

1 Department of Public Safety

2

3 Adopted Permanent Rules Relating to Manufacturers and

4 Distributors of Gambling Devices

5

6 Rules as Adopted

7 7570.0010 DEFINITIONS.

8 Subpart 1. **Scope.** For purposes of this chapter, the terms  
9 in subparts 2 to 7 have the meanings given them.

10 Subp. 2. **Commissioner.** "Commissioner" means the  
11 commissioner of the Department of Public Safety or an authorized  
12 agent.

13 Subp. 3. **Director.** "Director" means the director of the  
14 gambling enforcement division of the Department of Public Safety  
15 or an authorized agent.

16 Subp. 4. **Distributor.** "Distributor" has the meaning given  
17 it in Minnesota Statutes, section 299L.01, subdivision 1,  
18 paragraph (f).

19 Subp. 5. **Manufacturer.** "Manufacturer" has the meaning  
20 given it in Minnesota Statutes, section 299L.01, subdivision 1,  
21 paragraph (e).

22 Subp. 6. **New gambling device.** "New gambling device" means  
23 a gambling device other than a used gambling device.

24 Subp. 7. **Used gambling device.** "Used gambling device"  
25 means a gambling device five or more years old from the date of  
26 manufacture.

27 7570.0020 LICENSE APPLICATION, ISSUANCE, AND RENEWAL.

28 Subpart 1. **Contents of application.** An initial or renewal  
29 license application must be on a form provided by the  
30 commissioner and must meet the requirements in items A to T.

31 A. The application must contain the name and all  
32 business addresses and telephone numbers of the applicant.

33 B. The application must indicate whether the  
34 applicant is an individual, partnership, or corporation. If the  
35 applicant is an individual, the application must list the

1 individual. If the applicant is a partnership, the application  
2 must list each general and limited partner. If the applicant is  
3 a publicly traded corporation, the application must list each  
4 director, officer, and shareholder holding a financial interest  
5 of five percent or more. If the applicant is a corporation that  
6 is not publicly traded, the application must list each director,  
7 officer, and shareholder.

8 C. The application must contain the full name, date  
9 of birth, social security number, and telephone number of each  
10 person listed under item B.

11 D. The application must contain the names and  
12 addresses of any holding corporation, subsidiary, or affiliate  
13 of the applicant, without regard to whether the holding  
14 corporation, subsidiary, or affiliate does business in Minnesota.

15 E. The application must contain a history of gambling  
16 licensure of each person, partnership, and corporation listed  
17 under item A, B, or D. The history must be of each gambling  
18 license applied for or issued by a federal, state, or local  
19 agency and must include the issuance and expiration dates of the  
20 license. If a gambling license application was denied, or a  
21 gambling license was suspended, canceled, revoked, or subject to  
22 any other **negative** licensing action other than issuance or  
23 renewal, the history must give the date and a full explanation  
24 of the basis for the ~~license~~ licensing action.

25 F. The application must contain the criminal history  
26 of each person, partnership, and corporation listed under item  
27 A, B, or D. A criminal history must include each conviction and  
28 each pending charge for a felony or for a crime involving  
29 gambling.

30 G. The application must contain the following  
31 information with respect to each person, partnership, and  
32 corporation listed under item A, B, or D:

33 (1) whether the person, partnership, or  
34 corporation has been a party in a civil proceeding and alleged  
35 to have engaged in an unfair or anticompetitive business  
36 practice, a securities violation, or false or misleading

1 advertising;

2 (2) whether the person, partnership, or  
3 corporation has been ~~accused~~ a party in an administrative or  
4 judicial proceeding ~~of alleging~~ a violation of a statute or rule  
5 relating to unfair labor practices, discrimination, or gambling;

6 (3) whether the person, partnership, or  
7 corporation has commenced an administrative or judicial action  
8 against a governmental regulator of gambling;

9 (4) whether the person, partnership, or  
10 corporation has been ~~the-subject-of~~ a party other than a  
11 creditor in a voluntary or involuntary bankruptcy proceeding;

12 (5) whether the person, partnership, or  
13 corporation has failed to satisfy any judgment, decree, or order  
14 of an administrative or judicial tribunal; or

15 (6) whether the person, partnership, or  
16 corporation has been delinquent in filing a tax report required  
17 or remitting a tax imposed by any government.

18 H. The application must contain the employment and  
19 residence history of each person listed under item B since the  
20 person was 18 years of age.

21 I. The application must indicate the class of license  
22 sought.

23 J. The application must be accompanied by the  
24 applicant's most recent financial information that shows the  
25 ownership and control of the applicant. ~~Statements-submitted-to~~  
26 ~~state-and-federal-income-tax-agencies-as-part-of~~ The most recent  
27 state and federal income tax returns are acceptable.

28 K. The application must disclose the amounts and  
29 sources of all business financing and the terms of each  
30 agreement.

31 L. The application must contain the full name and  
32 address of each person employed by the applicant in a gambling  
33 related activity on a salary or commission basis.

34 M. The application must contain the full name and  
35 address of each person who has a right to share in the profits  
36 of the applicant including assignees, landlords, or persons to

1 whom any interest or share of the profits has been pledged as  
2 security for a debt or deposited as security for the performance  
3 of any act or to secure the performance of a contract for sale.

4 N. The application must contain the full name and  
5 address of each person with an option to purchase a share of the  
6 business.

7 O. The application must be accompanied by the annual  
8 license fee set out in Minnesota Statutes, section 299L.07,  
9 subdivision 6.

10 P. The application must be accompanied by an  
11 authorization for release of personal information from each  
12 person, partnership, and corporation listed under item A, B, or  
13 D. The authorization must:

14 (1) authorize a review by and full disclosure to  
15 the director of all records concerning the person, partnership,  
16 or corporation;

17 (2) recognize that the information reviewed or  
18 disclosed may be used by the state of Minnesota, its employees,  
19 and agents to determine the applicant's qualifications for a  
20 license;

21 (3) release authorized providers and users of the  
22 information from any liability under the federal Freedom of  
23 Information Act or the Minnesota Data Practices Act; and

24 (4) contain a notarized signature by the person  
25 or by a representative of the partnership or corporation.

26 Q. If the applicant does not maintain a Minnesota  
27 office, the application must be accompanied by an irrevocable  
28 consent statement signed by the applicant stating that suits and  
29 actions relating to the subject matter of the application or  
30 acts or omissions arising from it may be commenced against the  
31 applicant in a court of competent jurisdiction in this state by  
32 service on the secretary of state of any summons, process, or  
33 pleadings authorized by the laws of this state.

34 R. The application must be accompanied by a report of  
35 all gambling devices kept under the control of the applicant in  
36 Minnesota. The contents of the report are set out in part

1 7570.0030, subpart 2.

2 S. The application must be accompanied by a completed  
3 tax information form required by the commissioner of revenue  
4 under Minnesota Statutes, section 270.72.

5 T. Each person listed under item B shall sign and  
6 date the application, verifying that the information on the  
7 application is true. The signatures must be notarized.

8 Subp. 2. Submission of application. An applicant must  
9 submit an application to the gambling enforcement division of  
10 the department. An application is not complete until it meets  
11 the requirements of subpart 1.

12 Subp. 3. Investigation of applicant's information. The  
13 director shall investigate an applicant, including the  
14 applicant's financial and business records. The applicant shall  
15 make records available to the director and shall allow the  
16 director to inspect any and all business premises of the  
17 applicant upon a request by the director.

18 ~~Subp. 4. Issuing or denying a license; basis for~~  
19 ~~determination. The commissioner shall issue a license if the~~  
20 ~~commissioner determines that the applicant will conduct the~~  
21 ~~business in a manner that will not adversely affect the public~~  
22 ~~health, welfare, and safety or be detrimental to the effective~~  
23 ~~regulation and control of gambling. The commissioner shall deny~~  
24 ~~the license application if the commissioner makes a contrary~~  
25 ~~determination. In making the determination, the commissioner~~  
26 ~~shall consider:~~

27 ~~A. whether the applicant has concealed, failed to~~  
28 ~~disclose, or otherwise attempted to mislead the commissioner~~  
29 ~~with respect to a material fact contained in the application or~~  
30 ~~in the investigation of the applicant or the material contained~~  
31 ~~in the application;~~

32 ~~B. whether the applicant has been convicted of a~~  
33 ~~felony or a crime involving gambling;~~

34 ~~C. whether the applicant has been placed in or~~  
35 ~~remains in actual or constructive custody of any federal, state,~~  
36 ~~or local law enforcement authority or court for a felony or a~~

1 ~~crime-involving-gambling;~~

2 ~~D.--whether-the-applicant-has-been-prohibited-by-any~~  
3 ~~governmental-authority-from-being-present-upon-the-premises-of~~  
4 ~~any-gambling-establishment-or-any-premises-where-pari-mutuel~~  
5 ~~wagering-is-conducted-for-any-reason-related-to-improper~~  
6 ~~gambling-activities-or-any-illegal-acts;~~

7 ~~E.--whether-the-applicant-has-had-a-gambling-license~~  
8 ~~suspended,-canceled,-revoked,-or-subject-to-any-other-negative~~  
9 ~~licensing-action-by-any-jurisdiction-based-on-a-violation-of-law~~  
10 ~~or-rule-or-a-conviction-for-a-violation-of-law-or-rule;~~

11 ~~F.--whether-the-applicant-meets-the-qualifications-for~~  
12 ~~licensure-in-Minnesota-Statutes,-section-299B.07;~~

13 ~~G.--whether-the-applicant-has-had-a-gambling-license~~  
14 ~~denied-for-other-than-technical-defects-in-the-application;~~

15 ~~H.--whether-the-application-meets-the-requirements-of~~  
16 ~~subpart-1;-and~~

17 ~~I.--whether-the-commissioner-has-been-notified-under~~  
18 ~~Minnesota-Statutes,-section-270.72,-that-the-applicant-owes-the~~  
19 ~~state-delinquent-taxes,-penalties,-or-interest.~~

20 Subp. 5. 4. Licensing year; partial refund of fee if  
21 initial license issued after June 30. The licensing year is a  
22 calendar year. A license issued under this chapter expires on  
23 December 31 of the year for which application is made. If an  
24 initial license is issued after June 30 of the year for which  
25 application is made, the commissioner shall refund one-half of  
26 the first annual fee.

27 Subp. 6. 5. Investigation fee. An applicant for an  
28 initial license must submit to the director at the time of  
29 application an investigation fee to cover the costs of the  
30 investigation authorized by Minnesota Statutes, section 299L.07,  
31 subdivision 5. The investigation fee is \$1,500 if the  
32 applicant's main business location is in Minnesota and \$5,000 if  
33 the applicant's main business location is outside of Minnesota.  
34 When the director determines that the costs of an investigation  
35 have exceeded or will likely exceed the amounts deposited under  
36 this part, the director shall send a written notice to the

1 applicant containing a reasonable estimate of the additional  
2 costs of the investigation. The applicant shall remit the  
3 estimated amount to the director within ten days of receipt of  
4 the notice. If the applicant does not remit the amount within  
5 this time, the director shall discontinue the investigation  
6 until the applicant remits the amount. The commissioner shall  
7 not issue a license to an applicant who fails to remit an  
8 investigation fee required under this subpart. Upon completion  
9 of the investigation, the director shall promptly refund to the  
10 applicant any amount by which the investigation fees submitted  
11 by the applicant exceed the actual costs of the investigation.  
12 A person who applies for a manufacturer license and a  
13 distributor license at the same time must submit only one  
14 investigation fee.

15 Subp. ~~7~~ 6. **License classes.** There are six license  
16 classes, as follows:

- 17 A. distributor of 100 or fewer used devices;  
18 B. distributor of more than 100 used devices;  
19 C. distributor of 100 or fewer new, or new and used  
20 devices;  
21 D. distributor of more than 100 new, or new and used  
22 devices;  
23 E. manufacturer of 100 or fewer new devices; and  
24 F. manufacturer of more than 100 new devices.

25 Subp. ~~8~~ 7. **Appropriate class of license required.** An  
26 appropriate class of license is required for each marketing  
27 level.

28 A. A person licensed as a distributor of 100 or fewer  
29 used devices must obtain a license to distribute more than 100  
30 used devices if the person distributes more than 100 used  
31 devices in the licensing year. The person must obtain the  
32 additional license prior to distributing more than 100 devices  
33 in the licensing year. The fees paid by the licensee for the  
34 original license shall be credited by the commissioner toward  
35 the fees owed for the additional license.

36 B. A person licensed as a distributor of 100 or fewer

1 new, or new and used devices must obtain a license to distribute  
2 more than 100 new, or new and used devices if the person  
3 distributes more than 100 new, or new and used devices in the  
4 licensing year. The person must obtain the additional license  
5 before distributing more than 100 devices in the licensing  
6 year. The fees paid by the licensee for the original license  
7 shall be credited by the commissioner toward the fees owed for  
8 the additional license.

9 C. A person licensed as a manufacturer of 100 or  
10 fewer new devices must obtain a license to manufacture more than  
11 100 new devices if the person manufactures more than 100 new  
12 devices in the licensing year. The person must obtain the  
13 additional license before manufacturing more than 100 new  
14 devices in the licensing year. The fees paid by the licensee  
15 for the original license shall be credited by the commissioner  
16 toward the fees owed for the additional license.

17 D. A person licensed to distribute used devices must  
18 obtain the appropriate license to distribute new, or new and  
19 used devices if the person distributes a new device in the  
20 licensing year. The person must obtain the additional license  
21 before distributing a new device. The fees paid by the licensee  
22 for the original license shall be credited by the commissioner  
23 toward the fees owed for the additional license.

24 E. A person licensed to manufacture devices must  
25 obtain the appropriate license to distribute devices if the  
26 person distributes a device to anyone other than a licensed  
27 distributor. A person licensed to distribute devices must  
28 obtain the appropriate license to manufacture devices if the  
29 person manufactures a device. The person must obtain the  
30 additional license before beginning the other activity. The  
31 person must pay a separate license fee for each activity.

32 Subp. 9~~7~~ 8. **Notice of change.** A licensee shall notify the  
33 commissioner of a change in any information concerning the  
34 licensee that is required to be contained in a license  
35 application. The notice must be on a form provided by the  
36 commissioner. One owner, partner, officer, director, or



1 shareholder shall sign the notice, verifying that the  
2 information on the notice is true. The signature must be  
3 notarized. The licensee shall submit the notice so that it is  
4 received by the commissioner before the change occurs, unless  
5 this is not possible, in which case, the licensee shall give  
6 notice as soon as reasonable.

7 7570.0030 RECORDS REQUIREMENTS.

8 Subpart 1. **Records kept on devices manufactured, sold, or**  
9 **distributed in Minnesota.** A licensee must keep records related  
10 to the manufacture, sale, or distribution of each gambling  
11 device that the licensee owns, sells, or distributes in  
12 Minnesota. The licensee must maintain and make these records  
13 available for the commissioner's inspection for three years  
14 after the device is sold or otherwise disposed of by the  
15 licensee. The records must be those used to prepare the reports  
16 required by subparts 2 and 3 and the records required by subpart  
17 4.

18 Subp. 2. **Report on devices stored in Minnesota.** A  
19 licensee must provide the commissioner with a report of all  
20 gambling devices kept under the licensee's control in Minnesota  
21 as of January 1, April 1, July 1, and October 1 of each year and  
22 at other times as requested by the commissioner. The licensee  
23 must submit the report so that it is received by the  
24 commissioner within 15 calendar days of the date specified. The  
25 report must contain the following information:

26 A. a complete description of the device, including  
27 name of the manufacturer, model number, serial number, type of  
28 device, and date of manufacture; and

29 B. the address of the place where the device is  
30 stored.

31 Subp. 3. **Report on devices shipped to Minnesota.** A  
32 licensee must submit a report to the commissioner when the  
33 licensee ships a device into Minnesota. The licensee must  
34 submit or mail the report before or at the time of the  
35 shipment. The report must contain the following information:

1 A. a complete description of the device, including  
2 name of the manufacturer, model number, serial number, type of  
3 device, and date of manufacture;

4 B. the full name, address, and license number of the  
5 licensee shipping the device;

6 C. the method of shipment and, where applicable, the  
7 name of the carrier;

8 D. the full name, address, and, where applicable,  
9 license number of the person to whom the device is being sent;  
10 and

11 E. the destination of the device.

12 Subp. 4. Records required of licensed distributors of used  
13 devices. A person licensed to distribute used devices may not  
14 own, possess, or distribute a device unless the licensee has  
15 records showing the the device is five or more years old.

16 7570.0040 INSPECTION OF LOCATION, RECORDS, AND DEVICES.

17 A licensee shall make the licensee's business premises,  
18 records, and gambling devices available to the commissioner for  
19 inspection during normal business hours. This part applies to  
20 locations at which the licensee conducts business, locations at  
21 which records related to the sale and shipment of gambling  
22 devices are kept, and locations at which gambling devices  
23 offered for distribution are stored. The commissioner is not  
24 required to give advance notice of an inspection.

25 ~~7570.0050-SUSPENSION-AND-REVOCATION-OF-LICENSE.~~

26 ~~Subpart 1:--Grounds-for-suspension-or-revocation:--The~~  
27 ~~commissioner-may-suspend-a-license-for-a-violation-of-law-or~~  
28 ~~rule:--The-commissioner-may-revoke-a-license-for-a-violation-of~~  
29 ~~law-or-rule-when-a-condition-applies-that-is-listed-in-Minnesota~~  
30 ~~Statutes, section 299B.07, subdivision 8, paragraph (a), clause~~  
31 ~~(1), (2), or (3):--In-making-the-determination-to-suspend-or~~  
32 ~~revoke-and-in-determining-the-penalty-or-the-length-of-the~~  
33 ~~penalty, the commissioner shall consider:~~

34 ~~A:--the-factors-in-part-7570.0020, subpart 4, for~~  
35 ~~issuance-or-denial-of-a-license-application;~~

1           B.--the-severity-of-the-conduct-as-indicated-by-the  
2 potential-harm-to-person,property,or-the-integrity-of  
3 gambling;

4           C.--the-actual-harm-to-person,property,or-the  
5 integrity-of-gambling;

6           D.--the-culpability-of-the-violator-and-the-frequency  
7 of-the-violator's-failure-to-comply-with-law-or-rule;

8           E.--any-other-factors-related-to-the-seriousness-of  
9 violations-that-the-commissioner-considers-crucial-as-long-as  
10 the-same-factors-are-considered-with-regard-to-all-violators;  
11 and

12           F.--the-number-of-factors-applicable-to-a-violation  
13 and-the-degree-to-which-each-applies.

14           Subp.-2.--Grounds-for-summary-suspension.--The-commissioner  
15 may-summarily-suspend-a-license-before-a-contested-case-hearing  
16 if-the-commissioner-determines-that-a-summary-suspension-is  
17 necessary-to-ensure-the-integrity-of-gambling.--In-making-the  
18 determination-to-summarily-suspend, the-commissioner-shall  
19 consider:

20           A.--whether-grounds-exist-for-the-revocation-of-the  
21 license;

22           B.--whether-there-is-a-significant-risk-of-irreparable  
23 harm-to-the-integrity-of-gambling-if-the-licensee-is-allowed-to  
24 continue-licensed-activities;-and

25           C.--whether-the-risk-of-harm-to-the-integrity-of  
26 gambling-outweighs-the-harm-to-the-licensee-of-discontinuing  
27 licensed-activities-during-the-pendency-of-a-hearing.

28           Subp.-3.--Procedures-for-suspension-or-revocation.--All  
29 procedures-for-revocation-or-suspension-not-set-out-or-referred  
30 to-in-this-part-are-governed-by-chapter-1400-and-Minnesota  
31 Statutes, chapters-14-and-299B.--A-summary-suspension-order-is  
32 effective-upon-service-of-the-notice-of-the-summary-suspension  
33 on-the-licensee.