~of~~ for Hearing if allowed by the
 10 chief administrative law judge pursuant to part 1400.5600,
 11 subpart 3. ~~In-any-event,-all-practicable-efforts-must-be-made~~
 12 ~~to-hold-a-hearing,-receive-the-administrative-law-judge's~~
 13 ~~recommendation,-and-make-a-final-agency-decision-before-the~~
 14 ~~expiration-of-the-organization's-existing-license.~~ The board
 15 must issue its final decision within 30 days after receipt of
 16 the administrative law judge's report and subsequent exceptions
 17 and argument under Minnesota Statutes, section 14.61.

18 Subp. 9. License termination. If an organization
 19 voluntarily or involuntarily terminates all of its gambling
 20 activities, it shall submit a license termination plan to the
 21 board for approval on a form provided by the board. The plan
 22 must be submitted within 15 days of the termination date of all
 23 gambling activities. The plan must provide for the disposal of
 24 all registered gambling equipment in the organization's
 25 possession and for the distribution of profit carryover in its
 26 general gambling bank account. The board ~~may~~ shall require the
 27 organization to revise the plan if it does not meet with board
 28 approval. Board approval must be based on the following
 29 criteria:

30 A. documentation accounting for the lawful
 31 expenditure of all remaining funds in the gambling account; and

32 B. documentation of the return or disposal of all
 33 unused registered gambling equipment in the possession of the
 34 organization.

35 7861.0030 GAMBLING MANAGER.

1 Subpart 1. **License required.** No person shall act as a
2 gambling manager without having obtained a license under this
3 part. An individual shall make annual application to the board
4 to be licensed as a gambling manager. Applications must be
5 considered by the director pursuant to this part.

6 Subp. 2. **Licensing qualifications.** In addition to the
7 qualifications in Minnesota Statutes, section 349.167, the
8 director shall not issue a gambling manager's license to:

9 A. a member of the immediate family or an employee of
10 a person from whom the organization leases a gambling premises;

11 B. a person who is not an active member of the
12 organization;

13 C. a person who is the treasurer of the organization;

14 D. a person who is the chief executive officer of the
15 organization;

16 E. a person who has not satisfactorily completed a
17 course of instruction conducted by the board on the duties and
18 responsibilities of the gambling manager, except that a gambling
19 manager who replaces a previous gambling manager during the term
20 of the organization's license may due to the death, disability,
21 or termination of the previous gambling manager shall receive a
22 license if the new gambling manager completes the training
23 within 90 days of being issued a license and is otherwise
24 eligible for a gambling manager's license pursuant to this part
25 and Minnesota Statutes, section 349.167; or

26 F. a person who is the gambling manager or an
27 assistant gambling manager for another organization.

28 Subp. 3. **Nontransferable.** A gambling manager's license is
29 not transferable to another organization or an individual.

30 Subp. 4. **Length of license.** The gambling manager's
31 license expires one year from the effective date of the
32 license. If a licensed gambling manager discontinues employment
33 with the licensed organization, the gambling manager's license
34 expires on the date that the employment terminates.

35 Subp. 5. **Contents of gambling manager application.** The
36 application must contain the following information with respect

1 to the applicant:

2 A. the applicant's full name, date of birth, and
3 social security number;

4 B. the applicant's full home or business address and
5 business telephone number;

6 C. the date the applicant became a member of the
7 organization;

8 D. the name, address, and telephone number of the
9 organization;

10 E. the current status of the gambling manager's
11 license and the dates of attendance at the gambling manager's
12 seminar;

13 F. the name of the insurance company and the bond
14 number for the gambling manager's \$10,000 fidelity bond; and

15 G. the signature of the gambling manager.

16 Subp. 6. **Attachments to application.** There must be
17 attached to the gambling manager's application a signed,
18 notarized affidavit on a form prescribed by the board stating
19 that the applicant:

20 A. has never been convicted of a felony;

21 B. has not committed a violation of law or board rule
22 within the past five years that resulted in the revocation of a
23 license issued by the board;

24 C. has never been convicted of a criminal violation
25 involving fraud, theft, tax evasion, misrepresentation, or
26 gambling;

27 D. has never been convicted of assault, a criminal
28 violation involving the use of a firearm, or making terroristic
29 threats;

30 E. agrees that suits and actions related to the
31 gambling manager's license, or acts or omissions, may be
32 commenced against the gambling manager; and

33 F. authorizes the department of public safety to
34 conduct a criminal background check.

35 Subp. 7. **Changes in application information.** If any
36 information submitted in the application changes, the board must

1 be notified within ten days of the change.

2 Subp. 8. **License fees.** The fee for a gambling manager's
3 license is \$100. License fees are not prorated, refundable, or
4 transferable.

5 Subp. 9. **Gambling manager duties.** A gambling manager's
6 duties include but are not limited to:

7 A. determining the product to be purchased and put
8 into play;

9 B. reviewing and monitoring the conduct of games;

10 C. supervising, hiring, firing, and disciplining all
11 gambling employees;

12 D. verifying all receipts and disbursements;

13 E. verifying all inventory;

14 F. supervising all licensing and reporting
15 requirements;

16 G. assuring that the licensed organization is in
17 compliance with all laws and rules related to lawful gambling;
18 and

19 H. assuring that illegal gambling is not conducted at
20 any premises where the organization is permitted to conduct
21 lawful gambling.

22 Subp. 10. **Issuance and denial.** The following items apply
23 to the issuance and denial of a gambling manager's license:

24 A. The director ~~may~~ shall issue a gambling manager's
25 license to a person who submits the information required by
26 subparts 5 and 6 and pays the \$100 fee pursuant to subpart 8 if
27 that person is eligible to receive a license pursuant to subpart
28 2 and Minnesota Statutes, section 349.167. ~~The license must be
29 issued at the same time as the organization's license and any
30 premises permits being renewed or applied for at the time the
31 person is applying for a gambling manager's license.~~ A license
32 issued by the director pursuant to this part is effective on the
33 first day of a month.

34 B. The director shall deny the application of a
35 person ineligible to hold a license pursuant to subpart 2 or
36 Minnesota Statutes, section 349.167.

1 C. A person who has never been licensed as a gambling
2 manager or a person whose application for renewal of a gambling
3 manager's license was submitted after the expiration of the
4 license may appeal the denial of a gambling manager's license by
5 notifying the board within 15 days of the date the person
6 receives notice that the application has been denied. The
7 appeal must be in writing and must contain a complete copy of
8 the application and a statement describing the reasons the
9 license should not be denied. The appeal is not a contested
10 case under Minnesota Statutes, chapter 14.

11 The board ~~may~~ shall refer the appeal to the executive
12 committee which shall review the appeal within ten days of
13 receipt. The executive committee shall issue a written decision
14 within ten days of its consideration of the appeal. If the
15 committee reverses the director's decision, it shall instruct
16 the director to issue a license to the organization effective
17 the first day of the month following the committee's written
18 decision. The executive committee's decision is a final agency
19 decision.

20 Subp. 11. **Renewals.** The following items apply to renewals
21 of a gambling manager's license:

22 A. To renew a license at the end of a term, a
23 licensed gambling manager must submit a complete renewal
24 application on a form prescribed by the board to the board at
25 least 75 days before the expiration of the gambling manager's
26 existing license. A renewal application is not complete until
27 it contains the information required by subparts 5 and 6.

28 Complete applications received by the board less than 75
29 days before the expiration of the applicant's existing gambling
30 manager's license will be considered pursuant to this part but,
31 if the applicant is entitled to a renewed license, the license
32 ~~need~~ will not be renewed by the director until the first day of
33 the month following the expiration of 75 days after the board
34 has received the complete application. A person ~~may~~ shall not
35 continue acting as a gambling manager after the expiration of
36 the person's license and until the person has received a renewed

1 license.

2 B. An application for renewal of a license must be
3 denied if:

4 (1) the applicant is ineligible for a license
5 pursuant to subpart 2 or Minnesota Statutes, section 349.167;

6 (2) the organization which employs the gambling
7 manager is no longer licensed or is being denied a renewed
8 license; or

9 (3) the application remains incomplete for more
10 than 90 days after its initial submission.

11 C. A gambling manager who has had an application
12 denied pursuant to item B may reapply for renewal of the license
13 once the portion of the renewal application which resulted in
14 denial has been remedied. The reapplication must be accompanied
15 by an additional fee pursuant to subpart 8. Nothing in this
16 part prevents the board from pursuing disciplinary action
17 against a licensee for violations of law or rule which warranted
18 the denial of a renewal application but were later remedied in a
19 sufficient manner to allow renewal of the gambling manager's
20 license.

21 D. Appeals:

22 (1) A gambling manager whom the director
23 determines has failed to submit a complete renewal application
24 at least 75 days before the expiration of an existing license
25 may appeal that determination by filing a written request for a
26 contested case hearing with the board before the expiration of
27 the gambling manager's existing license. The director shall
28 schedule a contested case hearing before an administrative law
29 judge pursuant to Minnesota Statutes, chapter 14. When
30 possible, The hearing must be held less than 30 days after the
31 service of a Notice and Order for Hearing if allowed by the
32 chief administrative law judge pursuant to part 1400.5600,
33 ~~subpart 3. In any event, all practicable efforts must be made~~
34 ~~to hold a hearing, receive the administrative law judge's~~
35 ~~recommendation, and make a final agency decision before the~~
36 ~~expiration of the licensee's existing license.~~ The board must

1 issue its final decision within 30 days after receipt of the
 2 administrative law judge's report and subsequent exceptions and
 3 argument under Minnesota Statutes, section 14.61. The sole
 4 issue at the hearing is whether the applicant submitted a
 5 complete application at least 75 days before the expiration of
 6 the applicant's existing license.

7 (2) A gambling manager whose renewal application
 8 has been denied may appeal that denial by requesting a contested
 9 case hearing pursuant to Minnesota Statutes, chapter 14. The
 10 request must be made in writing and received by the board no
 11 later than ten days after the gambling manager receives the
 12 denial of a renewal application. Upon receipt of the request,
 13 the director shall schedule a contested case hearing before an
 14 administrative law judge pursuant to Minnesota Statutes, chapter
 15 14. ~~When-possible,~~ The hearing must be held less than 30 days
 16 after the service of a Notice and Order for Hearing if allowed
 17 by the chief administrative law judge pursuant to part
 18 1400.5600, subpart 3. ~~In-any-event,-all-practicable-efforts~~
 19 ~~must-be-made-to-hold-a-hearing,-receive-the-administrative-law~~
 20 ~~judge's-recommendation,-and-make-a-final-agency-decision-before~~
 21 ~~the-expiration-of-the-gambling-manager's-existing-license.~~ The
 22 board must issue its final decision within 30 days after receipt
 23 of the administrative law judge's report and subsequent
 24 exceptions and argument under Minnesota Statutes, section 14.61.

25 Subp. 12. **Assistant gambling managers.** The following
 26 items apply to assistant gambling managers:

27 A. An assistant gambling manager is a person who
 28 performs ~~a-substantial-number~~ the duties specified in subpart 9,
 29 item C, or performs three or more of the other duties for which
 30 a gambling manager is responsible in subpart 9.

31 B. An organization may employ one or more assistant
 32 gambling managers if:

33 (1) each assistant gambling manager is subject to
 34 the direct supervision and direction of the organization's
 35 licensed gambling manager;

36 (2) each assistant gambling manager is an active

1 member or employee of the organization; and

2 (3) no assistant gambling manager participates in
3 the conduct of lawful gambling for more than one organization.

4 C. No license is required for an assistant gambling
5 manager.

6 7861.0040 PREMISES PERMITS.

7 Subpart 1. Premises permit required. An organization may
8 conduct lawful gambling only on premises it owns or leases. A
9 permit must be obtained for each premises where lawful gambling
10 is to be conducted. An application must be considered by the
11 director pursuant to this part.

12 Subp. 2. Length of permit. A premises permit expires on
13 the expiration date of the organization's license. An
14 organization may apply for additional premises permits at any
15 time during the term of its license.

16 Subp. 3. Contents of premises permit application. A
17 premises permit application must include:

18 A. the legal name, business address, and telephone
19 number of the organization;

20 B. the name, title, home or business address, and
21 business telephone number of the organization's chief executive
22 officer;

23 C. the name and home or business address of the
24 organization's gambling manager;

25 D. the class of premises permit, which must
26 correspond to the organization's class of license;

27 E. the current status of the premises permit;

28 F. the name and street address of the proposed
29 gambling premises;

30 G. the city and county or township and county where
31 the proposed gambling premises is located;

32 H. the name and business or home address of the
33 lessor;

34 I. the name of the legal owner of the premises;

35 J. either or both of the following:

1 (1) the amount of monthly rent;

2 (2) rent per bingo occasion and the total square
3 footage leased;

4 K. the days and hours of each bingo occasion, if any;

5 L. the address of any storage space for gambling
6 equipment, if different than the leased premises;

7 M. the bank name, address, and account number for the
8 bank account into which gross receipts from gambling are
9 deposited, and the name, title, and address of all persons
10 authorized to make deposits into and withdrawal from the
11 account;

12 N. an authorization permitting the board to inspect
13 the bank records of the gambling account;

14 O. a statement providing consent to local law
15 enforcement officers, the board or its agents, and the
16 commissioners of revenue and public safety and their agents to
17 enter the premises to inspect and enforce the law;

18 P. an acknowledgment signed by the chief executive
19 officer; and

20 Q. an acknowledgment that the appropriate local unit
21 of government under Minnesota Statutes, section 349.213,
22 subdivision 2, received the premises permit application.

23 Subp. 4. **Attachments to application.** The following must
24 be attached to the premises permit application:

25 A. A copy of the lease must be submitted. A lease
26 must be on a form prescribed by the board and must contain at a
27 minimum the following information:

28 (1) the name, business address, and telephone
29 number of the lessor;

30 (2) the name, business address, and license
31 number of the licensed organization;

32 (3) the name and street address of the leased
33 premises;

34 (4) the term of the agreement, which must be one
35 year;

36 (5) the type of gambling activity to be

1 conducted;

2 (6) the monetary consideration, if any, expressed
3 in terms of number of dollars per month or number of dollars per
4 bingo occasion, whichever is applicable;

5 (7) the dimensions of the leased premises and the
6 total number of square feet leased;

7 (8) the days and hours of each bingo occasion, if
8 any;

9 (9) all obligations between the organization, its
10 employees or agents, and the lessor and its employees or agents;

11 (10) an irrevocable consent from the lessor that:

12 (a) the board and its agents, the
13 commissioners of revenue and public safety and their agents, and
14 law enforcement personnel have access to the permitted premises
15 at any reasonable time during the business hours of the lessor;

16 (b) the organization has access to the
17 permitted premises during any time reasonable and when necessary
18 for the conduct of lawful gambling on the premises;

19 (c) the owner of the premises or the lessor
20 will not manage ~~or-participate-in~~ the conduct of gambling at the
21 premises;

22 (d) the lessor, the lessor's immediate
23 family, and any agents or gambling employees of the lessor will
24 not participate as players in the conduct of lawful gambling on
25 the premises;

26 (11) a clause that provides for the termination
27 of the lease if the premises is the site where gambling, liquor,
28 prostitution, or tax evasion violations have occurred;

29 (12) any other agreements between the
30 organization and the lessor.

31 B. A copy of the sketch of the floor plan with
32 dimensions showing what portion is being leased and the total
33 square footage.

34 C. A copy of the resolution from the appropriate
35 local unit of government under Minnesota Statutes, section
36 349.213, subdivision 2, approving the premises permit.

1 Subp. 5. Changes in application information. If any
2 information submitted in the application changes, the
3 organization must notify the board and the appropriate local
4 governing-body unit of government under Minnesota Statutes,
5 section 349.213, subdivision 2, in writing within ten days of
6 the change.

7 Subp. 6. Renegotiated leases. A lease that is
8 renegotiated during the term of the premises permit must be
9 furnished to the board at least ten days before the effective
10 date of the lease.

11 Subp. 7. Premises permit fees. The fees for a premises
12 permit are as follows:

13 A. A class A permit, bingo, raffles, paddlewheels,
14 tipboards, and pull-tabs, is \$400.

15 B. A class B permit, raffles, paddlewheels,
16 tipboards, and pull-tabs, is \$250.

17 C. A class C permit, bingo only, is \$200.

18 D. A class D permit, raffles only, is \$150.

19 Premises permit fees are not prorated, refundable, or
20 transferable.

21 Subp. 8. Local approval or denial. The following items
22 apply to local approval or denial of premises permits:

23 A. The organization must take the premises permit
24 application to the appropriate local unit of government under
25 Minnesota Statutes, section 349.213, subdivision 2, and request
26 that the local unit of government pass a resolution approving
27 the premises permit application.

28 B. The resolution must have been adopted no more than
29 60 days before the date the application is received by the board.

30 C. The organization must attach a copy of the
31 resolution approving the premises permit to the application when
32 submitting the application to the board.

33 D. The director shall not issue a premises permit to
34 an applicant that has been denied by the local unit of
35 government.

36 Subp. 9. Issuance and denial. The following items apply

1 to the issuance or denial of premises permits:

2 A. The director shall issue a premises permit to any
3 organization that submits the information required in subparts 3
4 and 4, pays the premises permit fee required by subpart 7, and
5 obtains local approval in the manner required by subpart 8. A
6 permit issued by the director pursuant to this part is effective
7 on the first day of a month. An organization which applies for
8 a class A organization license may apply for a class A, B, C, or
9 D premises permit. An organization which applies for a class B
10 organization license may apply for class B, C, or D premises
11 permits. An organization which applies for a class C
12 organization license may apply only for class C premises
13 permits. An organization which applies for a class D
14 organization license may apply only for class D premises permits.

15 B. Notwithstanding the provisions of item A, the
16 director shall deny a premises permit application when:

17 (1) the applying organization does not have a
18 licensed gambling manager or person who will be issued a
19 gambling manager's license at the time the premises permit is
20 issued;

21 (2) the applying organization does not have a
22 license to conduct lawful gambling or will not have a license to
23 conduct lawful gambling at the time the premises permit is
24 issued; or

25 (3) the proposed site is a site where illegal
26 gambling has occurred within the last 12 months or the lessor
27 has been convicted of illegal gambling within the last 12 months.

28 C. An organization that has never obtained a premises
29 permit for the proposed site or whose application for renewal of
30 a premises permit was submitted after the expiration of its
31 permit may appeal the denial of a permit application by
32 notifying the board within ten days of the date it receives
33 notice that its application has been denied. The appeal must be
34 made in writing and must contain a complete copy of the
35 application and a statement describing the reasons the permit
36 should not be denied. The appeal is not a contested case under

1 Minnesota Statutes, chapter 14.

2 The board ~~may~~ shall refer the appeal to the executive
3 committee which shall review the appeal within ten days of
4 receipt. The executive committee shall issue a written decision
5 within ten days of its consideration of the appeal. If the
6 committee reverses the director's decision, it shall instruct
7 the director to issue a premises permit to the organization
8 effective the first day of the month following the committee's
9 written decision. The executive committee's decision is a final
10 agency decision.

11 Subp. 10. **Renewals.** The following items apply to renewals
12 of premises permits:

13 A. To renew a permit at the end of a term, an
14 organization must submit to the board a complete renewal
15 application on a form prescribed by the board at least 75 days
16 before the expiration of the organization's existing permit. A
17 renewal application is not complete until it contains the
18 information required by subparts 3 and 4, the fee required by
19 subpart 7, and local approval in the manner required by subpart
20 8.

21 Complete applications received by the board less than 75
22 days before the expiration of the applicant's existing permit
23 will be considered pursuant to this part but the permit ~~need~~
24 will not be renewed by the director until the first day of the
25 month following the expiration of 75 days after the board has
26 received the complete application. An organization shall not
27 conduct gambling at a site where an existing permit has expired
28 unless and until it receives a renewed permit.

29 B. An application for renewal of a premises permit
30 must be considered in the same manner as an application for an
31 initial permit pursuant to subpart 9. In addition, any
32 application for renewal of a premises permit must be denied if
33 it remains incomplete for more than 90 days after its initial
34 submission.

35 C. An organization that has had a premises permit
36 renewal application denied pursuant to item B may reapply for a

1 renewal of its permit once it has remedied that portion of its
2 renewal application which resulted in its denial. A
3 reapplication must be accompanied by an additional fee as
4 provided in subpart 7 and new local approval pursuant to subpart
5 8.

6 D. Appeals:

7 (1) An organization that the board determines has
8 failed to submit a complete renewal application at least 75 days
9 before the expiration of its existing premises permit may appeal
10 that determination by filing a written request for a contested
11 case hearing with the board no later than 30 days before the
12 expiration of the organization's existing premises permit. The
13 director shall schedule a contested case hearing before an
14 administrative law judge pursuant to Minnesota Statutes, chapter
15 14. ~~When-possible,~~ The hearing must be held less than 30 days
16 after the service of a Notice and Order for Hearing if allowed
17 by the chief administrative law judge pursuant to part
18 1400.5600, subpart 3. ~~In-any-event,-all-practicable-efforts~~
19 ~~must-be-made-to-hold-a-hearing,-receive-the-administrative-law~~
20 ~~judge's-recommendation,-and-make-a-final-agency-decision-before~~
21 ~~the-expiration-of-the-licensee's-existing-premises-permit.~~ The
22 board must issue its final decision within 30 days after receipt
23 of the administrative law judge's report and subsequent
24 exceptions and argument under Minnesota Statutes, section
25 14.61. The sole issue at the hearing is whether the applicant
26 submitted a complete application at least 75 days before the
27 expiration of the applicant's existing premises permit.

28 (2) An organization whose renewal application has
29 been denied may appeal that denial by requesting a contested
30 case hearing pursuant to Minnesota Statutes, chapter 14. The
31 request must be made in writing and received by the board no
32 later than ten days after the organization receives the denial
33 of its renewal application. Upon receipt of the request, the
34 director shall schedule a contested case hearing before an
35 administrative law judge pursuant to Minnesota Statutes, chapter
36 14. ~~When-possible,~~ The hearing must be held less than 30 days

1 after the service of a Notice and Order for Hearing if allowed
2 by the chief administrative law judge pursuant to part
3 1400.5600, subpart 3. ~~In any event, all practicable efforts~~
4 ~~must be made to hold a hearing, receive the administrative law~~
5 ~~judge's recommendation, and make a final agency decision before~~
6 ~~the expiration of the organization's existing premises~~
7 ~~permit.~~ The board must issue its final decision within 30 days
8 after receipt of the administrative law judge's report and
9 subsequent exceptions and argument under Minnesota Statutes,
10 section 14.61.

11 7861.0050 ILLEGAL GAMBLING.

12 Subpart 1. Prohibition. Illegal gambling may not be
13 conducted at a premises where for which a licensed organization
14 has ~~been permitted~~ a premises permit to conduct lawful gambling.

15 Subp. 2. Discipline. The board shall suspend an
16 organization's premises permit for one year for any violation of
17 this part. The board ~~may~~ shall suspend or revoke an
18 organization's license if the organization or its agents
19 participated in the illegal gambling prohibited by subpart 1.

20 7861.0060 CONDUCT OF LAWFUL GAMBLING.

21 Subpart 1. General restrictions. The following items are
22 general restrictions on the conduct of lawful gambling:

23 A. No person under the age of 18 may conduct or
24 participate in playing the games of pull-tabs, tipboards, or
25 paddlewheels.

26 B. All playing of lawful gambling must be on a cash
27 basis, in advance of any play. Traveler's checks and money
28 orders are acceptable.

29 C. The conduct of lawful gambling, including the
30 redemption of prizes related to lawful gambling, must occur
31 exclusively on the permitted premises.

32 D. At each permitted premises, the organization shall
33 have:

34 (1) a current inventory list of gambling
35 equipment;

1 (2) a sketch with dimensions of the leased
2 premises available for review;

3 (3) a clear, physical separation or a tangible
4 divider between the organization's gambling equipment and the
5 lessor's business equipment; and

6 (4) the invoices or true and correct copies of
7 the invoices for the purchase of all gambling equipment at the
8 premises.

9 Subp. 2. Restrictions for gambling on leased premises.

10 The following items are restrictions for gambling on leased
11 premises:

12 A. An organization shall not enter into a lease
13 agreement which imposes ~~implicit-or-explicit~~ restrictions on the
14 organization with respect to providers of gambling-related
15 equipment and services or in the use of net profits for lawful
16 purposes.

17 B. An organization may not pay rent to itself for the
18 conduct of gambling on premises which is owned by the
19 organization or its affiliates.

20 C. No amount may be paid by an organization to a
21 lessor based on the number of participants attending a bingo
22 occasion or on the gross receipts or profit received by the
23 organization.

24 D. The amount of rent an organization may pay for the
25 conduct of lawful gambling may not exceed:

26 (1) \$1,000 per month for all forms of lawful
27 gambling other than bingo;

28 (2) for bingo and all other gambling activities
29 which occur during that bingo occasion, \$200 for leased premises
30 of not more than 6,000 square feet, \$300 for leased premises of
31 not more than 12,000 square feet, and \$400 for leased premises
32 of more than 12,000 square feet; and

33 (3) an organization may not use nongambling funds
34 to directly or indirectly supplement rent above the amounts
35 provided in this subpart.

36 E. An organization shall not permit the lessor's

1 business activities to be conducted on the leased premises.

2 F. An organization shall not permit the lessor, the
3 lessor's immediate family, or the lessor's employees to
4 participate as players in the conduct of lawful gambling on the
5 leased premises.

6 G. Gambling employees of a licensed organization may
7 not participate as players in any lawful gambling at the leased
8 premises.

9 H. An organization may not employ as a gambling
10 manager the lessor, a member of the lessor's family, or an
11 employee of the lessor.

12 I. If the organization is a sublessee, the
13 restrictions also apply to the sublessee.

14 Subp. 3. Posting of flare. The odds, house percentages,
15 or number of tickets must be displayed on the flare accompanying
16 each deal of pull-tabs, tipboards, or the master flare for a
17 group of up to 100 paddleticket cards.

18 Subp. 4. Posting of information. A licensed organization
19 must prominently post the following information at the permitted
20 premises:

21 A. the name of the licensed organization;

22 B. the license number of the licensed organization
23 and the premises permit number;

24 C. the expiration date of the premises permit;

25 D. the notice of compulsive gambling information
26 which must at a minimum include the toll-free telephone number
27 established by the commissioner of human services for the
28 Minnesota hotline for compulsive gambling; and

29 E. the house rules governing the conduct of gambling
30 at the premises. The sign on which this information is posted
31 must be adequately lighted, legible, and must at at least 18
32 inches by 24 inches in size.

33 Subp. 5. Advertising. Any promotional material, sign, or
34 advertising of lawful gambling must identify the licensed
35 organization permitted to conduct gambling at the premises, its
36 license number, and the premises permit number for the premises.

1 Subp. 6. **Storage of equipment.** Gambling equipment may be
2 stored on the leased premises. The gambling equipment must be
3 stored in an area that is under the control of the organization.

4 Subp. 7. **Exchange of gambling equipment prohibited.** A
5 licensed organization may not exchange, sell, or otherwise
6 provide gambling equipment, with the exception of a bingo ball
7 selection device, to any other organization.

8 7861.0070 BINGO.

9 Subpart 1. **Restrictions.** The following items are
10 restrictions on the conduct of bingo:

11 A. An organization may not allow an employee who
12 works during a bingo occasion to play in a bingo game conducted
13 by that organization during that bingo occasion.

14 B. An employee who works during a bingo occasion may
15 not have direct contact with the employee's immediate family
16 members involving the play of bingo during the bingo occasion.
17 "Immediate family" is defined as consisting of the employee's
18 spouse, child, parent, brother, or sister.

19 C. For purposes of this subpart, the term "employee"
20 includes a volunteer.

21 Subp. 2. **Bingo equipment to be used.** The conduct of bingo
22 must include the following items:

23 A. A machine or other device from which balls are
24 withdrawn.

25 B. A set of 75 balls bearing the numbers 1 to 75 and
26 the letters B, I, N, G, O. The 75 balls must be available for
27 inspection by the players before a bingo occasion begins to
28 determine that all are present and in operating condition. Each
29 numbered ball must be equal in size, weight, shape, balance, and
30 all other characteristics that control their selection, must be
31 free from any defects, and be present in the receptacle before
32 each game begins.

33 Subp. 3. **Numbering of cards.** Each set of disposable bingo
34 cards or sheets must be consecutively numbered from the first
35 card to the last card, or from the first sheet of cards to the

1 last sheet of cards, or be consecutively numbered through the
2 set. Each card or sheet must have printed on its face both its
3 individual card or sheet number, and the series and individual
4 face number of the card number assigned by the manufacturer to
5 that set of disposable bingo cards.

6 Subp. 4. Cards not preprinted but completed by player.

7 Bingo cards must contain five horizontal rows of spaces with
8 each row, except the central one, containing five figures. The
9 central row must have four figures with the word "free" marked
10 in the center space. The remaining spaces must be of uniform
11 color and size.

12 Subp. 5. Manner of conducting bingo. A bingo game must be
13 conducted in the following manner:

14 A. The organization shall post a notice on the site
15 containing the house rules governing the conduct of bingo,
16 including the method and procedure for prompt payment and
17 collection of money for the cards or sheets sold.

18 B. If an organization has duplicate hard cards in
19 play, the organization shall conspicuously post that fact or
20 notify all players before their purchase of cards for a game or
21 number of games that will have duplicate bingo cards in play.

22 C. An organization shall not reserve any bingo cards
23 or sheets for use by players except braille cards for use by
24 legally blind players.

25 D. Legally blind players may use personal braille
26 cards when an organization does not provide these cards. The
27 organization may inspect, and reject, any personal braille card.

28 E. Bingo cards or sheets must be sold and paid for on
29 the premises immediately before the start of a specified game or
30 specified number of games.

31 F. Two or more sets of disposable bingo cards or
32 sheets may not be used at the same time if they have identical
33 faces.

34 G. The particular arrangement of numbers required to
35 be covered in order to win the bingo game must be clearly
36 described and announced to the players immediately before each

1 game is begun.

2 H. Immediately following the drawing of each ball in
3 a bingo game, the caller shall display the letter and number on
4 the ball to the players.

5 I. The letter and number on the ball must be called
6 out before the drawing of the next ball.

7 J. After the letter and number are called, the
8 corresponding letter and number on the flashboard, if any, must
9 be lit for player viewing.

10 K. A bingo prize may not be determined other than by
11 the matching of letters and numbers on a bingo card or sheet
12 with the letters and numbers called by the organization.

13 L. A player shall not separate a disposable bingo
14 card or sheet when there are two or more cards on one sheet.

15 M. A player shall not play more bingo cards or sheets
16 than the player has purchased or received in free plays.

17 N. A winner is determined when a specified pattern of
18 called numbers appears on a card or sheet.

19 O. If there are multiple winners on the last called
20 number, the following apply:

21 (1) If the designated prize consists of cash, the
22 total amount of the prize must be divided equally between or
23 among the verified winners. The organization has the option of
24 rounding fractional dollars to the higher dollar.

25 (2) If the designated prize consists of an item
26 other than cash and the designated prize cannot be divided, the
27 organization shall award substitute prizes to each verified
28 winner. The substitute prizes must be of equal value.

29 P. When a bingo player declares a winning combination
30 of letters and numbers on the card, cards or sheets for a game
31 with a prize of \$100 or more, the serial number of the winning
32 card or sheet number shall be stated aloud by an organization
33 employee. Every winning card or sheet shall be verified by an
34 organization employee and at least one neutral player.

35 Q. A prize receipt form prescribed by the board must
36 be completed for a winning prize of \$100 or more. The prize

1 receipt form must include the following information:

2 (1) the winner's name, address, and driver's
3 license number, including state of license registration, unless
4 the winner does not have a driver's license, in which case the
5 winner's full name and full address from another form of picture
6 identification;

7 (2) the series number of the winning card or
8 sheet;

9 (3) the date and the amount of the prize won; and

10 (4) the name of the gambling premises.

11 R. Upon a bingo player declaring a winning bingo, the
12 next ball out of the machine must be removed from the machine
13 before shutting the machine off and must be the next ball to be
14 called in the event the declared winning bingo is not valid.

15 S. One or more checkers are required for each bingo
16 occasion. The checker or checkers must record on a form
17 prescribed by the board the number of cards or sheets played in
18 each game, the registration or card or sheet number of each
19 winning card or sheet, and the prizes awarded to the recorded
20 cards or sheets. Each checker must certify that the figures are
21 correct to the best of the checker's knowledge.

22 T. No person shall engage in any act, practice, or
23 course of operation that would affect the integrity or adversely
24 affect the outcome of any bingo game.

25 Subp. 6. **Gross receipts compared and discrepancies**
26 **reported.** The gross receipts of each bingo occasion must be
27 compared to the checkers' records by an employee of the
28 organization who did not sell cards or sheets for the occasion.
29 If a discrepancy of more than \$20 is found between the gross
30 receipts as reported by the checkers and the gross receipts
31 determined by totaling the cash receipts, a copy of the
32 comparison must be provided to the board within five days of the
33 bingo occasion.

34 Subp. 7. **General bingo records.** For each bingo occasion,
35 the following records must be kept for a period of 3-1/2 years:

36 A. the total number of players in attendance;

- 1 B. the total amount wagered;
- 2 C. the total prizes, including cash and market value
- 3 of noncash prizes, awarded;
- 4 D. a copy of the schedule of games and their prizes;
- 5 E. the number and price of cards or sheets sold by
- 6 type;
- 7 F. the inventory of disposable bingo cards purchased
- 8 by the organization; and
- 9 G. for any bingo game with a prize valued at \$100 or
- 10 more, a prize receipt as provided in subpart 5, item Q.

11 7861.0080 PULL-TABS.

12 Subpart 1. **Restrictions.** The following items are
13 restrictions on pull-tabs:

- 14 A. Pull-tabs must not be dispensed from any
- 15 coin-operated or mechanical dispensing device.
- 16 B. A gambling employee of an organization shall not
- 17 purchase pull-tabs at the site of the employee's place of
- 18 employment. For purposes of this subpart, the term "employee"
- 19 includes a volunteer.
- 20 C. An organization may not change the flare or use a
- 21 flare that it receives in an altered or defaced condition. A
- 22 pull-tab deal may not be placed out for play when the value of
- 23 the prizes or the cost of the pull-tabs differs from the flare.
- 24 D. The pull-tab seller shall not assist players in
- 25 the opening of purchased pull-tabs.

26 Subp. 2. **Operation of pull-tab game.** The following rules
27 apply to the game of pull-tabs:

- 28 A. An organization may not purchase deals of
- 29 pull-tabs that have the same game serial number, or obtain,
- 30 possess, or allow upon a site a deal of pull-tabs or portion
- 31 thereof with the same serial number and color trim combinations
- 32 as any other deal of pull-tabs or portion thereof in its
- 33 possession. This does not prevent an organization from
- 34 retaining upon the site pull-tabs remaining from a deal removed
- 35 from play for the purposes of complying with state statute or

1 rule if the organization:

2 (1) has defaced each pull-tab removed and
3 retained immediately upon removal of the pull-tabs from play;

4 (2) has made a written record of the game serial
5 number, color trim, and the number of pull-tabs remaining in the
6 deal immediately upon removing the deal from play; and

7 (3) the written record is maintained upon the
8 site while the deal is in play, and available on demand, for a
9 period of 3-1/2 years once the deal is removed from play.

10 B. No organization shall place a deal of pull-tabs in
11 play unless the game serial number of the deal of pull-tabs
12 corresponds to the game serial number written on the state
13 registration stamp. If the game serial number does not
14 correspond to the number written on the registration stamp, the
15 organization shall return the deal of pull-tabs to the
16 distributor. The registration stamp must not be altered or
17 removed from the flare.

18 C. No deal of pull-tabs may be placed out for play in
19 the original package, box, or other container in which it was
20 received. When a deal of pull-tabs is received in two or more
21 packages, boxes, or other containers, all of the pull-tabs from
22 the respective packages, boxes, or other containers must be
23 placed out for play at the same time. The entire deal of
24 pull-tabs must be dumped into the container and mixed.

25 D. An organization shall not put into play any
26 pull-tab that has been marked, defaced, altered, tampered with,
27 or otherwise operated in a manner which tends to deceive the
28 public or affects the chances of winning or losing.

29 E. No deal of pull-tabs may be placed out for play
30 unless the cost to the player for each pull-tab is clearly
31 posted on the flare.

32 F. Each pull-tab must be sold for the single ticket
33 price indicated on the flare and no pull-tab may be provided to
34 a player free of charge or for any other consideration. This
35 item does not apply to the winning of a free play.

36 G. The organization must clearly identify the play of

1 pull-tabs as a single deal or a commingled deal.

2 H. House rules governing the sale of pull-tabs must
3 be posted in such a manner that players have access to the house
4 rules before buying any pull-tabs.

5 I. An organization may not pay a player any prize
6 unless the player redeems an actual winning pull-tab. A prize
7 payout must not be made to any player for a lost, marked,
8 defaced, or altered pull-tab.

9 J. An organization may not pay a player a prize when
10 the winning pull-tab has left the site where the deal is in play.

11 K. The pull-tab seller shall deface each winning
12 pull-tab which is redeemed.

13 L. The prize receipt form must be completed according
14 to subpart 6, item C.

15 M. At each permitted premises the organization shall
16 maintain a copy of the distributor's invoice for each pull-tab
17 deal in play and for each pull-tab deal on the premises and
18 shall make the invoices available for inspection by the board
19 and its agents and the commissioners of revenue and public
20 safety and their agents.

21 Subp. 3. **Single deals.** The following items apply to
22 single deals of pull-tabs:

23 A. The flare, with the state registration stamp
24 affixed, for the deal of pull-tabs in play shall be affixed to
25 the receptacle containing the entire deal of pull-tabs.

26 B. Separate cash banks must be maintained for each
27 deal.

28 Subp. 4. **Commingled deals.** The following items apply to
29 commingled deals of pull-tabs:

30 A. Two or more single deals of pull-tabs may be
31 commingled in one receptacle subject to the following:

32 (1) the deals must be identical as to a
33 particular type of game and as to the number of pull-tabs per
34 game;

35 (2) each deal must have a separate flare
36 displaying the state registration stamp and manufacturer's

1 serial number; and

2 (3) the flares must be identical as to the price
3 per ticket, the amount of prizes, and the denominations of
4 prizes.

5 B. The flares of all the deals in play must be
6 affixed to the receptacle containing the pull-tabs.

7 C. Commingled deals must be removed from play at the
8 end of each month for the purpose of reporting the result of the
9 games in the same month's tax return. Commingled deals may be
10 returned to play once the information required has been
11 determined.

12 D. The board may prohibit an organization from
13 commingling deals of pull-tabs if it determines that the
14 organization ~~has-excessive-or-abnormal-cash-shortages~~ cannot
15 account for the amount of actual cash profit from each
16 commingled deal of pull-tabs.

17 Subp. 5. Pull-tab prize and cost per ticket limits.

18 Prizes and bets must be limited, awarded, and controlled in the
19 following manner:

20 A. The maximum value of a prize for a winning
21 pull-tab must not exceed \$250. If two or more winning
22 combinations are possible, including the last sale prize on a
23 single pull-tab, the total value of all winning combinations
24 must not exceed \$250.

25 B. Each pull-tab must not be sold for more than \$2.

26 C. All prizes must be awarded in cash, merchandise,
27 or in free plays as designated on the flare.

28 (1) All merchandise prizes must be displayed in
29 full view in the immediate vicinity of the pull-tab game.

30 (2) When a winner of a merchandise prize is
31 determined, the organization shall remove that prize from any
32 display and award it to the winner immediately.

33 D. An organization may not substitute cash for
34 merchandise prizes which have been won.

35 E. When a player wins a cash prize of \$50 or more or
36 receives a cash prize for redeeming the last ticket sold in a

1 pull-tab game for which the distributor has modified the flare
2 to contain a last sale value of \$20 or more, the organization
3 shall record the win according to subpart 6, item C.

4 Subp. 6. **Records.** An organization shall maintain the
5 following information for a period of 3-1/2 years.

6 A. All records, reports, and receipts relating to a
7 deal of pull-tabs in play must be retained at the gambling
8 premises and thereafter retained by the organization and made
9 available on demand to the board.

10 B. For each deal of pull-tabs the flare, with the
11 state registration stamp affixed, and all winning, unopened, and
12 unsold pull-tabs segregated by game serial number. Commingled
13 deals of pull-tabs are not required to be segregated by game
14 serial number. The organization shall not open any unsold or
15 defective pull-tabs.

16 C. All completed prize receipt forms for any winning
17 pull-tab valued at \$50 or more or for any prize for redeeming
18 the last ticket sold in a pull-tab game for which the
19 distributor has modified the flare to contain a last sale value
20 of \$20 or more. A prize receipt form prescribed by the board
21 shall include at a minimum the following information:

22 (1) The pull-tab seller must legibly print in ink
23 on the receipt the following:

24 (a) the name of the gambling premises;

25 (b) the registration stamp number and the
26 game serial number of the deal of pull-tabs from which the prize
27 was won;

28 (c) the name of the game of that deal of
29 pull-tabs;

30 (d) the date the prize was won;

31 (e) the value of the prize won; and

32 (f) the winner's name and driver's license
33 number including state of license registration, unless the
34 winner does not have a driver's license, in which case the
35 winner's full name and full address obtained from a picture
36 identification.

1 (2) The receipt must be legibly signed in ink by
2 the pull-tab seller paying the winner.

3 D. An organization must complete a detailed monthly
4 report in a standard format approved by the commissioner of
5 revenue for each deal of pull-tabs removed from play during that
6 month (schedule B), as required by part 7861.0120, subpart 3,
7 item D. The report must contain the following information:

8 (1) the premises permit number and name of the
9 premises;

10 (2) the month and year the report is prepared;

11 (3) the name of the preparer;

12 (4) the name of each deal of pull-tabs and the
13 number of pull-tabs in the deal;

14 (5) the state registration stamp number;

15 (6) the game serial number;

16 (7) the date put into play;

17 (8) the date removed from play;

18 (9) the cost of each pull-tab;

19 (10) the ideal gross receipts;

20 (11) the ideal prizes which includes last sale;

21 (12) the dollar amount of unsold and defective

22 pull-tabs;

23 (13) the actual gross receipts;

24 (14) the actual prizes, including cash and

25 merchandise;

26 (15) the net receipts;

27 (16) the actual cash profit or loss resulting

28 from each deal of pull-tabs removed from play; and

29 (17) the cash long or short stated numerically.

30 E. Reports must provide sufficient detail to
31 determine the actual net receipts, actual cash profit, and the
32 cash long and short for each deal of pull-tabs.

33 Subp. 7. Disposal of pull-tabs. The organization may
34 dispose of played deals of pull-tabs when the retention period
35 of 3-1/2 years expires, unless the organization is notified to
36 retain the pull-tabs because an audit, compliance review, or

1 investigation is being conducted. The disposal must result in
2 complete destruction such as shredding or burning.

3 7861.0090 TIPBOARDS.

4 Subpart 1. Restrictions. The following items are
5 restrictions on tipboards:

6 A. No gambling employee of an organization shall
7 purchase tipboards at the site of the employee's place of
8 employment. For purposes of this subpart, the term "employee"
9 includes a volunteer.

10 B. No organization shall sell or put out for play any
11 tipboard which does not have the tipboard tickets for that
12 tipboard attached to it.

13 C. An organization may not purchase tipboards that
14 have the same game serial number, or obtain, possess, or allow
15 upon a site a tipboard or portion thereof with the same serial
16 number as any other tipboard or portion thereof in its
17 possession.

18 D. Each tipboard must have a serial number with the
19 same serial number on each ticket attached to the tipboard.

20 E. An organization may not change the serial number
21 written on the state registration stamp by the distributor or
22 the manufacturer.

23 F. An organization shall not pay a player unless the
24 player redeems an actual winning tipboard ticket. A prize may
25 not be paid out to any player for a lost, marked, defaced, or
26 altered ticket.

27 G. A tipboard may not be played unless the flare for
28 that tipboard is posted in the area of the permitted premises
29 where the tipboard tickets are offered for sale.

30 H. An organization shall not modify the designation
31 of prizes printed on the tipboard or use a tipboard that is
32 altered or defaced. The prize awarded must be the prize printed
33 on the tipboard.

34 Subp. 2. Operation of tipboards. The following items
35 apply to the game of tipboards:

1 A. All tipboard tickets must be placed out for play
2 at the same time.

3 B. The tipboard must have printed on it the cost per
4 ticket, the value of the prizes for the winning tickets, the
5 number of prizes, the seal prize and consolation, prize or
6 prizes, and the number of total tickets.

7 C. House rules governing the conduct of the sale of
8 tipboards must be posted in such a manner that the players have
9 access to the house rules before buying a tipboard ticket.

10 D. At each permitted premises a copy of the
11 distributor's invoice for each tipboard deal in play and for
12 each tipboard on the premises must be available for inspection
13 by the board and its agents and the commissioners of revenue and
14 public safety and their agents.

15 E. A tipboard may not be put out for play unless the
16 flare for the tipboard has a state registration stamp which has
17 been affixed to it by a licensed distributor or a licensed
18 manufacturer.

19 F. A tipboard may not be put out for play unless the
20 serial number on the individual flare for that tipboard matches
21 the serial number printed on the tipboard and the tipboard
22 tickets. If the serial numbers do not correspond, the
23 organization shall return the tipboard to the distributor.

24 **Subp. 3. Tipboard prize and cost per ticket limits.** The
25 cost per ticket and the value of the prizes must be as follows:

26 A. Each tipboard ticket may not be sold for more than
27 \$2.

28 B. Each tipboard ticket must be sold for the single
29 ticket price indicated on the flare and no tipboard ticket may
30 be provided to a player free of charge or for any other
31 consideration.

32 C. A prize or any combination of prizes may not have
33 a value exceeding \$500. The winner is determined by removing
34 the seal on the tipboard.

35 D. A prize must be awarded in cash, merchandise, or
36 free plays as indicated on the tipboard and the flare.

1 (1) All merchandise prizes must be displayed in
2 full view in the immediate vicinity of the tipboard game.

3 (2) When a winner of a merchandise prize is
4 determined, the organization shall immediately remove the prize
5 from any display and award it to the winner.

6 E. An organization may not substitute cash for
7 merchandise prizes which may have been won.

8 Subp. 4. **Records.** At each permitted premises the
9 organization shall maintain a copy of the distributor's invoice
10 for each tipboard in play and for each tipboard on the premises
11 and shall make the invoices available for inspection by the
12 board and its agents and the commissioners of revenue and public
13 safety and their agents. Information pertaining to the sale of
14 tipboards must be recorded in the same manner as for pull-tabs,
15 according to part 7861.0080, subpart 6.

16 Subp. 5. **Disposal of played tipboards.** A played tipboard
17 and the accompanying flare with the state registration stamp
18 affixed must be retained for 3-1/2 years following the end of
19 the month in which the tipboard was played and reported. The
20 organization may dispose of a played tipboard when the retention
21 period expires, unless the organization is notified to retain
22 the tipboard because an audit, compliance review, or
23 investigation is being conducted. The disposal must result in
24 complete destruction, such as by shredding or burning.

25 7861.0100 PADDLEWHEELS.

26 Subpart 1. **Restrictions.** No gambling employee of an
27 organization shall purchase paddletickets at the site of the
28 employee's place of employment. For purposes of this subpart,
29 the term "employee" includes a volunteer.

30 Subp. 2. **Conducting paddlewheels.** The following items
31 apply to the game of paddlewheels:

32 A. The playing of paddlewheels must always be played
33 using paddletickets.

34 B. Each paddleticket card must have a paddleticket
35 card number preprinted on the stub and on each individual

1 ticket. Each paddleticket card must have a different number.
2 An organization may not have two paddleticket cards with the
3 same number in its possession at the same time.

4 C. Each paddleticket stub must have a facsimile of
5 the registration stamp imprinted on the stub. The facsimile
6 must bear the license number of the distributor who sells the
7 paddleticket card.

8 D. All the paddletickets on a paddleticket card must
9 be sold prior to the spinning of the wheel. A new paddleticket
10 card must be sold for every spin of the wheel.

11 E. Each sealed grouping of up to 100 paddleticket
12 cards must have a state registration stamp affixed to the master
13 flare accompanying the group with the paddleticket card numbers
14 written in by the distributor on the space provided on the
15 master flare. No paddleticket card will be played unless the
16 master flare for that card is posted in a conspicuous place in
17 the immediate area of the permitted premises where the
18 paddlewheel being played is located.

19 An organization may not use paddletickets:

20 (1) that do not have a state registration stamp
21 affixed to the master flare accompanying the group;

22 (2) when the paddle ticket card number written on
23 the master flare differs from the actual paddleticket card
24 number preprinted on the tickets;

25 (3) when the paddleticket card number preprinted
26 on the stub does not match the paddleticket card number
27 preprinted on the individual tickets; and

28 (4) that are not attached to the paddleticket
29 card.

30 F. The organization must post house rules on the play
31 of paddlewheels. The wheel must make at least four revolutions
32 before stopping at the winning number. If four revolutions are
33 not made, a nonspin must be declared and the wheel must be spun
34 again.

35 Subp. 3. Paddlewheel prize and cost per ticket limits.

36 The value of the prizes and the amount of bets are limited as

1 follows:

2 A. Bets may not exceed \$2 per paddleticket.

3 B. Prizes may not exceed \$70 in value.

4 Subp. 4. Retention of played paddletickets. Paddleticket
5 stubs and the accompanying master flare with the state
6 registration stamp affixed must be retained for 3-1/2 years.

7 Subp. 5. Records. The use of paddletickets must be
8 recorded in the same manner as for pull-tabs according to part
9 7861.0080, subpart 6.

10 7861.0110 RAFFLES.

11 Subpart 1. Conducting raffles. The following items apply
12 to the conduct of raffles:

13 A. A-~~raffle~~ Each ticket for entry in a raffle must
14 constitute an equal chance to win in the raffle.

15 B. A No person ~~may-not~~ shall be required to purchase
16 more than one ticket, or to pay for anything other than the
17 ticket, in order to enter a raffle.

18 C. A No person ~~may-not~~ shall be required to be
19 present at a raffle drawing in order to be eligible for the
20 prize drawing.

21 D. Each ticket seller shall return to the
22 organization the stubs or other detachable section of all
23 tickets sold before the drawing.

24 E. No tickets may be sold after the first drawing.

25 F. Before drawing, the organization shall place each
26 stub or other detachable section of each ticket sold into a
27 receptacle from which the winning tickets are to be drawn.

28 G. The receptacle must be designed so that each
29 ticket placed in it has an equal chance to be drawn.

30 Subp. 2. Raffle prizes. An organization conducting a
31 raffle in which real or personal property prizes are to be
32 awarded shall have paid for in full or otherwise become the
33 owner, without lien or interest of others, of all the real or
34 personal property before the drawing at which the winners of the
35 prizes are to be determined.

1 Subp. 3. Raffle ticket requirements. The following items
2 are raffle ticket requirements:

3 A. Raffle tickets shall have a detachable section and
4 be consecutively numbered. The detachable section of the ticket
5 must bear a duplicate number corresponding to the number on the
6 ticket and must contain the purchaser's name, complete address,
7 and telephone number. Both parts must be imprinted with
8 sequential numbers commencing with the number "1" through the
9 maximum number of tickets to be sold. The following information
10 must be printed upon each ticket:

- 11 (1) the date and time of the drawing;
- 12 (2) the location of the drawing;
- 13 (3) the name of the organization conducting the
14 raffle;
- 15 (4) the license number, if any, or exemption
16 number;
- 17 (5) the price of the ticket; and
- 18 (6) the prize or prizes to be awarded.

19 B. A log book must be maintained, which at a minimum
20 includes the following:

- 21 (1) the name of the organization;
- 22 (2) the total number of tickets printed;
- 23 (3) the price per ticket;
- 24 (4) the date of the raffle drawing;
- 25 (5) the names and telephone numbers of all
26 persons to whom tickets were given to be sold;
- 27 (6) the number of tickets given to each person
28 for sale;
- 29 (7) the consecutive numbers of the tickets given
30 to each person for sale;
- 31 (8) the number of tickets each person sold;
- 32 (9) the number of tickets each person returned
33 unsold;
- 34 (10) the actual gross proceeds reported by each
35 person to whom tickets were given to be sold;
- 36 (11) the actual cash received from each person to

1 whom tickets were given to be sold; and

2 (12) the cash long or short reported by each
3 person to whom tickets were given to be sold.

4 Subp. 4. Prize and cost per ticket limits. Prizes and
5 cost per ticket for a raffle may not exceed the following limits:

6 A. Total prizes for all raffles conducted by a
7 licensed organization may not exceed a total value of \$100,000
8 per organization in a calendar year, for exempted organizations
9 may not exceed a total of \$50,000 in a calendar year for all
10 lawful gambling prizes, and for excluded organizations may not
11 exceed \$750 a year.

12 B. Cash prizes may not exceed \$12,000, which may be
13 awarded:

14 (1) as the total amount of cash prizes for a
15 single raffle; or

16 (2) as the total amount of prizes for several
17 complete raffles, the drawings for which are conducted on the
18 same day.

19 C. Real and personal property prizes must be valued
20 at actual market value or suggested market value, whichever is
21 less.

22 D. Cash is defined for purposes of this subpart as
23 currency, coinage, and negotiable instruments.

24 E. Each ticket must be sold for the same price and no
25 ticket may be provided free of charge or for any other
26 consideration.

27 Subp. 5. Prizes must be awarded. All raffle prizes must
28 be awarded on the date indicated on the raffle ticket unless a
29 different date is approved by the board. The board shall extend
30 the date for the drawing if:

31 A. weather has caused a postponement of the event at
32 which the drawing was to occur; or

33 B. not enough tickets were sold to cover the cost of
34 the prizes, and an extension will ~~make-a-material-difference~~
35 enable the organization conducting the raffle to sell enough
36 tickets to cover the cost of the prizes. The fact that a

1 desired level of profit will not be attained is not a basis for
2 an extension of the date of the drawing.

3 Subp. 6. **Records.** An organization shall maintain the
4 following records for a period of 3-1/2 years:

5 A. the total amount of proceeds received from a
6 raffle;

7 B. all allowable expenses deducted from the net
8 receipts of a raffle;

9 C. the winning ticket stubs; and

10 D. the log book showing to whom the tickets were
11 given to be sold.

12 7861.0120 ORGANIZATION OPERATIONS, ACCOUNTS, AND REPORTS.

13 Subpart 1. **Internal accounting and administrative controls**
14 **required.**

15 A. An organization must establish, implement, and
16 have available for review a written system of internal
17 accounting and administrative controls relative to its lawful
18 gambling operations, which includes procedures for:

19 (1) inventory acquisition and control;

20 (2) gaming operations control;

21 (3) fund control and records; and

22 (4) accounting and monthly reports.

23 The board shall require that the organization revise its
24 internal accounting and administrative control system if it is
25 not sufficient to protect the integrity of the lawful gambling
26 operation or does not meet accounting control system objectives
27 of item B or the administrative control objectives of item C.
28 Failure to respond to the board's notice that the organization
29 must revise its internal accounting and administrative control
30 system ~~may~~ shall result in the board taking disciplinary action.

31 B. The system of accounting control for the gambling
32 operations must provide a description of the procedures and
33 records so that the following objectives will be met:

34 (1) that transactions are made with management's
35 authorization;

1 (2) that gambling revenue transactions are
2 recorded as necessary to record gambling revenue and properly
3 maintain accountability for assets;

4 (3) that access to assets is only permitted with
5 management's authorization; and

6 (4) that the recorded gambling funds and
7 equipment are monitored on an on-going basis and discrepancies
8 are resolved.

9 C. The system of administrative control relative to
10 gambling operations must include a complete plan of organization
11 that will provide appropriate segregation of functional
12 responsibilities and sound practices to be followed in the
13 performance of these duties by competent and qualified personnel.
14 The plan of organization must include a diagram and a narrative
15 which describe the interrelationship of functions and the
16 division of responsibilities upon which the system of internal
17 control of the gambling operations is based.

18 D. Changes in internal controls must be submitted to
19 the board ten days before their effective date.

20 Subp. 2. **Method of accounting.** The following items are
21 general accounting considerations:

22 A. Gross receipts must be determined using the cash
23 basis method.

24 B. Allowable expenses must be determined using the
25 cash basis method, except:

26 (1) Deals of pull-tabs, paddletickets, and
27 tipboards must be determined on the accrual basis.

28 (2) The tax imposed by Minnesota Statutes,
29 section 349.212, must be deducted on the accrual basis.

30 Subp. 3. **Records and reports required.** The following
31 items apply to records and reports:

32 A. Each organization shall maintain complete,
33 accurate, and legible general accounting records with detailed
34 supporting subsidiary records sufficient to furnish information
35 regarding all gambling transactions. The monthly accounting
36 records must be sufficient to adequately reflect gross receipts,

1 prizes, net receipts, expenses, and all other accounting
2 transactions.

3 B. A monthly report must be made to the members of
4 the organization. The monthly report must contain the following
5 information:

6 (1) the gross receipts from each form of lawful
7 gambling conducted;

8 (2) the cost of all prizes paid out for each form
9 of lawful gambling conducted;

10 (3) full details on all expenses related to each
11 form of lawful gambling conducted;

12 (4) records that show in detail how the profit
13 from gambling activity was expended for lawful purpose;

14 (5) detailed records of gambling equipment
15 purchases, which include type, quantity, unit cost, and from
16 whom purchased;

17 (6) a physical inventory taken at the end of each
18 month, which includes a list of all games, the registration
19 stamp number, serial number, name of game, and cost for each
20 game (any games in play are considered in inventory); and

21 (7) a bank reconciliation done each month, which
22 lists outstanding checks, deposits in transit, and beginning and
23 ending book balances for the month which correspond to the
24 profit carryover.

25 C. The following information must be filed with the
26 board monthly on forms prescribed by the board or quarterly in
27 the case of a licensed organization that does not report more
28 than \$1,000 in gross receipts from lawful gambling in any
29 calendar quarter:

30 (1) a record of lawful purpose expenditures
31 (schedule C); and

32 (2) a record of board-approved expenditures
33 (schedule D); ~~and~~

34 ~~(3) the acknowledgment and recipient forms~~
35 ~~completed for each lawful purpose expenditure included on the~~
36 ~~appropriate C or D schedules.~~

1 The reports required by this item are due on or before
2 the 20th day of the month following the close of the month in
3 which the activity being reported took place.

4 D. The following tax return and schedules must be
5 filed monthly with the Department of Revenue on forms prescribed
6 by the commissioner of revenue:

7 (1) monthly lawful gambling activity summary and
8 tax return (form G-1);

9 (a) The unpaid liabilities of the licensee
10 on allowable expenses shall be reported to the commissioner of
11 revenue on its monthly gambling tax return.

12 (b) The gambling manager and the chief
13 executive officer of the organization, or their respective
14 designees, and the person who completed the tax return must sign
15 the tax return. The organization shall inform the commissioner
16 of revenue in writing of the identity of the designees.

17 (2) summary of receipts and expenses per site
18 (schedule A);

19 (3) summary of games played and receipts per game
20 (schedule B); and

21 (4) combined receipts tax schedule (schedule E).

22 E. When an organization has a fund loss by
23 questionable means of its inventory or cash, the organization
24 may apply to the board, on a form prescribed by the board, for
25 an adjustment of its gambling banking checking account. The
26 organization shall file a fund loss report with the Department
27 of Revenue, which will make a recommendation to the board. The
28 fund loss report must include the following:

29 (1) a local law enforcement report which was
30 filed within ten days of the discovery of the loss. If a report
31 was not filed with the local law enforcement agency within ten
32 days of the discovery of the loss, the request for adjustment
33 will not be considered;

34 (2) a completed fund loss report which includes
35 the following information:

36 (a) the name and address of the

1 organization;

2 (b) the license number, premises permit
3 numbers, and effective date;

4 (c) a description of the loss, including
5 amount, date, location, and a summary of how the loss occurred,
6 including if a safe was broken into or stolen;

7 (d) a description of how the loss was
8 verified using schedule B if necessary;

9 (e) internal controls and personnel changes
10 that have been made to prevent future losses;

11 (f) when the organization received the
12 funds; and

13 (g) signatures of the chief executive
14 officer and the gambling manager; and

15 (3) all fund losses by questionable means must be
16 reimbursed to the gambling banking checking account from
17 nongambling funds, unless an adjustment to the gambling account
18 is approved by the board.

19 F. Each licensed organization that files with the
20 United States Department of the Treasury any forms that are
21 required for organizations exempt from the payment of income tax
22 shall retain a copy of those forms for 3-1/2 years, and make
23 them available to the board or the Department of Revenue upon
24 request.

25 Subp. 4. **Bank accounts.** The following items apply to bank
26 accounts:

27 A. Each organization must maintain a separate
28 gambling bank account at a financial institution, located within
29 Minnesota.

30 (1) All expenditures of gambling funds must be
31 made from the separate gambling bank account, except in case of
32 expenditures previously approved by the organization's
33 membership for emergencies. For the purposes of this item,
34 "emergencies" means a financial obligation due and payable which
35 if not met would require the organization to cease gambling.

36 (2) Gambling funds may not be transferred to the

1 organization's general bank accounts for any expenditures
2 without board approval.

3 (3) Nongambling funds ~~may~~ shall not be deposited
4 in the gambling bank account unless the organization is required
5 by the board to deposit nongambling funds in the account to
6 reimburse the account for unlawful expenditures or expenses, or
7 to bring the account into compliance with Minnesota Statutes,
8 section 349.15.

9 (4) All checks for expenditures from the gambling
10 bank account must contain two signatures of active members of
11 the organization. The treasurer of the organization may not
12 sign the checks.

13 (5) Interest income from gambling proceeds must
14 be included in gross receipts.

15 (6) Each organization shall furnish to the board
16 on a form prescribed by the board an "Authorization to Inspect
17 Bank Records," which authorizes the board and its agents, and
18 the commissioners of revenue and public safety and their agents,
19 to inspect the bank records of the organization's gambling bank
20 accounts.

21 B. Deposits of gambling receipts:

22 (1) Deposit tickets showing receipts from deals
23 of pull-tabs, tipboards, and paddlewheels must contain the state
24 registration stamp number, the amount of actual cash profit for
25 each game, and the permit number of the premises.

26 (2) Deposit tickets showing receipts from bingo
27 occasions must contain the date of each separate bingo occasion,
28 the amount of actual cash profit generated by each occasion, and
29 the permit number of the premises.

30 (3) Deposit tickets showing receipts from raffles
31 must contain the date of the raffle, actual cash profit from the
32 sale of raffle tickets, and the permit number of the premises.

33 Subp. 5. Expenditures. The following items apply to
34 expenditures of gambling funds:

35 A. The expenditure of gambling funds must be
36 authorized by the members of the organization at a regular

1 meeting of the organization and recorded in the minutes of that
2 meeting before the expenditure is made. Copies of the
3 authorization must be sent to the board upon request.

4 B. Allowable expenses:

5 (1) Except as provided in this subpart, an
6 organization may expend gambling gross profits for expenses
7 directly related to the conduct of lawful gambling, provided the
8 total percentage does not exceed the percentages specified in
9 this subpart and Minnesota Statutes, section 349.15.

10 (2) An organization may not spend gambling gross
11 profits for:

12 (a) advertising.

13 ~~(b) legal fees or damages that relate to the~~
14 ~~conduct of lawful gambling incurred in defending the~~
15 ~~organization against the board, the attorney general, the United~~
16 ~~States attorney, the commissioner of revenue, or a county or~~
17 ~~city attorney.~~

18 (3) Percentage of profit to be used for allowable
19 expenses:

20 (a) Not more than 60 percent of the gross
21 profit, less the tax imposed by Minnesota Statutes, section
22 349.212, subdivision 1, from bingo, and not more than 50 percent
23 of the gross profit may be expended for allowable expenses
24 related to lawful gambling.

25 (b) Compliance with the maximum percentage
26 of profits expended for allowable expenses must be determined on
27 an annual basis for the organization as a whole. Compliance is
28 not determined by each premises.

29 C. Lawful purpose expenditures include one or more of
30 the following:

31 (1) A contribution to an organization which:
32 (a) is classified as tax exempt under United
33 States Code, title 26, section 501(c)(3);

34 (b) spends at least 70 percent of its gross
35 revenue on programs related to its primary purpose and 30
36 percent or less on administration and operation expenses;

1 (c) does not exist primarily for the purpose
2 of receiving and distributing gambling profits;

3 (d) does not have more than 49 percent of
4 its membership in common with the contributing organization; and

5 (e) does not have an officer, director, or
6 other person in a managerial position who is also an officer,
7 director, or management person in the contributing organization.

8 (2) An expenditure by a licensed organization
9 which is classified as tax exempt under United States Code,
10 title 26, section 501(c)(3), if that expenditure is directly
11 related to the primary purpose of the organization.

12 (3) A contribution to an individual or family to
13 relieve the effects of poverty, homelessness, or physical or
14 mental disability.

15 (4) A contribution to an individual for treatment
16 of delayed posttraumatic stress syndrome if the individual has
17 documentation that the individual has been diagnosed by a
18 licensed medical doctor as suffering from posttraumatic stress
19 syndrome.

20 (5) A contribution to a recognized program for
21 the treatment of compulsive gambling on behalf of an individual
22 who is a compulsive gambler. For purposes of this item, a
23 recognized program is a program which has:

24 (a) qualified health and addictions
25 treatment personnel as recognized by a state or national
26 licensing body; or

27 (b) met the minimum standards set by the
28 National Council on Problem Gambling Certification Board and the
29 Minnesota Council on Compulsive Gambling.

30 (6) A contribution to or an expenditure on a
31 public or private nonprofit educational institution registered
32 with or accredited in Minnesota or any other state.

33 (7) A contribution to a scholarship fund for
34 defraying the cost of education to individuals, if:

35 (a) the funds are awarded through an open
36 and fair selection process that does not discriminate based on

1 race or gender;

2 (b) the scholarship is not limited to
3 members of the organization or their immediate families;

4 (c) the criteria for the selection process
5 is communicated to all participants and to all members of the
6 organization; and

7 (d) the names of the individuals awarded
8 scholarships are communicated to all members of the sponsoring
9 organization.

10 (8) A contribution to an organization or
11 governmental entity for the cost of activities recognizing
12 humanitarian or military service to the United States, the state
13 of Minnesota, or a community provided:

14 (a) the contribution is not used by or
15 intended for the personal benefit of any individual member of
16 the organization; and

17 (b) the contribution, if made to a unit of
18 government, must be acknowledged on a form provided by the board
19 showing the request from the unit of government to expend
20 gambling funds and attached to the monthly schedule C report.

21 (9) A contribution of recreational, community,
22 and athletic facilities and activities intended primarily for
23 the use of persons under the age of 21, if the following
24 conditions have been met:

25 (a) the facilities and activities do not
26 discriminate on the basis of gender and the opportunity to
27 participate reflects each gender's demonstrated interest in the
28 activity;

29 (b) equal opportunity is provided for:

30 i. the provision of equipment and
31 supplies;

32 ii. the scheduling of activities,
33 including games and practice times;

34 iii. the supply and assignment of
35 coaches or other adult supervisors;

36 iv. the provision and availability of

1 support facilities; and

2 v. demonstrated interest in the
3 activity;

4 (c) for purposes of this item, "primarily"
5 must be demonstrated by written documentation that programs for
6 persons under the age of 21 are given priority scheduling
7 consideration;

8 (d) educational institutions or other
9 entities are excepted from the above requirements as identified
10 in the Higher Education Act amendments of 1976, United States
11 Code, title 20, section 1681; and

12 (e) the board is notified 15 days prior to
13 the expenditure of the gambling funds for the erection,
14 acquisition, improvement, or expansion of real property or
15 capital assets which will be used for recreational, community,
16 or athletic facilities.

17 (10) Local gambling taxes paid to a statutory or
18 home rule city or county, provided the tax does not exceed three
19 percent of the gross receipts less prizes actually paid out by
20 the organization at the permitted premises.

21 (11) Taxes imposed by the United States on
22 receipts from lawful gambling, but not including the federal tax
23 stamp required for gambling employees.

24 (12) Taxes imposed by Minnesota Statutes, section
25 349.212, subdivisions 1 and 4.

26 (13) Taxes imposed on unrelated business income
27 by Minnesota Statutes, section 290.05, subdivision 3.

28 (14) Real estate taxes and assessments on
29 permitted gambling premises wholly owned by the licensed
30 organization, provided the expenditure does not exceed:

31 (a) for organizations which conduct
32 pull-tabs, tipboards, raffles, and/or paddlewheels, \$15,000 per
33 year;

34 (b) for organizations which conduct bingo,
35 \$200 for premises of not more than 6,000 square feet, \$300 for
36 owned bingo premises of not more than 12,000 feet, and \$400 for

1 premises of more than 12,000 square feet times the number of
2 bingo occasions conducted in a calendar year, based on the space
3 actually used for bingo.

4 (15) A contribution to the United States, the
5 state of Minnesota or any of its political subdivision, or any
6 agency or instrumentality thereof, provided:

7 (a) that for a contribution to a unit of
8 government, the contribution is documented by a form prescribed
9 by the board showing the request from a unit of government to
10 expend gambling funds; and

11 (b) that for expenditures involving
12 environmental projects, the contribution is documented by a form
13 prescribed by the board and attached to the monthly schedule C
14 showing prior review by the Department of Natural Resources.

15 (16) A contribution to, or expenditure by, a
16 nonprofit organization, church, or body of communicants gathered
17 in common membership for mutual support and identification in
18 piety, worship, or religious observances.

19 (17) Repair or maintenance of real property of
20 capital assets when the property is or will be used extensively
21 as a meeting place or event location by other nonprofit
22 organizations or community or service groups and no rental fee
23 is charged for the use, provided:

24 (a) "extensively" must be demonstrated by
25 written documentation that the facility has been used free of
26 charge by at least one group as described in this subitem;

27 (b) a board-prescribed form is completed;
28 and

29 (c) approval of the board is obtained before
30 to the expenditure.

31 (18) The erection or acquisition of a comparable
32 building to replace a building owned by the organization which
33 was destroyed or made uninhabitable by fire or natural disaster,
34 provided the expenditure, mortgage payment, or other debt
35 service payment is only for that part of the replacement cost
36 not reimbursed by insurance and the building was insured at

1 least at replacement cost value, and:

2 (a) a board-prescribed form is completed;

3 (b) board approval is obtained;

4 (c) the replacement structure:

5 i. is used for the same or similar
6 purposes as the original building;

7 ii. has essentially the same square
8 footage as the original building; and

9 (d) the following may be included:

10 i. additional costs for building code
11 requirements enacted by the local unit of government after the
12 original building was built; and

13 ii. additional costs for landscaping
14 and parking lot code requirements enacted by the local unit of
15 government after the original building was built.

16 (19) The erection or acquisition of a comparable
17 building to replace a building owned by the organization taken
18 by eminent domain or sold under the threat of eminent domain,
19 provided the expenditure, mortgage payment, or other debt
20 service payment is only for that part of the replacement cost
21 that exceeds the compensation received by the organization for
22 the building being replaced, and:

23 (a) a board-provided form is completed;

24 (b) approval of the board is obtained;

25 (c) the replacement structure:

26 i. is used for the same purposes as
27 the original building;

28 ii. has the same square footage; and

29 iii. cost is substantially the same as
30 the value of the original building except for additional costs
31 for building code requirements enacted by the local unit of
32 government after the original building was built and additional
33 costs for landscaping and parking lot code requirements enacted
34 by the local unit of government after the original building was
35 built.

36 (20) Payment of one-half of the reasonable costs

1 of an audit required in Minnesota Statutes, section 349.19,
2 subdivision 9.

3 D. Lawful purpose expenditures do not include the
4 following:

5 (1) an expenditure made or incurred for the
6 purpose of influencing the nomination or election of a candidate
7 for public office;

8 (2) a contribution for promoting or defeating a
9 ballot question;

10 (3) a contribution for any activity intended to
11 influence an election or a governmental decision-making process;

12 (4) a direct contribution to a law enforcement or
13 prosecutorial agency.

14 E. A contribution by a licensed organization to a
15 parent organization, foundation, or affiliate of the
16 contributing licensed organization is allowed under the
17 following conditions: the contributing licensed organization
18 must submit a written statement that the parent organization,
19 foundation, or affiliate has not provided to the contributing
20 licensed organization a contribution of any money, grants,
21 property, or other thing of value within one year of the
22 contribution.

23 F. A licensed organization may not contribute gross
24 gambling profits to another licensed organization unless:

25 (1) the contributing organization receives the
26 prior approval of the board;

27 (2) a board-prescribed form is completed; and

28 (3) the contributing organization demonstrates
29 that the contribution meets one or more of the lawful purposes
30 identified in item C and that the contribution is not for the
31 purpose of avoiding taxes or circumventing the restrictions
32 placed on lawful purpose expenditures by item C.

33 ~~Subp.-6.--Annual-audit-required.--An-organization-licensed~~
34 ~~to-conduct-lawful-gambling-shall-have-an-annual-audit-of-its~~
35 ~~lawful-gambling-activities, books, and accounts-conducted-by-an~~
36 ~~independent-certified-public-accountant-or-independent-licensed~~

1 public-accountant-or-a-firm-in-good-standing-with-the-Minnesota
 2 State-Board-of-Accountancy.--The-licensed-organization-must
 3 submit-the-annual-audited-financial-report-to-the-Department-of
 4 Revenue-on-or-before-the-end-of-the-sixth-month-following-the
 5 organization's-fiscal-year.

6 A.--The-annual-audited-financial-report-must-contain,
 7 in-conformity-with-accounting-practices-required-by-the-Gambling
 8 Control-Board, the-financial-condition-of-the-organization-as-of
 9 the-end-of-the-most-recent-fiscal-year-and-the-results-of-its
 10 operations-for-the-year-then-ended-and-contain-the-following
 11 information:

12 (1)-a-written-narrative-report-of-the-accountant;

13 (2)-a-balance-sheet-reporting-assets,

14 liabilities,-and-surplus;

15 (3)-a-statement-of-gain-or-loss-from-operations;

16 (4)-any-notes-to-financial-statements,-as

17 required-by-generally-accepted-accounting-principles,-and-an

18 analysis-of-any-unallowable-expenditures-reimbursed-by-the

19 licensed-organization,-and

20 (5)-supplementary-information,-which-includes-any

21 additional-information-that-the-Gambling-Control-Board-may

22 require-to-be-disclosed.

23 B.--The-Department-of-Revenue-shall-not-accept-any

24 audit-required-by-this-subpart-unless-the-audit-is-performed-by

25 an-independent-certified-public-accountant-or-independent

26 licensed-public-accountant-in-good-standing-with-the-Minnesota

27 State-Board-of-Accountancy-and-licensed-to-practice-in-Minnesota.

28 C.--A-licensed-organization-shall-file-with-the

29 Department-of-Revenue-a-report-of-the-study-and-evaluation

30 conducted-by-the-accountant-regarding-the-accounting-procedures

31 of-the-licensed-organization-and-its-system-of-internal-control,

32 including-any-remedial-action-taken-or-proposed,-filed-within-60

33 days-after-the-filing-of-the-annual-audited-financial-report.

34 The-report-concerning-the-organization's-system-of-internal

35 control-shall-be-in-the-form-prescribed-by-generally-accepted

36 auditing-standards.

1 ~~D.--Work-papers-are-the-records-kept-by-the~~
 2 ~~independent-certified-public-accountant-or-independent-licensed~~
 3 ~~public-accountant-of-the-procedures-followed,-the-tests~~
 4 ~~performed,-the-information-obtained,-and-the-conclusions-reached~~
 5 ~~pertinent-to-the-examination-of-the-financial-statements-of-a~~
 6 ~~licensed-organization.-~~

7 ~~Work-papers-include,-but-are-not-limited-to:~~

8 ~~(1)-work-programs;~~
 9 ~~(2)-analyses;~~
 10 ~~(3)-memoranda;~~
 11 ~~(4)-letters-of-confirmation-and-representation;~~
 12 ~~(5)-management-letters;~~
 13 ~~(6)-abstracts-of-company-documents,-and~~
 14 ~~(7)-schedules-or-commentaries-prepared-or~~
 15 ~~obtained-by-the-accountant-in-the-course-of-the-audit-of-the~~
 16 ~~financial-statements-of-a-licensed-organization-which-support~~
 17 ~~the-accountant's-opinion.-~~

18 ~~E.--Each-licensed-organization-required-to-file-an~~
 19 ~~annual-audited-financial-report-shall-require-the-accountant,~~
 20 ~~through-the-licensed-organization,-to-make-available-upon~~
 21 ~~request-of-the-Department-of-Revenue-the-work-papers-prepared-in~~
 22 ~~the-conduct-of-the-audit.-~~

23 ~~F.--The-licensed-organization-shall-require-that-the~~
 24 ~~accountant-retain-the-audit-work-papers-for-not-less-than-3-1/2~~
 25 ~~years-after-the-period-reported-upon.--In-the-conduct-of~~
 26 ~~periodic-reviews-by-the-board,-photocopies-of-pertinent-audit~~
 27 ~~work-papers-may-be-made-and-retained-by-the-board.-~~

28 7861.0130 EXCLUDED BINGO AND RAFFLES.

29 Subpart 1. Registration. An organization that conducts
 30 excluded bingo or raffles as allowed by Minnesota Statutes,
 31 section 349.166, must register with the board before the conduct
 32 of the lawful gambling, and, for bingo conducted pursuant to
 33 Minnesota Statutes, section 349.166, subdivision 1, paragraph
 34 (a), clause (1) or (2), must obtain prior approval of the local
 35 governing body of the township, city, or county in which the

1 bingo will be conducted. The registration must be on a form
2 prescribed by the board, which must include the following
3 information:

4 A. the name and address of the organization;

5 B. the name of the person in charge of the bingo
6 occasion and/or raffles and that person's phone number;

7 C. the type of organization (fraternal, veterans,
8 religious, or other nonprofit);

9 D. the number of bingo occasions conducted by the
10 organization in the present calendar year;

11 E. whether the bingo occasion is to be held in
12 connection with a county fair, the state fair, or a civic
13 celebration, and if so, the number of consecutive days bingo
14 will be played;

15 F. the dates of the raffle drawing, if any;

16 G. the total market value of the raffle prizes;

17 H. the signature of the organization's chief
18 executive officer; and

19 I. the local government approval form.

20 Subp. 2. Restrictions. An organization may not conduct
21 excluded bingo if it has been licensed to conduct lawful
22 gambling in the current calendar year. The organization
23 conducting lawful gambling must comply with Minnesota Statutes,
24 section 349.166.

25 7861.0140 EXEMPTED LAWFUL GAMBLING.

26 Subpart 1. Registration required. An organization that
27 conducts exempted lawful gambling must submit an application to
28 the board at least 30 days before the gambling activity is to be
29 conducted. The application fee for each activity is \$25. The
30 application must be on a form prescribed by the board and must
31 contain ~~at-a-minimum~~ the following information:

32 A. the name and address of the organization;

33 B. the current or previous license number or exempt
34 number, if any;

35 C. the name and telephone number of the chief

1 executive officer;

2 D. the name and telephone number of the treasurer;

3 E. the type of organization (fraternal, veterans,
4 religious, or other nonprofit);

5 F. the dates of activity;

6 G. the types of lawful gambling to be conducted;

7 H. the name, address, including city to township, and
8 county where the activity will be conducted; and

9 I. a completed local government notification form.

10 Subp. 2. **Required attachment.** The applicant must attach
11 to the application form proof of nonprofit status and, if the
12 organization is an other nonprofit organization, proof of
13 compliance with part 7861.0010, subpart 8.

14 Subp. 3. **Financial report required.** The organization must
15 complete and file with the board the financial report portion of
16 the exemption application within 30 days of the lawful gambling
17 activity.

18 Subp. 4. **Restrictions.** An organization conducting
19 exempted lawful gambling must comply with Minnesota Statutes,
20 section 349.166, subdivision 2. An organization that is
21 licensed may not receive an exemption permit during the same
22 calendar year it has a license.

23 7861.0150 TECHNICAL ASSISTANCE REQUIREMENTS.

24 Subpart 1. **Gambling managers.** Gambling managers are
25 required to satisfactorily complete a gambling managers seminar
26 conducted by the board.

27 Subp. 2. **Additional training.** The board may require the
28 gambling manager of a licensed organization to attend up to two
29 additional seminars a year conducted or approved by the board if
30 the gambling manager has demonstrated insufficient knowledge of
31 the laws and rules governing lawful gambling to perform properly
32 the duties for which the gambling manager is responsible under
33 part 7861.0030, subpart 9.

34 BINGO HALL LICENSES

35 7862.0010 BINGO HALL LICENSES.

1 Subpart 1. **Definitions.** For purposes of this chapter, the
2 definitions contained in part 7861.0010 apply.

3 Subp. 2. **License required.** No person, including a
4 licensed organization and a local unit of government, may lease
5 a facility to more than one organization to conduct bingo
6 without having obtained a bingo hall license. A person may
7 obtain a bingo hall license by making an application to the
8 board. An application must be considered by the board pursuant
9 to this part.

10 Subp. 3. **Qualifications.** A bingo hall license shall not
11 be issued to a person, organization, corporation, firm, or
12 partnership that is not the legal owner of the bingo hall or
13 which has as an officer, director, or other person in a
14 supervisory or managerial position who:

- 15 A. has ever been convicted of a felony;
- 16 B. has ever been convicted of a crime involving
17 gambling;
- 18 C. has ever been convicted of:
- 19 (1) assault;
- 20 (2) a crime involving the use of a firearm; or
- 21 (3) terrorist threats;
- 22 D. owes delinquent taxes in excess of \$500; or
- 23 E. after demand, has failed to file tax returns
24 required by the commissioner of revenue.

25 Subp. 4. **Restrictions.** No bingo hall licensee, person
26 holding a financial or managerial interest in a bingo hall, or
27 any affiliate may:

- 28 A. be a licensed distributor or manufacturer of
29 lawful gambling equipment or an affiliate of such distributor or
30 manufacturer;
- 31 B. be a wholesale distributor of alcoholic beverages;
- 32 C. provide any staff to conduct or assist in the
33 conduct of bingo or any other form of lawful gambling on the
34 premises;
- 35 D. acquire gambling equipment for use by an
36 organization conducting lawful gambling on the premises;

1 E. provide storage for or inventory control of
2 gambling equipment used by an organization conducting lawful
3 gambling on the premises;

4 F. prepare any reports required by part 7861.0120,
5 subpart 3, for an organization conducting lawful gambling on the
6 premises;

7 G. provide accounting services to an organization
8 conducting lawful gambling on the premises;

9 H. solicit, suggest, encourage, or make any
10 expenditure of an organization's gross receipts from lawful
11 gambling;

12 I. charge any fee without which a person could not
13 play bingo or participate in another form of lawful gambling on
14 the premises;

15 J. provide assistance or participate in the conduct
16 of lawful gambling on the premises; or

17 K. permit more than 21 bingo occasions to be
18 conducted on the premises in any week.

19 Subp. 5. Length of license. A bingo hall license expires
20 one year from the effective date of the license.

21 Subp. 6. Contents of application. The application must be
22 on a form prescribed by the board and must contain ~~at-a-minimum~~
23 the following information:

24 A. the name of the bingo hall;

25 B. the telephone number of the bingo hall;

26 C. the county where the bingo hall is located;

27 D. the street address of the bingo hall;

28 E. the mailing address of the bingo hall if different
29 than the street address;

30 F. the name of the township or city and county in
31 which the bingo hall is located;

32 G. the name and telephone number of the legal owners
33 of the bingo hall;

34 H. if the bingo hall is owned by an organization,
35 corporation, firm, or partnership, a list of the officers,
36 partners, directors, managers, and supervisors;

1 I. the legal nature of the applicant (corporation,
2 partnership, or sole proprietorship) and the applicant's
3 Minnesota tax identification number, if any;

4 J. a statement regarding the restrictions contained
5 in subpart 4;

6 K. a statement as to whether any officer, director,
7 or other person in a supervisory or management position or
8 holding a financial in the bingo hall is:

9 (1) a licensed distributor;

10 (2) a licensed manufacturer; or

11 (3) an affiliate of a wholesale distributor of
12 alcoholic beverages;

13 L. the signature of the chief executive officer of
14 the lessor;

15 M. ~~the local government~~ an acknowledgment that the
16 appropriate local unit of government under Minnesota Statutes,
17 section 349.213, subdivision 2, received the license
18 application;

19 N. the status of the bingo hall license; and

20 O. such additional information as is necessary to
21 properly identify the applicant and to ensure compliance with
22 Minnesota Statutes, sections 349.11 to 349.23.

23 Subp. 7. **Attachments to application.** The following items
24 apply to attachments to bingo hall license applications:

25 A. The bingo hall occasion list must be on a form
26 prescribed by the board and must ~~at-a-minimum~~ contain the
27 following information:

28 (1) the name of the bingo hall;

29 (2) the name of the organizations conducting
30 bingo on the premises;

31 (3) each organization's premises permit or
32 exemption permit number; and

33 (4) the days and hours of all bingo occasions,
34 including ending times for each organization conducting bingo on
35 the premises.

36 B. A bingo hall personnel form must be provided for

1 the owners of the bingo hall and, if the bingo hall is owned by
 2 an organization, corporation, firm, or partnership, by the
 3 officers, directors, managers, and supervisors. The bingo hall
 4 personnel form must be on a form prescribed by the board and
 5 must ~~at-a-minimum~~ contain the following information:

6 (1) the name, phone number, and full address of
 7 the bingo hall;

8 (2) full name, home or business address, date of
 9 birth, place of birth, social security number, and full name of
 10 spouse;

11 (3) driver's license number, including state of
 12 registration;

13 (4) branch of military service, if any, and dates
 14 of service;

15 (5) citizenship information;

16 (6) position with bingo hall and work phone
 17 number;

18 (7) employment history for past ten years;

19 (8) places of residence for past ten years;

20 (9) criminal history statement, except petty
 21 misdemeanors;

22 (10) name, address, and license or exemption
 23 permit number of any organization conducting lawful gambling in
 24 Minnesota of which the applicant is a member; and

25 (11) signature and date signed.

26 C. A bingo hall personnel affidavit must be
 27 completed, signed, and notarized by the applicant.

28 D. A copy of the resolution of the local unit of
 29 government approving the application pursuant to subpart 10.

30 Subp. 8. **Changes in application information.** If any
 31 information submitted in the application changes, the bingo hall
 32 applicant or licensee must notify the board and the appropriate
 33 local unit of government under Minnesota Statutes, section
 34 349.213, subdivision 2, within ten days of the change.

35 Subp. 9. **License fee.** The annual fee for a bingo hall
 36 license is \$2,500. License fees are not prorated or

1 transferable.

2 Subp. 10. **Local approval.** The following items apply to
3 local approval or denial of bingo hall applications:

4 A. The applicant must take the bingo hall application
5 to the clerk of the appropriate local unit of government under
6 Minnesota Statutes, section 349.213, subdivision 2, and request
7 that the local unit of government pass a resolution approving
8 the bingo hall application. The resolution must be adopted no
9 earlier than 60 days before the date that the application is
10 received by the board.

11 B. The applicant shall attach to the application a
12 copy of the resolution of the local unit of government approving
13 the bingo hall when submitting the application to the board. An
14 application which does not have a resolution approving the bingo
15 hall attached will not be accepted by the board.

16 Subp. 11. **Issuance and denial.** The following items apply
17 to the issuance and denial of bingo hall licenses:

18 A. The board ~~may~~ shall issue a bingo hall license to
19 an applicant who submits the information required by subparts 6
20 and 7, pays the fee required by subpart 9, obtains the local
21 approval required by subpart 10, and is eligible to be licensed
22 pursuant to this part and Minnesota Statutes, section 349.164.
23 A license issued by the board pursuant to this part shall be
24 effective on the first day of a month.

25 B. The board shall deny the application of a person
26 ineligible to hold a license pursuant to this part or Minnesota
27 Statutes, section 349.164.

28 C. A person who has never held a bingo hall license
29 or whose application for renewal of a bingo hall license was
30 submitted after the expiration of the license is not entitled to
31 an administrative appeal of the board's denial of the person's
32 application.

33 Subp. 12. **Renewals.** The following items apply to bingo
34 hall license renewals:

35 A. To renew a license at the end of a term, a bingo
36 hall licensee must submit a complete renewal application on a

1 form prescribed by the board at least 75 days before the
 2 expiration of the licensee's existing bingo hall license. A
 3 renewal application is not complete until it contains the
 4 information required in subparts 6 and 7, the fee required by
 5 subpart 9, and the proof of local approval required by subpart
 6 10.

7 Complete applications received by the board less than 75
 8 days before the expiration of the applicant's existing license
 9 will be considered pursuant to this part but, if the applicant
 10 is entitled to a renewed license, the board ~~need~~ will not issue
 11 that renewed license until the first day of the month following
 12 the expiration of 75 days after the board has received the
 13 complete application. A bingo hall shall not continue to
 14 operate after the expiration of its license unless and until it
 15 receives a renewed license.

16 B. An application for renewal of a bingo hall license
 17 shall be denied by the board if:

18 (1) the applicant is ineligible for a license
 19 pursuant to this part or Minnesota Statutes, section 349.164;

20 (2) the proposed bingo hall site is a site where
 21 illegal gambling has occurred within the last 12 months; or

22 (3) it remains incomplete for more than 90 days
 23 after its initial submission.

24 C. Appeals:

25 (1) An applicant that the board determines has
 26 failed to submit a complete renewal application at least 75 days
 27 before the expiration of an existing bingo hall license may
 28 appeal that determination by filing a written request for a
 29 contested case hearing with the board before the expiration of
 30 the existing bingo hall license. The director shall schedule a
 31 contested case hearing before an administrative law judge
 32 pursuant to Minnesota Statutes, chapter 14. ~~When-possible,~~ The
 33 hearing must be held less than 30 days after the service of a
 34 Notice and Order for Hearing if allowed by the chief
 35 administrative law judge pursuant to part 1400.5600, subpart 3.
 36 ~~In-any-event,-all-practicable-efforts-must-be-made-to-hold-a~~

1 ~~hearing, receive the administrative law judge's recommendation,~~
 2 ~~and make a final agency decision before the expiration of the~~
 3 ~~licensee's existing license.~~ The board must issue its final
 4 decision within 30 days after receipt of the administrative law
 5 judge's report and subsequent exceptions and argument under
 6 Minnesota Statutes, section 14.61. The sole issue at the
 7 hearing is whether the applicant submitted a complete
 8 application at least 75 days before the expiration of the
 9 applicant's existing license.

10 (2) A bingo hall owner whose renewal application
 11 has been denied may appeal that denial by requesting a contested
 12 case hearing pursuant to Minnesota Statutes, chapter 14. The
 13 request must be made in writing and received by the board no
 14 later than ten days after the bingo hall licensee receives the
 15 denial of the renewal application. Upon receipt of the request,
 16 the director shall schedule a contested case hearing before an
 17 administrative law judge pursuant to Minnesota Statutes, chapter
 18 14. ~~When possible,~~ The hearing must be held less than 30 days
 19 after the service of a Notice and Order for Hearing if allowed
 20 by the chief administrative law judge pursuant to part
 21 1400.5600, subpart 3. ~~In any event, all practicable efforts~~
 22 ~~must be made to hold a hearing, receive the administrative law~~
 23 ~~judge's recommendation, and make a final agency decision before~~
 24 ~~the expiration of the existing bingo hall license.~~ The board
 25 must issue its final decision within 30 days after receipt of
 26 the administrative law judge's report and subsequent exceptions
 27 and argument under Minnesota Statutes, section 14.61.

28 DISTRIBUTORS

29 7863.0010 DISTRIBUTORS.

30 Subpart 1. Definitions. For purposes of this chapter, the
 31 definitions contained in part 7861.0010 apply.

32 Subp. 2. License required. No person may sell, offer for
 33 sale, or otherwise furnish gambling equipment without having
 34 obtained a distributor's license. Annual application must be
 35 made for a distributor's license.

1 Subp. 3. **Qualifications.** A license may not be issued to a
2 person or to a corporation, firm, or partnership which has any
3 officer, director, or other person in a supervisory or
4 management position or employee eligible to make sales who:

5 A. has ever been convicted of a felony;

6 B. has ever been convicted of a crime involving
7 gambling;

8 C. has ever been convicted of:

9 (1) assault;

10 (2) a criminal violation involving the use of a
11 firearm; or

12 (3) terroristic threats;

13 D. is or has ever been engaged in an illegal
14 business;

15 E. owes \$500 or more in delinquent taxes;

16 F. has had a sales and use tax permit revoked by the
17 commissioner of revenue within the last two years;

18 G. after demand, has not filed tax returns required
19 by the commissioner of revenue; or

20 H. is a wholesale distributor of alcoholic beverages
21 or an employee of a wholesale distributor of alcoholic beverages.

22 Subp. 4. **Restrictions.** No distributor or any
23 representative, agent, affiliate, or employee of a distributor
24 may:

25 A. be involved in the conduct of lawful gambling by
26 an organization;

27 B. keep or assist in keeping an organization's
28 financial records, accounts, or inventories;

29 C. prepare or assist in the preparation of the
30 reports required to be submitted under part 7861.0120, subpart
31 3;

32 D. provide to a lessor of gambling premises any
33 compensation, gift, gratuity, premium, or other thing of value;

34 E. participate in any gambling activity at any
35 gambling premises where gambling equipment purchased from that
36 distributor is used in the conduct of lawful gambling;

1 F. alter or modify any gambling equipment, except to
2 add a last ticket sold pay sticker;

3 G. recruit a person to become a gambling manager or
4 identify to an organization a person as a candidate to become a
5 gambling manager;

6 H. identify for an organization a potential gambling
7 location;

8 I. purchase gambling equipment from any person not
9 licensed as a manufacturer under part 7864.0010;

10 J. lease premises to an organization for the conduct
11 of lawful gambling; or

12 K. be an officer or director of an organization which
13 conducts lawful gambling.

14 Subp. 5. Length of license. A distributor license expires
15 one year from the effective date of the license.

16 Subp. 6. Contents of application. The application must be
17 on a form provided by the board, and must contain ~~at-a-minimum~~
18 the following information:

19 A. the complete name of the applicant and any other
20 names used;

21 B. the mailing address of the applicant;

22 C. the office address, if different than the mailing
23 address;

24 D. the telephone number of the applicant;

25 E. the legal nature of the applicant (corporation,
26 firm, partnership, or sole partnership);

27 F. the Minnesota tax identification number of the
28 applicant, if any;

29 G. a list of all persons with a direct or indirect
30 financial interest in the applicant;

31 H. a list of the owners, partners, officers,
32 directors, managers, supervisors, and employees eligible to make
33 sales on behalf of the applicant;

34 I. the address of the facility where gambling
35 equipment and supplies are unloaded in this state prior to sale;

36 J. a statement regarding the restrictions contained

1 in subpart 2, item E;

2 K. the name, address, and account number of all
3 business bank accounts for the applicant;

4 L. the signature of the chief executive officer; and

5 M. additional information as necessary to identify
6 the applicant and ensure compliance with Minnesota Statutes,
7 sections 349.11 to 349.23.

8 Subp. 7. **Attachments to application.** The following items
9 apply to attorney attachments to a distributor's application:

10 A. A distributor personnel form must be completed by
11 each owner, partner, director, officer, manager, supervisor, or
12 person eligible to make sales on behalf of the distributor. The
13 form, prescribed by the board, must contain the following
14 information:

15 (1) name, phone number, and full address of
16 applicant;

17 (2) full name, home or business address, date of
18 birth, place of birth, social security number, and full name of
19 spouse;

20 (3) driver's license number, including state of
21 registration;

22 (4) branch of military service, if any, and dates
23 of service;

24 (5) country of citizenship;

25 (6) position with distributor and work phone
26 number;

27 (7) employment history for past ten years;

28 (8) places of residence for past ten years;

29 (9) criminal history statement (except petty
30 misdemeanors);

31 (10) name, address, and license or exemption
32 permit number of any organization of which the person is a
33 member;

34 (11) signature of person and date signed; and

35 (12) additional information as necessary to
36 properly identify the person and ensure compliance with

1 Minnesota Statutes, section 349.11 to 349.23.

2 B. A distributor personnel affidavit must be
3 completed, signed, and notarized by the owners, partners,
4 officers, directors, managers, supervisors, and persons eligible
5 to make sales on behalf of the distributor. "A person eligible
6 to make sales" means a person who participates in or represents
7 a distributor in any portion of a transaction that results in
8 the sale of gambling equipment.

9 C. A current photograph of the applicant.

10 Subp. 8. Identification card. Before a person may perform
11 employment services, including sales, for a distributor, the
12 board must issue the person an identification card. The
13 identification card must be in the possession of the employee at
14 all times the employee is performing services on behalf of the
15 distributor. The identification card must be on a form
16 prescribed by the board and must contain:

- 17 A. a picture of the person;
18 B. the name of the person;
19 C. the name of the distributor;
20 D. the license number and expiration date of the
21 distributor's license;
22 E. the address and business phone number of the
23 distributor;
24 F. the signature of the distributor; and
25 G. the date of issue and the signature of the
26 director.

27 The picture identification card is the property of the
28 state of Minnesota and must be returned to the board if the
29 bearer is no longer eligible to conduct sales or is no longer
30 employed by the distributor.

31 No person may be employed by or possess a picture
32 identification card from more than one licensed distributor.

33 Subp. 9. Changes in application information. If any
34 information submitted in the application changes, the
35 distributor must notify the board in writing within ten days of
36 the change.

1 Subp. 10. License fee. The annual fee for a distributor's
2 license is \$2,500. License fees are not prorated or
3 transferable.

4 7863.0020 DISTRIBUTOR OPERATIONS, ACCOUNTS, AND REPORTS.

5 Subpart 1. Purchase of gambling equipment. A distributor
6 may not purchase or otherwise obtain gambling equipment from any
7 manufacturer unless the manufacturer selling or otherwise
8 providing the gambling equipment has a valid license issued by
9 the board.

10 A distributor may not purchase any deal of pull-tabs or
11 tipboards from a manufacturer unless the manufacturer meets the
12 requirements in part 7864.0020.

13 Subp. 2. Sale of gambling equipment. The following items
14 apply to sales of gambling equipment:

15 A. Sales to organizations:

16 (1) A distributor may not sell or furnish to any
17 organization any gambling equipment unless the organization has
18 a valid license issued by the board, is exempt from licensing
19 and holds a valid exemption permit, or is excluded from
20 licensing under Minnesota Statutes, section 349.166.

21 (2) A distributor may not sell or furnish to any
22 organization any gambling equipment before the effective date of
23 the organization's license.

24 (3) A distributor may not sell or furnish to any
25 organization any deal of pull-tabs or tipboards unless the deal
26 meets all the requirements in part 7864.0020.

27 B. A distributor, or a representative, agent,
28 affiliate, or employee of a distributor, may not directly or
29 indirectly give gifts, trips, prizes, loans of money, premiums,
30 or other gratuities to gambling organizations, or their
31 employees, other than nominal gifts not to exceed a value of \$25
32 per organization in a calendar year.

33 C. Rebates of purchase prices or discounts offered by
34 a distributor must be separately stated on the original purchase
35 invoice or separately invoiced on a credit memo referencing the

1 original sales invoice and contained in the monthly pricing
2 report.

3 D. Gambling equipment sold for in-state use must be
4 delivered to the gambling manager or the gambling manager's
5 authorized representative.

6 E. Gambling equipment sold by distributors to
7 out-of-state customers for use out of state must be shipped
8 directly from the distributor to the out-of-state site.

9 F. No mechanical or coin-operated pull-tab dispensing
10 device shall be sold or otherwise furnished to any organization
11 in this state.

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

14 A. A distributor may not sell, transfer, furnish, or
15 otherwise provide any gambling equipment unless the equipment
16 has been registered with the board and has a registration stamp
17 affixed.

18 B. For gambling equipment actually held in inventory
19 by a distributor before August 1, 1990, the distributor shall
20 place a state registration stamp on the flare of each deal of
21 pull-tabs and each flare for a tipboard.

22 C. For gambling equipment received by a distributor
23 from a manufacturer on or after August 1, 1990, a distributor
24 shall place a state registration stamp on each master flare for
25 a group of up to 100 paddleticket cards, on the front of each
26 paddlewheel, and on each device for selecting bingo numbers.
27 This requirement does not apply to sales by distributors to
28 out-of-state customers for use out of state.

29 D. The board shall furnish consecutively numbered
30 state registration stamps to each distributor at the cost of
31 five cents each. For equipment that the distributor is required
32 to register, the distributor shall write legibly in ink the
33 manufacturer's game serial number and state registration number
34 on the stamp and affix the stamp directly to the front of the
35 flare of a pull-tab game, the flare for a tipboard, and the
36 master flare for all paddleticket cards before making delivery

1 to any organization.

2 E. Registration stamps must be placed by a
3 distributor on items that are authorized for use within
4 Minnesota.

5 F. A distributor may not transfer or furnish
6 Minnesota registration stamps to any person, distributor, or
7 manufacturer.

8 G. The distributor shall return any and all unused
9 state registration stamps in its possession to the board within
10 five days after the distributor ceases doing business.

11 Subp. 4. **Records and reports required.** The following
12 items apply to records and reports of distributors:

13 A. Sales invoice:

14 (1) A distributor who sells, leases, or otherwise
15 provides gambling equipment must record the transaction on a
16 sales invoice.

17 (2) A sales invoice must be on a standard form
18 prescribed by the commissioner of revenue and must contain the
19 following information:

20 (a) the license number of the distributor;

21 (b) the complete business name and address
22 of the organization;

23 (c) the license number and expiration date
24 of the license of the organization or the exemption permit
25 number of the organization;

26 (d) the invoice number;

27 (e) the date the gambling equipment was
28 shipped;

29 (f) the quantity by the number of deals for
30 pull-tabs, by the number of boards for tipboards, and by the
31 number of paddleticket cards for paddletickets;

32 (g) a full description of each item of
33 gambling equipment sold;

34 (h) state registration stamp numbers for
35 each item of gambling equipment sold;

36 (i) the ideal gross receipts for each type

1 of pull-tab, tipboard, and paddleticket game;

2 (j) the ideal net receipts for each type of
3 pull-tab, tipboard, and paddleticket game;

4 (k) the identity of the manufacturer from
5 which the distributor purchased the equipment;

6 (l) the date of the sale of the gambling
7 equipment;

8 (m) the name of the person who ordered the
9 equipment;

10 (n) the name of the person who received the
11 equipment;

12 (o) for bingo cards or sheets sold on or
13 after January 1, 1991, the individual number of each card; and

14 (p) the serial number of the equipment.

15 B. A registration stamp number log in which the
16 Minnesota gambling registration stamp numbers and the
17 manufacturer's game serial numbers are recorded must be
18 maintained by the distributor on a standard form prescribed by
19 the board and furnished to the board upon demand.

20 C. A licensed distributor must submit a monthly
21 pricing report to the board on a form approved by the board and
22 must include:

23 (1) the name, license number, and full address of
24 distributor;

25 (2) the month and year of the report; and

26 (3) the form, description, card count, top
27 winners, gross profit, percent to players, deals per case, price
28 per deal, and volume discounted price, exclusive of
29 transportation costs.

30 The report must be filed no later than the first day of
31 each month. Amendments must be filed within five days of the
32 filing. A computer-generated form may be used with the approval
33 of the director if the form complies with the requirements of
34 this subpart.

35 D. Each distributor shall mail a copy of each sales
36 invoice, as described in this subpart, to the commissioner of

1 revenue to be received by the 15th of the month following the
2 month in which the sale was completed along with the
3 corresponding registration stamp log.

4 E. Report of delinquent organization required:

5 (1) A distributor shall notify the board by
6 registered mail if a licensed organization is more than 35 days
7 delinquent in its payment to the distributor of tax obligations
8 or costs of equipment.

9 (2) The board shall notify the licensed
10 organization of the delinquency and direct the organization to
11 eliminate the delinquency, if one exists.

12 (3) If the board is notified that the delinquency
13 has not been paid within ten days of the distributor's initial
14 notification to the board, the board shall notify all licensed
15 distributors that no registered gambling equipment may be sold,
16 offered for sale, or furnished to that organization.

17 (4) A distributor may not sell, offer for sale,
18 or furnish gambling equipment to an organization that has been
19 determined by the board to be 45 or more days delinquent in its
20 payment to a licensed distributor of a tax obligation or the
21 costs of gambling equipment.

22 (5) When the delinquency is paid, the distributor
23 must immediately notify the board and the board shall notify all
24 licensed distributors.

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

29 G. Each distributor shall maintain records of the
30 purchase and sale, lease, rental, or loan of gambling equipment
31 for 3-1/2 years.

32 MANUFACTURERS

33 7864.0010 LICENSED MANUFACTURERS.

34 Subpart 1. Definitions. For purposes of this chapter, the
35 definitions contained in part 7861.0010 apply.

1 Subp. 2. License required. A manufacturer of gambling
2 equipment may not sell any gambling equipment to any person
3 without having obtained a manufacturer's license. Annual
4 application must be made for a manufacturer's license.

5 Subp. 3. Qualifications. A license may not be issued to a
6 person, or to a corporation, firm, or partnership, that has an
7 officer, director, or other person in a supervisory or
8 management position or person eligible to make sales on behalf
9 of the manufacturer, a person who:

10 A. has ever been convicted of a felony;

11 B. has ever been convicted of a crime involving
12 gambling;

13 C. has ever been convicted of:

14 (1) assault;

15 (2) a crime involving the use of a firearm; or

16 (3) terroristic threats;

17 D. is or has ever been engaged in an illegal
18 business;

19 E. owes \$500 or more in delinquent taxes;

20 F. has had a sales and use tax permit revoked by the
21 commissioner of revenue within the last two years; or

22 G. has had a license related to gambling revoked or
23 denied by another jurisdiction for a violation of law or rule.

24 Subp. 4. Restriction. No manufacturer may:

25 A. sell gambling equipment to any person not licensed
26 as a distributor under part 7863.0010;

27 B. sell gambling equipment to a distributor in this
28 state that has the same serial number as another item of
29 gambling equipment of the same type sold by the manufacturer for
30 use in this state;

31 C. be directly or indirectly licensed as a
32 distributor unless the manufacturer does not manufacture any
33 gambling equipment other than paddlewheels and was licensed as
34 both a manufacturer and distributor on May 1, 1990;

35 D. participate in the conduct of lawful gambling or
36 have an owner, officer, director, partner, or employee who is an

1 officer, director, or gambling manager of any organization
2 conducting lawful gambling;

3 E. be an owner, officer, director, or partner of a
4 wholesale alcoholic beverage distributor;

5 F. provide or permit an affiliate or person acting on
6 behalf of the manufacturer to provide any compensation, gift,
7 gratuity, premium, contribution, or thing of value to a lessor
8 of gambling premises; or

9 G. provide or permit an affiliate or person acting on
10 behalf of the manufacturer to provide any compensation, gift,
11 gratuity, premium, contribution, or thing of value to an
12 appointed official.

13 Subp. 5. Length of license. A manufacturer's license
14 expires one year from the effective date of the license.

15 Subp. 6. Contents of application. The application must be
16 on a form prescribed by the board and include ~~at-a-minimum~~ the
17 following information:

18 A. the business name and other names used, address,
19 and phone number of the applicant;

20 B. the Minnesota tax identification number, if any,
21 of the applicant;

22 C. the type of business (sole proprietorship,
23 partnership, or corporation);

24 D. the type of product to be sold in Minnesota;

25 E. the full names and titles of the owners, officers,
26 directors, supervisors, managers, and sales employees;

27 F. the addresses of all facilities where gambling
28 equipment is manufactured;

29 G. the name, address, and telephone number of the
30 applicant's registered agent in Minnesota;

31 H. the signature of the chief executive officer; and

32 I. additional information as is necessary to properly
33 identify the applicant and to ensure compliance with Minnesota
34 Statutes, sections 349.11 to 349.23.

35 Subp. 7. Attachments to application. The following items
36 apply to attachments to manufacturer's license applications:

1 A. A manufacturer's personnel form must be completed
2 by each owner ~~or, if a corporation or partnership, each,~~
3 partner, officer, director, supervisor, manager, or person
4 eligible to make sales on behalf of the manufacturer in
5 Minnesota. The manufacturer's personnel form must include ~~at a~~
6 ~~minimum,~~ the following information:

7 (1) the name, address, phone number, and license
8 number, if issued, of the manufacturer;

9 (2) the individual's full name, address, date of
10 birth, place of birth, social security number, telephone number,
11 and full name of the spouse;

12 (3) the driver's license number, including state
13 of registration;

14 (4) the branch of military service information,
15 if any, and dates of service;

16 (5) the country of citizenship;

17 (6) the position with the manufacturer and work
18 phone;

19 (7) the employment history for the last ten
20 years;

21 (8) the places of residence for the last ten
22 years;

23 (9) the name, address, and license or exemption
24 permit number of any organization conducting lawful gambling in
25 Minnesota of which the person is a member;

26 (10) a criminal history statement, except petty
27 misdemeanors;

28 (11) the signature of the person and date signed;
29 and

30 (12) any additional information as is necessary
31 to properly identify the person and to ensure compliance with
32 Minnesota Statutes, sections 349.11 to 349.23.

33 B. An affidavit must be signed and notarized by the
34 applicant and by the officers, directors, partners, supervisors,
35 managers, and persons eligible to make sales on behalf of the
36 applicant in Minnesota.

1 C. The manufacturer must submit a copy of its logo or
2 trademark which will be used to identify the manufacturer on all
3 products sold in Minnesota.

4 Subp. 8. **Changes in application information.** Any changes
5 in the information submitted in the application must be filed
6 with the board within ten days after the change.

7 Subp. 9. **License fee.** The annual manufacturer's license
8 fee is \$2,500. License fees are not prorated or transferable.

9 Subp. 10. **Investigation.** Before granting or renewing a
10 manufacturer's license, the board ~~may~~ shall conduct, or request
11 the director of gambling enforcement to conduct, a background
12 investigation, ~~including~~ which may include a review of the
13 applicant's sources of financing, ownership, and organizational
14 structure.

15 7864.0020 MANUFACTURER OPERATIONS, ACCOUNTS, AND RECORDS.

16 Subpart 1. **Sale of gambling equipment.** The following
17 items apply to the sale of gambling equipment:

18 A. Before the sale of gambling equipment in
19 Minnesota, the manufacturer must submit to the board a sample of
20 its gambling equipment. The board shall inspect the product to
21 determine if it meets the criteria and standards established by
22 law and rule. The board shall notify the manufacturer within 15
23 days of the board's decision whether the product is approved for
24 sale in this state.

25 B. A manufacturer may not sell or make available to
26 any distributor any gambling equipment unless the distributor
27 has a valid license issued by the board.

28 C. A manufacturer may not sell or provide any deal of
29 pull-tabs or tipboards to a licensed distributor unless the deal
30 meets the standards established in subpart 2.

31 (1) The manufacturer must place the flare for
32 each pull-tab deal and each tipboard deal, with the Minnesota
33 registration stamp affixed, inside the wrapping of each deal.

34 (2) The manufacturer must provide a master flare
35 with each sealed grouping of up to 100 paddleticket cards.

1 (3) Each flare must fully describe the prizes and
2 winning number, symbol, set of symbols, notice to pull-tab
3 purchasers, and the bar code according to standards prescribed
4 by the commissioner of revenue, and manufacturer's label or
5 trademark. Each flare must also contain the odds, house
6 percentage, or number of tickets.

7 D. A manufacturer may not sell, offer for sale, or
8 otherwise provide a coin-operated or mechanical pull-tab
9 dispensing device to any distributor in this state.

10 Subp. 2. Standards of pull-tabs and tipboards. The
11 following items apply to pull-tabs and tipboards:

12 A. All pull-tab tickets sold in this state must
13 conform to the following standards:

14 (1) Pull-tabs must be constructed so that
15 concealed numbers or symbols cannot be viewed or determined from
16 the outside of the pull-tab ticket using a high intensity lamp
17 of 500 watts. Protection must be provided by using opaque paper
18 stock or by use of an aluminum foil laminate.

19 (2) The deal must be assembled so that winners
20 are placed randomly throughout the deal.

21 (3) The minimum information printed on a
22 pull-tab, or if starred (*) on a single folded or banded ticket,
23 must include:

24 *(a) the name of the manufacturer or its
25 distinctive logo;

26 (b) the name of the game;

27 (c) the manufacturer's form number;

28 (d) the price per individual pull-tab;

29 *(e) the unique minimum five-digit game

30 serial number, printed on the game information side of the
31 pull-tab which must not be repeated on the same form number for
32 three years; and

33 (f) the number of winners, and respective
34 winning numbers or symbols, and prize amounts unless a flare is
35 included giving that information.

36 (4) The deal must be designed, constructed,

1 glued, and assembled in such a manner as to prevent the
2 determination of a winning ticket without removing the tabs or
3 otherwise uncovering the symbols or numbers. Each ticket in a
4 deal must bear the same serial number. There must not be more
5 than one serial number in one deal.

6 The numbers or symbols must be fully visible in the window
7 and must be centered so that no part of a symbol or number
8 remains covered when the tab is removed.

9 (5) It must not be possible to isolate winning
10 pull-tabs from variations in size or the appearance of a cut
11 edge of the pull-tab.

12 (6) It must not be possible to detect or pick out
13 winning pull-tabs through variations in printing graphics or
14 colors.

15 (7) A unique symbol or printed security device,
16 such as a specific number keyed to particular winners, or the
17 name of the symbol or some of the symbol colors changed for a
18 winner, or other similar protection must be placed in the
19 winning windows. This item does not apply to numeral games.

20 (8) All pull-tabs sold in this state must be
21 packaged as follows:

22 (a) Each deal's package, box, or other
23 container must be sealed at the factory with a seal including a
24 warning to the purchaser that the game may have been tampered
25 with if the package, box, or container was received by the
26 purchaser with the seal broken.

27 (b) A deal's serial number must be clearly
28 and legibly placed on the outside of the deal's package, box, or
29 other container.

30 (c) For games shipped to Minnesota for sale
31 in this state, the flare for the game must be located on the
32 outside of each game's sealed package, box, or other container.

33 B. All tipboard tickets sold in this state must
34 conform to the following standards:

35 (1) Each tipboard ticket must contain the
36 manufacturer's name, label, or trademark. The label or

1 trademark must be filed with the board before the sale of the
2 tipboard ticket by the manufacturer.

3 (2) Deals of tipboard tickets must be
4 manufactured, assembled, and packaged so that none of the
5 winning tipboard tickets, nor the location or approximate
6 location of any of the winning tipboard tickets, can be
7 determined in advance of opening the tipboard tickets in any
8 manner or by any device, including but not limited to any
9 pattern in manufacture, assembly, packaging, markings, or by the
10 use of a light.

11 (3) On banded tipboard tickets, the minimum
12 four-digit serial number and the name of the manufacturer must
13 be printed so both are readily visible before opening the
14 tipboard ticket.

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

17 A. A manufacturer must affix a Minnesota registration
18 stamp to the flare for each deal of pull-tabs and each deal of
19 tipboards which are shipped, sold, furnished, or provided for
20 use in Minnesota, or to any person or location in Minnesota.

21 (1) Consecutively numbered state registration
22 stamps shall be sold by the board to each pull-tab or tipboard
23 manufacturer at the cost of five cents each.

24 (2) A manufacturer may not place a Minnesota
25 registration stamp on any item or product shipped, sold, or
26 provided for use in other states or counties.

27 (3) A manufacturer may not transfer or furnish
28 Minnesota registration stamps to any other manufacturer, any
29 distributor, or any other person, other than a representative of
30 the board or the commissioner of revenue.

31 (4) The manufacturer shall legibly write in ink,
32 or legibly imprint in ink, the serial number of the pull-tab or
33 tipboard game on the registration stamp. The serial number must
34 match the serial number written or imprinted on the flare for
35 that deal, and must also match the serial number imprinted on
36 each ticket in the deal.

1 (5) Defective or unusable registration stamps may
2 be returned by a manufacturer to the board. The board may
3 reimburse or credit the manufacturer for any registration stamps
4 returned. The board may refuse reimbursement or credit for
5 returned registration stamps if the stamps have been altered or
6 rendered unusable by the manufacturer.

7 (6) Minnesota registration stamps affixed to
8 flares of returned or unusable pull-tab or tipboard deals which
9 were previously stamped by a manufacturer must be voided by that
10 manufacturer.

11 (a) The manufacturer shall write, in ink,
12 the word "VOID" across the face of the registration stamp and
13 shall retain the flares, with the voided registration stamps
14 affixed, for a period of 3-1/2 years.

15 (b) Voided registration stamps should be
16 reported to the commissioner of revenue as described in subitem
17 (4).

18 (c) The deal associated with any voided
19 registration stamp must be either destroyed, sold for use in a
20 location other than Minnesota, or, if intended for shipment or
21 sale to a Minnesota location, be provided with a new flare
22 having a new registration stamp affixed to it.

23 (d) Manufacturer records and monthly reports
24 to the commissioner of revenue must document these transactions.

25 (7) The manufacturer shall return all unused
26 registration stamps to the board within five days after the
27 cessation of business.

28 B. All gambling equipment sold by a licensed
29 manufacturer for use in Minnesota must be manufactured in a
30 manner that would permit the manufacturer to identify the buyer
31 of the gambling equipment and provide the identity of the buyer
32 at the request of the board.

33 C. All gambling equipment which is sold by a licensed
34 manufacturer to a licensed distributor for use in Minnesota must
35 have a legible and discernible logo or identification of the
36 licensed manufacturer.

1 Subp. 4. Records and reports. The following items apply
2 to manufacturers records of reports:

3 A. A licensed manufacturer must submit a monthly
4 pricing report to the board. The report must be on a form
5 approved by the board and at a minimum include:

6 (1) the name, license number, and full address of
7 manufacturer;

8 (2) the month and year of report; and

9 (3) the form, description, card count, top
10 winners, gross profit, percent to players, deals per case, price
11 per deal, and volume discounted price, exclusive of
12 transportation costs.

13 The report must be filed no later than the first day of
14 each month. Amendments must be filed within five days of the
15 filing. A computer-generated format may be used with the
16 approval of the director if it substantially complies with the
17 requirements of this part.

18 B. A manufacturer must report monthly to the
19 commissioner of revenue, on a form prescribed by the
20 commissioner. This report must include an accounting for all
21 registration stamps used, returned, voided, ruined, destroyed,
22 or otherwise disposed of during the report period. The report
23 is due on the 25th day of the month which succeeds the month in
24 which the registration stamp use takes place.

25 C. Delinquent distributors:

26 (1) A licensed manufacturer shall notify the
27 board by registered mail if a licensed distributor is more than
28 30 days delinquent in its payment to that manufacturer.

29 (2) The board shall notify that licensed
30 distributor of the delinquency and direct the distributor to
31 eliminate the delinquency, if one exists.

32 (3) The board must be notified by the licensed
33 manufacturer that the delinquency is paid or that no delinquency
34 exists within ten days of the licensed manufacturer's initial
35 notification to the board.

36 (4) If the board is notified that the delinquency

1 has not been paid within ten days of the manufacturer's initial
2 notification to the board, the board shall notify all licensed
3 manufacturers that no gambling equipment may be sold, offered
4 for sale, or furnished to that distributor.

5 (5) When the delinquency is paid, the board shall
6 notify all licensed manufacturers.

7 D. Examination of books and records:

8 (1) The board and the commissioner of revenue or
9 public safety and their agents may examine the books and records
10 of any manufacturer without notice at any time during normal
11 business hours.

12 (2) If the manufacturer fails to comply with this
13 subpart, the board shall notify the manufacturer in writing that
14 the manufacturer is responsible for the travel and living
15 expenses of board staff while examining the manufacturer's books
16 and records.

17 E. A manufacturer must maintain records which fully
18 account for their receipt and use of all Minnesota registration
19 stamps for a period of 3-1/2 years.

20 DISCIPLINARY ACTIONS

21 7865.0010 COMPLIANCE REVIEW GROUP.

22 Subpart 1. **Establishment.** The chair of the board shall
23 appoint at least one panel consisting of at least three board
24 members to serve as a compliance review group. Compliance
25 review groups will meet as necessary to exercise the powers and
26 duties granted to them by subpart 2.

27 Subp. 2. **Powers and duties.** Each compliance review group
28 may:

29 A. meet as necessary to consider alleged violations
30 of laws or rules related to lawful gambling by persons licensed
31 under Minnesota Statutes, chapter 349;

32 B. direct the director to initiate investigations of
33 persons licensed under Minnesota Statutes, chapter 349, for the
34 purpose of determining whether laws or rules related to lawful
35 gambling have been violated;

1 C. require any person or entity licensed under
2 Minnesota Statutes, chapter 349, to appear before it to discuss
3 alleged violations of laws or rules related to lawful gambling;

4 D. conduct hearings according to this subpart;

5 E. negotiate proposed consent orders with licensees
6 to resolve any violations of laws or rules related to lawful
7 gambling;

8 F. enter into consent orders with licensees to
9 resolve any violations of laws or rules related to lawful
10 gambling;

11 G. recommend to the board that it take disciplinary
12 action against a person or entity licensed under Minnesota
13 Statutes, chapter 349;

14 H. recommend to the board that it summarily suspend a
15 license pursuant to Minnesota Statutes, section 349.1641; and

16 I. initiate and recommend any other proceedings
17 necessary to ensure that violations of the laws and rules
18 related to lawful gambling are detected and addressed
19 appropriately.

20 7865.0020 SUSPENSIONS OR REVOCATIONS.

21 Subpart 1. **Grounds for suspension.** The board may suspend
22 any license issued pursuant to Minnesota Statutes, chapter 349,
23 after a contested case hearing under Minnesota Statutes, chapter
24 14, if the licensee has:

25 A. violated any law or rule adopted by the board;

26 B. made a false statement in a document or
27 application required to be submitted to the board or the
28 Department of Revenue or has made a false statement in testimony
29 before the board, or a compliance review group, or an agent of
30 the board conducting an investigation on behalf of the board;
31 and

32 C. engaged in fraud or misrepresentation in the
33 securing of a license from the board or in the conduct of lawful
34 gambling.

35 Subp. 2. **Length of suspension.** In determining the length

1 of any suspension of a license issued under Minnesota Statutes,
2 chapter 349, the board shall consider:

3 A. the severity of the conduct as indicated by the
4 potential harm to the integrity of lawful gambling;

5 B. the culpability of the violator;

6 C. the frequency of the violator's failure to comply
7 with laws or rules related to lawful gambling;

8 D. the actual harm caused to the integrity of lawful
9 gambling;

10 E. the likelihood that the violations will occur
11 again; and

12 F. the degree of the violator's cooperation during
13 the course of the investigation into its activities.

14 Subp. 3. **Grounds for revocation.** The board may revoke the
15 license of any organization, distributor, manufacturer, or bingo
16 hall owner after a hearing pursuant to Minnesota Statutes,
17 chapter 14, for what it determines to be a willful violation of
18 laws or rules related to lawful gambling.

19 The board may revoke the license of any gambling manager
20 after a hearing pursuant to Minnesota Statutes, chapter 14, for
21 any violation of laws or rules related to lawful gambling after
22 considering the factors identified in subpart 2.

23 Subp. 4. **Additional grounds.** Any grounds for denial of a
24 license are also grounds for suspension or revocation of a
25 license.

26 Subp. 5. **Compliance review groups.** In negotiating consent
27 orders containing proposed suspensions or revocations, the
28 compliance review groups shall consider the provisions of this
29 part.

30 7865.0030 FINES.

31 Subpart 1. **Imposition.** The board may impose a civil fine
32 upon any licensed organization, gambling manager, bingo hall
33 lessor, distributor, or manufacturer for violation of any
34 provision of Minnesota Statutes, sections 349.12 to 349.23, or a
35 violation of the board's rules. The civil penalty may not

1 exceed \$500 per violation.

2 In determining the amount of the fine to be imposed for a
3 violation of law or rule, the board shall consider:

4 A. the severity of the conduct as indicated by the
5 potential harm to the integrity of lawful gambling;

6 B. the culpability of the violator;

7 C. the frequency of the violator's failure to comply
8 with the law or rules;

9 D. the actual harm caused to the integrity of lawful
10 gambling; and

11 E. any other factor related to the violation that the
12 board considers crucial to its determination of the amount of
13 the fine as long as the same factors are considered with regard
14 to all violators.

15 Subp. 2. **Citation form.** The director or agents of the
16 commissioner of revenue may issue to any licensee or person
17 registered with the board a proposed fine on a citation form
18 prescribed by the board. The amount of the proposed fine must
19 be determined according to the factors listed in subpart 1. The
20 proposed fine must be paid to the board within seven days,
21 excluding Saturdays, Sundays, and holidays, of the date on which
22 the citation is issued. Failure to pay the proposed fine within
23 seven days may subject the licensee or registered person to
24 further disciplinary action by the board unless the licensee or
25 registered person appeals the citation and the proposed fine to
26 the board within the seven-day period.

27 Subp. 3. **Appeals.** An appeal of the proposed fine must
28 contain the name of the person or organization that received the
29 citation, the date on which the citation was issued, the amount
30 of the proposed fine as stated on the citation, and the specific
31 reasons why the proposed fine should not be paid.

32 Appeals of proposed fines shall be referred by the board to
33 the compliance review group for purposes of a hearing. Within
34 ten days of the receipt of an appeal, the compliance review
35 group must schedule a hearing. The licensee or registered
36 person may be represented by counsel and may present documents

1 and other relevant evidence to support its position. The
2 compliance review group must issue an order within ten days of
3 the date of the hearing, recommending to the board whether or
4 not a civil fine should be imposed.

5 If the compliance review group determines that a civil fine
6 should be imposed, the order must contain a recommendation for
7 the amount of the fine. The board must act on the
8 recommendation of the compliance review group at its next
9 regularly scheduled meeting. Within ten days of acting on the
10 matter, the board must issue an order, including findings of
11 fact and conclusions of law. The order is a final agency
12 decision.

13 Subp. 4. **Payment from gross receipts prohibited.** Money
14 used to pay a fine imposed by the board may not be paid from the
15 gross receipts of gambling.

16 Subp. 5. **Consequences of failure to correct violations.**
17 Failure to correct the violation for which the fine was imposed
18 is grounds for the suspension or revocation of a license.

19 7865.0040 STAYS.

20 Subpart 1. **Entitlement.** A licensee subjected to a board
21 order suspending or revoking its license or imposing a civil
22 fine upon it is entitled to a stay of imposition of that
23 sanction upon filing an appeal to the court of appeals unless
24 the board determines that the potential or actual harm to the
25 public and/or the integrity of lawful gambling resulting from
26 the grant of such a stay would exceed the harm to the licensee
27 from the denial of such a stay.

28 Subp. 2. **Procedure.** The following items apply to the
29 procedure for requests for stays of impositions of sanctions:

30 A. A licensee seeking a stay pursuant to subpart 1
31 must file a written request with the board. The request must
32 contain:

33 (1) a copy of the licensee's appeal to the court
34 of appeals and proof that the appeal has been filed with the
35 court of appeals;

1 (2) a brief statement describing why the harm the
2 licensee would suffer from the denial of a stay exceeds the
3 potential or actual harm to the public or the integrity of
4 lawful gambling that would result from the grant of a stay; and

5 (3) a copy of the order issued by the board
6 imposing the sanction the licensee seeks to have stayed.

7 B. Any request for a stay complying with the
8 provisions of item A must be considered by the chair of the
9 board pursuant to subpart 1. The chair shall respond to the
10 applicant in writing within five days, excluding Saturdays,
11 Sundays, and holidays, of the date the application is received
12 by the board. The response shall grant or deny the stay and
13 explain the reasons for the decision. The chair's decision
14 regarding the stay shall represent the official board response
15 to the request until the board is able to consider the request
16 pursuant to item C.

17 C. All requests for stays shall be considered by the
18 board after initial consideration and response by the chair. If
19 the chair has granted the licensee's request for the stay, the
20 board shall consider the request at its next regularly scheduled
21 meeting. If the chair has denied the request, the chair shall
22 call a special board meeting to consider the licensee's request
23 for a stay. The special meeting must be held no later than ten
24 days after the chair has issued a written response to the
25 request. When the board considers the request for a stay, it
26 shall grant or deny the stay pursuant to subpart 1 and issue a
27 written order containing its decision and the reasons for the
28 decision within five days of the date it considers the request.
29 The board's decisions constitutes a final agency action.

30 REPEALER. Minnesota Rules, parts 7860.0010; 7860.0020;
31 7860.0040; 7860.0050; 7860.0060; 7860.0070; 7860.0080;
32 7860.0090; 7860.0100; 7860.0105; 7860.0110; 7860.0120;
33 7860.0130; 7860.0140; 7860.0150; 7860.0160; 7860.0170;
34 7860.0180; 7860.0190; 7860.0200; 7860.0210; 7860.0220;
35 7860.0230; 7860.0240; 7860.0250; 7860.0260; 7860.0270;

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- 1 7860.0280; 7860.0290; 7860.0300; 7860.0310; 7860.0320;
- 2 7860.0400; 7860.0500; 7860.0600; 7860.0700; are repealed.